



trusted to deliver™

Babcock International Group

Supplier Code of Conduct

2018

Welcome

More now than ever, we understand that how we deal with our customers, our employees, our suppliers, the communities in which we operate and our impact on the environment is fundamental to achieving our plans and delivering performance.

It is our belief that strong success can only be delivered through a sustainable business, which is why at Babcock we uphold the strictest standards of business ethics, deliver a competitive talent development programme and put safety at the forefront of everything we do.

Babcock is the UK's leading engineering support services organisation with a growing, international footprint. We deliver in a range of markets and countries, operating and supporting complex infrastructure, equipment and training programmes. We are therefore required to consider a wide and complex range of stakeholders, interests and concerns. We look to do this by maintaining three overarching, underpinning and interlinking pillars of sustainability: profit and performance; people and potential; and environment and ethics.

Business sustainability is often described as resiliency over time. Our consistent focus remains on creating long-term value for shareholders through a strong and sustainable business.

We believe that we can sustain the long-term future of our business in ways that also serve the interests of individuals and local economies, for example: through apprenticeships, graduate schemes, training and general career development and succession opportunities across the Group. We work hard to protect the health and safety of our employees and others and to avoid or keep to a minimum any adverse effect of our operations on the surrounding environment.

Our Group-wide Supplier Code of Conduct is designed to provide clarity about our expectations of methods used to deliver environmental and social responsibility. Suppliers and the extended supply chain are expected to meet these standards at all times. Our intention is to be a good partner in return and to work with suppliers to support necessary improvements and to encourage continual improvement. The code reflects the same standards that we hold ourselves, and enables a consistent approach to our customers in delivering to the highest ethical standards.

Archie Bethel
CEO

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Introduction

Babcock will conduct its business to the highest standards of honesty and integrity. Why? Our reputation and good name are our greatest assets; they are easily lost by actual or suspected corrupt or unethical behaviour.

The Supplier Code of Conduct sets our guidelines, and other procedures aimed at effectively providing ethical and socially responsible delivery. While we recognise that our suppliers operate in different geographic and economic environments, we expect that products and services are delivered in a way that support Babcock's high standards and contribute to the reputation of Babcock and our customers.

A key underpinning of our supplier selection process is to ensure that we choose reliable and reputable partners that have an ethical approach and practices commensurate with those of Babcock.

Some customers have specific needs - there may therefore be some requirements from individual business units over and above the Babcock Supplier Code of Conduct.

We expect our suppliers to not only adhere to the Code of Conduct, but to flow down all relevant requirements to agents, subcontractors (and the extended supply chain) and other third parties in the supply chain with mirrored contractual terms with each party as appropriate. If we become aware of any actions or conditions that are not in compliance with the Code, we will work with you to address the issues and reserve the right to require corrective measures.

The controls that we have in place form an integral part of our risk management arrangements and in addition to the requirements set out below, our suppliers must also operate in full compliance with all applicable laws and regulations of the countries in which they operate. In cases where we refer to local legislation, if legislation does not exist or is not as robust, the supplier and extended supply chain must meet the minimum standard as set out in this Supplier Code of Conduct.

Our Suppliers:

WILL respect the dignity and rights of their employees and place the highest priority on ensuring the safety of each other at work and the safety of others who might be affected by their activities;

WILL seek to minimise so far as they reasonably can the impact of their activities on the environment;

WILL comply with the law in the conduct of their business;

WILL be honest in their dealings with those with whom they do or seek to do business;

WILL strive to avoid even the appearance of wrongdoing or impropriety in the way they go about their business;

WILL NOT bribe or attempt to bribe anyone;

WILL NOT take bribes from anyone;

WILL be diligent in selecting their business advisers and partners so that they minimise the risk of our reputation being damaged by others;

WILL implement and observe appropriate training and procedures designed to ensure that they and others working for them understand what this Supplier Code of Conduct means for them in practice; and

WILL treat seriously breaches of this Code.

Our Suppliers should either be willing to subscribe to our Code or have equivalent standards and procedures in their own businesses.

Our People

1. INCLUSION AND DIVERSITY

At Babcock, we believe diversity is about more than age, race, colour, ethnic origin, gender, marital status, religious or political beliefs, sexual orientation or disability. We believe diversity is also about embracing the advantages different experiences, skills and outlooks can bring. This approach includes but is not limited to unfair discrimination based on race, age, sex, pregnancy and maternity, marriage and civil partnership, religion and belief, disability, sexual orientation or gender reassignment.

We all have responsibility for our own behaviour, and for maintaining an environment in which prejudice is eliminated and where everyone is treated fairly, with respect and dignity. Babcock believes that each individual can only give their best if we are an inclusive organisation and can demonstrate the value we place on diversity. As a result, we expect our suppliers to have processes in place that ensure that selection for employment, promotion, training or any other benefit will be based on skills and ability only. All applicants, employees and third parties must be treated fairly and with equality of opportunity, and all forms of unlawful and unfair discrimination must be opposed.

Our suppliers are expected to have equivalent policies and procedures to promote inclusivity and diversity within their business and extended supply chain.

2. DIGNITY AND RESPECT

We believe in creating a working environment based on dignity and respect, bringing together individuals from many different backgrounds to give us fresh perspectives and new ideas.

Our Suppliers must:

- Fulfill all their legal requirements under relevant Equality Legislation.
- Fulfill their duty to make adjustments as far as reasonably practicable, to enable employees and all its stakeholders to have access and carry out their work and responsibilities.
- Be aware of the value their organisation places upon respect and inclusion, and that formal investigations may be taken in the event of any breach of policy.

- Have inclusive and open recruitment and selection, progression and development process to encourage employees and clients to develop and progress.

Our Suppliers will promote Respect and Inclusion by:

- Actively promoting quality of opportunity and good relations between all sections of the business.
- Promoting respect and inclusion throughout all operational activities.
- Actively encouraging the participation of underrepresented groups in all the diverse activities of the organisation.
- Ensuring service delivery, communications, actions, resources demonstrate sensitivity to issues of respect and are adapted as necessary.
- Delivering an inclusive approach to celebrating success.
- Reinforcing our commitment to respect and inclusion in appropriate publicity materials.

3. HUMAN RIGHTS

As an international business we recognise our responsibility for upholding and protecting the human rights of our employees and other individuals with whom we deal in our operations across the world. We welcome the opportunity we have to contribute positively to global efforts to ensure that human rights are understood and observed. We believe that a culture of respect for, and promotion of, human rights is embedded throughout our business and can be demonstrated by our commitment to ethical conduct in everything we do.

We recognise the United Nations Universal Declaration of Human Rights and the standards established by the International Labour Organisation. Our suppliers and their extended supply chain are expected to share this commitment and to meet the following:

Treat workers equally

- Respect the human rights of all employees and the rights of the communities in which they operate.

Ensure work is performed on voluntary basis

- Ensure that all employees can make a free choice about their employment there should be no illegal, forced, bonded, involuntary or exploited labour.
- Ensure there is no involvement in human trafficking or involuntary movement of people.

Reasonable working hours

- Ensure employees do not work hours in excess of the limitations set by relevant local and national laws and regulations.

- Ensure all overtime work is voluntary.
- Other than for extraordinary situations, all workers are entitled to at least one day off in every seven day period.

Workers are of an appropriate age

- Ensure that no underage workers are employed, either directly or indirectly.
- Our Suppliers are encouraged to participate in appropriate apprenticeship programmes that comply with applicable laws and regulations.

Workers are paid fair wages

- Pay wages which at least meet national legal standards. Pay industry benchmark standards wherever possible.
- Ensure overtime work is used responsibly and compensated fairly.
- Ensure that everyone is working in a recognised employment relationship as defined by law, and explain clearly to employees the terms and conditions of their employment and the expected work output to which their wages relate

Workers health and safety in the workplace is protected

- Provide a safe and sanitary workplace, taking all necessary actions to educate employees to prevent accidents and injury to health.

Ensure access to fair procedures and remedies

- Allow access to full and confidential remedy/grievance processes.

Freedom of Association and Collective Bargaining

- Allow free association and the opportunity to communicate directly with management without fear of intimidation or reprisal.

4. MODERN SLAVERY

Babcock is an international company and we are committed to conducting our dealings, with the utmost integrity. We are committed to the protection of human rights and comply with all national laws of the jurisdictions in which we operate. We respect all international treaties including the United Nations Declaration on Human Rights and the UK Modern Slavery Act 2015. Modern Slavery considerations are included as part of our risk management and supplier selection processes and we will continue to review our approach to training our employees and ascertaining risks in regards to the prevention of modern slavery. We will also review how we align with our suppliers on these issues.

We expect our suppliers and extended supply base to comply with this legislation.

Where it is discovered that there has been a breach of the above, or any other relevant, declarations and legislation, we will take all necessary steps to mitigate any impact.

Our Business

1. ANTI-BRIBERY AND CORRUPTION

Our Suppliers must be committed to doing business with honesty and integrity.

No Supplier employee or representative of a Supplier may engage in any dishonest practice or any form of corruption anywhere in the world. Corruption includes, but is not limited to, the giving or receiving (directly or indirectly) of bribes, kickbacks or any other improper advantage in the context of a business relationship or transaction.

This policy against corruption is of paramount importance.

All Suppliers' employees (and employees of Sub-contractors to the lowest tier) must:

- Act honestly at all times.
- Comply with the laws of the United Kingdom and any other country in which they are operating or which may otherwise have an impact on its business operations.
- Never bribe or give any other improper advantage to any party (whether directly or indirectly), or receive the same from any party (whether directly or indirectly).
- Avoid any appearance of impropriety in business relationships or transactions.
- Keep full and accurate records of all payments made by any Supplier company or by third parties on behalf of any Babcock company.

We expect high standards of conduct from our suppliers and will not tolerate any behaviours that conflict with our strict compliance code around Bribery and Corruption.

2. GIFTS AND HOSPITALITY

In themselves, corporate hospitality, entertainment and corporate gifts are usually not a problem legally, however, they can amount to bribery or be perceived as being bribes, or at least suspicious, especially with hindsight.

We encourage all of our Suppliers to maintain a record of all hospitality and gifts given or received during the course of, or as a result of, their engagement with Babcock.

Gifts and hospitality should not be offered or accepted during commercial negotiations.

3. CONFLICTS OF INTEREST

Babcock Suppliers must avoid interactions with any Babcock employee that may conflict or appear to conflict with that employee acting in the best interests of Babcock.

All potential conflicts of interest e.g., family relation or other business relationship, must be disclosed in a fully transparent manner.

In order to ensure that we can build strategic relationships with our suppliers and engage appropriately with them, Suppliers must also disclose all undertakings that might result in a conflict of interest

We expect high standards of conduct from our Suppliers and will not tolerate any behaviours that conflict with our strict compliance code around conflicts of interest.

4. ANTI-TRUST AND COMPETITION

We are committed to free and open competition in the markets in which we operate. We conduct our business to the highest standards of honesty and integrity, competing fairly and ethically. We expect our suppliers to do the same and will not tolerate any anti-trust or anti-competitive behaviour.

Our World

More now than ever, we understand that how we deal with our customers, our employees, our suppliers, the communities in which we operate and our impact on the environment is fundamental to achieving our plans and delivering performance. It is our belief that strong success can only be delivered through a sustainable business, which is why at Babcock we uphold the strictest standards of business ethics and put safety at the forefront of everything we do.

1. HEALTH AND SAFETY

Babcock is committed to creating a safe environment which enables all those on our operational sites to return 'Home Safe Every Day'. We work with suppliers who are passionate and committed to health and safety, and demonstrate an ability to meet and promote our safety standards. We expect high standards of conduct from our suppliers and will not tolerate any behaviours that conflict with our strict compliance code around threats to health and safety.

We expect our Suppliers to strive to achieve and maintain the highest standards in the management of Health and Safety in all areas of their operations so as to ensure the safety and wellbeing of all relevant stakeholders. Suppliers should obtain and maintain accreditation to the appropriate standard where relevant.

We expect our Suppliers to be fully aware of their obligations under all relevant health and safety regulation and be fully committed to meeting those obligations.

In all cases, compliance with legislative requirements is the minimum threshold of acceptability, but even higher standards should be our Suppliers' objective wherever reasonably practicable.

We expect our Suppliers to have processes in place to support the following:

- record and report incidents as required by law
- have in place arrangements for checking for, investigation and rectification of any unsafe conditions.
- Provide appropriate and relevant HSE (Health, Safety and Environment) training for all personnel (and for non-employees where appropriate) and ensure that, such training is kept up to date and regularly refreshed as appropriate.

2. ENVIRONMENT

Our suppliers are expected to strive to achieve and maintain the highest standards in the management of environmental matters. We expect our Suppliers to understand and to take steps to eliminate or mitigate the potential impact of their activities. Suppliers must comply with all applicable local environmental laws and are expected to ensure that accreditation to the appropriate standard is obtained and maintained. We strongly encourage our suppliers and their supply chain to use and develop processes that are aligned with our objectives to deliver environmental sustainability.

3. COMMUNITY ENGAGEMENT

Babcock seeks to engage with the communities around our sites and operations and to provide opportunities for employees to assist with local initiatives and support local charities that are important to them. We have a documented approach to charitable donations, our commitment to the communities in which we operate and the broader interests of our customers.

We encourage our Suppliers to do the same.

Our Assets

An asset is “something that has potential or actual value to our stakeholders”. Value can be tangible or intangible, financial or non-financial; and includes consideration of risks and liabilities and it can be positive or negative at different stages of the asset’s life. It can be difficult to define value but it could be considered something as simple as our reputation.

We expect our Suppliers to ensure that our customers’ or other third parties’ assets (information, personnel and physical) are protected as required.

1. INTELLECTUAL PROPERTY

We expect our Suppliers to understand the Intellectual Property used or created in their operations and take all necessary steps to minimise the risk of infringing third party rights.

Suppliers may not use Babcock’s name, trademarks, logos, images unless expressly permitted in writing by Babcock.

2. CONFIDENTIAL INFORMATION

We always expect the highest controls of commercial confidentiality. Our Suppliers must take all necessary steps to effectively manage the handling, use, storage and disposal of confidential information. Suppliers should not share information with anyone unless authorised to do so by Babcock.

Disclosure of sensitive information, including financial information, could violate securities laws and the obligation on our Suppliers and their subcontractors remains active even after the assignment with Babcock has ended.

We expect suppliers to meet the requirements of applicable data privacy laws and regulations (e.g., GDPR). In your dealings with us, you may supply us with personal data. We will only use this personal data to support our business purposes.

3. CYBER SECURITY

We work in many sectors that require vigilant cyber security measures, and any compromise of information, whether malicious or not, increasingly poses a

serious threat to the economic well-being of our company and customer organisations.

Suppliers must ensure that the cyber security arrangements among their supply chains are appropriate to the requirements of the information assets concerned. This must include appropriate governance and management arrangements to manage risk, monitor compliance and report and respond effectively to any incidents.

Suppliers must comply with Babcock and our customer's mandated cybersecurity standards, including flow-down through the onward supply chain in accordance with any stipulated contractual obligations or Security Aspects Letters. Cyber security standards may be supplemented by security assurance questionnaires.

Where contracts are let by UK Government the requirements are likely to include, but are not limited to:

- the Cyber Essentials Scheme; and
- for MoD contracts only, the Defence Cyber Protection Partnership (DCPP) Cyber Security Model.

Suppliers are required to report suspected or actual Security incidents (which includes "near-misses") to their Babcock Account manager.

Our Due Diligence

We pre-qualify suppliers, for certain types of supply, and this involves satisfying ourselves that they can meet our standards. Certain suppliers will be selected for audit and close monitoring based on risk assessment or supplier performance.

Suppliers may be requested to register to a third party review as part of our due diligence process.

Whistleblowing

We expect our Suppliers to bring to our attention any concerns that they have with regard to matters covered by this Supplier Code of Conduct, including whether:

- a) bribery or corruption has taken place, or is likely to take place;
- b) there may be fraud or other irregularities going on in the way transactions, goods or services are being paid for, recorded or invoiced (or in the failure properly to record or invoice them)
- c) the health or safety of any individual is being, or is likely to be, endangered by the way activities are being carried out;

- d) any other criminal offence has taken place, or is likely to take place;
- e) there has been, or is likely to be, a failure to comply with legal obligations;
- f) there has been, or is likely to be, a miscarriage of justice; or
- g) the environment has been, or is likely to be, damaged,

Our Suppliers should feel able to bring these matters to the attention of their Account manager, who are under a duty to pass on the information to appropriate Babcock senior management. If a Supplier feels that this is an inappropriate route, they should (by phone, letter or email) bring the matter to the attention of the Group General Counsel or any of the Group's lawyers.

Alternatively, Suppliers may use the confidential "whistleblowing" telephone service to report matters of concern.

Telephone: 0808 100 5689 (access code: 22226#)

Email: via www.intouchfeedback.com/babcock (access code: 22226#)

Media Contact

As a publicly listed company, no engagement with the media about the Group or its activities should be undertaken unless agreed in advance through the existing review and approval process. You must always ensure that any broad communication about Babcock International, our customers, or our work together, including but not limited to: marketing materials, press releases, social media posts or media interviews, is formally approved by us prior to publication.

If you have questions about our Supplier Code of Conduct, please contact Babcock at groupprocurement@babcockinternational.com