



In-Confidence

# Babcock International Group PLC

Anti-Bribery and Corruption/Ethical Policy

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## Anti-Bribery and Corruption/Ethical Policy

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## **Anti-Bribery and Corruption/Ethical Policy**

This document contains detailed background and guidance on Babcock's approach to mitigating, in support of its Code of Business Conduct, Anti-Bribery & Corruption ("AB&C") risks relating to its business.

It also contains the Group's overarching approvals requirements for matters covered by the Guidance.

It is intended as a reference work containing the background and explanations against which the AB&C risks should be assessed and monitored.

The following individuals should have a general understanding of its content and subject matter:

- Chief Executive
- Group Finance Director
- Sector Chief Executives
- Group Function Heads
- Sector Finance Directors
- Sector Commercial Directors
- Business Unit Managing Directors
- Business Unit Finance Directors
- Business Unit Commercial Heads
- Bid Team Leaders
- All Group lawyers
- Sector/Business Unit AB&C officers (if not included in the above)

A simplified version of the guidance, which can be adapted for use within Sectors to reflect their own approval limits, is available for wider distribution as appropriate in the mitigation of AB&C risks (see template at Appendix B).

### Section A - Introduction to this Guidance

1. Our Code of Business Conduct (see Appendix A) is a public statement of our commitment to conduct all aspects of our business to the highest standards of honesty and integrity.
2. The Code is intended to be available to:
  - Our clients – current or prospective
  - Our Business Partners – current or prospective
  - Our Business Counterparties – current or prospective
  - Our employees – current or prospective
  - People in the communities in which we work
  - Our shareholders
3. This Guidance aims to ensure that Babcock at all times acts responsibly and ethically when pursuing and awarding business and that we fulfil the principles expressed in our Code of Business Conduct relating to avoiding acts of bribery and corruption.
4. This Guidance contains rules, procedures and guidelines that Babcock employees must follow in order to help ensure that we do not become involved, either directly or indirectly, in bribery or corruption and that we do what we reasonably can to reduce the risk of those we work with engaging in corrupt or unethical activities in connection with their dealings for us.
5. It covers all aspects of Babcock's business, including the award of business for the provision of services by suppliers to Babcock; the appointment of sub-contractors by Babcock at any stage of a supply chain (ie whether Babcock is the prime contractor or not); the establishment of joint ventures, consortiums, teaming arrangements or other business partnerships; and appointment of agents and other business advisers.
6. It applies to both public-sector awarded business and business transacted between private-sector commercial entities.

#### Who are our “Business Partners” and our “Business Counterparties”

7. The concept of “Business Counterparties” is incredibly wide. In essence, anyone who has a business relationship with Babcock is a “Business Counterparty”. This will cover the full ambit of Babcock's business activities, including customers, suppliers, service providers, subcontractors, advisers, consultants, and agents.
8. It is essential that before entering into any relationship with a Business Counterparty we have protected Babcock's interests and reputation by doing an appropriate level of due diligence on that Business Counterparty so that we know who they are and that they are a “fit and proper” person for Babcock to be doing business with. What this means is discussed more fully in Section L. However, it is important to stress that the requirement is to do an “appropriate” level of due diligence, which means that the due diligence done should be proportionate to the risk posed by the relevant Business Counterparty. For example, only minimal (or, indeed, no) due diligence would be required on the appointment of the supplier of office stationery in a low risk territory, whereas in-depth due diligence is required before appointing an agent. What is important is that the question of due diligence from an ABC/reputational perspective is considered.

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9. The requirement to do due diligence is particularly important where Babcock is looking to appoint a “Business Partner”. A “Business Partner” is any Business Counterparty who performs services for or on behalf of Babcock. For example, a “Business Partner” will include an agent (or any other type of consultant or adviser appointed by Babcock to sponsor its business), a joint venture/bid team/consortium (as well as the Babcock’s fellow joint venture/bid team/consortium parties), a business adviser or a subcontractor (where the subcontractor is delivering a service direct to a customer for Babcock), Before anyone may appoint a Business Partner, you must ensure that you have the right approvals in place (please see the “Approval Matrix” below and Section B) which will require in-depth due diligence. The process for appointing a Business Partner is dealt with more fully in Section H.
10. Once Babcock has appointed a Business Counterparty, that relationship should be appropriately monitored. Any monitoring should be proportionate to the potential risk – for example, if Babcock has appointed an agent to act on its behalf, then the relevant Sector should (i) keep a register of all agents appointed together with the appropriate approvals and the agent’s terms and conditions, and (ii) refresh the due diligence done on the agent at least every two years. Please see Section K for more information.

### **The Approval Matrix**

11. The “Approval Matrix” in Section B summarises the main areas covered by the Guidance, issues and sets out the checks and approvals that Babcock requires each Sector and Group Function to put in place in order to comply with this Guidance.

### **How does the Guidance apply to each Babcock business?**

12. The Guidance is designed as a proportionate group-wide response to compliance with our Code of Business Conduct and applicable laws, and capable of being applied across the Group.
13. Whilst all businesses must adhere to our Code and consider and be alert to bribery and corruption risks, the extent to which a particular Babcock business will need to take action to implement the different aspects of the Guidance will depend on a considered assessment of the risk attached to its specific bids or contracts, the customers and other parties it deals with and the markets and territories in or with which it does business. As you will see from the Approval Matrix, we will expect each Sector to do an ABC risk assessment as part of each Sector’s risk register review. Please see Appendix C for a discussion of issues to be considered in any risk assessment.
14. A key part of that assessment will be making sure that:
  - we as a Group know who we are contracting with – please see Section L (Due Diligence) for more information
  - we keep thorough records that adequately document decisions made and the reasons for those decisions – for example, each Sector must maintain a data base of all agents – please see Section H (Appointing and Working with Business Partners (e.g. Consortium Partners and Agents) for further information.

### **Who is responsible for compliance with the Code?**

15. The Board has ultimate responsibility for Babcock’s ethical conduct, with overall management responsibility for compliance with the law and with our Code of Business Conduct, resting with the Group Chief Executive Office.

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### Delegation of responsibility

16. At an operational level, responsibility for compliance with our Code of Business Conduct is delegated to Sector Chief Executives and Managing Directors. For Group functions, the Head of function is responsible.
- 17. Each Sector and Group function must also have a designated member of its senior management team, who has specific responsibility for ensuring the distribution, communication and implementation of this Guidance, how to apply it and which other employees need to be trained in its content and application.**
18. Sectors and Group functions should consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility for the unit or site concerned.
19. A simplified version of this Guidance, which can be adapted for use within Sectors to reflect their own approval limits, is included at Appendix B.

### Is bribery and corruption a real concern in all of Babcock's markets?

20. The brief answer is "no, not in all of them".
21. Many, if not most, of our markets are in low-risk countries but we should not ignore the fact that even in those markets corruption is not unknown.
22. The reality is, however, that whatever we do and wherever we do it, our reputation is on the line – it isn't enough to act properly, we have to anticipate how our actions could be perceived by the world at large (including the regulatory authorities in the jurisdictions in which we work) or made mischief of by our rivals or those with a grudge against us.
23. Mere exposure to allegations or perceptions of bribery and/or corruption or other questionable behaviour is always a concern wherever we work as it could lead to lasting reputational damage, even when that association is subsequently proven to be unfounded or innocent.
24. Although we work mainly in low corruption risk countries, some of our businesses are already working, or from time to time will consider working, in or with countries, or with businesses based in countries, which are perceived to be high corruption risk. That doesn't mean that a business has to be corrupt to work or succeed there, but it does mean that we must be more on our guard and our actions are more likely to come under public, regulatory and media scrutiny.
25. Babcock's exposure in some countries with ostensibly high risk profiles is reduced by the fact that in many of those countries, we are actually working for third party government or international agencies based in low risk countries or are not doing anything in or with people based in the territory itself. That doesn't mean that Babcock's business is entirely risk free in terms of bribery and corruption, but it does mean that our risk mitigation actions can be much more focused.
26. For these reasons, we need to ensure that, as far as possible, employees are prepared to address the ethical challenges they might reasonably be expected to face in the course of their work for Babcock.

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### **Where could Babcock be most at risk?**

27. The criminal offences of bribery are described in Appendix D. A general understanding of the legal definitions is helpful in appreciating the underlying risk and the reasons for procedures in this guidance.
28. As a company, the level and extent of ethical risk to which we are exposed is mainly determined by:
  - a) Our employees – the extent to which our people can recognise ethical risk, and how they can take appropriate steps to mitigate that risk
  - b) Our business locations – some of the territories in or with which we do business may present higher risk from unethical behaviour by clients, business advisers or partners and other third parties
  - c) Our choice of Business Counterparties and in particular Business Partners – the extent to which we have satisfied ourselves, and can continue to be satisfied, that that our Business Counterparties will not behave in any ways that breach our Code of Business Practice.
  - d) The markets in which we work and, therefore, the clients and intermediaries for or with whom we work may present different ethical challenges that will inform the way we work, and the way we manage relationships with our clients.

### **Why does the Guidance apply to Business Counterparties and Business Partners?**

29. Under UK law, if someone “associated with” Babcock is guilty of bribery and the bribe was intended to obtain or keep business or a business advantage for Babcock, Babcock might be guilty of “failure to prevent bribery” - even if Babcock did not authorise the bribery and even if Babcock didn’t know of it.
30. The only defence to this charge is to be able to show that Babcock had in place “adequate procedures” designed to prevent our associated persons from undertaking bribery.
31. Even where a third party with whom Babcock does business is not strictly someone Babcock is treated as “associated with” for this purpose, unethical behaviour on their part, especially if connected to work or activities in which Babcock is involved, could put at risk contracts Babcock is working on and/or seriously damage Babcock’s reputation just by association.
32. So we have to do all we reasonably can to ensure that Babcock deals with reputable and ethical people and businesses by making appropriate enquiries, so as to determine and mitigate related risks.

### **Is the Code of Business Conduct in any way negotiable?**

33. The Code of Business Conduct together with its implementation through compliance with this Guidance is mandatory across Babcock.
34. Any changes to the Code itself may only determined by the board of directors of Babcock International Group PLC.

## **Anti-Bribery and Corruption/Ethical Policy**

### **What if we want to act other than in accordance with this Guidance?**

35. This Guidance has been designed to reflect the needs of a global business to exercise regional or market flexibility, based upon objective assessment of the risks of operating in those regions or markets and a proportionate response to those risks.
36. Changes to the Guidance or departures from it in a given case require the express approval of the Chief Executive, which must be recorded.

### **Further help**

37. If you have any questions as to how to use, interpret or apply the Guidance or you encounter a situation that makes you feel uneasy as to whether it is entirely “proper” but the Guidance does not cover it, you should discuss it further with either the Group General Counsel.



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### Section B - Approval Matrix and Red Flags

The following pages set out the overarching Group approvals requirements for matters relating to the mitigation of AB&C risk.

*Although specific approval requirements are set, those with the approval responsibility will from time to time wish to take (indeed be expected to take) a second opinion, on matters that appear to be particularly sensitive, from colleagues at higher levels in the approval chain or from peers in other Sectors or business units; this is to be expected and encouraged as is consultation with members of the Group's legal service.*

The main features of the approvals structure are:

- Sectors will need to set their own internal approval limits as regards certain matters, including charitable donations, corporate gifts and hospitality and, to the extent not already covered by their approvals procedures, the appointment of subcontractors or working as a subcontractor or dealing with new customers;
- Certain matters require the approval of the Group Chief Executive:
  1. Political donations (in its wider sense)
  2. Political lobbying
  3. Appointment (including reappointments and extensions) of business agents and advisors
  4. Teaming, consortium and joint venture arrangements
  5. Seeking business in new territories
- The approvals required for AB&C purposes are additional to any approvals that would in any event be required under Group or Sector approval processes (for example, the approval of expenses and the normal TAF processes) although in many cases they can be combined in the same process;
- Each Sector (and Group function) is required, as part of its risk register review, to perform an AB&C risk assessment covering their operations and the matters covered by this approvals matrix – please see Appendix C for a discussions of issues to consider in any risk assessment;
- Quarterly reporting of corporate gifts and hospitality to Group is required.

The background to each of the sections of the Approval Matrix is to be found in the following sections of this Guidance Manual.

## Anti-Bribery and Corruption/Ethical Policy

### Section B

#### 1. The Approval Matrix

<b><i>No act is permitted if there is an intention to influence a person to act improperly; or if there is an intention to influence a non-UK public official to secure a business advantage for anyone; or if acceptance of what is offered would itself constitute improper performance of a duty</i></b>			
<b>Charitable Donations</b>			
<b>Charitable Donations</b>	A) A donation to a charity where the donation (and the amount) is specifically recorded in the budget of the relevant Business Unit which has been approved by the Sector Chief Executive or, for Group functions, by the Group Chief Executive	B) A donation to a charity where the donation doesn't fall within (A) but the amount of the donation is within a budget which has been approved by the Sector Chief Executive or, for Group functions, by the Group Chief Executive	C) Any others
<b>Approval required</b>	A) The Finance Director for the Business Unit concerned  For Group functions: the Head of function	B) The Finance Director for the Business Unit concerned  For Group functions: the Head of function	C) The Sector Finance Director for the Business Unit concerned  For Group functions: the Group Finance Director
<b>Comment/Additional Action required</b>	<p>Immediately prior to making the donation, the relevant Business Unit must do an assessment as to whether it is still appropriate and proportionate for the Business Unit to be making the donation. Please see the list of Red Flags at the back of this matrix as a guide to some of the considerations that the Business Unit should take into account.</p> <p>The Business Unit must keep a record of its assessment, recording who proposed the matter, why they did so, whether there were any Red Flags and, if there were, how they were resolved, and who approved the donation.</p> <p>Each Sector and Group Function must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will include a review of charitable donations. They must decide whether their policy on charitable donations continues to be appropriate and proportionate in the circumstances.</p>		

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### Political Donations & Lobbying

<b>Political Donations</b>	<p><b>NONE</b> permitted</p> <p>Any deviation from the blanket ban on donations per se requires express prior approval from the board of Babcock International Group PLC which is to be sought via the Group Chief Executive</p>
<b>Political Lobbying</b>	Only ever with the approval of the Group Chief Executive
<b>Comment/Additional Action required</b>	<p>This ban on political donations includes not only financial donations (ie donations per se) but also indirect support: for example, making facilities available for use by political parties or campaigns; lending staff or giving them special time off (unless legally obliged to do so) to support the campaign of a particular party or candidate. The ban also includes buying tickets to attend a party conference or to having a stand at a party convention (as paying for tickets or a stand is an indirect financial contribution to the party's costs). It is accepted, however, that it may be desirable for Babcock to attend such events legitimately in order to monitor political developments.</p> <p>If approval is given to proceed with either a political donation or lobbying, a contemporaneous note should be kept, recording who proposed the matter and why, any Red Flags (please see list attached at the back of this matrix), who gave approval and why, investigations and risk mitigation steps taken.</p> <p>Each Sector and Group Function must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will include a review of their political donations (in the unlikely event that there are any) and any political lobbying that they have been involved in or are considering.</p>

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Subject	Permitted	General Guidance and Exceptional Circumstances
<p><b>Facilitation Payments (“FPs”)</b></p> <p>For an explanation of what these are see Section G.</p>	<p><b>NONE</b> (unless exceptional circumstance (see right) applies.</p>	<p><b>General Guidance</b></p> <p>If what appears to be, or could reasonably be regarded as, an FP is requested or demanded, ask for evidence that the payment is due and is legitimate, ideally evidenced on a visible and official tariff. If satisfied by the evidence that it is an officially and legitimately required fee, the payment can be made but an official receipt should be requested on payment. If you remain uncertain whether the fee is legitimate do not make the payment and seek further advice from reliable sources (e.g. advice from local lawyers or the local British Embassy or Consular service).</p> <p>If not entirely satisfied that the requested payment is legitimate, politely refuse to pay, explaining that to pay is against Babcock’s policy and that you could be prosecuted for making the payment.</p> <p><b>Whenever and wherever an FP is requested or demanded this fact and all relevant background information must <i>always</i> be promptly reported in writing (email will suffice) to applicable Sector Legal Counsel and to the Group General Counsel.</b></p> <p><b>Exceptional Circumstances:</b> If, as a result of not making what you think will be an illegal payment, you <i>genuinely</i> feel that <i>your liberty or personal safety and security</i>, or that of your colleagues or associates would be at serious risk and that you are under duress <i>with no reasonable alternative course of action open to you</i>, you may pay the demanded sum, following which you should promptly report the incident to Group General Counsel or your Sector Legal Counsel.</p> <p>Using “personal safety” as an unjustified excuse to make an FP is unacceptable and a serious breach of our Code of Business Conduct. It will only ever genuinely apply in exceptional circumstances.</p> <p>Each Sector and Group Function must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will include a review of any exposure they may have or have had to FPs. If there are issues, these must be addressed.</p>

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**Appointment of Business Partners: Business Advisers:**  
(Includes re-appointment and extensions of appointments)

<b>Type of Adviser</b>	A) Legal Advisers (any territory)	B) Tax Advisers (any territory)	C) Auditors or Accounting Advisers (any territory)	D) Investment banking or Financial Advisers (any territory)	E) other Business Adviser, provided that their role is purely to provide advice to Babcock. If they are to perform services in addition to providing purely professional advice to Babcock: for example, they are to materially assist Babcock in winning business, to facilitate or to effect business introductions; to represent Babcock or its products or services to customers, potential customers or official authorities; to promote Babcock's commercial interests, then they will be taking a role more akin to an agent and will have to be approved as though they were an agent (please see page 15).
<b>Approval required</b>	A) Group General Counsel	B) Head of Tax	C) Group Finance Director or Group Financial Controller	D) Group Chief Executive or Group Finance Director	E) Group Chief Executive (please see Section H of the Full Version guidance for further discussion of this issue and Appendix E for a sample application form which may be amended to suit the circumstances).  Advisers must have written terms of appointment which align with Group and Sector policy and which have been approved by a Group lawyer.
<b>Comment/ Additional Action required</b>	<p>The Business Unit must keep a record of its assessment, including the approval application form used, recording who proposed the appointment, why they did so, due diligence undertaken, whether there were any Red Flags and, if there were, how they were resolved, and the signature of the approver.</p> <p>Each year, each Sector and Group function must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of their Business Advisers.</p>				

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<b>Appointment of Business Partners: Agents</b>	<b>Approvals</b>
	<p><b>ALL</b> must be approved by the Group Chief Executive at the earliest stage and before any detailed conversations are held or any commitments, whether informal or formal, are made.</p> <p>Applications for approval should be made on the Business Partner Approval Application Form (see Appendix E).</p> <p>Anyone will be considered an “Agent” if they materially assist Babcock in winning business, represent Babcock (or its products or services) to customers or official authorities, promote Babcock’s commercial interests, or advise on local markets/bids/bid tactics/commercial contacts. Please note that a person may be appointed as a sub-contractor but his role is more akin to that of an agent – in which case his appointment should be approved as though he were an agent.</p>
<b>Comment/Additional Action required</b>	<p>Each Sector must keep a record of its assessment, including the relevant Approval Form, recording who proposed the appointment, why they did so, due diligence undertaken, whether there were any Red Flags and, if there were, how they were resolved, and the signature of the approver.</p> <p>Each Sector must keep a database of all the Agents that it has appointed together with a record of the terms of their appointment.</p> <p>Each year, each Sector must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of the Sector’s Agents.</p>

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<p><b>Appointment of Business Partners: consortiums, joint ventures and other teaming arrangements</b></p>	<p><b>Approvals</b></p>
<p><b>Participation in joint venture, consortium or other teaming arrangements</b> (whether for a specific project or otherwise).</p> <p>Can include a commitment to work together in a specific bid or class of bids as prime and subcontractor, but the relationship is in essence a partnering or teaming arrangement.</p>	<p><b>ALL</b> must be approved by the Group Chief Executive at the earliest stage and before any detailed conversations are held or any commitments, whether informal or formal, are made.</p> <p>Related agreements or MoU's must be in writing and approved by a Group lawyer.</p> <p>Applications for approval should be made on the Consortium Approval Form (see Appendix E).</p>
<p><b>Comment/Additional Action required</b></p>	<p>Each Sector must keep a record of its assessment, including the relevant Approval Form, recording who proposed the appointment, why they did so, due diligence undertaken, whether there were any Red Flags and, if there were, how they were resolved, and the signature of the approver.</p> <p>Each year, each Sector must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of the Sector 's joint venture, consortium and teaming arrangements.</p>

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### Appointment of Business Partner: appointment of a Subcontractor by Babcock or Babcock as a Subcontractor

<p><b>Appointment of Babcock as a subcontractor at any level in a supply chain</b></p> <p><b>Appointment by Babcock of sub-contractors to Babcock (including any material sub-sub-contractors)</b></p>	<p>All appointments (whether of a subcontractor by Babcock or Babcock as a subcontractor) must be approved according to each Sector 's own procedures and (as part of its contract approvals process) the Group delegated authorities and TAF process.</p> <p>Those procedures must include appropriate and proportionate due diligence on the sub-contractor (if Babcock is appointing the sub-contractor) or the prime contractor/employer (if we are the sub-contractor being appointed) and as to whether the appointment is in line with Babcock's Code of Business Conduct. Examples of the types of issues that the Sector should bear in mind are set out in the list of Red Flags at the back of this matrix. See also Section L of the full Guidance which discusses what due diligence should be undertaken.</p> <p>If any issues are identified, then the approval of the relevant Sector Chief Executive should be sought (if it would not otherwise have been needed).</p> <p>The Sector should keep a record of its assessment. If a Group TAF approval is required, the above information should be included in the TAF.</p> <p>Each year, each Sector must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of the Sector 's prime and sub-contractors and other significant counter parties.</p>
<p><b>Comment/Additional Action required</b></p>	<p><b>In some circumstances, even though Babcock may just be taking a subcontractor's role, its real position is greater and in effect is more akin to a partnering or teaming arrangement – in which case it should be approved as though it was a partnering or teaming arrangement (see previous page on the approval of teaming arrangements, joint ventures and consortiums).</b></p>



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### Appointment of other Business Partners

**Appointments of (i) Business Advisers, (ii) Consortiums, Joint Ventures and Teaming Arrangements, (iii) Agents, and (iv) Sub-Contractors are all dealt with above**

**This section solely looks at the approval of the appointment of any other person who is a “Business Partner” to Babcock**

A “Business Partner” is someone who provides services for or on behalf of Babcock. All appointments of a Business Partner must be approved according to each Sector’s own procedures and (as part of its contract approvals process) the Group delegated authorities and TAF process.

Those procedures must include appropriate and proportionate due diligence on the Business Partner and an assessment as to whether the appointment is in line with Babcock’s Code of Business Conduct. Examples of the types of issues that the Sector should bear in mind are set out in the list of Red Flags at the back of this matrix. See also Section L of the full Guidance which discusses what due diligence should be undertaken.

If any issues are identified, then the approval of the relevant Sector Chief Executive should be sought (if it would not otherwise have been needed).

The Sector should keep a record of its assessment. If a Group TAF approval is required, the above information should be included in the TAF.

Each year, each Sector must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of all Sector’s Business Partners.

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### **New Customers and Markets**

#### **Dealing with new direct customers or end customers**

Sector Chief Executive may approve.

All new customers and end users must be approved according to each Sector's own procedures and approvals required by Group delegated authorities, including the TAF approvals process.

Those procedures must include appropriate and proportionate due diligence as to whether the appointment is in line with Babcock's Code of Business Conduct. Examples of the types of issues that the Sector should bear in mind are set out in the list of Red Flags at the back of this matrix.

The Sector should keep a record of its assessment.

Each year, each Business Sector must undertake as part of its annual risk register review, an anti-bribery and corruption risk assessment which will involve a review of the Sector's customers and end users.

#### **Decision to seek business, or to seriously investigate the setting up of operations, in a territory new to the business concerned**

Group Chief Executive must approve: the application to be accompanied by appropriate due diligence reports as to the political, economic, security and corruption risk in the territory concerned. If the due diligence report reveals the new territory to be "high risk" (for example, the World Check Country Risk Table indicates which countries that they believe to be "high risk"), then the board of Babcock International Group PLC must also approve the decision to seek business in that territory.

Each year, each Sector must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of the markets in which the Sector is or plans to be active.

## Anti-Bribery and Corruption/Ethical Policy

<p><b><i>No act is permitted if there is an intention to influence a person to act improperly; or if there is an intention to influence a non-UK public official to secure a business advantage for anyone; or if acceptance of what is offered would itself constitute improper performance of a duty</i></b></p>	
<p><b>Corporate Gifts</b></p>	
<p><b>Corporate Gifts - Giving</b></p>	<p><b>These limits are for the purpose of our Code of Business Conduct. Any otherwise applicable expenses approval or reimbursement procedures should still be complied with.</b></p>
<p>To a public official</p>	<p><b>NOT PERMITTED</b> – any deviation from this policy must have the express prior approval of a Sector Chief Executive or the Group Chief Executive.</p>
<p>To any other individual not employed by Babcock</p>	<p>Each Sector and Group Function must set its own policy as regards corporate gifts to non-public officials, which is legitimate, proportionate and appropriate to its markets and business and readily defensible.</p> <p>As a guide it would be expected that there would be an escalating level of delegated authority:</p> <ul style="list-style-type: none"> <li>• gifts of cash or the like are never appropriate;</li> <li>• line managers may authorise the giving of Babcock branded promotional products and other corporate gifts of modest value;</li> <li>• beyond that the managing or finance director of the relevant Business Unit would have the authority to approve up to a higher amount;</li> <li>• the relevant Sector Chief Executive or head of Group Function must authorise particularly high value gifts.</li> </ul> <p>When exercising their authority, it would be expected that:</p> <ul style="list-style-type: none"> <li>• <b>CHECKS MUST FIRST BE MADE THAT THE ACCEPTANCE OF THE GIFT WILL NOT BE IN BREACH OF RECIPIENT’S DUTIES OR RULES APPLYING TO HIM OR HER – if it is, then no gift may be given;</b></li> <li>• the person authorising the corporate gift must ensure that an appropriate and proportionate risk assessment has been done. For examples of relevant issues that should be considered have a look at the list of Red Flags at the back of this matrix. If there are any Red Flags these must be resolved. A record should be kept of the risk assessment, including the resolution of any Red Flags;</li> <li>• the person authorising the corporate gift must also take into account the aggregate of the corporate gifts and hospitality being given not only to an individual beneficiary but also to the institution for whom the beneficiary works to make sure that the level of corporate gifts and hospitality is not disproportionate in the aggregate.</li> </ul>

## Anti-Bribery and Corruption/Ethical Policy

<p><b><i>No act is permitted if there is an intention to influence a person to act improperly; or if there is an intention to influence a non-UK public official to secure a business advantage for anyone; or if acceptance of what is offered would itself constitute improper performance of a duty</i></b></p>	
<p><b>Corporate Gifts</b></p>	
	<p><b>Each Sector and Group Function must ensure that a record (including date of gift, value, reason for the gift, giver and beneficiary) is kept of all corporate gifts given and a copy of that record must be sent to the Group General Counsel at the end of each Quarter.</b></p>
<p><b>Corporate Gifts - Receiving</b></p>	<p>Each Sector and Group Function must set its own policy as regards the receipt of corporate gifts, which is legitimate, proportionate and appropriate to its markets and business and readily defensible.</p> <p>However, as a guide, where a Babcock employee receives or is offered a gift from a representative of another organisation with which Babcock directly or indirectly does, or is seeking to do, business its receipt or retention ought to require management approval. As a minimum, it would be expected that the approval required would be the same as if Babcock were making the gift to the donor (or the organisation for which they work) and approval must be refused if the giving of the gift by Babcock to the donor or their organisation would be prohibited in the circumstances.</p> <p><b>Each Sector and Group Function must ensure that a record (including date of receipt of gift, value, reason for the gift, giver and beneficiary) is kept of all corporate gifts received and a copy of that record must be sent to the Group General Counsel at the end of each Quarter.</b></p>
<p><b>Comment/Additional Action required</b></p>	<p>Each year, each Sector and Group Function must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of its corporate gifts and hospitality policies, as well as the gifts and hospitality given and received in the past year, to ensure that they are still appropriate and proportionate in respect of the Sector 's business.</p>

## Anti-Bribery and Corruption/Ethical Policy

***No act is permitted if there is an intention to influence a person to act improperly; or if there is an intention to influence a non-UK public official to secure a business advantage for anyone; or if acceptance of what is offered would itself constitute improper performance of a duty***

### Corporate Hospitality

**These limits are for the purpose of our Code of Business Conduct. Any otherwise applicable expenses approval or reimbursement procedures should still be complied with.**

#### Providing corporate hospitality

Each Sector and Group Function must set its own policy as regards the provision of corporate hospitality, whether to a public official or not, which is legitimate, proportionate, appropriate to its markets and business and readily defensible.

As a guide it would be expected that there would be an escalating level of delegated authority:

- line managers should be able to authorise corporate hospitality of a modest value;
- the managing or finance director of the relevant business unit should have the authority to approve a higher amount;
- the relevant Sector Chief Executive or head of Group Function must authorise particularly high value hospitality.

To give guidance as to where the authority levels should be set, **if the corporate hospitality includes an overnight stay for the guest or paying for international travel, or the recipients include public officials, then this must have the prior approval of the relevant Sector Chief Executive or, for Group Functions, the Group Chief Executive.**

Extra care and consideration must be taken where the beneficiary of the corporate hospitality is or includes a public official.

When exercising their authority, it would be expected that:

- **CHECKS MUST FIRST BE MADE THAT THE ACCEPTANCE OF THE HOSPITALITY WILL NOT BE IN BREACH OF RECIPIENT'S DUTIES OR RULES APPLYING TO HIM OR HER – if it is, then no hospitality may be given;**
- the person authorising the corporate hospitality must ensure that a risk assessment has been done. For examples of relevant issues that should be considered have a look at the list of Red Flags at the back of this matrix. If there are any Red Flags, these must be resolved. A record should be kept of the risk assessment and how any Red Flags were resolved;
- the person authorising the corporate hospitality must also take into account the aggregate of the corporate gifts and hospitality being given not only to an individual beneficiary but also to the institution that the beneficiary works for to make sure that the level of corporate gifts and hospitality is not disproportionate in the aggregate.

## Anti-Bribery and Corruption/Ethical Policy

<b>Comment/Additional Action required</b>	<b>Each Sector and group function must ensure that a record (including date of hospitality, value, purpose of hospitality, host and beneficiary) is kept of all corporate hospitality given or received and a copy sent to the Group General Counsel at the end of every quarter.</b>
	Each year, each Sector and Group Function must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of their corporate gifts and hospitality policies, as well as the gifts and hospitality given and received in the past year, to ensure that they are still appropriate.

## Anti-Bribery and Corruption/Ethical Policy

***No act is permitted if there is an intention to influence a person to act improperly; or if there is an intention to influence a non-UK public official to secure a business advantage for anyone; or if acceptance of what is offered would itself constitute improper performance of a duty***

### Offset

<b>Offset arrangements</b>	Only permitted if mandated in writing and openly in any ITT process	<p>Any offset arrangement should be approved as part of the Group TAF process. If contract threshold is below Group approval levels, the existence of offset nonetheless makes the bid subject to Group TAF approval process.</p> <p>Any proposal to use an offset agent or agents to assist with an offset obligation is to be treated as an appointment of an Agent (see above).</p> <p>Offset agents must only be appointed on written terms which have been issued by Group legal or otherwise approved by a Group lawyer.</p>
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## Anti-Bribery and Corruption/Ethical Policy

### 2. Red Flags

- A “**Heightened Risk Person**” (as defined below) is involved as a potential direct or indirect beneficiary or target of a proposed arrangement or action (for example, as a recipient of hospitality, as an adviser or agent, or as a sub-contractor, supplier or joint venture partner).

A “Heightened Risk Person” is:

- any person (which includes any individual, company, charity, political party or other body) who is, whether a public official or not, involved (or has in the past been materially involved in or is likely to become so involved) in deciding or advising on:
  - the award of any contract or contract extension/renewal;
  - the allocation or placing (or the setting of the terms) of orders under any framework contract;
  - the variation of contracts; or
  - any assessment of performance by Babcock (or any other entity in whose performance Babcock may directly or indirectly have an

interest) under a contract – for example, as to KPI assessment or the seeking of penalties or deductions or termination on the grounds of performance or as to the assessment of amounts due under the contract, where the contract is one in which Babcock directly or indirectly has, has had or is likely to have a material interest; or

- a person (B) known or believed to be connected with any person described in the above paragraphs (P) in a way that might reasonably give rise to a suspicion that an arrangement or action with B (or a refusal to enter into such an arrangement or action) could directly or indirectly influence P. Examples of such a connection might include: family connections, close friendship, public or known support or sponsorship of each other; political, business or investment links, cross or common directorships or share holdings
- **No clear legitimate need.** There is no convincing legitimate business case for the proposed arrangement or action – for example, when appointing an

Business Partner, Babcock (or any other party in whose arrangements Babcock directly or indirectly has an interest) already has the necessary capabilities and experience from its own internal resources or has available to it other service providers with whom it already has established and trusted links.

- **Not really suitable or unclear contribution.** It is not obvious that the other party has the requisite resources, qualifications or experience for the purported role or it is not apparent what the other party will be doing.
- **Not Babcock’s idea.** For example, a customer running a tender process (or any of its employees or advisers), or an official connected with the conduct or evaluation of a tender, has arranged the introduction to the other party or has recommended, mandated or indicated as being beneficial to the prospects for winning the tender that the arrangement be entered into or action taken.
- **No real connection.** The other party is not based and has no real business presence in the country where the project or customer



## Anti-Bribery and Corruption/Ethical Policy

concerned is located or where his services need to be provided.

- **Secrecy.** Requests to keep an arrangement or relationship confidential, where this is not obviously needed in order to protect legitimate commercial interests. Or you instinctively want to keep it quiet.
- **Strange Payment Requests.** Requests to make payments to someone other than the person or entity providing the services or materials in question (for example, an agent requests the payment to go to a director or employee or to another company).
- **Offshore Payments.** Requests for payment to be made to accounts outside the territory in which the other party is based.
- **Cash in hand.** Requests for payment in cash or other non-traceable form.
- **Payment before performance.** Requests for significant payments “up front” with no legitimate commercial reason.

- **Rushed payment.** Demands for payment at short notice.
- **No or misleading or poor paperwork.** Requests for payment without the need for invoices, requests to invoice third parties, requests to omit, misdescribe or make vague or opaque what the invoice is really for where there is no legitimate need to do so).
- **Success fees.** The paying of significant success fees for, or commissions on, business won.
- **Too rich.** Fee rates or prices that are significantly out of line with local market rates or that, having allowed for exchange rates or other legitimate reasons why it is the case, appear disproportionately large for the work to be done. Guidance as to market rates in a particular jurisdiction not well known already to Babcock companies can be obtained from reputable local advisers, such as lawyers and accountancy firms, or from the British Embassy.
- **Profit Sharing.** Requests to share profits in a way not commensurate with the other party’s contribution or where, having regard to normal

and legitimate business practice, it would be unusual to enter into such an arrangement in the circumstances.

- **Poor reputation.** The reputation of the other party or of associates of the other party or its managers/owners or of other people or entities (for example, its other customers) dealing with them is poor.
- **Uncomfortable.** You feel ill at ease with the arrangement or situation, even if you “can’t put your finger on it”. You feel unsure that you have the full picture or fear what might be going on behind the scenes.
- **It might look bad or be misinterpreted.** You believe that, if things were made public it would raise eyebrows at the least.
- **Reluctance to confirm compliance.** A refusal or obvious reluctance on the part of the other to sign a commitment to follow our or an equivalent ethical policy where it is a reasonable request for them to do so.

## Section C - Gifts and Hospitality

1. It is a normal aspect of business practice that companies like Babcock should wish to entertain customers, potential customers and others they would like to work with (for example, bankers, prime or sub-contractors or joint venture or teaming partners).
2. It is also not unusual for gifts to be given in the course of business by an employee in one organisation to an employee in another (for example, at religious or cultural festivals or on the closing of a contract).
3. Hospitality can also be extended in the form of meeting expenses incurred by someone; for example, by visitors to a Babcock facility or a Babcock organised or sponsored event (perhaps for the purpose of evaluating whether to invite us to contract with them, or to work with us in a consortium).

### Could gifts or hospitality be regarded as bribes?

4. In themselves, hospitality and corporate gifts are usually not a problem legally. But they can amount to bribery or be perceived as being bribes, or at least suspicious, especially with hindsight.
5. UK Government Guidance on the subject says:

“Bona fide hospitality and promotional or other business expenditure which seeks to improve the image of a commercial organisation, better to present products and services, or establish cordial relations, is recognised as an established and important part of doing business and it is not the intention to criminalise such behaviour. The Government does not intend for the Bribery Act to prohibit reasonable and proportionate hospitality and promotional or other similar business expenditure intended for these purposes. It is, however, clear that hospitality and promotional or other similar business expenditure can be employed as bribes”

6. The extent to which any gifts or hospitality given or received could be considered to be potentially corrupt all depends on the circumstances:
  - **What is the cost or value?** Is it reasonable and proportionate in the circumstances?
  - **What is the context?** Is it a normal part of an existing business relationship, or does it arise from a specific event, e.g. contract signing, completion of a contract milestone etc? Is it a “one-of” or is it part of a series of gifts or similar events?
  - **What is the intent and who suggested it?** Is the gift or hospitality in any way intended to influence the recipient to do anything improper, or that he would not have otherwise done as a normal part of business?
  - **Who is the recipient?** If the recipient is a public official, or is connected to a public official, the offer could be misconstrued. Additionally, he may also be subject to stringent rules regarding accepting gifts or hospitality, and the offer could therefore put him in a potentially difficult situation. **It is the responsibility of the Babcock employee extending or authorising the hospitality to first take adequate steps to check that there will be no breach of those rules if the offer is made or accepted.**

### What gifts or hospitality are acceptable?

## **Anti-Bribery and Corruption/Ethical Policy**

7. Whilst there is no threshold below which all hospitality is “OK” or above which it is all illegal, some common sense guidelines can be applied with a view to staying out of trouble and avoiding even the suspicion of improper behaviour:
  - The cost and nature of the gift or hospitality should be reasonable and proportionate on each occasion.
  - It should not, without clear justification, be repeated so often with either the same people or the same organisation that, in the aggregate, it could be seen as excessive.
  - Its intent (both on the occasion in question and when taken together with other occasions with the same individuals or individuals from the same organisation) should be no more than simply promotional or a cordial means of progressing legitimate business discussions or “getting to know” each other. It must not be intended to affect the way the person being entertained or receiving the gift carries out his job.
  - It should be open and transparent – would the giver or the recipient be embarrassed if the event became publicly known?

### **Is the gift or hospitality “reasonable and proportionate”?**

8. Look at this in the context of the original reason for the gift or hospitality involved, and consider whether or not it would be regarded as being reasonable, recognising lawful local custom and practice in the industry, having regard to the status of the individuals who will receive the gifts or hospitality. Is it suspiciously lavish?
9. Consider whether whatever you wish to achieve could be done in a more appropriate way – for example, could the parties meet at either party’s offices for coffee as opposed to a lavish lunch?

### **Could the intent be misunderstood?**

10. For a gift or hospitality to amount to “bribery” it must be given with the intention of inducing someone to perform their duties improperly. However, if the recipient is a non UK public official, then merely offering a financial or other advantage to obtain or retain business may amount to bribery. In addition, it should be noted that for bribery to occur, the person being influenced or bribed need not be the person who directly receives the gift or hospitality.
11. If you observed a competitor making a gift or offering hospitality to an existing or prospective customer in similar circumstances, would you be suspicious of any wrong doing? If the answer is yes, reconsider.

### **Should we aggregate the values of other gifts or hospitality?**

12. Care must be taken not only to stay within the bounds of what is reasonable and proportionate on each occasion, but also to guard against entertaining the same people or different people from the same organisation so often that, looked at in the round, it appears excessive.
13. It is, of course, possible for there to be perfectly good reasons for repeat or aggregated entertaining; for example, different Babcock business units may all have perfectly legitimate relationships with a common client or associate. It is important, therefore, to co-ordinate and monitor entertainment at a pan-Sector and overall Group level.

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### Hospitality for Public Officials

14. Merely seeking to influence a public official so that a business advantage is obtained or retained (without him having to behave improperly) may constitute bribery. So if the recipient of the hospitality is a public official or is someone to whom the hospitality is offered at the request of the public official or with the public official's knowledge and/or agreement, this creates additional risk and should be authorised at a senior Sector or group level.

### Hospitality extended by a person "associated with" Babcock

15. Persons "associated with" Babcock (see Section H for who this includes) wishing to extend hospitality in Babcock's name or for Babcock's benefit to representatives of third parties, should be made aware of our policy and guidance on hospitality and especially of the need to understand the rules and policies applicable to the intended recipient in respect of accepting hospitality, and ensure that they have been followed
16. Where such a person associated with Babcock wishes to give to, or accept from, any third party, hospitality of any significance in connection (directly or indirectly) with Babcock business, they should be required to have this appropriately cleared in advance and recorded by a Babcock Manager as if that person were a Babcock employee.

### What gifts or hospitality can I give as part of normal business?

17. It will be for each Sector to set its own specific rules as to corporate gifts and hospitality. However, the key principle should be that if in any doubt, seek further guidance from relevant management, and ensure an appropriate record is maintained of the event, who was involved, the reason for it, its estimated cost, and any advice sought and advice/approval given.
18. Gifts or hospitality paid for personally by an employee or other representative of Babcock to give to an employee or representative of another body or entity – for example, because of personal friendship - would not normally be regarded as a corporate gift. Nevertheless, the giving of gifts or hospitality to anybody working for an entity that does business with or might be considering awarding business to Babcock or one of its connected businesses, could be misconstrued and give rise to concerns about improper influencing, especially if the recipient is in any way able to influence directly or indirectly, a decision that might lead to benefit for Babcock.
19. Promotional Babcock branded items (pens, diaries, umbrellas for example), are a safer option, as by their nature their origin is wholly transparent.
20. Each Business Sector and Group Function must maintain a record of all hospitality and gifts given or received by Babcock employees during the course or as a result of their employment. The Sector Finance Director of each Business Sector (and for Group functions, the head of Function) should review the record not less than once every quarter.  
**The records must be copied to the Group General Counsel at the end of each Quarter.**
21. For further detail please see the Approval Matrix.

### Being offered hospitality or gifts by a business contact?

22. The same guiding principles apply to Babcock employees who are offered hospitality or gifts.
23. However innocent the intent, acceptance may be misconstrued as an attempt to bribe that employee to act improperly.

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24. We therefore encourage all of our employees who are being offered gifts and/or hospitality, to follow the same guidance, and supporting procedures – notify management and get clearance to accept it as if you were making the gift. This also applies to gifts or hospitality being extended by business contacts to anyone related or otherwise connected to Babcock employees.

## **Section D - Reimbursement of Expenses for Third Parties**

### **Reimbursing expenses for clients or prospective clients?**

1. Where expenses of third parties are to be fully or partially met by a Babcock company or a person associated with Babcock (for example, if a representative of a prospective customer (who may also be public officials) visit the UK on site visits in order to assess our capabilities), the same issues and questions arise as with other forms of hospitality.
2. Above all, we must make sure that all payments and reimbursements are reasonable and proportionate.
3. Particular care should be taken in the case of public officials.
4. Paying for or entertaining family members or other persons not directly and legitimately involved in the visit will almost always be inappropriate.

## Section E - Making Charitable, Political or other Donations or Sponsorship

### Charitable Donations

1. A charitable donation (whether in cash or kind) may be perceived as an attempt to influence someone (for example, making a donation to a charity sponsored by a customer or potential customer, or on the board of which sits someone with influence at a customer or potential customer in awarding business, or such a person is known to be a keen supporter of the charity, or someone from his or her family benefits from the charity).
2. Even if there is no intent to influence anyone, then this might be misconstrued and create reputational damage for Babcock.
3. Babcock's policy is **not** to make any charitable donations, other than in accordance with the procedure set out below.
4. Any donations made should also be evaluated against the "Red Flag List" set out at the back of the Approvals Matrix in section B.

### Sponsorship

5. Sponsorship can, of course, be linked to fund-raising by charities, in which case the same policy and procedures apply, as for charitable donations.
6. Requests for sponsorship that is more in the nature of corporate promotion or advertising, such as sponsoring an event in return for which Babcock's name is given prominence at the event and in accompanying publicity, should not normally give rise to ethical bribery and corruption issues.
7. This particularly applies if the event is well-known or is regular or is general in its "audience" or where Babcock is one of a number of companies sponsoring the event, and it is not linked to other transactions or potential transactions affecting Babcock, the outcome of which might reasonably be expected to be influenced by the fact of the sponsorship.
8. However, there may be issues associated with the sponsorship that could give rise to sensitivities, for example, hospitality at the event itself. In this regard, the hospitality should be evaluated under the guidance for Hospitality (see above) and its associated procedure
9. The sponsorship itself should also be evaluated against the "Red Flag List" set out at the back of the Approvals Matrix in section B.

### Procedure for Approval of any Charitable Donation or Sponsorship

10. Before making any charitable donation or sponsorship, the Babcock business unit wishing to make the donation or grant the sponsorship must keep a record of all donations or sponsorship made including the following information:
  - a) the charity or other organisation to which it is to be made;
  - b) the amount or type;
  - c) each date on which it was given;

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- d) who sought it or suggested it be made;
  - e) the reasons why it is considered appropriate to make it;
  - f) who authorised it;
  - g) whether a person working in a position of influence (for example, with the authority to make decisions on or influence any business done with Babcock) at or for an entity or other person with whom that Babcock business unit does or hopes to do business is known or believed to be particularly connected to the recipient charity or organisation (or the causes it supports) and why this is not an ethical concern.
11. Donations or sponsorship should not normally be made to any charity or other cause at the direct or indirect request or suggestion of any person who is known or suspected to be directly or indirectly linked to or involved in a position of influence with:
- a) any public official
  - b) any bid or re-bid or contract extension process in which Babcock directly or indirectly has an interest in the outcome;
  - c) any placing of orders under framework contracts in which Babcock is directly or indirectly interested
  - d) the negotiation on behalf of a customer or potential customer or business partner (e.g. a potential joint venture partner) of a contract (or an amendment or extension to a contract); or
  - e) the making of any assessment of performance by Babcock (or any other entity in whose performance Babcock may directly or indirectly have an interest) under a contract – for example as to KPI assessment or the seeking of penalties or deductions or termination on the grounds of performance or as to the assessment of amounts due under the contract.
12. If it is felt that it would nonetheless be appropriate and lawful to make a donation or to offer sponsorship in any of the above cases, this must be cleared by the Group General Counsel, who will need to be convinced as to the bona fides of the situation and of safeguards to protect the reputation of Babcock.

### Political Donations

13. Just as donations or other support to charities can be indirect bribery, so can donations or other support for political parties: for example, making a donation to the political party in Government in a country in which Babcock is bidding for government contracts could be misinterpreted as an attempt to influence the outcome of a current or prospective future tender evaluation.
14. Babcock policy is **not** to make political donations, either in cash or in kind. This includes not only financial donations but also indirect support: for example, making facilities available for use by political parties or campaigns; lending staff or giving them time off (unless legally obliged to do so) to support the campaign of a particular party or candidate.
15. This ban can also extend to buying tickets to attend a party conference or to having a stand at a party convention (as paying for tickets or a stand is an indirect financial contribution to the party's costs). It is accepted, however, that it may be desirable for Babcock to want to



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attend such events legitimately in order to monitor political developments. Any such attendance may be considered, but would need prior approval from the Head of Government Relations.

16. Care needs also to be taken in some countries to understand who stands behind organisations which might in fact be operating as another branch of or a front for a political party or candidate. Advice on this can be sought via your Sector Legal Counsel who has access to advisory services that can provide country specific political and cultural information.
17. Babcock, of course, cannot control political donations or contributions made by employees in a personal capacity. However, it is essential that any employee considering making such donations or contributions must not allow any direct or indirect connection to be made to Babcock, or to give rise to a misconception that the “real” donor is Babcock.
18. Under no circumstances will any political donations or contributions made by an employee be directly or indirectly reimbursed, by Babcock.
19. Special rules apply in the United States to declaring political donations even made privately by employees. Babcock Group employees covered by these rules must of course comply with them and let their local companies have the necessary information. If similar rules apply in any other country it is local management responsibility to ensure that they are aware of them and take steps to ensure employees and the company complies.

## **Section F - Political Lobbying**

1. Political lobbying can be a legitimate means by which companies may seek to further their interests, by ensuring that governments (national, regional or local) understand concerns held at a company or industry level. These concerns are often about the practical effects of current legislation or policy or the anticipated effects of planned or possible legislation or policy changes.
2. It can also, however, attract unfavourable publicity even if lawful and it can also stray into difficult territory if it is accompanied by hospitality extended to politicians or public officials.
3. This may especially be the case where paid lobbyists are used.
4. Any and all political lobbying will only be conducted by, or under the close scrutiny of, Group Head Office. No employee or business unit within the Babcock Group may conduct, or appoint any other individual or organisation to conduct any political lobbying on Babcock's behalf without the prior written approval of the Group Chief Executive.

## Section G - Facilitation Payments

1. Facilitation payments are unofficial payments that are requested or expected for the delivery of goods or services to which the payer would otherwise be legally entitled.
2. Facilitation payments (often referred to as “grease payments”) are normally relatively small sums, although the connection is often not made between monetary value for the payer and purchasing power for the recipient). Their size may therefore encourage the payer to believe that, because the sum is so insignificant, it “doesn’t really count”.
3. Nevertheless, they do count and they are illegal under UK law, and as such, they are strictly forbidden in the Babcock Group globally.
4. A facilitation payment is a bribe. Its size, however small, will not be a mitigating factor. Anyone making such payments potentially leaves themselves, their colleagues and the company exposed to prosecution, with the resulting risk of commercial penalties and loss of reputation.
5. Examples of a facilitation payment could include (but are not limited to) a payment in order:
  - a) to ensure that an application for a visa or licence is dealt with speedily or pushed to the top of the pile, even though it is clear the applicant meets the criteria to receive visa or licence anyway;
  - b) to secure the early or prompt passage of goods through customs formalities;
  - c) to progress more quickly through immigration or a police check-point rather than being deliberately kept waiting; or
  - d) to ensure the return of a passport handed over to border guards for inspection.
6. Such demands are commonplace in some of the countries where Babcock employees may be expected to travel and work on Babcock business.
7. If such a payment is demanded, you should politely ask for evidence that the payment is due and is legitimate, ideally evidenced on a visible and official tariff. If so, an official receipt should be requested on payment.
8. If the person demanding the payment cannot produce evidence to satisfy you that the payment is legitimate, you should politely refuse to pay, citing the fact that making such a payment would be against your employer’s policy and UK law, and that you could be prosecuted for doing so.
9. **Exceptional Circumstances:** If, as a result of not making what you think will be an illegal payment, you *genuinely* feel that *your liberty or personal safety and security*, or that of your colleagues or associates would be at serious risk and that you are under duress *with no reasonable alternative course of action open to you*, you may pay the demanded sum, following which you should promptly report the incident to Group General Counsel or your Sector Legal Counsel.
10. This advice should not be taken to mean that Babcock in any way condones such payments – they are still likely to be illegal, and as a company we have a responsibility to help reduce the incidence of such demands.

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11. However, Babcock also recognises and accepts our corporate responsibility to safeguard the personal health and safety of our employees. Whilst this may not be a complete answer in law against the payment being treated as a bribe, it could be a mitigating circumstance, in the event of a prosecution being considered or brought against either the employee or the company.
12. Using “personal safety” as an unjustified excuse to make an FP is unacceptable and a serious breach of our Code of Business Conduct. It will only ever genuinely apply in exceptional circumstances.

## Section H – Appointing and Using Business Partners (eg Consortium Partners and Agents)

1. The UK Bribery Act 2010 creates an offence that a commercial organisation, such as Babcock, will be liable if a person “associated with it” bribes another person intending to obtain or retain business or an advantage in the conduct of business for that organisation.
2. This means that Babcock may be responsible for the actions of a person associated with Babcock where that associated person commits a corrupt act – **even if Babcock was completely unaware of the act.**
3. The only defence is if we can show that Babcock has in place adequate procedures to prevent associated persons from bribing.
4. Accordingly, Babcock companies must take all reasonable steps to ensure that we only work with associated persons:
  - a) **on whom we have carried out appropriate due diligence;**
  - b) **who have agreed appropriate terms and conditions with us;**
  - c) **who are aware of and undertake to (and do) comply with our policies and procedures (or their equivalent); and**
  - d) **where we monitor their performance against these standards on a regular basis.**
5. Appendix C sets out guidance as to what issues should you be thinking about in undertaking any risk assessment of the appointment of any associated person and certain red flags which you should be looking out for.

### “Associated Persons”

6. An “Associated Person” is a person who performs services for or on behalf of an organisation. This clearly includes our employees, but it is much broader than that.
7. An Associated Person can be an individual or an incorporated or unincorporated person. This definition is intentionally broad in scope so as to embrace a whole range of persons connected to an organisation, such as Babcock, who might be capable of committing bribery.
8. Any of the following could be an Associated Person (depending on factual circumstance - the key test being are they performing services for us or on our behalf?):
  - a) Anyone helping or advising or facilitating us to win or retain business or to enter a new market (such as an agent or consultant or even a distributor of products supplied by us) (very likely “associated”);
  - b) A fellow member of a joint venture or a consortium or a teaming arrangement (unlikely, but possible);
  - c) A prime contractor for whom we will be a sub contractor (unlikely, but possible);
  - d) A sub contractor to us where we are the prime contractor or even a sub contractor to a joint venture where we are a member of that joint venture (quite likely).

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9. Whether someone is providing services “*for or on behalf of*” a Babcock company is always a question of fact, which needs to be assessed based on an honest and frank appraisal of all the circumstances, including, but not by any means limited to what they will be doing (irrespective of any label that might be applied to the relationship or their business), and having regard to the risk factors that might surround their role.
10. For example, in a situation where they are engaged because there is a belief that their involvement will improve the chances of success of a bid in which a Babcock company is interested: what exactly is the reason for that; what will they be doing; who will they be interacting with both up front and behind the scenes; what is their financial or other interest in the outcome of the bid?.

### **Business Partners (for example, Consortium Partners and Agents)**

11. As we have seen above the categories of person who fall within the definition of “Associated Person” for Babcock is wide. Our “Business Partners” (being those who provide services for or on our behalf, such as our consortiums/teaming arrangements/joint ventures as well as our consortium/teaming/joint venture partners, our agents, our advisers and even in certain cases our subcontractors or customers (where we are not the prime contractor) will all be “Associated Persons”. As such, they can present a heightened risk of non-compliance with our Code of Business Conduct.
12. This is because:
  - a) they often expect to be remunerated on a “success” or commission basis (with the risk that they go too far in trying to ensure they get this). For distributors the prize is the profit on re-sale;
  - b) they might have connections that mean they - or those directly or indirectly connected with them - can directly or indirectly influence contract award decisions or benefit from them;
  - c) they or persons connected to them may have other interests in the outcome of the bid;
  - d) they might come from or operate in cultures or jurisdictions (especially those in which we are “outsiders” and reliant on them to guide us) where there is a real risk of corruption or where local perceptions of acceptable business conduct are not the same as our Code of Business Code;
  - e) their use has been recommended, mandated or indicated as likely to be beneficial by the customer or any of its employees or advisers or by an official connected with the conduct or evaluation of the tender.
13. Professional advisers such as lawyers, accountants or tax advisers (who should only be appointed with the approval of the Group General Counsel and Company Secretary, Group Financial Controller or Group Tax Manager respectively) would not normally be covered by this section if they are regarded as reputable within the local market or have been recommended by one of the Group’s UK based law or accounting firms and are simply advising on legal, accounting or tax matters at the going rate for that advice. They could be covered, however, if: they are also playing an important role in the promotion of the bid or effecting introductions to the customer; are being remunerated on the basis of a success fee; are known or suspected to have connections to anyone involved in deciding the tender award or to anyone who might stand to benefit from the award of the contract (appropriate diligence and reassurance on this should be sought before they are appointed).

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### Joint Ventures, Consortiums and Teaming Arrangements

14. A joint venture or a fellow member of a joint venture or consortium with Babcock can also present a risk. It is not the existence of a joint venture in itself that will mean that the joint venture or a fellow member is associated with Babcock but whether either the joint venture or the fellow member is performing services for or on behalf of Babcock. So, where the joint venture is established and operating through contractual arrangements where it is not easy to show which organisation was responsible for delivering which services and that joint venture members are taking an active part in the delivery of the required services, then there is a real danger that the joint venture and fellow joint venture members could be found to be Associated Persons of Babcock. Where the joint venture is a “thick” joint venture with an identity of its own and Babcock’s role is more akin to that of a shareholder then it will be unlikely, though not certain, that the joint venture or a fellow member is performing services for or on behalf of Babcock.
15. If a Babcock company is the majority “partner” or shareholder in a joint venture or consortium, the joint venture or consortium must be treated for the purposes of our Code of Business Conduct and this Guidance as a Babcock company and its directors and employees required to comply with Babcock policy and procedures. This should be stated explicitly in the joint venture agreement or formally adopted as the policy of the joint venture.
16. If, however, the other parties to the joint venture have significant “blocking” or “minority” rights that mean that in practice Babcock cannot alone control the management, policy or operations of the venture - or it is otherwise not commercially acceptable to the other joint venture parties for it to be treated as a Babcock company – the joint venture or consortium should be required to adopt its own anti-bribery and corruption policy which is consistent with the Babcock policy and equivalent in its procedures (either by simply taking that policy and rebranding it in the name of the joint venture or by adopting a bespoke policy which has been approved as meeting Babcock’s requirements (advice can be sought from a group lawyer)). This should either be explicitly required in the agreements establishing the joint venture or by way of a decision of its management board.
17. **All potential joint ventures, consortiums or other teaming arrangements must be approved by the Group CEO or the Group FD at the earliest stage and before any detailed conversations are held or any commitments, whether informal or formal, made.**

### Other Business Counterparties

18. Babcock companies, of course, work with a whole range of people and businesses in the furtherance of Babcock’s business interests – for example, suppliers - who are not necessarily performing services for us or on our behalf (and thus are not “associated persons”) but in whose reputation for ethical and lawful dealing we have a stake because if they become involved in allegations of bribery and corruption we can, at the very least, by virtue of our links with them, be drawn into unwelcome publicity or suspicions of guilt by association (or accused of poor judgement) and in the worst case face investigation into whether we were involved or colluded in any wrongdoing or attempted cover-up, for example if the allegation relates directly to a project in which we are participating.
19. Whilst we may not always wish or be able to impose on those entities who are not Associated Persons an obligation to comply with our policies and procedures (or an equivalent) we will normally want reassurance that they too have similar policies and procedures to our own and to have carried out (and from time to time refresh) appropriate

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due diligence on them to minimise these risks. Again this requires judgment having regard to the risk profile in any given case.

### Appointing an Associated Person

20. Due to the wide range of entities that could potentially be Associated Persons for Babcock, at all times, caution must be shown when appointing or contracting with anyone who might be an Associated Person for Babcock.
21. The level of formal vetting of a person who will be an Associated Person for Babcock that is sensibly required has to be judged on a case by case basis having regard to all factors surrounding their appointment, such as:
  - a) where the person is based or operates - is it in a territory that has a reputation for having a significant risk of unethical business practices?
  - b) the cultural background of the person;
  - c) the extent of our past dealings with the person and how much we already know about them and their reputation;
  - d) the nature of the work/services we are expecting of the person and the scope for unethical behaviour on their part in the performance of such work/services;
  - e) whether the customer or an official running the tender has pointed us in their direction;
  - f) whether they are known or believed to have connections (directly or indirectly) with anyone involved or interested in the tender process or its outcome;
  - g) the level of control or interface that Babcock has over their operations.
22. These considerations also should be kept in mind even after the relationship is underway and it may, in some cases – for example, where we do not work closely or continuously with our business partner and so may be unable to have a continuing up to date view of their behaviour or standing - be appropriate formally to re-run such checks from time to time.

### Procedure for appointing (or renewing the Appointment of) a Business Partner, particularly Agents

23. Working through or using business advisers, agents, sponsors or consultants or any other persons who help, advise or facilitate us to win or retain work or enter new markets (all referred to as “Agents”) represents a particular danger and special care must be taken. The general principle is that their use should normally be avoided.
24. In those instances where it is in the best interest of the business to appoint an Agent, all appointments, extensions or renewals must be pre-approved by the Group Chief Executive.
25. That approval will not be given unless the application for approval is accompanied by:
  - a) a sound written business case for the appointment (extension or renewal) which describes the Agent’s experience, his reputation, the nature of the works or services we are expecting the Agent to deliver, the added value that he can bring and why Babcock cannot reasonably be expected to proceed without his appointment and cannot perform those services itself - or do without them, and an assessment as to the risk of unethical behaviour inherent in the delivery of those works or services;



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- b) confirmation that we have not been asked to appoint the Agent by anyone involved in any related tender or project on the client side;
- c) a summary of the due diligence undertaken (which must be appropriate to the case in hand and will normally include investigation so far as reasonably possible and appropriate), any noteworthy limits on the extent of that investigation, and its findings. Please see Section L for a discussion of the due diligence that should be considered;
- d) details of the key terms of the proposed appointment, especially those relating to the scope of services, the territory, remuneration and expenses, and the duration and termination of the appointment. Remuneration should normally be on the basis of a fee for work done (or a retainer) of an amount that is commensurate with legitimate market rates and that is justifiable for the work involved, rather than on the basis of a success fee or commission, especially if that success fee or commission would represent a significant sum or a significant part of the overall remuneration;
- e) all people who are Associated Persons for Babcock must commit expressly to comply with all applicable laws relating to bribery and corruption and also to comply with our Code of Business Conduct. In exceptional circumstances it may not be possible or appropriate to include this commitment – for example, in a joint venture – in which case an acceptable alternative should be sort – for example, with the joint venture, the joint venture should sign up to its own ethical policy that should match our standard;
- f) details of any compensation on termination or continued payment of commission/fees post termination (if required under the contract or by applicable laws).

26. A sample application is set out in Appendix E for the appointment of a Business Partner.

### Due diligence

27. What is “appropriate” due diligence (please also see Section L for a discussion on due diligence) will vary depending on the case but will normally include investigation, so far as reasonably possible and appropriate as to:
- a) where the Business Partner is based or operated: is it a territory that has a reputation for having a significant risk of unethical business practices;
  - b) the actual existence of the Business Partner entity concerned (if it claims to be a company, is it a company that is duly registered; does it actually have the operations, customers and facilities it claims to have? Has anyone visited them?)
  - c) the Business Partner’s local reputation and background;
  - d) whether we have done business with them in the past and our experience of them if we have;
  - e) its direct and indirect owners, controllers and key managers of the business (and their reputation);
  - f) its business history and financial standing (including credit checks);
  - g) who its associated companies are and who owns, controls or manages them (and their reputation)

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- h) whether it or any of its owners, controllers or managers is associated or linked in the public or industry's mind to other persons who may have a poor or dubious reputation
- i) direct and indirect connections (including through the associates of the (direct or indirect) owners or managers of the Business Partner) to others involved in the tender award or bid evaluation (such as public officials, the customer or other businesses who might stand to profit from an award of the contract)
- j) the Business Partner must have been made aware, in writing, of our Code of Business Conduct;
- k) the proposed appointment **must be on written terms approved by a Group lawyer**, which must include a commitment by the Business Partner;
  - to comply with the UK's Bribery Act 2010 (as if it were applicable to them, whether or not it actually is so);
  - to abide by our Code of Business Conduct;
  - not directly or indirectly to make or be involved in the making of any payments or the giving of other benefits or inducements seeking to influence or reward the conduct or decisions of others;
  - that no such transactions have previously been made in connection with business sought by or on behalf of the Group;
  - not to use the services of others in discharging their obligations without prior Group approval;
  - to procure that any sub agents will comply with the above;
  - that the appointment will be consistent with any obligations imposed in the relevant invitation to tender, contract, or potential contract, in connection with which Babcock is proposing to use the business representative's services.

28. Babcock has access to a business due diligence service run by World Check, which offers various levels of vetting, from online searching of publicly accessible databases and internet reports worldwide in English or in a relevant foreign language to local, on-the-ground "human intelligence". We also have access to other firms that specialise in more intensive investigation where it might be warranted. Access to these services can be obtained through any Group lawyer.

### Records

29. Adequate records must be kept to document the nature and extent of the due diligence carried out on the Business Partner, the services he provides to the Group and the payments made to him. This should include each Sector maintaining a database of all of its agents together with the key terms of their appointment – see Section K (Importance of Monitoring) for more detail.

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### **Terms & Conditions and Legal Advice**

30. Whenever appointing a Business Partner, you must ensure that his terms of appointment are duly recorded and reflect the principles of this Guidance. You must involve your Sector legal team in the drafting of the terms of appointment at the earliest stage.
31. In addition to involving a Group lawyer, local legal advice should always be sought to ensure that arrangements with Business Partner comply with local laws and as to any non-contractual rights or protections that may be enjoyed by the business representative. The Group lawyer will obtain this advice if necessary.

## **Section I - Offset Arrangements**

1. In seeking tenders for publicly funded contracts, Governments across the world often permit and in some cases require those tendering for the contract to offer, in addition to the principal tender, some kind of additional investment in, or benefit to, the local community. For example, where the tender will involve the prime contractor setting up a supply chain in order to deliver the project, the prime contractor may undertake to ensure that a given percentage of the value of the work done will be done within the territory of the country concerned using local contractors. Or the prime contractor may agree to transfer certain technology or know how to the prime contractor's supply chain, again within the relevant territory. Or the prime contractor may agree to sponsor projects to ensure that a local community which is being particularly affected by the project directly benefits from the project.
2. This activity is known as "offset" and is particularly common in the defence sector. If tendering for a contract which includes an element of offset, regardless of the sector, you must proceed with caution
3. Offset arrangements give cause for concern on a number of levels:
  - a) The offset arrangements in and of themselves can amount to a financial or other "advantage" to a public official or to another person at the official's request, assent or acquiescence and could be a breach of the duty not to bribe a foreign public official (see Section C); or
  - b) The development and delivery of the offset arrangements provide ample opportunity for difficult situations to arise which might lead to breaches of anti-bribery legislation. For example, the prime contractor may be establishing relationships with a new set of suppliers who are unknown to the prime contractor and in a new environment that the prime contractor is not used to working in. Or, in delivering the projects, the prime contractor may be coming into contract with officials with whom the prime contractor does not ordinarily work in a market or sector that is also new to the prime contractor. Or it is common for the prime contractor to employ agents or other intermediaries to assist the prime contractor in the development and the delivery of the offset arrangements with the heightened risk that agents bring.
4. If any tender for which any Babcock company is bidding involves any element of "offset", then you must proceed with caution:
  - a) Prior to submission, the tender must receive Group approval through the TAF process, and
  - b) If you are considering appointing an offset agent or other intermediary to help with the offset obligation, then you must make sure that you comply with the Group policy on the appointment of agents and in scoping the offset arrangement you must be sure that you have undertaken sufficient due diligence on the proposed projects to eliminate any concern that the agent and any offset project or solution he proposes is anything but bona fide.

## **Section J - Whistleblowing**

1. It is the responsibility of every Babcock employees to bring to the attention of appropriate management any concerns that they have that:
  - 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,

in each case, as a result of acts or omissions of Babcock or any of its employees. Or, indeed, if any of the above result from the acts or omissions of Babcock's agents, advisers, subcontractors, suppliers or customers in their dealings or activities so far as they affect or relate to Babcock, its business or employees at work.
2. No action will be taken against an employee who alerts management to these concerns if they turn out to be unfounded so long as the information and any allegations made were passed on in good faith; in the genuine belief that they were substantially true; with no intention of personal gain; and without malice.

### **Procedure**

3. Normally, employees should feel able to bring these matters to the attention of their line managers, who are in turn under a duty to pass on the information to appropriate senior management.
4. However, if an employee feels that this is an inappropriate route in the circumstances or is uncomfortable with it, or believes that the matter has not been dealt with satisfactorily by the line manager, 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.
5. Alternatively, employees may use the confidential "whistleblowing" telephone service established for employees to report matters of concern.
6. It is the responsibility of Sector management to ensure that details of that service and these procedures are made known to existing employees and new joiners, and are refreshed from time to time.

## Section K - Importance of Monitoring

1. As our business and the risks that we face (as we enter new markets and sectors) will change over time, so the procedures required to mitigate those risks will also need to change to address the new circumstances.
2. It is not enough that we assess the risks that we face once (for example, at the start of a relationship with a new agent). We must continually monitor and review the risks that we face to make sure our procedures remain appropriate.
3. Accordingly:
  - a) **Database of all agents:** Each Sector must maintain a database of all the agents that represent it. This database must contain a summary sheet giving the agent's name, term of appointment, territory, whether the appointment is in connection with a particular project, the services to be rendered and a summary of the agent's remuneration together with the full terms and conditions of the agent's appointment (or a reference as to where to find them).
  - b) **Risk assessment:** Each Sector must include, as part of its risk register review, an assessment of the nature and extent of its exposure to potential risks of corrupt acts – whether committed by employees or by persons associated with the Sector (such as agents, sub-contractors, joint ventures or joint venture partners). This risk assessment should consider whether:
    - i. The Sector's **internal financial controls** are still sufficient to allow it to identify any internal malpractice;
    - ii. The **charitable donations** that the Sector has made or is planning to make are appropriate;
    - iii. Any **political donations** (in the unlikely event that there are any) or **lobbying** done or planned to be done are appropriate;
    - iv. Any requests for the payment of **facilitation payments** have been reported to the Sector ;
    - v. The **agency arrangements** that the Sector has in place as set out in the database of agents referred to above are still appropriate and required;
    - vi. Those **joint ventures** in which the Sector is a member also have sufficient financial internal controls to allow the joint venture to identify any malpractice within the joint venture
    - vii. The Sector's **joint venture partners** (especially those who deliver products/services on behalf of the joint venture) are still appropriate and exhibit the same commitment to ethical behaviour as we do;
    - viii. The Sector's **subcontractors** (those that perform services on behalf of the Sector – for example, where the Sector (or a joint venture in which the Sector is a member) is the prime contractor and has subcontracted some or all of its obligations to a subcontractor to deliver on behalf of the Sector ) and other **significant counter parties** are still appropriate and exhibit the same commitment to ethical behaviour as we do;

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- ix. The **customers, markets and sectors** in which the Sector operates are still appropriate or whether they present any particular risk, which require the Sector to amend its current policies in order to mitigate the risk effectively.
  - x. The **corporate gifts and hospitality** that the Sector is sanctioning are still appropriate;
  - xi. The Sector has communicated its commitment to ethical behaviour to its stakeholders and has ensured that its employees have received **proportionate and appropriate training**. The same level of training is not required across the board as it is acceptable for the Sector to identify those employees in high risk roles (eg client facing, marketing, contracting, purchasing) for whom training should be more in depth. However, it is important that, in order to reinforce our culture of conducting our business with propriety, honesty and transparency, every employee is aware of our commitment to ethical behaviour;
  - xii. The Sector has **adequate records** of all risk assessments, appointments, corporate gifts and hospitality, etc to ensure that its and the Group policies are being complied with.
4. In addition to the risk assessment, each Sector must review each of its agency arrangements at least every 2 years to ensure that not only is the appointment in itself still appropriate, but also that the terms of the appointment are still appropriate. A written record of this review must be kept.

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### Section L - Due Diligence

1. It is essential we protect Babcock's interests and reputation by knowing who we are dealing with or relying on – whether a client, a supplier, a sub-contractor (or material sub-sub-contractor), an agent or any other Business Counterparty (being anyone with whom Babcock has a business relationship).
2. Each Sector should have embedded within its procedures thorough and robust due diligence procedures to check that entities we are contracting with are “fit and proper” and will not put Babcock in breach of, or cause us to be associated with any breach of:
  - a) anti money laundering laws;
  - b) anti terrorism laws;
  - c) sanctions controls issued by Governments and international bodies such as the UN and the EU; or
  - d) bribery and corruption risks.
3. This section focuses on bribery & corruption risk. To the extent that existing counterparty due diligence procedures do not address the due diligence stipulated below, these additional reviews are needed.
4. It is crucial that you keep complete and accurate records of all the due diligence done in any given case.

### Risk Assessment

5. The appropriate level of due diligence in any given case is a question ultimately of judgement. The starting point in determining what Due Diligence is needed or desirable is a risk assessment (see the list of Red Flags at the back of the Approval Matrix and for further discussion of issues to consider in a risk assessment see Appendix C), taking into account a matrix of issues such as:
  - a) corruption risk of the countries relevant to the project or where the counterparty is based – various organisations produce tables as to their assessment of corruption risk in different countries. See below for more detail;
  - b) the amounts at stake: for example, is an agent potentially going to receive substantial payments;
  - c) is there a “red flag” (see the list at the back of the Approvals Matrix);
  - d) are there any key licences that are required: for example, any export control issues, including ITAR (US International Traffic in Arms Regulations) requirements or is there a requirement for us to have a Technical Assistance Agreement in place;
  - e) what is the danger of the counterparty trying to influence the outcome of a bid in which we may be bidding (for example, is he simply supplying us with widgets after the bid has been won – in which case, no or low risk, or is he potentially in line for a major supply subcontract and the bid has yet to be submitted or evaluated? Is he an agent who will receive a success fee?).
6. Set out below are what would be expected in the absence of a good reason why they are not necessary or desirable.
7. For departures from these requirements see further below:



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### Level 1: Minimum requirements

8. The due diligence described below is required in all cases of proposed dealings with a new counterparty:
  - a) Evidence as to the existence and correct identity of the proposed counterparty; for example:
    - certificate of good standing (or equivalent) from the applicable company registry, evidencing that the corporate entity exists and has no winding up resolutions presented against it (this may require legal assistance in some jurisdictions); and
    - details of registered office and principal place of business;
  - b) If the counterparty is in a group of companies, information as to that group, including the chain of ownership up to the ultimate parent and of other companies in the group; this may be obtainable, for example, from:
    - copies of annual reports (group and individual entity) or group structure charts;
    - company registry searches;
    - websites;
    - questionnaires (the kind we would have to complete in a PQQ for example);
  - c) Evidence that you are dealing with a person authorised to conclude the arrangements on behalf of the other party;
  - d) Copies of the latest available financial statements of the counter party and its ultimate owner;
  - e) Dunn & Bradstreet report on entity (and parent);
  - f) A copy of the counterparty's ethical policy;
  - g) Word-check basic (IntegraScreen "LITE") (see below as to how to obtain this search and Appendix F for description of what it will include) report in English and any relevant foreign language (IntegraScreen LITE Plus) on the entity (and parent);
  - h) If the proposal involves operating in a country outside the UK or with a party based in such a country, check its World Check Corruption rating (see below as to how to obtain this search);
9. You may also want to consider whether it is appropriate to obtain references from trusted sources. If you are in a new market or country, where Babcock does not have those contacts, consider contacting the following:
  - a) UK Trade Investment (either in country via the UK Embassy or High Commission);
  - b) The Commercial Section of the local UK Embassy or High Commission ;
  - c) British Chamber of Commerce or other local British Business Group (speak to the local UK Embassy or High Commission for contact details)
  - d) Relevant trade associations such as ADS.
10. Please see below for a discussion as to what to do if, in any particular scenario, you believe that any of the above searches are not required.

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### Level 2: Additional Checks

11. In addition, to the checks suggested above certain situations may require you to be extra prudent as they present a heightened risk:
- a) **Proposed appointment of a Business Partner (anyone who provides services for or on behalf of Babcock such as an Agent, or a Business Advisor, or proposed Joint Ventures, Teaming and Consortium Arrangements (or subcontracting, prime contracting in the context of an undecided bid);**
  - b) **Red Flag situation; AND/OR**
  - c) **“Medium Corruption Risk” countries involved** (see below as to how to obtain this search.
12. As there is potentially heightened risk in the above cases, the following additional diligence checks should be carried out:
- a) Names and addresses of directors/senior management;
  - b) Names and addresses of shareholders or other owners or persons controlling the counterparty;
  - c) Confirmation/reasonable verification enquiries as to whether the apparent owners/shareholders are genuine or are “fronts” for others;
  - d) World Check Integra Screen Report in English and applicable local languages on counterparty, ultimate parent, major owners, senior management (see below as to how to obtain this search and Appendix F for description of what it will include);
  - e) If we are “new” to the territory concerned: a World Check Country Entry Check (see below as to how to obtain this search)
  - f) Obtain references from trusted sources. If you are in a new market or country, where Babcock does not have those contacts, consider contacting the following:
  - g) UK Trade Investment (either in country via the UK Embassy or High Commission);
  - h) The Commercial Section of the local UK Embassy or High Commission ;
  - i) British Chamber of Commerce or other local British Business Group (speak to the local UK Embassy or High Commission for contact details)
  - j) Relevant trade associations such as ADS.
13. Where a potential Red Flag has been identified, consider what further checks may be necessary.
14. Please see below for a discussion as to what to do if in any particular scenario, you believe that any of the above searches are not required.

### Level 3: Further Additional Checks

15. If you are in a situation where you have:
- a) **Unresolved Red Flag situation; AND/OR**

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- b) “**High or Very High Corruption Risk**” Countries (see below as to how to obtain this search,

16. Then you must in addition to the Level 1 and 2 checks consider the following:

- a) Further checks as appropriate to investigate further the unresolved Red Flag;
- b) World Check Integra Screen Premium Report (English and applicable local languages) on counterparty, ultimate parent, major owners, senior management - see below as to how to obtain this search and Appendix F for description of what it will include;
- c) If we are “new” to the territory concerned: a World Check Country Entry Check - see below as to how to obtain this search.

17. The extent to which Level 2 and 3 checks are carried out on individual owners, managers and connected companies can only be evaluated on a case by case basis in the context of the risk assessment and what such Due Diligence as has already been done might indicate as desirable.

18. **Other Due Diligence Sources (including for second opinions or informal “references”) include:**

- a) *For sanctions;*

Foreign & Commonwealth Office  
HM Treasury  
Department for Business, Enterprise and Regulatory Reform  
Office of Foreign Asset Control (US)  
European External Action Service (EU)  
United Nations

- b) *Generally:*

Local lawyers;  
Local branch of one of the UK “Big 4” Accountants  
UK Trade Investment (either in country via the UK Embassy or High Commission);  
The Commercial Section of the local UK Embassy or High Commission;  
British Chamber of Commerce or other local British Business Group (speak to the local UK Embassy or High Commission for contact details)  
Relevant trade associations such as ADS

### World Check Searches

19. World Check is an independent service that provides due diligence reports whether on territories, individuals or commercial entities. These reports may be of differing depth and range. Currently (May 2011), World Check has 3 levels of report: lite, standard and premium.

20. World Check also produces a table setting out corruption risk rankings on a country by country basis. If more information is needed, World Check can expand this ranking to show how they came to it. In addition, World Check produce more detailed and focused reports on particular countries or territories within a particular country if required - they refer to this as a “country entry” report which is appropriate for where you are looking to enter into a country for the first time.

## **Anti-Bribery and Corruption/Ethical Policy**

21. If you would like more information about World Check and the services that they provide or need to commission one of their reports, please speak to your Sector legal counsel.

### **Departures from Due Diligence**

22. If, based on a risk assessment, a Sector concludes that Due Diligence that would otherwise be required by the above is not necessary or desirable and can be dispensed with (or satisfied in another way) without materially increasing risk, a note of this and the rationale should be made and filed with the risk assessment in a readily accessible and traceable place.
23. In cases involving operations or counterparties in Medium (or above) Corruption risk countries one of the Group's lawyers and the Sector AB&C officer should be consulted on the proposed departure and concur in the decision.

## Appendix A - Babcock Code of Business Conduct

### 1. OUR POLICY: Babcock will conduct its business to the highest standards of honesty and integrity.

WHY?

Simply, it is the right and proper thing to do and it is in Babcock's, and our employees', best interests:

Our reputation and good name are our greatest assets; they are easily lost by actual or suspected corrupt or unethical behaviour. Without them we will lose business and jobs. Corrupt behaviour can be criminal behaviour: the company and employees can be prosecuted, fined or imprisoned. Conviction can ruin individual careers, lead to existing contracts being terminated and disqualification from bidding for others, with a consequent loss of jobs.

### 2. What our Code of Business Conduct means

#### **Babcock:**

- a) WILL respect the dignity and rights of its 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 our activities;
- b) WILL seek to minimise so far as we reasonably can the impact of our activities on the environment;
- c) WILL comply with the law in the conduct of our business;
- d) WILL be honest in our dealings with those with whom we do or seek to do business;
- e) WILL strive to avoid even the appearance of wrongdoing or impropriety in the way we go about our business;
- f) WILL NOT bribe or attempt to bribe anyone;
- g) WILL NOT take bribes from anyone;
- h) WILL be diligent in selecting our business advisers and partners so that we minimise the risk of our reputation being damaged by others;
- i) WILL implement and observe appropriate training and procedures designed to ensure that we and others working for us understand what our Code of Business Conduct means for them in practice; and
- j) WILL treat seriously breaches of our Code or its associated Guidance.

#### **And our employees:**

- k) WILL avoid (or properly disclose and obtain clearance for) potential conflicts between their interests (or those of their friends and families) and their responsibilities to Babcock or our customers;

## **Anti-Bribery and Corruption/Ethical Policy**

- l) WILL NOT take bribes and will report to appropriate management any attempt made to bribe or improperly influence them or another employee in the carrying out of their duties for Babcock;
- m) WILL NOT bribe or attempt to bribe anyone (including by making “facilitation payments”<sup>1</sup> and will report to appropriate management any request or suggestion that Babcock, or anybody working for or with Babcock, should bribe or attempt to improperly influence someone;
- n) WILL seek advice on how to proceed if they are at all unsure whether something complies with our Code of Business Conduct or how to apply its associated Guidance ;
- o) WILL be able to raise (confidentially if they wish), without fear of unfavourable consequences for themselves, any genuine concerns they have that our Code or its associated Guidance is not being followed.

### **And our Business Advisers**

- p) MUST agree to comply, and actually comply, with our Code and this Guidance, so far as relevant to them, as if they were our employees.

### **And our Business Partners**

- q) SHOULD either be willing to subscribe to our Code and its associated Guidance or have equivalent standards and procedures in their own businesses.

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<sup>1</sup> A “facilitation payment” is a payment to a public official or another person to encourage or reward that person for carrying out their normal duties (either at all or more quickly than they would have done without the payment).

**Appendix B - Template Short Form Anti-Corruption Policy**

## **Anti-Bribery and Corruption/Ethical Policy**

[Insert Babcock Sector / Business Unit]

### **Anti-Corruption Policy**



## Anti-Bribery and Corruption/Ethical Policy

### A. PRINCIPLES OF THIS POLICY

1. Babcock is committed to honesty and integrity in how it does business.
2. No Babcock employee or representative of Babcock 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.
3. This policy against corruption is of paramount importance.
4. The Policy shall be read in conjunction with the Babcock Code of Business Conduct which is included as an appendix to this document.

#### *What you must do to comply*

5. All Babcock companies and employees must:
  - a) Act honestly at all times.
  - b) 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.
  - c) 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).
  - d) Avoid any appearance of impropriety in business relationships or transactions.
  - e) Keep full and accurate records of all payments made by any Babcock company or by third parties on behalf of any Babcock company.

#### *Penalties for non-compliance*

6. Under UK law bribery is a criminal offence (no matter where in the world the corrupt behaviour takes place), as are attempts, aiding and abetting or conspiracy to commit such an offence. The penalties on conviction are likely to be severe, and include:
  - a) long terms of imprisonment for individuals;
  - b) significant fines;
  - c) debarment from public procurement projects; and/or
  - d) lasting reputational damage for the company.
7. Babcock is committed to complying with all applicable laws everywhere it conducts business. As a result, **all officers, employees and representatives have an affirmative obligation to become familiar with, and to adhere to, this Policy.**
8. Any action in breach of this Policy may constitute gross misconduct and as such would be likely to lead to dismissal.

## Anti-Bribery and Corruption/Ethical Policy

### B. KEY PROVISIONS OF UK LAW

1. UK anti-corruption law is governed by the Bribery Act 2010. Key features of the Bribery Act are:
  - a) Creates two general offences covering the offering, promising or giving of an advantage, and requesting, agreeing to receive or accepting of an advantage
  - b) Prohibits bribery in the public or private sectors
  - c) Creates a discrete offence of bribery of a foreign public official
  - d) Creates a new offence of failure by a commercial organisation like Babcock to prevent a bribe being paid for or on its behalf (it will be a defence if the organisation has adequate procedures in place to prevent bribery – this policy is part of Babcock’s adequate procedures).
2. The Act applies to UK companies, citizens and individuals ordinarily resident in the UK, regardless of whether the relevant act occurs within or outside the UK.
3. Babcock employees should interpret “bribery” as being the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal or a breach of trust.
4. Accordingly, UK legislation should be interpreted as prohibiting both the giving and receiving of bribes or any gift, loan, fee, reward, consideration or advantage as an inducement to, or a reward for, doing or forbearing to do something (in the context of public or business affairs). There is no minimum amount for what may constitute a bribe, although of course a larger payment may more readily be found to be a bribe.
5. It could also be bribery if you know or believe that the acceptance of the advantage offered, promised or given in itself constitutes the improper performance of a relevant function or activity. This is especially relevant for Babcock where we are aware that many of our customers’ employees (like the MoD) have strict policies on the corporate entertainment that they can accept. If you offer entertainment which you know is in excess of these policies, you are putting yourself and Babcock at risk of prosecution.
6. There is also an additional standalone offence of bribery of a non UK public official. The offence is committed where a person offers a financial or other advantage to a non UK public official with the intention of influencing the official in the performance of his or her official functions. The person offering the advantage must also intend to obtain or retain business or a business advantage by doing so. Please also note the definition of “public official” is very broad and includes all officers and employees of a government or government agency or a quasi non-governmental organization (“quangos”); military officials; ministers and members of political parties; members of a royal family empowered with official government responsibilities; judges; employees of state-controlled businesses; agents or consultants acting for and on behalf of a government; and employees or officials of public international organisations, such as the World Bank or the United Nations.
7. In addition to direct acts of bribery, Babcock will be liable to prosecution if a person associated with it bribes another person intending to obtain or retain business or another advantage for Babcock.
8. The definition of “a person associated with” Babcock is any person who performs services for or on behalf of Babcock. This is a very broad range and includes employees, subsidiaries, agents, consultants, joint ventures/consortiums that Babcock is involved in, Babcock’s joint venture/consortium/teaming partners and subcontractors (where Babcock is the prime contractor).

## Anti-Bribery and Corruption/Ethical Policy

9. UK law does not permit the payment of what are known as “facilitation payments”. This is in contrast to American law.

### POLICY REGARDING THE USE OF AGENTS

10. Many firms appoint third parties to carry out certain business or marketing functions on their behalf, particularly in foreign jurisdictions. Such individuals or companies may commonly be referred to as “consultants”, “advisers” or “agents”. For the purpose of this Policy, all such third parties shall be referred to as “Agents”.
11. Due to the high risk that the agents represent, Babcock does not appoint agents unless there is no alternative. If you believe it is necessary to retain an Agent to act on Babcock’s behalf, you **must not** retain the Agent without the **express written authority** of the Group CEO. There is a specific procedure in place to obtain this approval – for more information, you must ask [*insert appropriate contact*]
12. Babcock will undertake due diligence on the proposed individual or entity prior to any approval. There also will be specific contractual terms and/or representations or warranties which Babcock will require in the written contract with the Agent. [*Name of appropriate contact*] will advise on these points with legal guidance from Sector legal counsel. Any such agents will only be appointed in compliance with this appointment process.

### POLICY REGARDING BOOKS AND RECORDS

13. Babcock will establish and keep books, records, accounts and controls that accurately and fairly reflect its transactions and disposition of its assets. All books and records will be open to inspection by the Board of Directors, auditors, both shareholders, and any other party entitled to do so. There must be no “off book” or secret accounts, and no documents may be created which do not fairly and accurately reflect the transactions to which they relate.

### POLICY REGARDING GIFTS, ENTERTAINMENT AND HOSPITALITY

14. This is a difficult area in which to make precise rules, and the exercise of common sense is, as always, important.
15. However, the general rule is that Babcock will not make any corporate gifts to any public official without the express prior approval of your Sector Chief Executive or the Group Chief Executive. You must also be very careful when offering any gift to non-public officials to stay within the Hospitality Guidelines as set out in the Appendix and properly recorded. As for corporate hospitality, this is permitted to both public and non-public officials, again provided that it remains within in the guidelines set out in the Hospitality Guidelines and is properly recorded. Please remember excessive generosity in making gifts, or giving entertainment or hospitality to parties from whom business **has been obtained** or **is sought** can be seen as a form of bribery.
16. For example, where Babcock is bidding for an important government contract, any gifts or entertainment to persons connected with the bid should be avoided. Simple hospitality such as meals and refreshments is permissible, so long as it conforms to the Hospitality Guidelines and complies with applicable laws, regulations and administrative requirements. Similarly, if Babcock is about to award important business to suppliers, the Babcock staff involved should not accept any gifts or other benefits from any suppliers who may be involved.

## Anti-Bribery and Corruption/Ethical Policy

17. The presentation of gifts of token value (i.e. [£*insert relevant amount*] or less) to existing business partners is unlikely to be seen as corrupt. The same is true of entertainment or hospitality to existing business partners, so long as it is not excessive, is part of the normal run of marketing or promotional activity, and complies with applicable laws, regulations and administrative requirements.
18. You must also not offer a gift or hospitality if you know or believe that the acceptance of the gift or hospitality by the recipient would breach any policy which applies to the recipient. If you offer entertainment which you know is in excess of these policies, you are putting yourself and Babcock at risk of prosecution.
19. Babcock employees must ask in each case whether the gift, entertainment or hospitality is reasonable in all the circumstances. Would it be embarrassing for Babcock if details of the gift, entertainment or hospitality were made public? If so, it must be avoided.
20. Please consult the Hospitality Guidelines whenever offering or accepting gifts, entertainment or hospitality. If you have any concerns regarding a specific situation, you must seek guidance from the [*insert relevant contact*].

### POLICY REGARDING FACILITATION PAYMENTS

21. Facilitation payments are prohibited by UK law.
22. Typically, a facilitation payment is a small payment to a rank-and-file government or public official for the purpose of expediting **routine** functions where there **is no element of discretion** involved in the official's conduct. In other words, a facilitation payment is a small payment which is intended to cause a government or public official to simply do faster that which he has no choice but to do eventually.
23. As such payments are illegal under UK law, officers, employees and/or Agents of Babcock must not make facilitation payments to any government or public official. It is not uncommon for some service providers to offer **all customers** improved service in exchange for a higher price. A payment to the relevant government body (as opposed to a public official personally) which is routinely and officially required of all those who seek more rapid or efficient service is not a bribe or facilitation payment and not illegal. It is allowable under this Policy provided that a receipt for such a payment can be obtained. However if you have any doubt whatsoever regarding a proposed payment you must seek guidance from [*insert appropriate contact*].

### POLICY REGARDING RISKS TO PERSONAL SAFETY

24. In circumstances where you face an immediate risk to your personal safety, such as extortion backed by physical threats, you should take any reasonable action to remove yourself from physical danger as soon as possible. Once the employee in question is able to do so, a full written report should be made to your line-manager and to [*insert appropriate contact*].

### POLICY REGARDING CONFIDENTIAL DISCLOSURES

25. All Babcock employees are required to report any breaches of this Policy, in the first instance, to [*insert appropriate contact*]. All such reports will be investigated, in confidence insofar as possible.
26. Babcock operates a confidential telephone line to facilitate the making of such reports. The number to ring is [*insert appropriate contact*].

## **Anti-Bribery and Corruption/Ethical Policy**

27. Babcock will support any employee or officer who makes such a report and will ensure that the report is treated with the greatest seriousness. No disciplinary action may be taken against any person who makes a legitimate report, even if the suspicions reported turn out to be incorrect. Disciplinary action will be taken against any person who attempts to victimise or discriminate against a person making such a report.

### **Questions**

28. For further information in relation to any of the issues outlined in this Policy please contact [*insert appropriate contact*].

## **BABCOCK ANTI-CORRUPTION POLICY**

### **CONTENTS OF APPENDIX**

- **Hospitality Guidelines**
- **Babcock Code of Business Conduct**
- **Case Studies**

## BABCOCK

### HOSPITALITY GUIDELINES

1. Bona fide expenses for travel, meals and lodging of government or public officials related to the promotion, explanation or demonstration of Babcock's services, or the execution of a contract, are permissible, so long as they are reasonable and not "excessive" or "lavish" and comply with applicable law, regulations and administrative requirements.
2. Anyone considering inviting a Customer or Customers on business trips should send a written invitation to the supervisor of the relevant invitees, setting forth the hospitality that will be provided. Approval must also be sought in writing from [*insert relevant approver*].
3. Moreover, token gifts or entertainment are permissible so long as they are reasonable and infrequent and comply with applicable law, regulations and administrative requirements. Such gifts and entertainment should be avoided if there is any suggestion or perception of an improper motive behind them (e.g. as a *quid pro quo* for favourable treatment by the official or to otherwise influence how the official performs his functions). All gifts and entertainment should be of modest value and it should be clear that they are being provided as a token, courtesy or expression of gratitude only.
4. For the purpose of these Guidelines, all such travel, meals, lodging, gifts and entertainment shall be referred to as "Hospitality".
5. When contemplating providing Hospitality to a current or prospective business partner, you must conform with the following guidelines
  - Expenses for Hospitality should not exceed the following [Pound Sterling] amount per person:
    - Breakfast: [£•]
    - Lunch: [£•]
    - Dinner: [£•]
    - Refreshments: [£•]
    - Token gifts: [£•]
    - Entertainment (e.g. tickets for sport or social events): [£•]
6. Higher amounts may be appropriate on a case by case basis, but must be approved in writing by [*insert appropriate approver*]
7. The frequency of Hospitality must be carefully monitored, as the cumulative effect of frequent Hospitality may give rise to the appearance of impropriety. Hospitality for any individual should not exceed • events in any calendar year. Where additional Hospitality is anticipated, the [*insert appropriate approver*] must be consulted and prior written approval obtained.
8. No travel for officials may be provided without approval from the [*insert appropriate approver*].
9. Babcock cannot pay for any airfare or other travel expenses for family members of government or public officials.
10. Babcock cannot cover both travel expenses and advance *per diem* expenses; e.g. if Babcock pays for the meals of a government or public official, it cannot (in addition) provide a *per diem* for "incidentals".

## Babcock Hospitality Register

11. In accordance with Babcock Code of Business Conduct (included in the Appendix to this policy), all Hospitality must be properly and accurately recorded in the Babcock Hospitality Register. All personnel either giving or receiving hospitality should provide details of the Hospitality to [*insert appropriate contact*].

12. This Register covers 3 aspects:

- Where a Babcock employee has been invited to a corporate event by either a company or individual
- If an Babcock employee has been invited/or invited someone for a meal outside of normal working meetings
- Items received as a gift e.g. bottles of spirits

13. The information that is required is:

- Date of event
- Description of event
- Approximate cost
- Name of company/individual inviting you or you have invited by
- Sort of gift and approximate value (normal small value corporate gifts i.e. diary/desk calendar we do not need to know about)



**Babcock Anti-Corruption Policy**

***BABCOCK CODE OF Business Conduct***

**[Insert Babcock Code of Business Conduct - see *Appendix A*]**

## Babcock Anti-Corruption Policy

### Case Studies

#### CASE STUDY 1 – TRAVEL & ENTERTAINMENT

##### *Facts*

1. In order to demonstrate Babcock's experience in managing defence sites, Babcock would like a selection of senior procurement managers of a potential UK customer to visit a Babcock managed site in the UK. During the trip (which will last a total of 7 days) the managers will visit a range of key suppliers operating in or around the site, will participate in a review of a site and Babcock's operation at the site. However, as an added "perk" Babcock would also like to arrange for the managers to enjoy two days of sight-seeing in London. It is proposed that Babcock will cover all related expenses, such as accommodation, food & drink, etc. Babcock will account for all of this expenditure in an accurate and complete fashion as "Customer promotion and demonstration - travel and entertainment expenses".

##### *Analysis*

2. As you need to understand that merely by accepting the hospitality the customer's managers are not in breach of any of the customer's own internal corporate governance, you should ensure that the visit is subject to a written invitation being sent to the supervisor of the senior procurement managers being invited, setting forth the hospitality that will be provided.
3. You should also check that what level of internal approval you need in order to approve the giving of the hospitality – for a visit of such a long duration it is likely that you will need the approval of your Sector Chief Executive which should be obtained in advance.
4. However, subject to the checks and approvals, the visit to site would not be problematic as the intent is clearly that of promotion, demonstration and/or explanation rather than any corrupt intent.
5. The final two days of sight-seeing in London - which may very well lack any corrupt intent or effect - are nonetheless problematic. Such unnecessarily extravagant expenditure should be avoided. It could very well amount to an undue advantage conferred on the managers in an attempt to influence the future performance of their duties.
6. If the invitees were non UK public officials, this would very well be the case as there is a standalone offence of bribery of a non UK public official.
7. **Note:** the same or a similar scenario could arise where Babcock is the recipient of entertainment from its suppliers. Care must be taken to avoid both offering and receiving travel and entertainment-related expenditure that could be perceived as extravagant or otherwise improper.

#### CASE STUDY 2 - PROCUREMENT

##### *Facts*

8. Various suppliers submit tenders related to a training package for a new air platform which Babcock is letting as a prime contractor. In the end, XYZ Ltd wins the tender. A week after

the contract has been awarded you receive a telephone call from an individual who states that he is calling on behalf of ABC Ltd, who was unsuccessful in the tender. The individual does not provide his name or any other identifiable information. He states that he has documentary evidence indicating that XYZ Ltd promised “sweeteners” to senior employees of Babcock in order to influence the outcome of the competitive tender. He does not give any further detail regarding the identities of the Babcock employees or the nature of the alleged “sweeteners”, but says that he will be passing this evidence to the Serious Fraud Office. Before hanging up, however, he makes a cryptic remark which suggests that Babcock may be able to “negotiate” with him to “buy” these materials so that it can investigate the matter itself, thus keeping the materials out of the SFO’s hands.

### *Analysis*

9. Receiving corrupt payments is a criminal offence in the UK. The allegation of “sweeteners” may be a fabrication; indeed, it may simply constitute a clumsy attempt at blackmail or a troublemaking on losing a tender. Nevertheless, an immediate report of the call and the information provided by the caller should be made to [*insert appropriate contact details*], or the Whistleblowing Hotline on ●.
10. Under no circumstances should there be any attempt to “buy” the referenced materials.

## **CASE STUDY 3 – DEALINGS WITH MOD**

### *Facts*

11. In late spring it is announced that the UK MoD is considering scaling back or eliminating a “Gyrocopter Trainer” package for the Royal Navy. Babcock had been contracted to deliver the package. This would likely result in a reduction in future revenues for Babcock. During a meeting a senior procurement manager at MoD lets it be known that there is an ongoing debate amongst senior military staff regarding the wisdom of this course of action. He names a 3-star general who appears to be a crucial figure in this debate and is very much in favour of maintaining the current package.
12. Over the course of that summer Babcock treats the general to an unusual amount of entertainment and hospitality. He is taken out to top London restaurants on numerous occasions as well as being treated to Centre Court tickets at Wimbledon and the best seats at The Ashes. The events are social in nature and very little, if any, business is discussed. Towards the end of the summer it’s official: the Gyrocopter Trainer package is to be scrapped.
13. Has corruption taken place?

### *Analysis*

14. These facts suggest that unusual, and rather lavish, entertainment was provided to a military official for improper purposes. Such entertainment is not permissible under the Hospitality Guidelines as it may very well constitute a bribe or attempted bribe. It does not matter that the efforts failed to have their (apparent) desired effect: attempted bribery is an offence under UK law.
15. In addition, if Babcock was aware that the entertainment lavished on the general was in breach of MoD guidelines that applied to the general, then in fact Babcock will be guilty of active bribery in any event.

## Appendix C - Risk Assessment

1. Whilst our procedures require certain matters to go through a formal clearance process, it will always be helpful at the very earliest stage to consider critically the ethical risks that could surround any given situation. This will have the following benefits:
  - a) It will help identify those matters that the policy and associated procedures may apply to;
  - b) It can identify potential issues that may not otherwise have been apparent;
  - c) It means that advice and further information can be sought in good time;
  - d) It will help smooth any clearance process that needs to be followed;
  - e) It will often provide the answer to whether to go any further;
  - f) It will minimise the risk of problems.

### **Red Flags (see the list attached to the Approval Matrix in Section B)**

2. "Red Flags" are indications that something may not be right or that further advice and guidance should be sought as they could be, though are not necessarily, indicators of a real risk of unethical or unlawful behaviour.
3. If a Red Flag is raised you should proceed with extra caution and may need to increase due diligence. You should share your concerns about the Red Flag with the Sector AB&C Manager or one of the Group's lawyers.
4. If there is a Red Flag, the reasons how it has been addressed or satisfied should be recorded and be readily available for future reference. If any matter requiring approval in accordance with this Guidance is considered to have or was at some time assessed as having a Red Flag, that must be made known to the person whose approval is required and an explanation of why it is thought appropriate to proceed given and recorded.
5. But an absence of a Red Flag cannot be a guarantee that everything is fine: Common sense, a reasonable degree of scepticism and intuition should be your guide.
6. Red Flags apply not just to arrangements or situations in which Babcock is directly involved, but also to arrangements between third parties where one or more of them is a person "associated with Babcock" (ie who may be performing services on behalf of Babcock) or whose actions may damage Babcock's reputation by association (for example, a joint venture partner, especially where the arrangement or situation relates to something in which Babcock directly or indirectly has an interest or involvement).
7. It should be emphasised that the presence of one or more of these Red Flags may have a perfectly legitimate explanation and none is a bar in and of itself to proceeding. They just need thinking about or perhaps more investigation with an explanation of why they are not of concern in the case in question and possibly additional safeguards put in place.

## Risk Assessment

1. In assessing risk in any given situation, consider:
2. What actually is involved in this situation: how much is at stake either to Babcock or anyone who might be affected by the outcome? Examples of situations where someone might be tempted to influence the outcome in a way that could amount to bribery include:

Situation	Who might have a stake (apart from a Babcock company)	How they might be tempted to influence the outcome or where their involvement might be risky
<p>Babcock (or a consortium, joint venture or a team in which Babcock is working or a prime contractor for whom Babcock is a subcontractor):</p> <ul style="list-style-type: none"> <li>• qualifying to participate in a bid or re-bid (for a prime or sub contract);</li> <li>• Winning a contract bid or re-bid (for a prime or sub contract);</li> <li>• Securing contract extensions or renewals (for a prime or sub contract)</li> </ul>	<ul style="list-style-type: none"> <li>• Babcock employees – bonus; job prospects;</li> <li>• Agents/advisers working on the project and wanting to secure a fee (especially if success related) but maybe just to secure future repeat business with Babcock</li> <li>• Sub-contractors to Babcock (or its joint venture, consortium or team) – their sub contract depends on our success in the “prime”</li> <li>• Joint venture or teaming partners</li> </ul>	<ul style="list-style-type: none"> <li>• Bribing or seeking to influence (other than by the inherent strength or attractiveness of the bid) the customer’s decision-makers or advisers or their family members or associates; over the top or inappropriate hospitality</li> <li>• Close links to the customer or the decision makers for or advisers to the customer (or the customer’s family or associates)</li> </ul>
The award of sub-contracts by Babcock	<ul style="list-style-type: none"> <li>• Sub-contractors</li> </ul>	Bribery of (including inappropriate hospitality given to), or close links to, Babcock decision makers or those advising them or their family or associates.
The award of supply contracts by Babcock	<ul style="list-style-type: none"> <li>• Suppliers</li> </ul>	Bribery of (including inappropriate hospitality given to), or close links to, Babcock decision makers or those advising them or their family or associates

<ul style="list-style-type: none"> <li>• Key performance indicator reviews or other contractual assessments which might have a material impact on amounts payable or even as to whether a contract is terminated;</li> <li>• Disputes over amounts properly due to a party under a contract;</li> </ul>	<ul style="list-style-type: none"> <li>• All parties with a financial interest in the outcome or continuation of the contract</li> <li>• Their agents/advisers, sub-contractors; suppliers if they will be impacted and have the ability or opportunity to attempt to influence the outcome</li> </ul>	<ul style="list-style-type: none"> <li>• Bribing or seeking to influence (other than by the inherent strength or attractiveness of the bid) the customer’s decision-makers or advisers or their family members or associates; over the top or inappropriate hospitality</li> </ul>
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- a) What countries are relevant participants (the customer, intermediaries, Babcock’s agents, advisers, distributors, joint venturers, teaming partners, sub-contractors etc) going to be based or working in or involved with?
- b) How well do we know those countries – the culture, how they work, their system of procurement or government, their reputation for ethical business practices; the reputation of their public officials and of their courts and legal system; how business is won; who the influential people are?
- c) Who is the customer – is it a government (national or local) body or agency or nationalised industry? Who controls or has influence over its decisions about awarding contracts?
- d) Is anyone connected to the customer involved, or do they have an interest, in the outcome of the bid or business opportunity with that customer? Are we going to be dealing or working with them in trying to secure the opportunity or in performing it if we are successful?
- e) How material is the stake that anyone involved in the opportunity has in its success; are there significant success fees or further work to be earned as a result?
- f) How much actual influence might an interested party be able to exert in any decision to award, or not to terminate, a business deal: what scope or opportunity do they have in practice; what connections do they have or claim to have? Many people may have an interest in the successful outcome of a bid or other business opportunity, but has neither the position, influence nor access in practice to affect that outcome, whereas others may clearly have an advantage.
- g) Is anyone involved in the matter under consideration a “Heightened Risk Person”? Are there any Red Flags to investigate?

## Appendix D - What is Bribery?

### Generally

1. Bribery, in its general sense, can take many forms, but in essence it is an offence for a person to offer or give a financial or other advantage to a person in one of two ways:
  - a) Where the briber intends the advantage (whether the advantage goes to the target of the bribe or not) to bring about the improper performance by another person (whether a public official or not) of a relevant function or activity or to reward such improper performance (even if there is no intention to gain a business or other advantage for anyone as a result); or
  - b) Where the briber knows or believes that the acceptance of the advantage offered or given is in itself an improper performance of a relevant function or activity. So, simply offering, say, hospitality to someone who is known to be subject to his employer's code of conduct which forbids his acceptance of hospitality could be bribery - even if there is no intention that he will otherwise behave improperly.
2. In addition, there are also specific bribery offences where the target is a public official.

### Foreign (Non UK) Public Officials

3. Bribery as described above - in the sense of seeking to influence a person to behave *improperly* (act in breach of his duties) can of course be targeted at someone who is a public official.
4. But where a foreign (i.e. non UK) public official is involved, there is also a standalone separate offence of simply seeking to *influence* the official in his role *even if there is no attempt to get him to behave in a way that would be improper*.
5. However, in this case there *does* have to be an intention of obtaining or retaining business or a business advantage by offering or giving the advantage as a result of the "bribe".
6. A "foreign public official" is an official, whether elected or appointed, who holds a legislative, administrative or judicial position of any kind in a country or territory outside the UK. It also includes any person who performs public functions in any branch of the national, local or municipal government of such country or territory or who exercises a public function for any public agency or public enterprise of such a country or territory, such as professionals working for public health agencies and officers exercising public functions in state owned enterprises. Foreign public officials can also be an official or agent of a public international organisation such as the UN or the World Bank.
7. Because of the sensitivity of dealing with public officials (whether UK or non UK) you will find that this Guidance has specific advice on how to treat them in the context of specific topics such as Corporate Gifts and Hospitality

### Important points to bear in mind

- A. Bribery is not a concept that is limited to dealings with public officials, although dealings with public officials are particularly sensitive and carry additional risks. It is still bribery if the person who is sought to be influenced works for a private sector business.

- B. The test for “improper performance” of a function or activity is, for UK Bribery Act purposes, (and this is the standard that Babcock will apply across the Group worldwide) what a reasonable person in the UK would expect in relation to the performance of that function or activity if it were being performed in the UK.
- C. Where the intention is to cause someone to perform duties improperly, there is no need for this to be done with a view to someone gaining a business or other advantage (though of course it typically will be).
- D. **Local custom or practice must be disregarded.** It may not always be obvious whether something could be interpreted as involving bribery, particularly as local customs and behaviours can and do vary from one country to another. A sensible, objective assessment should be made, perhaps after having consulted reputable legal advisers or embassies in the territory concerned.
- E. **The fact that something is an accepted or officially tolerated business practice, a “necessary evil” or that “everyone does it” or “it is the only way we will stand a chance of being taken seriously” cannot make lawful what is otherwise unlawful.**
- F. Bribes need not be in monetary form or even have a monetary value - anything that seeks to influence can be a bribe: getting someone invited to an exclusive event, for example, or arranging for his son or daughter to be given work experience.
- G. So corporate hospitality and gifts can amount to bribery – please see the separate section on this.
- H. The bribe need not go to or be for the benefit of the person sought to be influenced. For example, making a substantial donation to a charity that he runs or supports; making a donation to a political party or offering benefits to his family or friends can be a bribe.
- I. The person sought to be influenced need not request the bribe (tacitly or otherwise).
- J. The bribe need not actually be paid or handed over – it is the promise or offer of it or even the creation of an expectation that a benefit will be conferred, if the intention in so doing is to influence someone.
- K. Babcock personnel should be alert to bribery risk not only where Babcock might be a direct beneficiary but also where the benefit could be indirect – for example the award of a contract to a consortium of which Babcock is a member, but where it will only be acting in a subcontract role.
- L. Neither is there a requirement that the bribe relates to new work or a new contract – a bribe could equally relate to a contract being renewed or not cancelled or any penalty regime (for example, KPIs or liquidated damages) not being invoked.
- M. We also need to be alert to, and guard against, the risk of persons associated with Babcock (such as an agent or sub contractor) offering bribes – even where we have no knowledge of the bribe and the benefit that the associated person receives is indirect (i.e. if we benefit, then we pass some of that benefit on to them) – for example a local adviser or agent paying a bribe so that we win a contract and as a result they secure a success based-fee or simply enhance their reputation with us or others as “winners”.
- N. Another example: a subcontractor to Babcock paying a bribe to someone at Babcock’s prospective customer either to ensure Babcock gets the work so he can be awarded the subcontract, or to cause the customer to recommend him as the authorised sub contractor.



- O. Equally, we have to be aware of the scenarios where our employees are offered bribes in order for the Babcock employee to exercise his discretion improperly. This is called “passive” bribery. For example, a Babcock employee may be offered a financial or other inducement in order to grant the award of business to a third party, such as a supplier or sub-contractor.

## Appendix E - Business Partner Approval Form

### REQUEST TO APPOINT A BUSINESS PARTNER

Application No. \_\_\_\_\_

Business  
Lead: \_\_\_\_\_

Revision Date: \_\_\_\_\_

PROJECT or BUSINESS STREAM	
Name of Company seeking to make the appointment?	
Title / name	<i>Please provide the title of the project or name of business stream driving the requirement.</i>
What business is the proposed relationship intended to cover?	<i>Please provide a brief summary of the scope and extent of the proposed relationship</i>
Location(s)	<i>List where the project / business is to be carried out.</i>
Key Client(s)	
Proposed duration	<i>Identify a proposed start date and duration.</i>

BUSINESS PARTNER	
Name	
Principal (if not an individual)	

INITIATORS			
Approval Initiators		Reviewers	
Business Leader		Sector Legal Dept.	
Business Unit MD		Sector Commercial Director	

SUMMARY OF REQUEST TO APPOINT A BUSINESS PARTNER
<p><i>The summary should avoid boilerplate and as a minimum include the following, (where necessary use attachments, e.g. for the business case):</i></p> <p><i>A concise statement of the business case for appointing the business partner including a list of the specific services that the prospective business partner will perform for Babcock</i></p> <p><i>The reasons it is necessary to appoint a business partner to pursue the business opportunity or promote sales rather than using a Babcock employee including the qualifications of the proposed business partner and any specific capabilities of the business partner that Babcock does not have</i></p> <p><i>Confirmation that we have not been asked to appoint the Business Partner</i></p> <p><i>A summary of the due diligence undertaken and whether any Red Flags identified (together with the proposal for their mitigation). See Section L of the full Guidance on Anti Bribery &amp; Corruption for a discussion of the levels of due diligence that the Sector should be considering</i></p> <p><i>Details of the key terms of the proposed appointment especially those relating to the scope of services, the territory and term, as well as an overview of the proposed fee structure including a forecast of annual commissions for the next 5 years or in the case of a single project, over</i></p>

*the life of that project, whichever is longer and details of termination payments (whether contractual or statutory).*  
*The name, position and location of the Babcock Manager who will be responsible for liaising with and controlling the activities of the proposed business partner.*  
*Confirmation that the business partner has received our Babcock Code of Business Conduct and is happy to sign up to it.*

<b>APPROVALS</b>				
<b>Order</b>	<b>Approver Title</b>	<b>Approver Name</b>	<b>Signature</b> (Approver or authorised alternate)	<b>Date</b>
1	Business Unit MD			
2	Sector Chief Executive			
3	Group Legal			
4	Group Chief Executive			

## 1. Proposed Business Partner:

1.1 Business Partner Name:	
1.2 Address	Provide the address of the principal place of business
1.3 Legal Structure:	<input type="checkbox"/> Corporation; <input type="checkbox"/> Partnership; <input type="checkbox"/> Individual; <input type="checkbox"/> Other
1.4 Principal and Key Personnel:	if Business Partner is not an individual
1.5 Owner(s):	if Business Partner is not an individual.
1.6 How were we introduced to the Business Partner and how long have we known him?	Note you will be asked to provide further background information in Section 3 below

## 2. Project or Business Stream:

2.1 List potential Clients and identify whether Government Agency or Private Corporation	Where it is not feasible to provide a full list of potential clients, please explain why.
2.2 Do we have other Business Partners overlapping the same scope?	Provide details if appropriate; for example, if it is a single project will it be executed in stages that will require more than one Business Partner through its life?
2.3 Will any Joint Ventures or Consortia be involved?	Yes <input type="checkbox"/> ; No <input type="checkbox"/> If 'Yes', please provide details.
2.4 Does the proposed appointment prevent us from selling direct to the end user?	Yes <input type="checkbox"/> ; No <input type="checkbox"/> If 'Yes', please provide details.
2.5 Services to be performed by Business Partner	Specify exactly what the Business Partner will do – 'Sales support' is insufficient
2.6 Potential Babcock Contract Scope, Revenue & Cost	Revenue: £ million Cost: £ million Where appropriate, expand on the scope of activity outlined on the front sheet of this application
2.7 Clients Payment Terms & Expected Currency	

## 3. Background of Prospective Business Partner:

3.1 Occupation or Principal Business Activity?	
3.2 Country of Registration	If the Business Partner is other than an individual person, is the entity registered in the country where the services are to be performed? If not, why not?
3.3 Relationships with potential clients	Provide details of the prospective Business Partner's relationships with target clients. Are any Owners or Key Personnel government or political party officials, or related to such officials?
3.4 Prior or existing agreement(s) with Babcock:	
3.5 Number of Employees:	
3.6 Length of time in the same business as contemplated in the agreement:	

3.7 Affiliations; Representation of other Companies or Organisations	Is the Business Partner affiliated to any other organisations; does the agent act for any other companies or organisations? If so, which ones? Can we/have we contact(ed) them for references? If so, what are the findings?
3.8 Field of Business Partner's Activities	List the market sectors (municipalities, national government, contractors, or industry) in which the Business Partner actively solicits business and the estimated volume of sales for the Contracting Party.
3.9 Due Diligence Review of Prospective Business Partner	<p>The proposed Business Partner must be vetted; this should include investigation as to (ultimate) ownership and management of the business; business history and financial standing; connection of the owners or managers to public officials or companies whose business is being sought; local reputation (Identify sources contacted with respect to the Business Partner's reputation; e.g., British Embassy or UK Department for Business, Enterprise and Regulatory Reform (BERR), local Chamber of Commerce, local banks, customers, references, local legal counsel)</p> <p>Please identify any further Business Partner due diligence review that has to be conducted prior to entering into an agreement. If there is an existing due diligence report please attach to this request</p>

#### 4. Compensation & Payment

4.1 Proposed Compensation Rate and £ value	What is the proposed basis of compensation for the Business Partner and his projected earnings (our estimate) from this appointment? (Note: please state the assumed duration)
4.2 Recovery of Compensation	Confirm that Business Partner's commission will be recovered in the bid price for the work. Explain recovery method, including recovery of compensation paid from JV partners or compensation paid by JV partners.
4.3 Compensation Level Comparison and Value for Money	Is the commission or compensation level commensurate with what other companies pay in the Country/ region and what is the basis for that conclusion? Does the proposed commission level represent VfM in relation to the services being provided?
4.4 Terms of Compensation Payment, including expenses provisions	Provide a summary of the proposed terms and confirm that they have been reviewed by Group Legal Department.
4.5 Termination	Please provide details of any compensation due on termination or other fees post termination taking account of the Commercial Business Partner's Regulations 1993 (where applicable).
4.6 Where does the Business Partner request payment to be sent, and why?	If the Business Partner wants to be paid by wire transfer, is the Business Partner's payee bank in the country where the services will be performed? If it is not in the country where the services will be performed, where does the Business Partner want payment to be sent and why?
4.7 Tax Implications	Please note that once Group has approved the appointment of a Business Partner you will need to review with them any tax

	implications related to the proposed payment request and if necessary amend the payment approach to meet Group requirements.
4.8 Business Partner to Represent in Writing	Confirm that the proposed Business Partner is prepared to represent in writing that the amounts paid are received for his own account, and that no amounts will be passed on to government officials or persons in a conflict of interest position?

## 5. Compliance with Babcock Code of Business Conduct

5.1 Written commitment	Confirm that the proposed agent has been made aware of Group Policy as defined in the applicable Babcock Code of Business Conduct contained in the BIG Commercial Policies Document and that any appointment will require a written commitment to comply with those policies?
5.2 Customer Approval	Confirm that we have established whether or not the Customer needs to approve or be informed of the appointment?
5.3 Local Legal Advice	Confirm that we have sought local legal advice to ensure that the proposed arrangements comply with local laws.

**APPENDIX C.1(c)**

**CONSORTIUM APPROVAL FORM**

<b>Trading Unit</b>			
<b>Project</b>		<b>Tender</b>	
<b>Name</b>	_____	Ref: (Tenderer's)	_____ (BIG's)
<b>Location</b>	_____	Date	_____
<b>Country</b>	_____	Originator	_____
<b>Client</b> _____			
<b>Project Description</b>   			
<b>Scope of Supply and Contractual Framework</b> (Give a brief description of the consortium's proposed involvement in the Project)			
Attach: Details of the allocation of scope between the consortium members. Turnkey contract? Yes <input type="checkbox"/> No <input type="checkbox"/>			
<b>Members of the Consortium</b>			
Contracting Company	Estimated value of work allocation	% of contract value	Members parent company
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	100	_____
Attach: The financial information upon which their financial viability has been assessed.			

**Type of Consortium**

- Unincorporated Joint Venture
- Unincorporated Partnership
- Corporate Body
- Other

\_\_\_\_\_ (Specify)

Country of registration / incorporation \_\_\_\_\_

Attach: Details of the arrangements under which the consortium would be taxed and profits would be repatriated.



**Tender Submittal**Tender to be submitted to the Client in the name of:-  
\_\_\_\_\_**Price Levels**

	Currency	Amount
Consortium	_____	_____
Babcock	_____	_____

**Key Dates**

Receive enquiry _____	Contract award _____
Submit tender _____	Contract completion _____

**Liabilities**

- Attach details of all aspects of the arrangements which (could) expose Babcock to liabilities in respect of the following:-
  - Penalties / liquidated damages for delay?
  - Penalties / liquidated damages for performance?
  - Any other guarantees?

**Proposed Agreements**

Attach: Details of (proposed) agreements relating to:-

Costs of setting up the consortium	<input type="checkbox"/>	Provision of bonds	<input type="checkbox"/>
Tender costs	<input type="checkbox"/>	Project funding	<input type="checkbox"/>
Guarantees from other members	<input type="checkbox"/>	Cash receipts from client	<input type="checkbox"/>

**Present Understandings**

Attach: The latest draft of Memorandum of Understanding, Consortium Agreement, Joint Venture Agreement or other understanding with proposed Consortium members.

**Authorisation to Proceed with Consortium**

_____	_____
Sector CEO	Date
_____	_____
BIG	Date

Note:- A copy of the final document MUST be submitted to BIG prior to signature.



