Obayashi Corporation Statement on Modern Slavery and Human Trafficking (FY 2021.3)

Obayashi Corporation (hereafter, the “Company”) is releasing the following statement about initiatives to prevent slavery and human trafficking in the Obayashi Group (hereafter, the “Group”) and in our supply chain in FY 2021.3 (April 1, 2020 to March 31, 2021), based on Chapter 6, Section 54 of the UK Government’s Modern Slavery Act 2015 and Modern Slavery Act 2018 of Australia.

“Slavery” and “human trafficking” are defined in both Acts, however, because the definitions may differ depending on local circumstances, we are disclosing our initiatives in preventing all forms of modern slavery and compliance with related laws and regulations and international norms in this statement.

1. Obayashi Group Business and Structure

Obayashi is a general construction contractor that was founded in 1892 and has its head office in Tokyo. We have 97 subsidiaries, 25 affiliated companies, and 15,267 employees at the consolidated level (as of March 31, 2021). We operate a construction business, real estate development business, and businesses in new areas such as renewable energy, PPP, etc. in 16 countries worldwide, mainly in Japan, North America, and Asia.

The Group operates its business in the following countries and regions:
U.S., Canada, Singapore, Malaysia, Thailand, Myanmar, Indonesia, Vietnam, Cambodia, Taiwan, Bangladesh, UK, United Arab Emirates, Qatar, New Zealand, and Australia

Obayashi has a Europe Office and a local subsidiary named OBAYASHI PROPERTIES UK Limited (established in June 2020) in London, in the UK, which operates a real estate rental and development business mainly focusing on office buildings. We have an Australia Office in Sydney, Australia, which operates a construction business. The Group’s total consolidated net sales were 1.7 trillion yen as of March 31, 2021. The UK and Australia account for roughly 0.06% and 0.33% of total consolidated net sales, respectively. The total number of Group employees at the consolidated level include 3 employees in the UK and 5 employees in Australia.

See the following website link for a profile of Obayashi and its businesses.
Company profile: https://www.obayashi.co.jp/en/company/
Office locations: https://www.obayashi.co.jp/en/company/group.html
2. **Overview of the Supply Chain**

The Group recognizes all business partners involved in the supply chains for the Group’s business as suppliers, and regards them as one of its important stakeholders. Suppliers for the construction business, the main business of the Group, are divided into two main categories: Labor subcontractors and suppliers of materials and equipment. We have an organization in Japan called the Obayashi Rin-yu-kai, which consists of approximately 1,100 main suppliers. The value of transactions with members of the Obayashi Rin-yu-kai accounted for 43% of all supplier transactions with the Company in the construction business in Japan, in FY 2021.

3. **Group Corporate Policies**

3-1. **Basic Principles**

The “Obayashi Basic Principles,” which consist of the Obayashi Philosophy, Obayashi Code of Conduct, and Obayashi Three Pledges, specify contributing to the realization of a sustainable society, and these principles are shared with and implemented by all officers and employees in the Group. We believe that practicing our basic principles is the very essence of conducting our corporate activities. Based on this belief, we have clearly specified our social mission and responsibilities and are implementing many sustainability-related initiatives aimed at fulfilling CSR (corporate social responsibility) so that we will continue to be a company that is trusted by all of our stakeholders.

We have positioned respect for human rights as an important issue in fulfilling our corporate social responsibilities. The Obayashi Philosophy states that we “value each person with a stake in our business.” The Obayashi Code of Conduct specifies the guidelines for putting the Corporate Philosophy into practice: “Value every one of our associates,” “Build stronger mutual trust with suppliers,” “Build good relationships with communities,” and “Ensure strict adherence to corporate ethics.”

See the following website link for further information on the Obayashi Basic Principles.

3-2. **Human Rights Policy**

The Group has set forth the “Obayashi Group Human Rights Policy” in accordance with the Universal Declaration of Human Rights. We support the ILO International Labor Standards and other international norms, and have specified the policy of respecting the human rights of all officers and employees and all people associated with our business.

See the following website link for further information on the Obayashi Statement on Human Rights.
https://www.obayashi.co.jp/en/sustainability/employee.html#section1
3-3. **Obayashi Health and Safety Principles and Policies**

The Group has set forth the “Obayashi Health and Safety Principles and Policies” based on its belief that ensuring the safety and health of all workers at construction sites, in its main construction business, is of the utmost importance.

See the following website link for further information on the Obayashi Health and Safety Policies.
https://www.obayashi.co.jp/en/sustainability/safeenv.html#section1

3-4. **Obayashi Group CSR Procurement Policy**

The Group established the Obayashi Group CSR Procurement Policy to specify the actions aimed at realizing a sustainable society described in the Obayashi Basic Principles. It includes compliance with laws and regulations, respect for human rights, assurance of safety and health, ensuring quality, and consideration for the environment. The Basic Policy on CSR Procurement Initiatives specifies items that Obayashi Group officers and employees need to comply with in promoting CSR procurement.

The CSR Procurement Guidelines prescribe items that the Obayashi Group expects its suppliers to implement and to make sure that everyone in the suppliers’ own supply chains understand, in line with the Basic Policy on CSR Procurement Initiatives. Specific guidelines state that suppliers will “not discriminate . . . nor engage in harassment, or other activities that infringe upon human rights,” “not engage in or permit misconduct such as the use of forced labor or child labor,” “ensure equal employment opportunity, practice appropriate labor management, pay appropriate wages, and maintain and improve working environments so they are healthy and easy to work in,” “guarantee freedom of association and collective bargaining rights for employees,” “strive to understand and cooperate with the human rights due diligence performed by Obayashi Group companies,” etc.

See the following website link for further information on the Obayashi Group CSR Procurement Policy and CSR Procurement Guidelines:
Obayashi Group CSR Procurement:
Obayashi Group CSR Procurement Guidelines:
https://www.obayashi.co.jp/en/sustainability/suppliers/csr_PROCUREMENT.html#section2

3-5. **Participation in the United Nations Global Compact**

The Group has been a signatory to the United Nations Global Compact since 2013. As a member of the Compact, we respect human rights and support the complete prohibition of forced labor and child labor in all forms, based on the principles of the Global Compact.
4. Obayashi Group Initiatives

4-1. Due Diligence on Slavery and Human Trafficking in the Business and Supply Chain

The Group has begun conducting due diligence on human rights. In order to ensure the effectiveness of human rights due diligence, we have appointed the officer in charge of the Corporate Strategy Division as the chief person responsible for implementation and established a working group for human rights due diligence and supply chain management that includes cross-departmental personnel from relevant departments such as the Human Resources and Procurement, with personnel from the ESG & SDGs Department playing a central role.

The procedure for conducting human rights due diligence followed by the Group thus far is described below.

1) Divided the business and supply chain into the Group's main businesses of the construction business, the real estate development business, and businesses in new areas, mainly the renewable energy business, and identified the risks of each stakeholder.

2) Consulted the reports by the governments and NGOs of each country and obtained the advice of an expert, then evaluated the risks identified.

3) Specified the human rights issues to be prioritized and addressed.

The main human rights issues of stakeholders are as follows:

(1) Child labor
(2) Forced labor and human trafficking
(3) Reasonable consideration of people who are subject to discrimination or are in a vulnerable position
(4) Harassment
(5) Poor work and living environments
(6) Establishment of appropriate labor conditions
(7) Ensuring building and structure safety
(8) Infringement of the lives and health of local residents
(9) Infringement of privacy rights

The human rights issues related to modern slavery and human trafficking out of those listed above are (1) through (6).

4) We interviewed the corporate divisions, departments, and personnel responsible in our company to ascertain the actual state of the specified human rights issues to be prioritized ((1) through (9), above). These interviews revealed that the Group does not employ workers of an age considered to be child labor in Japan or foreign technical
trainees based on Japanese laws, and there is little risk of modern slavery. However, we still need to continue investigations into the risk of human trafficking of foreign technical trainees under Japanese law, forced labor, child labor, and other types of labor that could potentially be considered modern slavery in regard to workers employed by suppliers to the Group.

We will continue to consider measures to mitigate and prevent negative impacts on human rights and implement concrete initiatives.

4-2. Occupational Safety Initiatives

Obayashi Central Health and Safety Committee chaired by the president was established for appropriate work environments. The committee meets at least twice a year to discuss and consider basic matters concerning health and safety, such as preventing occupational accidents, preventing impairment of health, and maintaining and improving health.

We operate Obayashi’s Occupational Health and Safety Management System, which has systematized methods of safety management in order to ensure implementation of the following Health and Safety Principles and Policies in all our construction sites in Japan.

Health and Safety Principles

Ensure the health and safety of all workers at construction sites and create comfortable workplace environments.

Health and Safety Policies

(1) Comply with the Industrial Safety and Health Act, other relevant laws, and Obayashi Corporation’s internal rules.

(2) Appropriately implement and use Obayashi’s Occupational Health and Safety Management System.

(3) Help improve independent health and safety management efforts of suppliers.

Obayashi’s Occupational Health and Safety Management System helps each organization clearly delineate its own Health and Safety Policy. The system manages the operational structure, plan formulation, and procedures for the entire cycle, from implementation to achievement, revision, and maintenance. The Company specifies policies and goals and operates the PDCA cycle, monitoring regularly, with the goal of achieving continuous improvement.

Safety patrols at construction sites include daily patrols by our employees and subcontractors working at the site, as well as for construction sites with a large number
of workers and large construction sites under the instructions of the health and safety officers of head office and branches, which is held at each site at least once a month. We have set KPIs for “improving health and safety management skills and providing better education” and “promoting creation of an environment that takes health into consideration.” These are important factors to prevent poor working environments that lead to modern slavery. The KPIs assess the degree of achievement of the evaluation items specified in the Occupational Health and Safety Management System. The result for FY 2021.3 was 85.3% and we aim to achieve 90% these KPIs by FY 2022.3.

We will continue safety and health training for our employees and support the education of suppliers in order to prevent occupational accidents, raise awareness of safety and health, and deepen understanding of safety-related laws and regulations.

See the following website link for further information on Obayashi’s Occupational Health and Safety Management System: 
https://www.obayashi.co.jp/en/sustainability/safeenv.html#section2

4-3. Initiatives in Preventing Long Working Hours
The Group has formulated a workstyle reform action plan and is implementing the following initiatives to reduce total working hours by FY 2025.3, the target year for application of the maximum limit on overtime work under the revised Labor Standards Act of Japan.
- Thorough and appropriate attendance management
- Use of ICT technology to improve work efficiency
- Reduction in overtime hours worked
- Leveling of work during busy periods

4-4. Supply Chain Management
The Group emphasizes building stronger mutual trust with suppliers in the Obayashi Code of Conduct. We recognize that initiatives encompassing the entire supply chain are essential to achieve this. To ensure that suppliers comply with the Obayashi Group CSR Procurement Guidelines, we have incorporated the main actions of compliance with laws and regulations, respect for human rights, assurance of safety and health, ensuring quality, and others into contract provisions and confirm compliance when concluding contracts with suppliers.

In the construction work the Company accepts contracts for in Japan, we confirm the required facts (gender, age, whether someone is a migrant worker, years of experience, health status, and other factors that must be considered for occupational safety) in
advance for all people who will be involved in construction work. The people at high risk of having their human rights violated are thereby specified, such as minors employed within the scope permitted by law, women, people of advanced age, and migrant workers including foreign technical trainees under Japanese laws. This information is shared among relevant employees and preventive measures are implemented, such as considering work assignments and restricting performance of hazardous work. All workers at construction sites must also undergo mandatory advance training on the laws and regulations of the country, laws and regulations pertaining to safety, and international standards. Some of the documents related to occupational safety have been translated into the native languages of the migrant workers. We also confirm that the quality of materials and equipment procured from suppliers complies with the laws and regulations and meets international and other standards.

We regularly monitor the soundness of Obayashi Rin-yu-kai member companies. Each year, the Group sends the members of the Obayashi Rin-yu-kai the Guidelines to make sure that all suppliers understand CSR procurement in the Obayashi Group and surveys the extent to which this understanding has permeated the suppliers. The survey response rate in FY 2021.3 was 96%, and we have set a response rate of 100% as the KPI for FY 2022.3. We will continue to educate suppliers to further improve their understanding in the future.

See the following website link for further information on the Obayashi Group ESG materialities and KPIs: https://www.obayashi.co.jp/en/sustainability/upload/img/sg_02-01.svg

4-5. Initiatives Relating to COVID-19

In Japan, The Group outlined the Basic Plan of Action to Prevent the Spread of the Novel Coronavirus to implement thorough COVID-19 preventive measures. We informed all officers and employees and are actively recommending staggered working hours and telecommuting. We are also communicating information on practical response methods to all Group officers and employees on the corporate website and are working to educate everyone and make sure they understand these to prevent infection.

The Company is taking steps to prevent infection for all who work at construction sites in on construction work that we are contracted to perform. We formulated the Guidelines for Actions to Prevent the Spread of the Novel Coronavirus at Construction Sites and distributed masks, liquid disinfectant, and other preventive supplies in addition to establishing a structure to prevent infection and making sure that everyone understands the specific measures. We are paying stand-by costs and taking other steps to support
management and employment of suppliers working at construction sites where
coloration was temporarily suspended under the declaration of the state of emergency
issued by the Japanese government in April 2020.

4-6. Establishment of the Consultation Desk

The Group established the Corporate Ethics Consultation and Reporting System. Any
officer, employee, or supplier of the Group can report illegal or suspicious acts through
this system and can raise various issues concerning human rights. All officers, employees,
and suppliers are made aware of the system. In addition to the internal desk, which is a
direct line to the Corporate Ethics Committee and the Audit & Supervisory Board, an
external desk to a law firm has been established and routine reporting is possible by
telephone, email, postal mail, or through other options. When a report is received,
protection for the person reporting and make sure that he or she is not subjected to
disadvantageous treatment, and an investigation is initiated immediately.

Moreover, internal and external consultation desks specifically for harassment have been
established (internally, at all main offices, including the North American and Asia-Pacific
Regional Headquarters; externally, in Japan and overseas), along with an external
consultation desk specifically for job seekers. These desks accept consultation requests
from anyone in Japan or overseas, including job seekers and other third parties in addition
to officers, employees, and suppliers of the Obayashi Group. People seeking consultation
may do so by telephone, email, postal mail or through other options. When consultation
is requested, protection for the person seeking consultation is provided to make sure that
he or she is not subjected to disadvantageous treatment, and an investigation is begun
immediately.

If issues of modern slavery are reported to any of the consultation desks, such reports are
handled according to the rules for desk response.

See the following website link for further information on the Obayashi Group Corporate Ethics Reporting System:

4-7. Promoting Awareness of Human Rights

The Group concentrates on raising awareness of human rights among its officers and
employees. We have established the Human Rights Awareness Promotion Committee,
which is chaired by the executive officer in charge of personnel. This committee prevents
infringement of human rights, ascertains human rights issues, and resolves such issues.
It also promotes initiatives aimed at increasing awareness of human rights.
For harassment, specifically, the Sexual Harassment Prevention Guidelines and the Maternity Harassment Prevention Guidelines were integrated to formulate the Harassment Prevention Guidelines. We are working to prevent harassment by communicating the corporate policy on harassment, defining each type of harassment, and providing information on the specific response when a harassment incident occurs to all officers and employees.

The Company conducted interviews for due diligence in FY 2021.3, and had an external expert provide training on the human rights risks and other risks being focused on globally to personnel responsible in the divisions and departments interviewed.

See the following website link for further information on Group initiatives on human rights.
https://www.obayashi.co.jp/en/sustainability/employee.html#section1

4-8. Compliance Training

The Group has established the Corporate Ethics Committee, which is chaired by the president. This committee works to ensure compliance and maintenance of corporate ethics. As one of these initiatives, the committee has mandated that all officers and employees undergo compliance training every year. This training provides an opportunity to make officers and employees aware of their own actions from a corporate ethics perspective. Additionally, this is intended to enable them to root out illegal conduct and corporate ethics violations in the Company and its supply chain.

For corporate ethics training KPI, we have set our goal for employees taking the training by FY 2022.3 as 100%, and we have achieved 100% in FY 2021.3. We will continue to provide compliance education.

See the following website link for further information on the Obayashi Corporate Ethics program.

4-9. Effectiveness

Individual initiatives are discussed, reviewed, and evaluated once a year by the CSR Committee chaired by the president.

5. Cooperation with domestic, overseas, and Group Companies

We formulated operating rules on management through alliances between each company and the managing department and business division at headquarters from FY 2020.3. Such operating rules not only apply to the Company itself, but also the businesses of Group companies in Japan and overseas. The local office and local subsidiary of the UK business and the local office of the Australian business covered by this Statement continually share information between the local office and the managing department and
business division at headquarters in Japan. They strive to form timely, appropriate alliances with a wide range of individual Group companies through our networks in Japan and overseas, in addition to alliances with Obayashi, when necessary.

In addition to sharing management policies and goals, the Company also works to strengthen alliances between Group companies by having top management from Group companies in Japan and overseas participate in the regularly scheduled executive officers’ meetings along with the executive officers. We are also working to strengthen the network between locations through regular business reporting meetings and liaison meetings held by Group companies in each overseas region, mainly in our North American Regional Headquarters and the Asia-Pacific Regional Headquarters.

At the executive officers’ meetings, we also arrange some opportunities for undergoing harassment prevention training, and the importance of respecting human rights is also explained. Moreover, those responsible for human resources at the main Group companies in Japan have also begun participating in the Company’s Human Rights Awareness Promotion Committee to share human rights issues and launch joint initiatives aimed at preventing human rights violations.

In the future, specified human rights issues will be widely shared with Group companies in Japan and overseas and the initiatives aimed at improving awareness of human rights that were previously handled mainly by the Human Rights Awareness Promotion Committee will be implemented in Group companies according to the nature of the individual business and regional characteristics.

This statement has been approved by Board of Directors of Obayashi Corporation on September 2, 2021.

September 2, 2021

Kenji Hashua
Representative Director
President
Obayashi Corporation