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## **MODEC, Inc. Corporate Governance Guidelines**

### **Chapter 1: General Provisions**

(Purpose of these Guidelines)

Article 1. The purpose of the Guidelines is to set out the basic framework and philosophy of the Corporate Governance of MODEC, Inc. (“The Company”) and to contribute to the furtherance of the sustainable growth and corporate value of the Company and its subsidiaries (“The MODEC Group”).

(Management Philosophy)

Article 2. The MODEC Group has established the following business objectives, and strives to promote and instill throughout the MODEC Group.

<Business Objectives>

- Strive to be a company that is internationally trusted in floating production systems markets.
- Promote the stable growth of the MODEC group by optimizing the business portfolio through the diversification of business model, including the construction, lease and operation of floating production systems.
- Expand the business area and provide total solutions to our clients.
- Contribute to society as a company in offshore development markets through the corporate activities described above.

(Basic Policy for Establishment and Enhancement of Corporate Governance System)

Article 3. The Company establishes its corporate governance system in accordance with the fundamental principles of strict compliance, a focus on shareholder returns and securing business transparency. In particular, in order to secure the

transparency, the Company proactively strives to ensure prompt and accurate information disclosure.

## **Chapter 2: Securing the Rights and Equal Treatment of Shareholders**

(Securing the Rights and Equal Treatment of Shareholders)

Article 4. The Company strives to maintain an environment that enables the proactive and prompt information disclosure and smooth implementation of exercising voting rights in order to ensure the equal treatment of rights of all shareholders, including minority shareholders and non-Japanese shareholders, and to protect shareholders rights and contribute to the appropriate exercise of their rights.

(2) When the Company implements a capital policy (including share offering and management buyouts) that results in a change of control or a significant dilution, it promptly discloses the process of reviews and the purpose of implementing the capital policy with reviewing opinions of independent directors and independent external Audit & Supervisory Board Members and seeks to provide an adequate explanation to the shareholders, as necessary, at general shareholders meeting and financial results briefings or by other means.

(Procedures Concerning Transactions that may Harm the Common Interests of Shareholders)

Article 5. Any transactions involving conflict of interest and competitive transactions to be conducted by the Company's directors and executive officers are subject to the prior approval of the Board of Directors ("BOD"), and the directors who have conducted such transactions shall report the transaction to the BOD without delay.

(2) In order to supervise transactions with major shareholders properly, the Company conducts appropriate reviews of such transactions in the BOD meetings, the Management Board meetings, and other similar meetings, depending on the importance and characteristics of such transactions.

(Basic Capital Policy)

Article 6. The basic capital policy for the Company is to make investments to ensure a sustainable growth for both the enhancement of the corporate value and shareholder values, to maintain shareholders' equity at a level where risks are controlled, and to conduct business that takes ROE (Return on Equity) into

account.

(2) With regard to shareholder returns, the Company intends to prioritize the stable and continuous distribution of dividends to shareholders by comprehensively considering business results, financial condition and future business developments among others.

(Basic Policy for Cross-Shareholdings and Exercising Voting Rights Associated with Cross-Shareholdings)

Article 7. In light of the stock price fluctuation risk and from the viewpoint of enhancing asset efficiency, the Company does not conduct cross-shareholdings, except in cases where cross-shareholdings are considered necessary for the business relationship or collaboration with investment destinations.

(2) As regards exercising voting rights associated with cross-shareholdings, the Company makes individual decisions depending on the specific circumstances of each case from the viewpoint of maintaining and enhancing the corporate value of the MODEC Group, in principle.

(Countermeasures against Large-Scale Acquisitions of the Shares of the Company)

Article 8. The Company has not adopted anti-takeover measures. In case that the Company adopts anti-takeover measures, the BOD and the Audit & Supervisory Board shall examine the necessity and rationality for the adoption and implementation of anti-takeover measures in light of their fiduciary responsibility to shareholders, ensure that anti-takeover measures are not adopted on behalf of the individual interests of the management and the BOD, secure the appropriate procedures, and provide a sufficient explanation to shareholders.

(2) In case that the shares of the Company become subject to a takeover bid, the BOD shall disclose its thoughts promptly to shareholders in accordance with the applicable laws and regulations, because such a takeover bid changes the ownership structure of the Company and may affect shareholder benefits. The Company respects the rights of shareholders and does not prevent shareholders from accepting such a takeover bid, in principle.

### **Chapter 3: Relationships with Stakeholders**

(Building Strong and Effective Relationships with Stakeholders)

Article 9. Based on the recognition that cooperation with shareholders and all the other

stakeholders is indispensable for the furtherance of sustainable growth and corporate value, Chief Executive Officer (“CEO”) and managements stand at the forefront in the Company’s efforts to foster a corporate culture that respects the rights and positions of stakeholder and corporate ethics.

(Code of Conduct)

Article 10. The Company has formulated the Code of Business Conduct and Ethics as a common code of conduct for the MODEC Group for the purpose of recognizing changes in the business environment and establishing a stronger compliance system with the aim of the further growth of the Company.

(2) The code provides the ethical guidelines and expectations for conducting business on behalf of the MODEC Group. This includes the operations of the MODEC Group companies, as well as any joint venture partnerships controlled by the MODEC Group, including special purpose companies (“SPCs”) and consortia. The code applies to all employees and managements and where applicable to suppliers, vendors, contractors, dispatched workers, and other personnel of the MODEC Group.

(3) The Company strives to promote the dissemination of the code appropriately through online training and by other means. The status of implementation of the code is monitored by the Group Compliance Committee established by the BOD.

#### **Chapter 4: Ensuring Appropriate Information Disclosure and Transparency**

(Ensuring Appropriate Information Disclosure and Transparency)

Article 11. The Company recognizes that the implementation of appropriate information disclosure is one of the important management issues for obtaining the understanding of shareholders and other stakeholders. Based on this recognition, the Company discloses information considered to be important for shareholders and other stakeholders (including non-financial information) on the webpage of the Company, in reports and by various other means, in addition to disclosure in accordance with laws and regulations.

(2) The Company maintains a keen awareness of the equality of overseas investors and discloses and provides information not only in Japanese but also in English as necessary.

(3) The Company has set forth the Regulations for the Prevention of Insider Trading and endeavors to conduct the appropriate management of information

and prevent the leakage of important and undisclosed insider information.

## **Chapter 5: Corporate Governance System**

### **Section 1: Board of Directors**

(Roles and Responsibilities of the Board of Directors)

Article 12. The BOD secures management fairness and transparency through its function of supervising the Company's overall management, including the exercise of duties by officers. The BOD also makes decisions for the Company by determining the execution of important business and other matters as required by laws and regulations.

(2) Matters subject to decision-making by the BOD are set forth in Regulations for the Board of Directors, specifically and in detail. Decision-making about other matters is delegated to the managements. The segregation of duties and the authority of officers and general managers of divisions or departments are explicitly set forth in the internal rules, and are subject to review as necessary.

(3) For the furtherance of the sustainable growth and corporate value of the MODEC group, the BOD establishes mid-term business plan and reviews of the status of progress for achieving the goals in the plan and new issues arising, if any, and countermeasures as required.

(Composition of the Board of Directors)

Article 13. The basic policy for the composition of the BOD is that it is composed of a maximum of fifteen persons who are considered competent based on the balance of their knowledge, experience, capabilities, among others, related to each business, and considering diversity, including gender, international experience, work experience and age in accordance with the provisions about directors in the Articles of Incorporation of the Company.

(2) The Company aims to reinforce the monitoring and supervising functions of the BOD and increase management transparency by appointing at least one-third of members of the BOD as independent directors.

(3) In view of achieving the mid- to long-term enhancement of corporate value, independent directors have the role of stating their opinions from a broad perspective based on their knowledge and supervising the management of the Company from an independent standpoint. In meetings of the BOD to discuss the appointment or dismissal of senior managements, the BOD secures the provision of opportunities for the independent directors to state their opinions

from an independent standpoint, and ensures that their opinions are appropriately incorporated in its decisions.

(4) The BOD has established The Nomination and Remuneration Committee ("The Committee") which is a non-mandatory committee under the umbrella of the BOD. The Committee discusses matters such as the nomination and remuneration of senior managements and provides advice and suggestions to the BOD. The chairperson and the majority of the Committee should be composed of independent directors.

(Procedures for Nomination of Candidates and Election/ Dismissal for Officers)

Article 14. When nominating candidates for directors and/or the Audit & Supervisory Board Members, such candidates should be persons who have the appropriate experience, deep insight and high levels of expertise required for their responsibilities in the Company.

(2) The BOD nominates candidates after the Committee discusses the appropriateness and other aspects of candidates based on an inquiry from the BOD and provides advice and suggestions to the BOD.

(3) As regards the election and dismissal of directors, candidates are nominated by the BOD based on a comprehensive evaluation and judgement of their experience, insight, expertise, among others, in light of the management philosophy and strategy of the Company, and are appointed and dismissed by resolution of the general shareholders meeting.

(4) The Committee discusses the election and the succession plan for top managements such as CEO based on an inquiry from the BOD and provides advice and suggestions to the BOD.

(5) Candidates for corporate auditors are decided by the BOD with the consent of the Audit & Supervisory Board and are elected by resolution of the general shareholders meeting.

(6) If the qualifications set forth in the above-mentioned appointment events are not recognized, or if events such as being in office are deemed to have an adverse effect on the sound management and sustainable growth of the company, the BOD will decide on the proposal for dismissal of directors and corporate auditors, and the dismissal of senior managements. The dismissal of directors and corporate auditors shall be conducted in accordance with the laws and regulations of the Companies Act.

(The Company's Approach to Executive Remuneration and Decision Procedures)

Article 15. Remuneration for senior managements and directors is determined by comprehensively considering, in addition to their individual responsibilities and job performance, mid- to long-term business results, previous remuneration records and so forth.

(2) Remuneration for directors is determined by the BOD after the Committee reviews and discusses the policy of the remuneration system and relevant decision-making procedures and provides advices and suggestions to the BOD.

(Evaluation of the Board of Directors)

Article 16. The secretariat of the BOD undertakes surveys of each director and the Audit & Supervisory Board Member and analyzes and evaluates the effectiveness of the BOD based on the results of the surveys.

## **Section 2: Directors**

(Roles and Responsibilities of Directors)

Article 17. Recognizing their fiduciary responsibility to shareholders, directors act in the common interests of the Company and shareholders.

(2) Based on their professional knowledge and experience, independent directors supervise the execution of duties by directors, state their opinions on business policies, plans and other measures, and monitor transactions conducted by directors and senior managements to ensure that they do not involve conflict of interest.

(Limitation of Interlocking Directorates of Independent Officers)

Article 18. Independent directors and independent external Audit & Supervisory Board Members use their time and efforts as required to appropriately perform their roles and responsibilities as independent directors or independent external Audit & Supervisory Board Members, and their concurrent holding of posts outside the Company is limited to a reasonable extent. The status of interlocking directorates of independent officers is disclosed in business reports and securities reports of the Company.

## **Section 3: Audit & Supervisory Board**

(Roles and Responsibilities of the Audit & Supervisory Board)

Article 19. In light of its fiduciary responsibility to shareholders, the Audit & Supervisory Board has the authority to primarily conduct audits of the execution of duties by the directors from an independent and objective position and determine the contents of the agenda to be submitted to general shareholders meeting, including the agenda for the appointment and dismissal of independent accounting auditors.

(2) The Audit & Supervisory Board establishes the standards for the selection and evaluation of independent accounting auditors in the Auditing Standards for the Audit & Supervisory Board Members.

(3) The Audit & Supervisory Board gains an understanding of and evaluates the status of the performance of duties by the independent accounting auditors, including their independence and expertise to fulfill their responsibilities, based on the matters notified by the independent accounting auditors in accordance with the Ordinance on Company Accounting, opinion exchanges, status of implementation of audits, audit reports, and other facts.

(Composition of the Audit & Supervisory Board)

Article 20. The Audit & Supervisory Board consists of one full-time Audit & Supervisory Board Member and at least two independent external Audit & Supervisory Board Members. The independent external Audit & Supervisory Board Members fulfill their responsibilities as the Audit & Supervisory Board Members from an independent standpoint.

(2) The Audit & Supervisory Board has at least one person with appropriate expertise on finance and accounting.

#### **Section 4: The Audit & Supervisory Board Members**

(Roles and Responsibilities of the Audit & Supervisory Board Members)

Article 21. As part of the supervisory functions of the Company and as an independent body entrusted by the shareholders, the Audit & Supervisory Board Members audit the execution of duties by the directors by utilizing their independence and ability to gather information, and appropriately state their opinions at meetings of the BOD.

(2) The Audit & Supervisory Board Members secure cooperation with the independent directors to support the independent directors to enhance their ability to gather information.



## **Section 5: Independent External Directors/Corporate Auditors**

(Independence Criteria)

Article 22. The independence Criteria for External Directors/Corporate Auditors designated by the Company are as appended.

(Cooperation with Corporate Auditors)

Article 23. The Company will regularly hold meetings between Corporate Auditors and External Directors to serve as a venue in which to share general conditions and issues of management and to exchange a wide range of other opinions.

## **Section 6: Support System for Officers**

(Support System for Officers)

Article 24. In light of sustainable growth and a mid- to long-term enhancement of corporate value, the Company supports the directors and the Audit & Supervisory Board Members in their efforts to acquire and update their knowledge and skills. The Company recommends that the directors and the Audit & Supervisory Board Members attend external seminars, become members of external organizations and participate in various human networks. The Company bears the expenses of such activities upon request from the directors and the Audit & Supervisory Board Members in accordance with the internal rules.

(2) The Company provides training with the main focus on compliance with laws and regulations to newly appointed directors and the Audit & Supervisory Board Members as an opportunity for them to acquire essential knowledge and understand their roles and responsibilities.

## **Chapter 6: Dialogue with Shareholders**

(Basic Policy)

Article 25. For the furtherance of sustainable growth and corporate value, the Company strives to maintain dialogue with shareholders and other investors and reflect their opinions and requests in the management of the Company.

(System for Promoting Dialogue)

Article 26. The CEO, executive officer in charge of Accounting and Finance, and other personnel of the Company and directors including independent directors or the Audit & Supervisory Board Members, within a reasonable range based on

requests from shareholders, proactively engage in dialogue with shareholders and other IR (Investor Relations) activities to foster good interactive communication concerning the corporate strategies, business strategies, technical strategies, mid-term business plan and financial information of the Company while emphasizing fairness, accuracy and consistency.

(2) Based on the shareholder register as of the end of June and December, respectively every year, the Company identifies its shareholder composition and strives to maintain dialogue with shareholders upon assessing their situation.

(3) The Company strives to promote information disclosure through individual interviews and by holding financial results briefings for institutional investors and explanatory meetings for individual investors, using the webpage of the Company and by other means.

#### **Chapter 7: Other**

(Revision and Abolition of these Guidelines)

Article 27. The revision and abolition of these Guidelines are determined by resolution of the BOD.

## Appendix

### Criteria for the Independence of External Directors/Corporate Auditors

The Company deems External Directors/Corporate Auditors or candidates for such positions to be independent if they are judged as not falling under any of the following items as the result of the investigation conducted by the Company to the extent reasonably possible:

- (1) Executors of operations (\*1) of the Company and its subsidiaries or affiliates (hereinafter collectively “the Company Group”) or persons who have been executors of operations of the Company Group within the past 10 years (\*2);
- (2) Those who have been directors, corporate auditors or executors of operations of the Company’s current major shareholders (\*3) or its consolidated subsidiaries within the past 10 years;
- (3) Parties in which the Company directly or indirectly control 10% or more of the total voting rights or executors of operations thereof;
- (4) Major business partners of the Company Group (\*4) or their executors of operations;
- (5) Those who belong to the auditing firm that is the financial auditor of the Company or its consolidated subsidiaries;
- (6) Those who render professional services, such as consultants, attorneys, certified public accountants and the like and receive a large amount of money or other material benefits (\*5) other than executive remuneration from the Company Group (including those who belong to corporations, partnerships and the like, including consulting firms, law firms and auditing firms, which receive a large amount of money or other material benefits from the Company Group);
- (7) Executors of operations of bodies including corporations and partnerships which, or persons who, receive a large amount of donations (\*6) from the Company Group;
- (8) Executors of operations of a company that has appointed executors of operations of the Company Group as its own officers;
- (9) Those who have fallen under the definition of items (3) to (8) above within the last 3 years;
- (10) In cases where those who have fallen under the definition of items (1) to (8) above are important persons (\*7), their spouses or relatives within the second degree of kinship; and
- (11) Any other person who is likely to have a conflict of interests with general shareholders and is subject to circumstances reasonably deemed to make him/her unable to fulfill his/her duties as an independent External Director/Corporate Auditor.

(Notes)

1. “Executors of operations” refers to Executive Directors, Executive Officers, employees who execute operations or those equivalent thereto of corporations and other bodies, as well as those

who have belonged to the Company Group.

2. For an External Director who has been a director, accounting advisor (if the accounting advisor is a corporation, a member of that corporation who is in charge of the account) or corporate auditor of the Company or its consolidated subsidiaries (excluding a person who has been an Executive Director, etc.) during the 10 years prior to assuming office as External Director, such person must not have been an Executive Director, etc. of the Company or its consolidated subsidiaries for 10 years prior to assuming office as director, accounting advisor or corporate auditor.

In cases where an External Corporate Auditor has been a corporate auditor of the Company or its consolidated subsidiaries during the 10 years prior to assuming office as External Corporate Auditor, such person must not have been a director, accounting advisor, executive officer, manager or other employee of the Company or its subsidiaries for 10 years prior to assuming office as corporate auditor.

3. “Major shareholders” refers to those who directly or indirectly control 10% or more of the total voting rights in the Company as of the most recent fiscal year.
4. “Major business partners” refers to those who meet any of the following criteria.
  - 1 ) A business partner who has been provided with products, etc. by the Company Group and has made payment(s) to the Company Group equivalent to 2% or more of the Company Group’s consolidated annual sales in the most recent fiscal year.
  - 2 ) A business partner who has provided the Company Group with products, etc. and has received payment(s) from the Company Group equivalent to 2% or more of the business partner’s annual consolidated sales in the most recent fiscal year.
  - 3 ) A financial institution that has extended a loan to the Company Group, whereby the outstanding balance of the loan is 2% or more of the Company Group’s consolidated total assets as of the end of the fiscal year.
5. “A large amount of money or other material benefits” means either of the following cases: (1) In a case where the professional services are provided by an individual, a total amount of relevant material value received from the Company Group excluding remuneration as a director/corporate auditor that is ten million yen (¥10,000,000) or more in the most recent fiscal year; and (2) In a case where the professional services are provided by an entity such as a corporation or partnership, a total amount of relevant material value received from the Company Group that is either 2% or more of the consolidated net sales or total annual revenue of the relevant entity in the most recent fiscal year.
6. “A large amount of donations” refer to a donation or donations from the Company Group to a recipient in the total amount of ten million yen (¥10,000,000) or more in the most recent fiscal year.

7. “Important persons” refers to Executive Directors, Executive Officers or employees who execute important operations, such as a person in charge of a division.