

MODERN SLAVERY STATEMENT FINANCIAL YEAR 2022

This is the third Modern Slavery Statement published by MODEC, Inc. and its subsidiary entities (together referred to as 'MODEC'), including MODEC Management Services Pte Ltd having operations in Australia. It is made pursuant to, and in accordance with, the *Modern Slavery Act 2018* (Cth).

ABOUT MODERN SLAVERY

Modern Slavery is an umbrella term, describing a range of serious human rights violations including forced labour, debt bondage, human trafficking, servitude and other exploitative practices ('Modern Slavery'). By its nature Modern Slavery affects vulnerable people and is concealed by its perpetrators. Its causes are complex. Modern Slavery is a global issue that is prevalent within industries that are labour intensive, low skilled and subject to global under-regulation. It perpetuates inequality and frustrates individual and social progress.

ABOUT MODEC

MODEC is an international company spanning five continents, and for more than 50 years has been providing engineering, procurement, construction and installation ('EPCI') and operations services across a range of floating offshore oil and gas production solutions. Owning and operating its own fleet of offshore production facilities, MODEC is one of the largest independent operators of floating production storage and offloading ('FPSO') assets in the world.

MODEC Structure

MODEC, Inc. is a Japanese public company with a consolidated workforce of more than 5000 employees, listed on the Tokyo Stock Exchange under the symbol 6269. To better understand our organization structure and subsidiary entities, please refer to our website (<https://www.modec.com/about/office/>).

MODEC, Inc.'s Board of Directors ('Board') is responsible for the performance of the MODEC group of companies; guiding its operations and strategy. This includes approving MODEC's values ('Values') and monitoring its culture and compliance to ensure it upholds its Code of Business Conduct and Ethics ('CODE'). The Board is supported by a Group Compliance Committee, and a Management Board led by the CEO, assisted by an Environment, Health and Safety Committee. The Board and MODEC's management are committed to maintaining and reinforcing a culture of strong corporate governance, which promote its business objectives including adherence to its Values and CODE.

MODEC Operations

MODEC's operations focus on EPCI and sales of floating offshore oil and gas production facilities, primarily FPSOs, floating storage and offloading systems ('FSO') and tension leg platforms ('TLP') to energy company clients. MODEC also leases and charts floating production facilities and provides associated operations and maintenance services, plus after-sale services encompassing provision of parts and engineering support services. Aside from our headquarters in Japan, MODEC has operations in Australia, New Zealand, Singapore, Vietnam, the US, Brazil, Mexico, West Africa, plus others.

MODEC Supply Chain

As a large international construction and offshore services company to the offshore oil and gas industry, MODEC's direct supply chain generally comprises:

- construction and fabrication services;
- engineering and technical services;
- marine and specialist topsides process equipment;
- marine logistics and transportation services;
- maintenance spares and services;
- electrical and electronic equipment; and
- labour, consultant and corporate services.

MODERN SLAVERY RISKS IN OUR OPERATIONS AND SUPPLY CHAIN

MODEC's CODE describes our values and provides a framework through which these are to be upheld across our operations. MODEC's CODE endorses our absolute commitment to upholding human rights; our respect of all internationally recognised human rights principles as established in the United Nations Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact, to which MODEC is a signatory. Together with MODEC's Human Rights Policy and Corporate Social Responsibility Policy, our CODE prohibits violations of human rights, including opposing all forms of forced labour, child labour, human trafficking and all other forms of Modern Slavery, within our own company and across our operations and also within our supply chain. All MODEC employees and contractors are subject to mandatory and comprehensive induction training regarding our CODE, reinforced on an annual basis.

For more than 50 years MODEC has safely and sustainably conducted its business as it has grown to become one of the world's leading providers of offshore oil and gas production services. In doing so, MODEC is committed to conducting our business in:

- accordance with the highest standards of ethics, integrity and corporate governance practices underscored by MODEC's values, which include respect for human rights, openness, honesty, and safety in all we do;
- an economically, socially and environmentally sustainable manner that is transparent and ethical;
- compliance with all applicable laws and regulations, including all applicable labour, employment, immigration and whistleblower laws;
- support of diversity and inclusion; and
- the spirit that all human beings are born free and are equal in dignity and rights and believes that MODEC employees should act towards one another in a spirit of fellowship. As part of this commitment, MODEC does not employ underage workers or forced labour (involuntary labour or any kind including prison labour, debt bondage, or forced labour by the government) and will not knowingly partner with a supplier, third party or business partner that illegally or improperly employs underage workers or forced labour.

MODEC routinely undertakes internal audits to assure the effectiveness of, and compliance with, our policies. Further, MODEC encourages its work force to report any potential concerns via our Ethics Hotline whereby members of the MODEC community can anonymously report suspected deviations from our policies including any human rights violations. The system is independently operated and available 24 hours a day, 365 days a year.

MODEC considers its potential to cause or contribute to incidents of Modern Slavery within our own operations to be low.

However, MODEC's international supply chain is highly complex and, in some instances, includes several levels of suppliers and subcontractors. Consequently, MODEC recognises that its supply chain necessarily extends to sectors and countries vulnerable to Modern Slavery; including out-sourced services such as construction and fabrication, labour hire, cleaning and catering. In 2019, MODEC engaged external specialist expertise to help us assess Modern Slavery risks in the supply chains of a number of current EPCI contracts. Modern Slavery risks within our supply chain are mapped using geographical and supply characteristics including:

- the vulnerability to Modern Slavery of the relevant supply country;
- whether the relevant supply (either manufacture of products or provision of services) is labour intensive;
- the skill level of the supplier workforce; and
- any relevant knowledge of supplier work force treatment.

These factors, amongst others, are used to characterise the risk to people associated with a specific supplier, which is then calibrated against the proximity of the risk to MODEC and our ability to influence supplier behaviour. The risk proximity is determined using the magnitude of MODEC's commercial relationship with the supplier, whether the supply is exclusive to MODEC and the physical proximity of the supplier to MODEC.

ACTIONS TAKEN TO ASSESS AND ADDRESS RISKS IN 2022

Financial Year ('FY') 2022 has been a busy and challenging one for the MODEC Group; including delivering a number of new-build FPSO EPCI projects amongst a record high order book, whilst continuing to be impacted by the COVID-19 pandemic. Notwithstanding, MODEC continued to implement our planned actions to address Modern Slavery risks during this period.

Over the past twelve months MODEC achieved the following in response to the risk of Modern Slavery:

- continued its partnership with an external ethical trade consultant specialising in supply chain human rights policy and practices to support our human rights audit and improvement processes;
- continued to implement recommendations and pursue corrective actions resulting from initial human rights and modern slavery focused audits on three key Asian based shipyard and fabrication subcontractors ('Key Subcontractors'), including:
 - a. establishment of a human rights project teams comprising representatives from MODEC, our Key Subcontractors and our independent ethical trade consultant;
 - b. regular on-site skill sharing and knowledge transfer workshops with subcontractor management;
 - c. clear identification of improvement and corrective actions required from both key subcontractors and their subcontractors and suppliers; and
 - d. verification of progress against such identified corrective actions by both key subcontractors and tier two subcontractors and suppliers via regular progress audits; and
- MODEC Ethics Hotline profile raising as a confidential avenue for anyone interacting with our business and operations to report any human rights concerns within both our, and our supply chain, operations.

These joint activities have produced genuine improved outcomes in subcontractor worker livelihoods, such as:

- a. subcontractor development and implementation of management systems, including codes of conduct and policies, relevant to upholding human rights;
- b. worker code of conduct and policy awareness and education training rolled out to over 6500 low skilled workers accompanied by retention of training records;
- c. addition of such material to all worker inductions at site;
- d. adoption of more rigorous worker entry to site control to assure worker site registration and training;
- e. implementation of subcontractor policies prohibiting withholding of wages;
- f. improvements to hygiene and conditions within worker accommodation; and
- g. strengthened contractual terms and conditions introduced to tier two subcontracts.

EFFECTIVENESS ASSESSMENT

The above advances in the welfare of workers involved in our EPCI projects, based upon relationships of trust and mutual benefit with our Key Subcontractors, have been independently observed across our Key Subcontractor controlled work sites.

MODEC believe that our investment in relationships with our Key Subcontractors, and willingness to work alongside our supply chain to educate and support change through trust, is building the foundations necessary to affect long term changes in subcontractor behaviour and thus, worker welfare.

MODEC aim to reinforce these improvements with similar continued efforts in FY 2023 and commence the development of a MODEC Group Modern Slavery risk management procedure for uniform use.

CONSULTING WITH OWNED OR CONTROLLED ENTITIES

MODEC operates as an integrated Group of companies with overarching policies, processes and systems that are designed to ensure consistency throughout all our operations. Accordingly, consultation across the list of entities owned or controlled by MODEC, Inc., has occurred naturally. Further, all MODEC entities operate under the direction and governance of the Board, who have been consulted and informed of the reporting requirements of the Modern Slavery Act via the MODEC Group Compliance and Ethics Committee.

This statement is approved and endorsed by the MODEC Board on 15 June 2023.



Kanamori Takeshi
Representative Director,
President & CEO (Chief Executive Officer) of MODEC Inc.