

Karoon Energy Ltd

2022 Modern Slavery Statement

23 November, 2022



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A MESSAGE FROM OUR CHAIRMAN



On behalf of the Board of Karoon Energy Ltd, I am pleased to provide this, our 2022 Modern Slavery Statement. This is Karoon's second Modern Slavery Statement and our first covering a full year of operations as an oil producer.

In a period marked by the ongoing global impacts of Covid-19, the 2022 financial year saw Karoon continue to focus on both our own operations and engaging with our major suppliers as we aim to ensure that there is no modern slavery throughout our business.

The health and safety of our employees and all workers at Karoon's sites is our priority. With our operations located in Brazil, a country particularly hard hit by the Covid-19 pandemic, Karoon has had strict Covid-19 protocols in place to protect all personnel working at our facilities.

While there were cases of Covid-19 recorded during FY2022, none of those required hospitalisation and there were no interruptions to our operations. Great care was taken to ensure the extra quarantine and testing requirements necessary to facilitate these outcomes were provided with consideration of workers' physical and mental health, recognising the toll that additional time in isolation can have on overall wellbeing.

It is estimated that there are now around 49.6 million people living in modern slavery across the world; 27.6 million in forced labour and 22 million in forced marriage.²

Karoon remains fixed in our aim to ensure there is no modern slavery in our own operations, and throughout our supply chain.

This Modern Slavery Statement provides details of the progress we have made in implementing our procedures to identify and mitigate modern slavery risks in our business and our commitment to continue to engage with our suppliers to ensure we continue to provide safe, reliable and responsible operations.

This Modern Slavery Statement was approved by the Board of Karoon Energy Ltd on 23 November 2022 and is signed by our Chairman and CEO & Managing Director on behalf of all Karoon reporting entities.

.....
Mr. Bruce Phillips
Chairman
Karoon Energy Ltd

.....
Dr. Julian Fowles
CEO & Managing Director
Karoon Energy Ltd

Karoon does not tolerate modern slavery in any form in any of our operations or in our supply chain.

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1. <https://modernslaverypec.org/resources/covid-modern-slavery>

2. Global Estimates of Modern Slavery (2022) https://cdn.walkfree.org/content/uploads/2022/09/12142341/GEMS-2022_Report_EN_V8.pdf

About modern slavery



➤ WHAT IS MODERN SLAVERY?

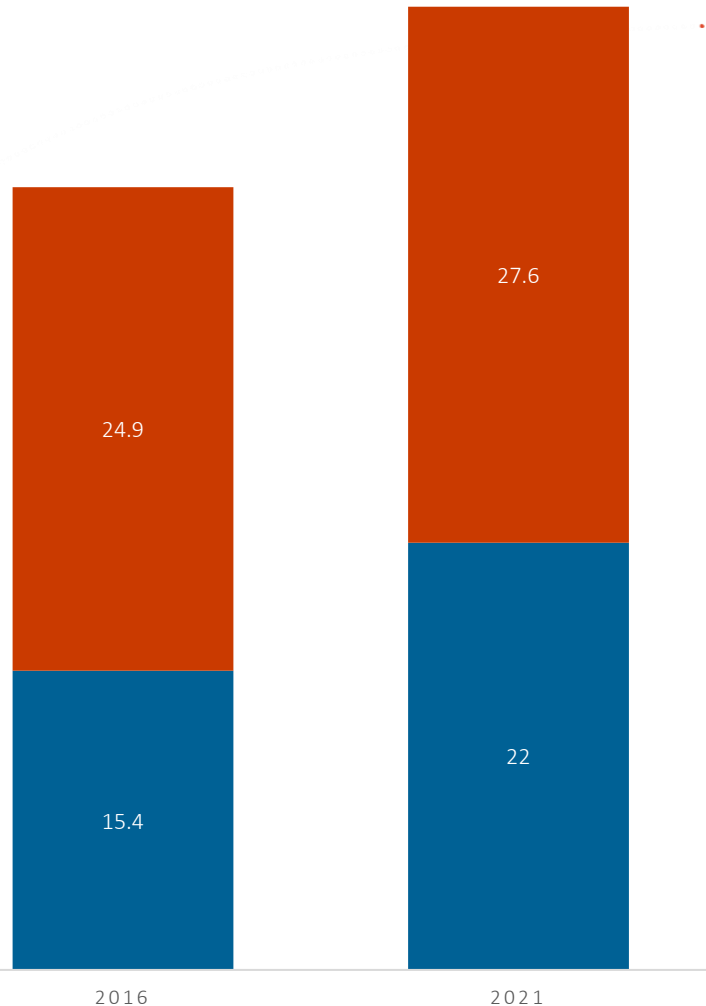
Modern slavery describes situations where offenders use coercion, threats or deception to exploit victims and undermine their freedom.

Practices that constitute modern slavery can include¹:

- Human trafficking
- Slavery
- Servitude
- Forced labour
- Debt bondage
- Forced marriage, and
- The worst forms of child labour.

SIGNIFICANT RISE IN MODERN SLAVERY IN 5 YEARS

■ Forced marriage ■ Forced labour



➤ GLOBAL MODERN SLAVERY IN FY2022¹

The 2021 Global Estimates report indicates that there are 49.6 million people living in situations of modern slavery on any given day, either forced to work against their will or in a marriage that they were forced into.

Forced labour accounts for 27.6 million of those in modern slavery and forced marriage for 22 million, or nearly one of every 150 people in the world.

Sadly, these statistics have worsened since the 2016 Global Estimates report, with an additional 10 million people estimated to be living in situations of modern slavery over the five year period from 2016-2021.

The Covid-19 pandemic had a detrimental impact on modern slavery, leaving victims isolated and unable to access support and impacting the ability of responsible corporations to undertake full due diligence procedures aimed at identifying and preventing modern slavery.

While governments are principally responsible for driving change to prevent modern slavery, it is critical that companies such as Karoon encourage and support this change through efforts to eliminate any modern slavery identified in our own operations and supply chains.

1. [Global Estimates Of Modern Slavery 2022 | Walk Free](#)



OUR COMMITMENT

Karooon does not tolerate any form of modern slavery within our operations or supply chain.

We will continue to extend and refine our processes to identify and investigate any potential modern slavery issues.

Where needed Karooon will work with suppliers to mitigate modern slavery risks.

Our business

FY2022 HIGHLIGHTS



Total Production 4.64MMBBL

TRIR – 0.77
PER 200,000 HOURS

0
Covid-19 fatalities
or hospitalisations





WHO WE ARE

Karoon Energy Ltd is an ASX listed oil company. We are headquartered in Melbourne, Australia, with operations in Brazil through our subsidiary Karoon Petr leo & Gas Ltda. (together ‘Karoon’).

Our Brazilian assets, all 100% owned by Karoon, are located in the Santos Basin and comprise:

- the Ba na producing oil field;
- the Neon and Goi  development blocks; and
- the Clorita exploration block.

Karoon has now withdrawn from the Australian and Peruvian assets that were in our FY2021 portfolio.

Head office -
Melbourne

Ba na oil field - 100%
operated interest

One Santos Basin exploration
block
Two blocks with oil discoveries



WHAT WE DO

Prior to 2020 Karoon was primarily an exploration company, while Clorita is now our only remaining exploration block.

In 2015 we made an oil discovery at our Neon and Goiás blocks. We are planning to drill up to two wells in the Neon block in FY2023 to further de-risk the oil discovery with the aim of potentially bringing it into development within the next five years.

In 2020 we purchased the Baúna producing field from Petrobras and Karoon is now operating as a successful oil production company. The Baúna operations consist of 10 sub-sea wells, flowing through sea-bed flowlines to a floating production, storage and offloading facility (FPSO). The FPSO is owned and operated by Altera&Ocyan and is leased back to Karoon. Operations run 24 hours a day with separate crews working on a two week on/two week off basis. During FY2022 we commenced an intervention campaign at Baúna using the Maersk Developer drilling rig, which also operates 24 hours per day.



OUR STANDARDS AND EXPECTATIONS

Karooon has a strong commitment to supporting human rights throughout the Company, in its operations and supply chains. Karoon recognises the Universal Declaration of Human Rights and sets clear expectations for responsible business practice from all employees through our Code of Conduct and Sustainability Policy, both of which are available on our website, with our other supporting policies and procedures.

<https://www.karoonenergy.com.au/governance/#corporate-policies>



OVERSIGHT OF MODERN SLAVERY RISK AT THE HIGHEST LEVEL

Oversight of Karoon's social responsibility commitments and performance rests with the Sustainability and Operational Risk Committee (SORC) of the Karoon Board.

The Board reviews Karoon's Risk Tolerance Statement annually and regularly reviews the effectiveness of Karoon's risk management framework, including our Risk Management Policy and our Risk Matrix.

Karoon's operational and corporate risk management teams are responsible for identifying and managing risks within our business and supply chains. These risks and their mitigation measures are recorded in the Karoon risk registers which are reported to and monitored by the Board through the SORC and the Audit and Risk Committee (ARC).



HOW WE OPERATE

Karoon is committed to the health and safety of our people and those working in our supply chains.

Our total number of employees increased over FY2022 to 109:

Total employee increase of 47%	Increase in Brazil of 53%	Proportion of females 46%
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Our operations are primarily staffed by contractor employees, most of whom are Brazilian nationals.

In May 2022 Karoon commenced an intervention campaign on our Baúna field using the Maersk Developer drilling rig. This was the first operating campaign in Brazil for Maersk Drilling.

Karoon works closely with our contractors to ensure operations are conducted with a focus on health and safety.



➤ OUR SUPPLY CHAIN

Karoon engages major suppliers through long term charter and services contracts to undertake our Baúna production operations, and on short term contracts when undertaking other major activities.

Altera&Ocyan have been engaged to operate Karoon's Baúna production facility since 2020. Over this time Karoon has worked closely with Altera&Ocyan to ensure our safety first culture is imbedded throughout our operations; at the FPSO, support vessels, helicopters, shorebase and offices.

During FY2022 work began on an intervention campaign at our Baúna field using the Maersk Developer drilling rig. Karoon's HSSE and Regulatory team worked with Maersk Drilling for months leading up to the start of the campaign to reinforce our safety first culture. This campaign was Maersk Drilling's first in Brazil and Karoon provided support where needed to ensure all workers were appropriately qualified and supported in their roles.



➤ OUR SUPPLY CHAIN (continued)

Following the intervention campaign, which was completed in September 2022, Karoon then began our Patola development. This development involves two new producing wells tied back to the Baúna FPSO.

This project requires significant investment in large scale infrastructure and equipment. Due to the long lead times to build this equipment, work began on the manufacture during FY2021.

Karoon has worked closely with these major suppliers, aiming to ensure worker health and safety is given first priority in relation to Karoon's operations. Karoon personnel visited the manufacturing facilities to inspect the working conditions and practices and we maintain ongoing engagement with our major suppliers.

Our modern slavery risks

IDENTIFYING MODERN SLAVERY RISK IN OUR BUSINESS AND SUPPLY CHAIN

- › Specific risk assessments are conducted ahead of operational activities and major investment decisions. High priority risks that may represent a threat to health and safety within Karoon's operations must be brought to as low as reasonably practicable (ALARP) before those operational activities can commence. This includes risks that could lead to conditions of modern slavery, for example the standard of accommodation onboard offshore facilities.
- › Karoon maintains strict working practices in operations requiring all personnel to be suitably trained, qualified and focussed on health and safety. All incidents in operations are investigated and lessons learned applied in an effort to prevent further incidents through a process of continuous improvement.
- › Due diligence is conducted on suppliers before entering agreements, with ongoing monitoring of and engagement with major suppliers. In some cases this includes physical inspection of the supplier's facilities to ensure their operations are conducted to the high standards of working conditions expected by Karoon.
- › In 2021 Karoon adopted and implemented a questionnaire process to further screen major suppliers. Questionnaires are distributed to all our major suppliers globally to identify vulnerabilities to modern slavery risks in our supply chain entities. Where potential impacts have been identified Karoon is committed to engaging further with suppliers so that the issues can be addressed and action plans can be developed and implemented as needed.
- › Critical to our management of risk are our strong governance tools and practices, founded on our suite of corporate policies



OUR MODERN SLAVERY RISKS



SECTOR AND INDUSTRY RISKS

The extractive industries, including oil and gas, are generally recognised as high risk globally, particularly with regard to health and safety. This is further heightened in unregulated or politically volatile areas.

PRODUCT AND SERVICES RISKS

Certain products and services may have high modern slavery risks because of the way they are produced, provided or used.

GEOGRAPHIC RISKS

Some countries may have higher risks of modern slavery due to factors including poor governance, weak rule of law, conflict, migration flows and socio-economic factors like poverty.

ENTITY RISKS

Some entities may have particular modern slavery risks because they have poor governance structures, a record of treating workers poorly or a track record of human rights violations.

OUR MODERN SLAVERY RISKS



SECTOR AND INDUSTRY RISKS

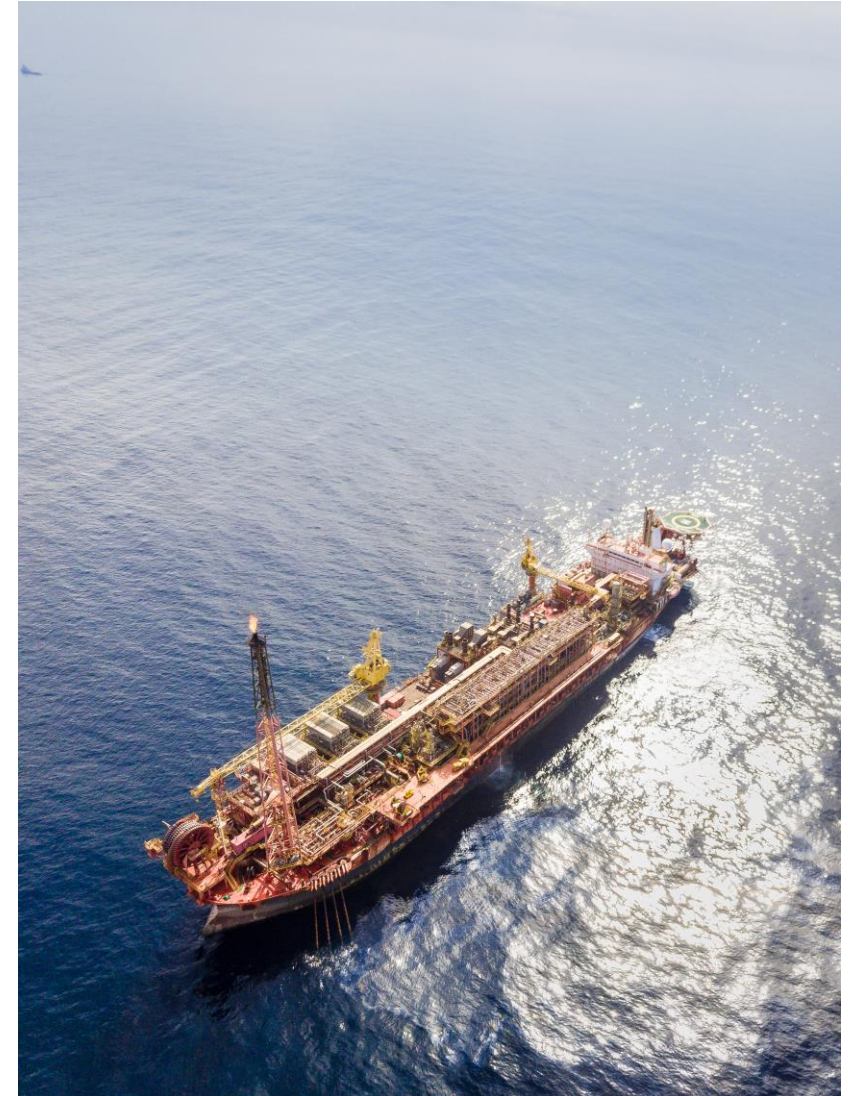
The extractive industries, including oil and gas, are generally recognised as high risk globally, particularly with regard to health and safety. This is further heightened in unregulated or politically volatile areas.

- Karoon maintains an Operating Management System (OMS), which sets out the standards expected for all Karoon operations and activities. The OMS follows the International Oil and Gas Producers (IOGP) framework (IOGP Report 510) and is designed to ensure all Karoon operations are conducted with the health and safety of workers as the top priority.
- Contractors working in Karoon operations are expected to achieve Karoon’s high safety expectations and steps are in place to ensure contractor compliance.
- Workers in Karoon’s operations and offices are required to undergo HSSE training. All offshore workers must have the relevant work permits and undergo more detailed, vessel and activity specific training.
- All non-Brazilian nationals working in Karoon’s operations in the Baúna field in Brazil must have appropriate visas.

Sector specific impacts of Covid-19

Karoon’s operations, like many in the industry, rely on ‘Fly In, Fly Out’ (FIFO) workers. FIFO workers fly in to work long shifts over a two week period, then fly out for a two week non-work period. These typical arrangements presented challenges during the pandemic, when additional quarantine, testing and isolation requirements became necessary to ensure the safety of workers while maintaining operations.

- Strict Covid-19 protocols were introduced in 2020 and continued through FY2022, requiring workers to isolate at home and then in hotel quarantine prior to embarkation. Karoon ensured hotel accommodation was of a comfortable high standard with appropriate security and transport measures in place to prevent cross-infection from others in the hotel or in transiting to the FPSO transport.
- Isolation areas were established onboard the FPSO that enabled isolation to occur as necessary while optimising some human contact where isolation was not necessary, to protect both the physical and mental health of workers.
- Vaccinations were provided to all workers as well as ongoing testing and ‘sanivac’ (covid evacuation flights) provided as needed.
- All of these measures resulted in no fatalities or hospitalisations recorded from Karoon’s operational facilities throughout the pandemic.

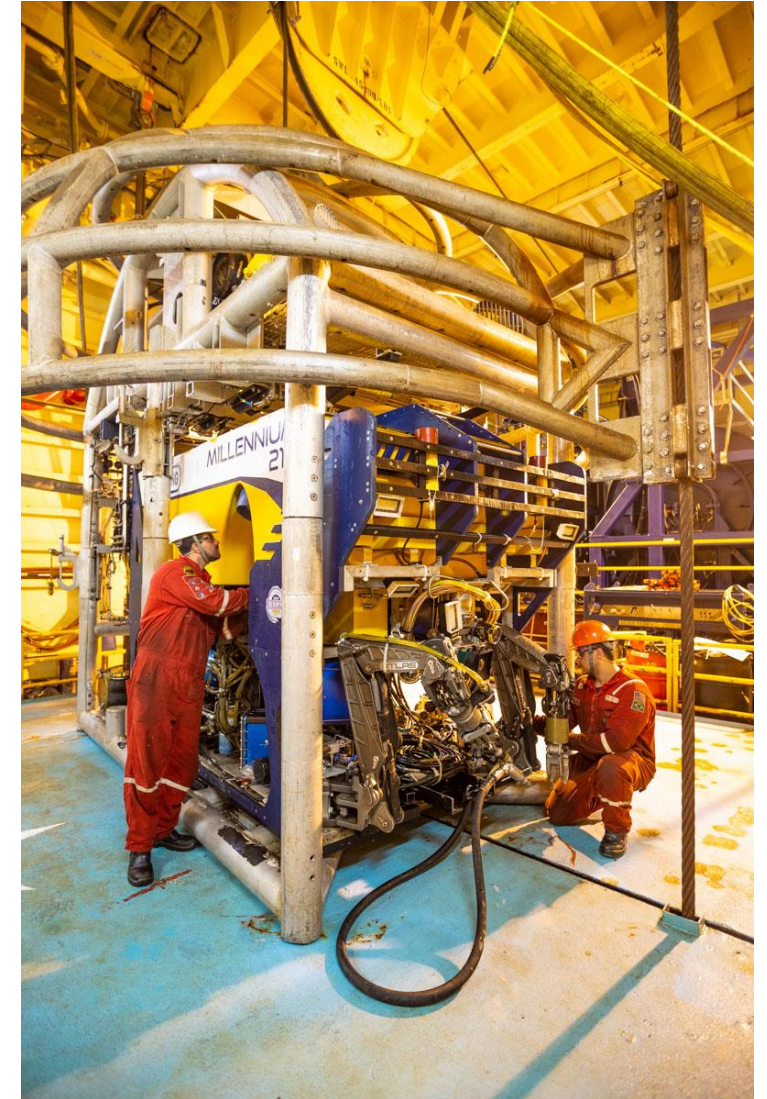


OUR MODERN SLAVERY RISKS

PRODUCT AND SERVICES RISKS

Certain products and services may have high modern slavery risks because of the way they are produced, provided or used.

- Karoon aims to ensure equipment is sourced from reputable sources. This includes all equipment ranging from heavy operational or drilling equipment, such as that required for the intervention, development and drilling campaigns, to uniforms and catering.
- Karoon engages with major suppliers, that is where the contract value is more than US\$250,000, to check that they have the correct policies and procedures in place to minimise modern slavery risks.
- Where possible contracts include a provision to ensure suppliers are aware of and comply with the high standards expected by Karoon, including zero tolerance with regard to modern slavery in Karoon's supply chain.
- Karoon recognises the importance of ensuring suppliers are appropriately paid and are able to work to realistic and achievable timeframes to minimise the potential to increase modern slavery risks.
- During FY2022 Karoon was engaged in contracts with major suppliers to manufacture large pieces of equipment, such as 'Christmas Trees' and flowlines, required for our Baúna intervention, Patola development and Neon drilling campaigns.
 - Karoon worked closely with these suppliers to ensure their manufacturing operations were conducted in accordance with Karoon's high expectations of health and safety. In addition to the usual supplier engagement Karoon took extra care, including visiting the facilities and maintaining regular contact with the manufacturers.



OUR MODERN SLAVERY RISKS



GEOGRAPHIC RISKS

GLOBAL SLAVERY INDEX (2018)¹

BRAZIL

AUSTRALIA

Population	GDP (PPP)
205,962,108	\$15,153
Prevalence Index Rank	
142/167	
Government Response Rating	
AAA AA A BBB BB B CCC CC C D	
Estimated Number Living in Modern Slavery	
369,000	
Estimated Proportion Living in Modern Slavery	
1.79/1000	
Vulnerability to Modern Slavery	
36.38/100	

Population	GDP (PPP)
23,799,556	\$46,790
Prevalence Index Rank	
163/167	
Government Response Rating	
AAA AA A BBB BB B CCC CC C D	
Estimated Number Living in Modern Slavery	
15,000	
Estimated Proportion Living in Modern Slavery	
0.65/1000	
Vulnerability to Modern Slavery	
4.27/100	

Some countries may have higher risks of modern slavery due to factors including poor governance, weak rule of law, conflict, migration flows and socio-economic factors like poverty. Brazil, Karoon’s operational base, is ranked 142 (of 167) in the Global Slavery Index from 2018 (1 is highest risk, while 167 is lowest risk), compared to Australia where Karoon is headquartered, ranked 163.

- Slave labour, or slave-like conditions, is the more common term used in Brazil to designate a variety of exploitative situations, including forced labour. According to **Article 149 of the Brazilian Penal Code**, slave labour entails: “reducing someone to a condition analogous to that of a slave, namely: subjecting a person to forced labour or to arduous working days, or subjecting such a person to degrading working conditions or restricting, in any manner whatsoever, [their] mobility by reason of a debt contracted in respect of the employer or a representative of that employer.”
- Brazil is member of the Organisation of American States (OAS) and as such is bound by the American Convention of Human Rights (ACHR), which it ratified in 1992.
- Since 1995, the Brazilian government has mounted a multi-institutional effort to combat slave labour that has resulted in 59,231 (as at 31 October 2022) individuals being removed from slave-like conditions around the country. Detailed data on the number of individuals rescued, where they were found and the sectors in which they were exploited are available on the Labour Inspectorate’s **Radar website** and the **Brazilian Digital Observatory of Slave Labor** (SmartLab). The data includes information on the number of establishments inspected, the amount of restitution fees received by workers and the number of workers whose labour has been formalised.²
- As a deterrent to slavery, Brazil also uses a naming and shaming tool, the “**dirty list**”— a public register of entities found to employ slave labour in their supply chains, to hold businesses responsible for the incidence of slavery in their supply chains.
- Most slavery cases are found in the cattle, cocoa, charcoal, timber, and textile industries, as well as in the construction sector, particularly often in rural areas in the states of Minas Gerais and Pará. However, in São Paulo and Rio de Janeiro, slavery cases have also been reported in, among other places, sweatshops.³
- Of these high risk industries, Karoon may use clothing for uniforms and use cattle and cocoa for catering. Imported products at risk of modern slavery in supply chains used by Karoon also include electronic hardware such as laptops and other devices. Karoon will seek to responsibly source apparel, electronics and catering products in offices and operations.

1 Maps | global slavery index

2. <https://www.globalpolicyjournal.com/blog/13/08/2021/modern-day-slavery-brazil-report-field>

3. <https://www.forbes.com/sites/riskmap/2022/03/23/human-rights-risks-loom-for-companies-active-in-brazil/?sh=efd6d732fc3e>

OUR MODERN SLAVERY RISKS



ENTITY RISKS

Some entities may have particular modern slavery risks because they have poor governance structures, a record of treating workers poorly or a track record of human rights violations.

- Karoon recognises the Universal Declaration of Human Rights, the United Nations Sustainable Development Goals and the United Nations Guiding Principles on Business and Human Rights. We are committed to protecting human rights in our operations and seeking to eliminate modern slavery throughout our supply chain.
- Karoon maintains strong governance practices and has an excellent record of fair treatment of employees, with the health and safety of all workers in our operations our first priority.
- Supplier due diligence and background checks are conducted prior to entering contracts with new suppliers. There is ongoing engagement with suppliers throughout the contract period, including in some cases onsite inspections of supplier facilities, to assist in identifying modern slavery risks in the work environments of our suppliers.
- The responses to Karoon’s Modern Slavery Questionnaire are reviewed upon initial completion, with at least annual follow up engagement with ongoing major suppliers.
- Where potential impacts have been identified Karoon is committed to engaging further with suppliers so that the issues can be addressed and action plans can be developed and implemented as needed.
- Karoon will continue to use this method as part of its modern slavery risk assessment and if necessary develop an action plan with specific suppliers or stakeholders to address modern slavery risks.
- Screening is also undertaken in relation to Anti-Bribery, Fraud and Corruption and HSSE.

Managing our risk

STRONG GOVERNANCE PRACTICES

Strong governance is critical to managing our modern slavery risks.



Karoon Energy Code of Conduct

Sets expectations of conduct for all Karoon employees and contractors. Breach of the Code of Conduct may result in termination. Available at www.karoonenergy.com

Anti-Bribery, Fraud and Corruption Policy

Supplements Code of Conduct, setting expectations and procedures to minimise risk of bribery, fraud and corruption. Available at www.karoonenergy.com

Sustainability Policy

Recognises the UN Universal Declaration of Human Rights and commits to reporting on Modern Slavery. Available at www.karoonenergy.com

Whistleblower Protection Policy

Establishes the mechanism for concerns to be raised on a confidential basis without fear of reprisal. Available at www.karoonenergy.com

HSSE Policy

Affirms Karoon's commitment to the health and safety of our people as our first priority. Supported by Karoon's Operating Management System. Available at www.karoonenergy.com

Human Resources Policies

Provided to all employees; cover various aspects of employment at Karoon including recruitment, remuneration, performance recognition, and grievance mechanisms

Anti-Discrimination and Harassment Policy

To ensure all employees and contractors are provided with a workplace free from discrimination and harassment. Unacceptable behaviour may result in termination

Modern Slavery Supplier Questionnaire

Introduced in 2021 to assist in identifying modern slavery risks within Karoon's supply chain. All major suppliers are asked to complete the questionnaire and the results reviewed at least annually.

WORKING WITH OUR STAFF



➤ PROVIDING SAFE WORKPLACES

- During FY2022 Karoon provided ongoing education and training throughout our business, including targeted safety campaigns
- Inspections and audits were carried out across all operational facilities, including accommodation, transport facilities and in offices during FY2022
- Where hazards or non-conformities are identified actions are raised and monitored until closed out
- All health and safety incidents are investigated and where needed actions raised, monitored and closed out with the aim of preventing reoccurrence

➤ PROVIDING SUPPORT FOR STAFF WELLBEING

- Implemented an Employee Assistance Program (EAP) to support the health and wellbeing of our employees, with a particular focus on mental health
- The EAP can be accessed anonymously by employees and their families
- Advice is available in a number of areas including mental health support, financial advice and career advice
- Flexible working arrangements are in place

➤ STRONG COMMUNICATION

- A staff newsletter is distributed globally on a quarterly basis, connecting staff across all offices and facilities
- Performance reviews are undertaken with all staff at least annually, providing the opportunity for two-way feedback and enabling issues to be identified
- Training is provided in core corporate policies. During FY2022 training was conducted in Anti-Bribery, Fraud and Corruption, Whistleblower Protection and Anti-Discrimination and Harassment across all subsidiaries in all jurisdictions

➤ GRIEVANCE MECHANISMS IN PLACE

- Staff are encouraged to speak up if they suspect or are aware of any breach of Karoon's Code of Conduct or other policies, without fear of reprisal
- Karoon has a Whistleblower Protection Policy which is communicated to all staff and publicly available on our website
- An external, third party, anonymous Whistleblower Reporting Service is provided in both English and Portuguese for phone, email and web-based reporting
- Procedures are in place to investigate any reports of misconduct and where needed develop a plan to implement any action required

WORKING WITH OUR SUPPLIERS



➤ PROVIDING SAFE WORKPLACES

- ▶ During FY2022 Karoon visited the manufacturing facilities of major equipment suppliers
- ▶ Inspections were carried out of facilities onboard the FPSO, support vessels and helicopters operated by our contractors
- ▶ Inspections were also carried out of the hotel quarantine and testing facilities required to protect workers from Covid-19

➤ IDENTIFYING MODERN SLAVERY RISKS IN NEW SUPPLIERS

- ▶ Karoon engages with all new suppliers (where the contract amount is more than US\$250,000) to identify modern slavery risks
- ▶ In FY22 Karoon distributed more than 20 modern slavery questionnaires to suppliers in Brazil and Australia
- ▶ All respondents were found to be compliant and were taking steps to minimise modern slavery risks within their business
- ▶ If there is any suspicion of modern slavery, Karoon is committed to working with our suppliers to eliminate modern slavery from our supply chain

➤ ONGOING ENGAGEMENT WITH EXISTING SUPPLIERS

- ▶ More than 30 modern slavery questionnaires were distributed to suppliers in FY2021, with several suppliers indicating that they did not have specific policies in place regarding modern slavery or commitments to human rights
- ▶ Karoon engaged with these suppliers during FY2022 encouraging them to formalise their approach to protecting human rights, and can now report that all of these suppliers do have some policy or commitment in place

➤ INDIGENOUS AND TRADITIONAL OWNER ENGAGEMENT

- ▶ Indigenous and traditional owner communities can be vulnerable to the risks of modern slavery as development impinges on traditional lands and customs
- ▶ Karoon does not have any known impacts on indigenous or traditional owner communities within our operations
- ▶ During FY2022 Karoon engaged with all our major suppliers to identify any issues with indigenous engagement in our supply chain, with no such issues identified

Contact us

For further information regarding Karoon and our approach to modern slavery, please contact us at:

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