The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>80%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>7</td>
<td>92.9%</td>
</tr>
<tr>
<td>Company Policy and Codes</td>
<td>12</td>
<td>87.5%</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>80%</td>
</tr>
<tr>
<td>Personnel and Helplines</td>
<td>7</td>
<td>71.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>82.9%</strong></td>
</tr>
</tbody>
</table>
A1:
Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Score:

2

Comments:
Based on public information, there are multiple statements from the Chairman emphasizing the importance of good corporate governance and also of transparency, integrity and probity. These statements reference the company’s anti-corruption agenda.

References:
Public:
Annual Report (June 2014), p.52:
‘Delivering a sustainable business, statement by the Chief Executive:
Our priority is to ensure that Babcock continues to be a strong, successful and sustainable business that will create long-term value for our shareholders and in so doing we recognise there are other stakeholders to consider – our employees, our customers, our suppliers and the communities in which we operate. We believe that we will only be able to do this if we have regard to the long-term sustainability of what we do and by behaving in a safe and responsible way and upholding the highest standards of business ethics in all we do.
...Our commitment to ethical and responsible business practices being observed throughout the Group is fundamental. Our Group-wide Code of Business Conduct, set out in section 1 of this report, is supplemented by detailed guidance and training, and underpins everything we do as a business. It is my belief that not only is this the right approach in and of itself for a responsible business it also makes good business sense, and helps foster our long-term financial growth by sustaining our reputation and encouraging longer-term thinking looking beyond short-term financial returns.
In this Sustainability report we highlight certain areas that we consider key to our being a responsible and ethical business as well as to assist us in reducing risks, and thus sustaining our operations.’

(p.74):
‘Governance Statement of the Chairman:
As Chairman I am committed to ensuring that your Board operates in an effective, transparent and ethical manner, and that we make our decisions based only on what we believe is likely to be for the benefit of shareholders by promoting and maintaining the
long-term success of the Company and its reputation, having regard, amongst other things, to the interests of our employees, our business relationships and the wider impact of our operations. In our deliberations as a Board I seek to encourage and foster open, honest and challenging discussion. The Board understands how good governance and the promotion of ethical business practices can sustain and drive forward the business, and thus our results, whilst managing or mitigating risks.

Good governance means more than merely complying with a set of rules and regulations, and one of our main aims is to seek to embed within our business a culture that ensures colleagues continue to behave in an ethical and principled manner and in compliance with our governance and risk management processes. To encourage this approach we have a number of processes and procedures designed to facilitate appropriate, sound working practices and good governance in a practicable and achievable way.’


Annual Report (2013), p.5:
‘As Chairman I am committed to continuing this process, ensuring our business is governed with openness, honesty and transparency and that our core focus is on creating long-term, sustainable value for shareholders.

As I set out in the Chairman’s corporate guidance statement...the Board continues to focus on achieving the highest standards of corporate governance’

(p.58): ‘Your Board is fully committed to maintaining the highest standards of corporate governance at Board level and throughout the Group as a whole

It is the Board’s belief that fostering a culture of good governance, integrity and business ethics from the top down is critical to maintaining shareholder & customer confidence in the work that we do, and creates a strong base for the Group’s continued growth and success for the future’

A2: Does the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Score: 0

Comments: Based on public information, including searches outside the company website, there is no readily available evidence that the company’s Chairman or CEO demonstrates a strong personal external facing commitment to the anti-corruption agenda of the company.

References:
Public: NA
A3:
Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:
1

Comments:
Based on public information, there is evidence that the Chief Executive Officer personally introduced the Code of Conduct to the company’s senior management across all the company divisions. The company therefore scores 1. To score higher the company would need to provide evidence of at least two other examples of such engagement.

References:
Public:
Company Website, The Babcock Approach to Ethical Compliance (Updated 2014):
‘1. Top level commitment
The cornerstone to Babcock’s ethical approach is its Code of Conduct. Babcock’s Chairman and Chief Executive issued this Code of Conduct to all employees and it continues to be on display at all Babcock facilities. The Code is also part of all new employees’ induction packs. Babcock’s Chief Executive has personally introduced the Code of Conduct to Babcock’s senior management across all the Babcock divisions and emphasises the importance that he attaches to the Code. Babcock’s Divisional Chief Executives in turn take the lead in supporting the Code to their respective Divisional teams and employees.’
http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Annual Report (June 2014), p.52:
‘Delivering a sustainable business, statement by the Chief Executive:
Our priority is to ensure that Babcock continues to be a strong, successful and sustainable business that will create long-term value for our shareholders and in so doing we recognise there are other stakeholders to consider – our employees, our customers, our suppliers and the communities in which we operate. We believe that we will only be able to do this if we have regard to the long-term sustainability of what we do and by behaving in a safe and responsible way and upholding the highest standards of business ethics in all we do.
…Our commitment to ethical and responsible business practices being observed throughout the Group is fundamental. Our Group-wide Code of Business Conduct, set out in section 1 of this report, is supplemented by detailed guidance and training, and underpins everything we
do as a business. It is my belief that not only is this the right approach in and of itself for a responsible business it also makes good business sense, and helps foster our long-term financial growth by sustaining our reputation and encouraging longer-term thinking looking beyond short-term financial returns.

In this Sustainability report we highlight certain areas that we consider key to our being a responsible and ethical business as well as to assist us in reducing risks, and thus sustaining our operations.

(p.74):
‘Governance Statement of the Chairman:
As Chairman I am committed to ensuring that your Board operates in an effective, transparent and ethical manner, and that we make our decisions based only on what we believe is likely to be for the benefit of shareholders by promoting and maintaining the long-term success of the Company and its reputation, having regard, amongst other things, to the interests of our employees, our business relationships and the wider impact of our operations. In our deliberations as a Board I seek to encourage and foster open, honest and challenging discussion. The Board understands how good governance and the promotion of ethical business practices can sustain and drive forward the business, and thus our results, whilst managing or mitigating risks.

Good governance means more than merely complying with a set of rules and regulations, and one of our main aims is to seek to embed within our business a culture that ensures colleagues continue to behave in an ethical and principled manner and in compliance with our governance and risk management processes. To encourage this approach we have a number of processes and procedures designed to facilitate appropriate, sound working practices and good governance in a practicable and achievable way.’

(p.78): ‘Role of the Chairman
The Chairman is responsible for leadership and overall effectiveness of the Board. In particular, his role is to:
– with the Chief Executive, demonstrate ethical leadership and promote the highest standards of integrity and probity throughout the business
– ensure effective operation of the Board and its Committees in conformity with the highest standards of corporate governance...
Role of the Chief Executive
The Chief Executive is responsible for the day-to-day leadership of the business and managing it within the authorities delegated by the Board. In particular, his role is to:
...— demonstrate and communicate to the Group’s employees the expectation of the Board with regard to ethical and cultural values and behaviours, promoting the highest standards of good governance’

Annual Report (2013), p.5:
‘As Chairman I am committed to continuing this process, ensuring our business is governed with openness, honesty and transparency and that our core focus is on creating long-term, sustainable value for shareholders.

As I set out in the Chairman’s corporate guidance statement...the Board continues to focus on achieving the highest standards of corporate governance’

(p.58): ‘Your Board is fully committed to maintaining the highest standards of corporate governance at Board level and throughout the Group as a whole

It is the Board’s belief that fostering a culture of good governance, integrity and business ethics from the top down is critical to maintaining shareholder & customer confidence in the work that we do, and creates a strong base for the Group’s continued growth and success for the future’


Annual Report (2012), p.47:
‘Chairman’s Statement on Corporate Governance

Your Board is committed to fostering a strong culture of good governance. As Chairman, I recognise my special responsibility, along with Peter Rogers, our Chief Executive, for demonstrating ethical leadership and for promoting and upholding the highest standards of corporate governance, integrity and probity on the part of Babcock and its employees.

In support of this governance commitment, as a Board we have during the past financial year:

• overseen the development and implementation of formal policies and procedures in the light of the coming into force of the Bribery Act 2010;

The Board delegates some of its powers to committees and certain Directors. Matters reserved to the Board include:

• determining ethical, social, health, safety, environmental and governance policy.’

A4:
Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?

Score:
2

Comments:
Based on public information, there is evidence that the company publishes a statement of values representing high standards of business conduct, including honesty and integrity. The company explains the importance of these values, along with openness, transparency and accountability, and demonstrates how they are translated into its policies.

References:
Public:
Code of Business Conduct:
‘BABCOCK WILL CONDUCT ITS BUSINESS TO THE HIGHEST STANDARDS OF HONESTY AND INTEGRITY’

‘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’

Annual Report (June 2014), p.54:
‘As a company Babcock
– 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
– Will seek to minimise so far as it reasonably can its impact on the environment
– Will comply with the law in the conduct of its business
– Will be honest in our dealings with those with whom we do or seek to do business
– Will strive to avoid even the appearance of wrongdoing or impropriety in the way we go about our business
– Will not bribe or attempt to bribe anyone
– Will be diligent in selecting our business advisers and partners so that we minimise the risk of our reputation
being damaged by others
– 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
– Will treat seriously breaches of our code or its associated guidance.’

Annual Report (2013) p.48:
‘Babcock aims at all times to act responsibly and ethically when pursuing and awarding
business. The Company understands that its reputation and its good name are its greatest
assets which could easily be lost by actual or suspected corrupt or unethical behaviour.

Anti-bribery and corruption risks have expressly to be considered each year in business unit
risk reviews as an integral part of our risk management arrangements’

Company Website, Ethics and Governance (updated 2014):
‘Babcock insists on responsible, transparent and accountable business practices in
accordance with our Code of Business Conduct.’
http://www.babcockinternational.com/about-us/responsibilities/governance

Company Website, Value for Shareholders (updated 2014):
‘The confidence investors have in Babcock is supported by a number of other things:
• Our open and honest approach to communication
• Our commitment to ‘tell it as it is’ and the consistency with which we have met or
  exceeded growth targets.’
http://www.babcockinternational.com/about-us/how-we-work/value-for-shareholders/

Company Website, Our Customer and Supplier Relationship (updated 2014):
‘Babcock believes that the most enduring relationships are built around eight key elements:
– Shared goals and objectives
– Mutual trust
– Being open and honest in all dealings
– Identifying and understanding mutual interests...’
http://www.babcockinternational.com/about-us/responsibilities/customers/
A5:

Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?

Score:

2

Comments:

Based on public information, there is evidence that the company subscribes to the Common Industry Standards for European Aerospace and Defence.

References:

Public:
Company Website (updated 2014):
‘Governance
Ethical conduct
Babcock also subscribes to the Common Industry Standards for European Aerospace and Defence.’
http://www.babcockinternational.com/investors/governance/

ASD website:
https://members.adsgroup.org.uk/search/results/term/Babcock
A6:

Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score:

2

Comments:

Based on public information, there is evidence that the company has assigned the Audit and Risk committee to oversee anti-bribery and anti-corruption policies and procedures. The committee is headed and comprised of members from the Board and has clear terms of reference.

References:

Public:
Annual Report (June 2014), p.55:
‘Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

(p.84):
‘Report of the Audit and Risk Committee
Role of the Committee
The purpose of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in respect of:
... – Reviewing the Group’s processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence.’

(p.85):
‘Internal controls
– An annual review of the Company’s system of internal controls and their effectiveness.
...Risk
– Review of key risks and internal control processes detailed on pages 64–71
– Regular detailed reports identifying areas of risk at business unit, Divisional and Group level, assessing and prioritising potential impact, risk mitigation steps in place and the
pre- and post-mitigation risk levels
– Divisional and Group reviews of the Group risk standard
– Focused reviews of selected major risk areas: political risk, bidding risk and critical suppliers exposures.

Fraud
– Reports to each meeting on fraud risk, covering any suspected incidents of fraud, their investigation and remedial or preventive action.

Whistleblowing
– The Committee is responsible for monitoring the Group whistleblowing policy and receives regular reports of calls and emails to the Group’s external independent whistleblowing services and how these have been investigated and concluded.’


Annual Report (2013), p.49:
‘Anti- bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the guidance as part of the annual internal audit plan.

...A report on all whistleblowing calls throughout the Company, investigations undertaken, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit & Risk committee.’

(p.50): ‘The Board is ultimately responsible for the Company’s risk management and internal control system, which is overseen on its behalf by the Audit & Risk Committee.’

(p.66): ‘The purpose of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in respect of

• reviewing the Group’s processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence.’

Annual Report (2013), p.67:
‘During the year ended 31 March 2013, the Committee’s deliberations included the following key matters

Fraud
• Reports to each meeting on fraud risk, covering any suspected incidents of fraud, their investigation and remedial or preventive action

Whistleblowing
• Regular reports of calls to the Group’s external independent whistleblowing services and how these have been investigated and concluded.’

A7:

Has the company appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board?

Score:

2

Comments:

Based on public information, there is evidence that at operational level, Divisional Chief Executives and Managing Directors are responsible for the Anti-Bribery and Corruption policy. They have a direct reporting line to the Board. Indeed, four out of five of the Divisional Chief Executives sit on the main Board and are named.

References:

Public:
Anti-Bribery and Corruption Policy (February 2014), pp.5-6:
‘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.

Delegation of responsibility
16. At an operational level, responsibility for compliance with our Code of Business Conduct is delegated to Divisional Chief Executives and Managing Directors. For Group functions, the Head of function is responsible.
17. Each Division 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. Divisions 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.’

(p.8): ‘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 Deputy Group General Counsel or, in his absence, the Group General Counsel.’


Company Website, The Board (updated 2014):

Main Board

Mike Turner CBE, Chairman
Peter Rogers CBE, Chief Executive
Franco Martinelli, Group Finance Director
Bill Tame, Chief Executive, International Division
Kevin Thomas, Chief Executive, Support Services Division
Archie Bethel CBE, Chief Executive, Marine & Technology Division
John Davies, Chief Executive, Defence & Security Division
Justin Crookenden, Independent Non-Executive Director, Chairman of the Remuneration Committee
Sir David Omand GCB, Senior Independent Director
Ian Duncan, Independent Non-Executive Director, Chairman of the Audit and Risk Committee
Kate Swann, Independent Non-Executive Director
Anna Stewart, Independent Non-Executive Director
Jeff Randall, Independent Non-Executive Director

Executive Committee

... 
Bill Tame, Chief Executive, International Division
Kevin Thomas, Chief Executive, Support Services Division
Archie Bethel CBE, Chief Executive, Marine & Technology Division
John Davies, Chief Executive, Defence & Security Division

http://www.babcockinternational.com/about-us/the-board/#albert-dungate

Annual Report (June 2014), p.55:

‘Sustainability

..Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in
business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.

A8: Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score: 2

Comments: Based on public information, there is evidence that the company reviews its anti-corruption policies and regulations annually. Specifically, this falls under the remit of the Audit and Risk Committee when reviewing the company’s internal controls.

References:
Public:
Group Anti-Bribery and Corruption Policy (April 2014), pp.5-6:
‘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.

Annual Report (June 2014), p.55:
‘Sustainability
..Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

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misconduct and control weaknesses and considering reports on any such occurrence.’

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– The Committee is responsible for monitoring the Group whistleblowing policy and receives regular reports of calls and emails to the Group’s external independent whistleblowing services and how these have been investigated and concluded.’

Annual Report (2013), p.50:
‘The Board is ultimately responsible for the Company’s risk management and internal control system, which is overseen on its behalf by the Audit & Risk Committee.’

(p.51): ‘A report on all whistleblowing cases and the resultant investigations and conclusions is submitted to each Audit & Risk Committee.’

(p.66): ‘Role of the Committee
The purpose of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in respect of

• reviewing the Group’s processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence’

(p.67): ‘Activities undertaken by the Committee during the year
During the year to 31 March 2013 the Committee met four times; attendance at these meetings is set out on page 66. ........ During the year ended 31 March 2013, the Committee’s deliberations included the following key matters
Risk - Review of key risks and internal control processes detailed on pages 50 to 55
Fraud - Reports to each meeting on fraud risk, covering any suspected incidents of fraud,
their investigation and remedial or preventive action

Whistleblowing – Regular reports of calls to the Group’s external independent whistleblowing services and how these have been investigated and concluded’

A8(a):

Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?

Score:

1

Comments:

Based on public information, there is some evidence that the company has a formal process of review and monitoring of its anti-corruption policy but there is insufficient information about the implementation of improvement plans. The company therefore scores 1.

References:

Public:
Annual Report (June 2014), p.55:
‘All whistleblowing incidents are reviewed and a method of investigation confirmed, which can be by a senior manager not directly related to the incident, an external agency or by internal audit. In all cases this review is followed up by a report to Group senior management. Where possible, the caller reporting the incident will be notified of the outcome of the investigation. A report on all whistleblowing calls throughout the Group, the investigations undertaken as a result of these calls, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit and Risk Committee.’

(p.84):
‘Role of the Committee
The purpose of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in respect of:
– Reviewing significant reporting issues, the consistency of accounting policies and disclosures, and any decisions requiring a major element of judgement
– Being satisfied there is an effective system of internal control, compliance procedures, and risk management systems
– Approving the internal and external audit programmes and making any necessary recommendations to the Board
– Considering the role and independence of the external auditors, and making the
appropriate recommendation to the Board on the appointment or the reappointment of the Group’s external auditors
– Reviewing the Group’s processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence.’

Annual Report (2013), p.51:
‘A report on all whistleblowing cases and the resultant investigations and conclusions is submitted to each meeting of the Audit & Risk Committee.’

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Reports to each meeting on fraud risk, covering any suspected incidents of fraud, their investigation and remedial or preventive action.

Whistleblowing
Regular reports of calls to the Group’s external independent whistleblowing services and how these have been investigated and concluded’

Annual Report (2012), p.55:
‘Matters considered by the Committee in the year to 31 March 2012
Bribery Act Policies and procedures to address the requirements of the new Act.
Risk Regular detailed reports identifying areas of risk at business unit, divisional and Group level assessing and prioritising potential impact, risk mitigation steps in place and the pre- and post-mitigation risk levels.

Whistleblowing Regular reports of calls to the Group’s external independent...
whistleblowing services and how they have been investigated and dealt with.’
A9:
Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?

Score:
2

Comments:
Based on public information, there is evidence that the company reviews its anti-bribery policies, whistleblowing investigations and fraud cases on a regular basis. There is evidence to indicate that the company initiates updates based on alleged or actual instances of corruption.

References:
Public:
Group Anti-Bribery and Corruption Policy (April 2014), p.5:
‘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.’

Annual Report (June 2014), p.55:
‘...Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.
...All whistleblowing incidents are reviewed and a method of investigation confirmed, which can be by a senior manager not directly related to the incident, an external agency or by internal audit. In all cases this review is followed up by a report to Group senior management. Where possible, the caller reporting the incident will be notified of the outcome of the investigation.'
A report on all whistleblowing calls throughout the Group, the investigations undertaken as a result of these calls, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit and Risk Committee.'


Annual Report (2013), p.51:
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Whistleblowing
Regular reports of calls to the Group’s external independent whistleblowing services and how these have been investigated and concluded’

A9(a):
Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:
2

Comments:
Based on public information, there is evidence of a risk assessment and management procedure implemented through the Audit and Risk Committee that covers both anti-corruption and the entire organisation. Further, the company's Anti-Bribery and Corruption policy contains extensive procedures to ensure that risk assessment is implemented enterprise-wide.

References:
Public:
Annual Report (June 2014), p.55:
‘...Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

(p.64): ‘How Babcock manages risk
Babcock has an established system of risk management and internal control processes which operate through all levels of the Group’s business. Throughout the year the Board, through the Audit and Risk Committee, critically evaluates and reviews major risks faced by the Group and the controls and mitigation plans in place intended to manage and reduce their potential impact and ensure that the assets and reputation of the Group are protected.
The Group’s risk management and internal control systems can only seek to manage, not eliminate, the risk of failure to achieve business objectives, as any system can only provide reasonable, not absolute, assurance against material misstatement or loss.’

Annual Report (2013), p.49:
'Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the guidance as part of the annual internal audit plan.'

(p.50): ‘How Babcock manages risk

Babcock has an elaborate system of risk management and internal control processes which operate through all levels of the Group’s business. Throughout the year the Board, through the Audit and Risk Committee critically evaluates and reviews major risks faced by the Group and the controls and mitigation plan in place intended to manage and reduce their potential impact and ensure that the assets and reputation of the Group are protected’

(p.66): ‘Role of the Committee

The purpose of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in respect of

- reviewing the Group’s processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence


Anti-Bribery and Corruption Policy (February 2014), p.9:

‘Each Division (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;’

(pp. 46-47): ‘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 Division 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 Division 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 Division (such as agents, sub-contractors, joint ventures or joint venture partners). This risk assessment should consider whether:

i. The Division’s internal financial controls are still sufficient to allow it to identify any internal malpractice;

ii. The charitable donations that the Division 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 Division;

v. The agency arrangements that the Division 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 Division is a member also have sufficient financial internal controls to allow the joint venture to identify any malpractice within the joint venture

vii. The Division’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 Division’s subcontractors (those that perform services on behalf of the Division – for example, where the Division (or a joint venture in which the Division 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 Division) and other significant counterparties are still appropriate and exhibit the same commitment to ethical behaviour as we do;

ix. The customers, markets and sectors in which the Division operates are still appropriate or whether they present any particular risk, which require the Division to amend its current policies in order to mitigate the risk effectively.

tax. The corporate gifts and hospitality that the Division is sanctioning are still appropriate;

taxi. The Division 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 Division to identify those employees in high risk roles (e.g., 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 Division 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 Division 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.’

(pp.69-70): ‘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 Divisional 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...’
A10:

Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

Score:

2

Comments:

Based on public information, there is evidence of a documented detailed risk assessment procedure for business decisions with clear guidelines, red flags and circumstances to take into consideration.

References:

Public:
Annual Report (June 2014), p.55:
‘…Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

(p.64): ‘How Babcock manages risk
Babcock has an established system of risk management and internal control processes which operate through all levels of the Group’s business. Throughout the year the Board, through the Audit and Risk Committee, critically evaluates and reviews major risks faced by the Group and the controls and mitigation plans in place intended to manage and reduce their potential impact and ensure that the assets and reputation of the Group are protected. The Group’s risk management and internal control systems can only seek to manage, not eliminate, the risk of failure to achieve business objectives, as any system can only provide reasonable, not absolute, assurance against material misstatement or loss.’

Annual Report (2013), p.49:
‘Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the guidance as part of the annual internal audit
(p.66): ‘Role of the Committee
The purpose of the Audit and Risk Committee is to assist the Board in discharging its responsibilities in respect of

- reviewing the Group’s processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and considering reports on any such occurrence’

(p.67): “Activities undertaken by the Committee during the year
During the year to 31 March 2013 the Committee met four times; attendance at these meetings is set out on page 66. ....... During the year ended 31 March 2013, the Committee’s deliberations included the following key matters

Risk
Review of key risks and internal control processes detailed on pages 50 to 55.

...Whistleblowing
Regular reports of calls to the Group’s external independent whistleblowing services and how these have been investigated and concluded”


Company Anti-Bribery and Corruption policy (February 2014), p.9:
‘Section B
The main features of the approvals structure are:

- Divisions 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 Divisional 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 Division (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.’

(pp.69-71): ‘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 Divisional 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:

<table>
<thead>
<tr>
<th>Situation</th>
<th>Who might have a stake (apart from a Babcock company)</th>
<th>How they might be tempted to influence the outcome or where their involvement might be risky</th>
</tr>
</thead>
</table>
| Babcock (or a consortium, joint venture or a team in which Babcock is working or a prime contractor for whom Babcock is a subcontractor):  
- qualifying to participate in a bid or re-bid (for a prime or sub contract);  
- Winning a contract bid or re-bid (for a prime or sub contract);  
- Securing contract extensions or renewals (for a prime or sub contract) |  
- Babcock employees – bonus; job prospects;  
- 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  
- Sub-contractors to Babcock (or its joint venture, consortium or team) – their sub contract depends on our success in the “prime”  
- Joint venture or teaming partners |  
- Bribery 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  
- Close links to the customer or the decision makers for or advisers to the customer (or the customer’s family or associates) |
| The award of sub-contracts by Babcock | Sub-contractors | 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 | Suppliers | Bribery of (including inappropriate hospitality given to), or close links to, Babcock decision makers or those advising them or their family or associates |

- 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;  
- Disputes over amounts properly due to a party under a contract  
- All parties with a financial interest in the outcome or continuation of the contract  
- Their agents/advisers, sub-contractors; suppliers if they will be impacted and have the ability or opportunity to attempt to influence the outcome |  
- Bribery 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 |

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WWW.BABCOCKINTERNATIONAL.COM
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?’
A11:
Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score:
2

Comments:
Based on public information, there is evidence that the company has extensive anti-corruption due diligence arrangements when selecting business advisers. The due diligence is renewed every 2 years.

References:
Public:
Code of Business Conduct (also mentioned in Annual Report (2013)):
- ‘WILL be diligent in selecting our business advisers and partners so that we minimise the risk of our reputation being damaged by others;
- 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 OUR BUSINESS ADVISORS
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
SHOULD either be willing to subscribe to our Code and its associated Guidance or have equivalent standards and procedures in their own businesses’

Company Website, The Babcock Approach to Ethical Compliance (updated 2014):
‘2. Procedures
However, Babcock recognises that it is not enough simply to state Babcock’s commitment to an ethical approach. Each Division and Business Unit is required to have clear, proportionate procedures designed to ensure that the business done by each division or done on its behalf is done ethically and honestly. For example, each Babcock business has a gifts and hospitality policy, appropriate to its market, which gives clear and practical guidance to each
Babcock employee in respect of corporate entertainment. Further, these procedures inform Babcock employees as how they should ensure that those entities with whom Babcock does business or who represent Babcock’s interests share Babcock’s commitment to ethical compliance. Before doing any business (whether as a customer, a supplier, a joint venture partner or an agent) Babcock requires its businesses to conduct an appropriate level of due diligence on Babcock’s counterparty. Where there are what might be high risk appointments, the procedures require a greater level of scrutiny and more in-depth due diligence. For example, all appointments of agents and all joint ventures must be approved by the Chief Executive. The terms of appointments of any agent or joint venture are required to include appropriate protections to guard against unethical behaviour by the agent or joint venture party. In addition, our Divisions refresh their due diligence on all agents at least every two years.’

http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Company Anti-Bribery and Corruption policy (February 2014), p.13:
‘Appointment of Business Partners: Business Advisers:
(Includes re-appointment and extensions of appointments)
Type of Adviser
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).

Approval required
A) Group General Counsel or Deputy Group 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 Division policy and which have been approved by a Group lawyer.

...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.

Each year, each Division 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.14): ‘Agents’

‘ALL 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.

Applications for approval should be made on the Business Partner Approval Application Form (see Appendix E).

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.’

‘Each Division 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.

Each Division must keep a database of all the Agents that it has appointed together with a record of the terms of their appointment.

Each year, each Division must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of the Division’s Agents.’

(pp. 41-42): ‘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)
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;
➋ to comply with the UK’s Bribery Act 2010 (as if it were applicable to them, whether or not it actually is so);
➌ to abide by our Code of Business Conduct;
➋ 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;
➍ that no such transactions have previously been made in connection with business sought by or on behalf of the Group;
➋ not to use the services of others in discharging their obligations without prior Group approval;
➋ to procure that any sub agents will comply with the above;
➋ 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.’

(pp. 46-47):
‘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 Division 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 Division 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 Division (such as agents, sub-contractors, joint ventures or joint venture partners). This risk assessment should consider whether:

i. The Division’s internal financial controls are still sufficient to allow it to identify any internal malpractice;

ii. The charitable donations that the Division 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 Division;

v. The agency arrangements that the Division 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 Division is a member also have sufficient financial internal controls to allow the joint venture to identify any malpractice within the joint venture

vii. The Division’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 Division’s subcontractors (those that perform services on behalf of the Division – for example, where the Division (or a joint venture in which the Division 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 Division) and other significant counterparties are still appropriate and exhibit the same commitment to ethical behaviour as we do;

ix. The customers, markets and sectors in which the Division operates are still appropriate or whether they present any particular risk, which require the Division to amend its current policies in order to mitigate the risk effectively.

x. The corporate gifts and hospitality that the Division is sanctioning are still appropriate;

xi. The Division 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 Division to identify those employees in high risk roles (e.g. 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 Division 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 Division 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.’
A12: Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company has contractual rights and monitoring processes in place for the behaviour, monitoring, control, and audit of agents with respect to countering corruption.

References:
Public:
Code of Business Conduct:

- ‘WILL be diligent in selecting our business advisers and partners so that we minimise the risk of our reputation being damaged by others;
- 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 OUR BUSINESS ADVISORS
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
SHOULD either be willing to subscribe to our Code and its associated Guidance or have equivalent standards and procedures in their own businesses’


Company Website, The Babcock Approach to Ethical Compliance (updated 2014):

2. Procedures
However, Babcock recognises that it is not enough simply to state Babcock’s commitment to an ethical approach. Each Division and Business Unit is required to have clear, proportionate procedures designed to ensure that the business done by each division or done on its behalf is done ethically and honestly. For example, each Babcock business has a gifts and hospitality policy, appropriate to its market, which gives clear and practical guidance to each Babcock employee in respect of corporate entertainment. Further, these
procedures inform Babcock employees as how they should ensure that those entities with whom Babcock does business or who represent Babcock’s interests share Babcock’s commitment to ethical compliance. Before doing any business (whether as a customer, a supplier, a joint venture partner or an agent) Babcock requires its businesses to conduct an appropriate level of due diligence on Babcock’s counterparty. Where there are what might be high risk appointments, the procedures require a greater level of scrutiny and more in-depth due diligence. For example, all appointments of agents and all joint ventures must be approved by the Chief Executive. The terms of appointments of any agent or joint venture are required to include appropriate protections to guard against unethical behaviour by the agent or joint venture party. In addition, our Divisions refresh their due diligence on all agents at least every two years.’

http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Annual Report (2013), p.49:
‘And our business partners
Should either be willing to subscribe to our Code and its associated guidance or have equivalent standards and procedures in their own businesses.’


Company Anti-Bribery and Corruption policy (February 2014), p.13:
‘Appointment of Business Partners: Business Advisers:
Advisers must have written terms of appointment which align with Group and Division policy and which have been approved by a Group lawyer.
...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.
Each year, each Division 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.37): ‘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).

(pp.40-43): ‘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;
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);
- 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.
A13: 
Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?

Score:

1

Comments:

Based on public information, there is evidence of the company passing on clear information to sub-contractors that they must comply at all times with the company's code of ethics. TI notes that the company is on the ADS SC21 initiative for better supply chains and also on its Steering committee initiative which has ethics as one of its seven commitments in all business dealings including suppliers, contractors in their supply chain. Further, the company’s Anti-bribery and corruption policy specifies the details of these arrangements. However, TI has not seen any evidence to confirm that contractual obligations make clear the consequences in the event of breach of this policy. The company therefore scores 1.

References:

Public:
Terms and conditions for subcontracts:
‘The Sub Contractor shall comply at all times with the Babcock Networks Ltd Group plc Code of Business Ethics.’
http://www.babcockinternational.com/media/79988/t_c_for_sub_contracts.pdf

Statement of Chairman of SC21, SC21 Implementation Guide, 3rd Edition:
‘One of the seven SC21 commitments surrounds ethical business practices. When signing up to SC21 companies commit to ensuring “that all business is conducted in a principled manner, with the highest degree of personal and business integrity”.’

Implementation guide: https://www.adsgroup.org.uk/pages/52590578.asp

Company Website, The Babcock Approach to Ethical Compliance (updated 2014):
‘2. Procedures
However, Babcock recognises that it is not enough simply to state Babcock’s commitment to an ethical approach. Each Division and Business Unit is required to have clear, proportionate procedures designed to ensure that the business done by each division or done on its behalf is done ethically and honestly. For example, each Babcock business has a gifts and
hospitality policy, appropriate to its market, which gives clear and practical guidance to each Babcock employee in respect of corporate entertainment. Further, these procedures inform Babcock employees as how they should ensure that those entities with whom Babcock does business or who represent Babcock’s interests share Babcock’s commitment to ethical compliance. Before doing any business (whether as a customer, a supplier, a joint venture partner or an agent) Babcock requires its businesses to conduct an appropriate level of due diligence on Babcock’s counterparty. Where there are what might be high risk appointments, the procedures require a greater level of scrutiny and more in-depth due diligence. For example, all appointments of agents and all joint ventures must be approved by the Chief Executive. The terms of appointments of any agent or joint venture are required to include appropriate protections to guard against unethical behaviour by the agent or joint venture party. In addition, our Divisions refresh their due diligence on all agents at least every two years.’

http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Company Website, Our Customer and Supplier Relationship (updated 2014):
‘Ethical working and values

We expect high standards of conduct from our suppliers in what they do for us or our customers and will not accept any behaviour contrary to our codes, including bribery, corruption and fraud, threats to health and safety, conflicts of interest and other improper practices. We pre-qualify suppliers for certain types of supply before admitting them to the supply chain, and this involves satisfying ourselves that they can meet our standards. Certain suppliers will be selected for audit and close monitoring based on risk assessment or supplier performance. Planned reviews of supply chain risk are undertaken by our businesses.’

http://www.babcockinternational.com/about-us/responsibilities/customers/

Anti-Bribery and Corruption policy (February 2014), pp.4-5:
‘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 no 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.
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 Division 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 Division 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 Division to do an ABC risk assessment as part of each Division’s risk register review. Please see Appendix C for a discussion of issues to be considered in any risk assessment.’

(p.17):

‘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 Division’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 Division 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 Divisional Chief Executive should be sought (if it would not otherwise have been needed).

The Division 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 Division must undertake as part of its risk register review, an anti-bribery and corruption risk assessment which will involve a review of all Division’s Business Partners.’
A13(a):
Does the company explicitly address the corruption risks associated with offset contracting?

Score:
2

Comments:
Based on public information, there is evidence that the company addresses the corruption risks associated with offset contracts. TI understands that when the company appoints an intermediary for the implementing of an offset contract, the regulations covering agents are enforced.

References:
Public:
Company Anti-Bribery and Corruption policy (February 2014), p.37:
‘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.’

(p.44): ‘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 contact 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.’
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:
2

Comments:
Based on public information, there is evidence in the company Anti-Bribery and Corruption policy that the offset intermediaries are subject to due diligence process that also applies to appointing business partners or agents altogether. As such, the arrangements are reviewed every 2 years.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.44:
‘Section I
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.’

(p.47): ‘4. In addition to the risk assessment, each Division 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.’
A15:
Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score:

2

Comments:
Based on public information, there is evidence that the company has a policy prohibiting corruption in its various forms, including bribes, facilitation payments, gifts and hospitality.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.57:
‘Appendix B
Anti-Bribery and Corruption Policy
Ref no.: BIG/Policy/001
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.’
http://www.babcockinternational.com/media/542889/anti-
Code of Business Conduct also in Annual Report (2013):

’WHAT OUR CODE OF CONDUCT MEANS. BABCOCK:
WILL be honest in our dealings with those with whom we do or seek to do business;
WILL strive to avoid even the appearance of wrongdoing or impropriety in the way we go about our business;
WILL NOT bribe or attempt to bribe anyone;
WILL NOT take bribes from anyone;
WILL be diligent in selecting our business advisers and partners so that we minimise the risk of our reputation being damaged by others

AND OUR EMPLOYEES
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;
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;
WILL NOT bribe or attempt to bribe anyone (including by making “facilitation payments”)* 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;
Description of facilitation payment in Code “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).’


Annual Report (June 2014), p.55:

‘The Babcock Code of Business Conduct is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks. For example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns. This manual can also be accessed online on the Company’s website at www.babcockinternational.com/about-us/responsibilities/ethical-compliance/.’


Annual Report (2013)p.49: ‘This policy is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at
identifying and reducing corruption and ethical risks, for example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations guidelines; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns.’

A16:
Is the anti-corruption policy explicitly one of zero tolerance?

Score:

2

Comments:
Based on public information, the company’s anti-corruption policy explicitly states its stance of zero tolerance of corruption.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.57:
‘Appendix B
Anti-Bribery and Corruption Policy
Ref no.: BIG/Policy/001
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.’
http://www.babcockinternational.com/media/542889/anti-
Code of Business Conduct (also in Annual Report (2013):
‘WHAT OUR CODE OF CONDUCT MEANS. BABCOCK:
WILL be honest in our dealings with those with whom we do or seek to do business;
WILL strive to avoid even the appearance of wrongdoing or impropriety in the way we go about our business;
WILL NOT bribe or attempt to bribe anyone;
WILL NOT take bribes from anyone;
WILL be diligent in selecting our business advisers and partners so that we minimise the risk of our reputation being damaged by others
WILL treat seriously breaches of our Code or its associated Guidance.”

AND OUR EMPLOYEES
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;
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;
WILL NOT bribe or attempt to bribe anyone (including by making “facilitation payments”)* 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;
Description of facilitation payment in Code “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).’

A17:
Is the company’s anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?

Score:

1

Comments:
Based on public information, there is evidence of the code of conduct being available online, introduced and distributed and explained to the employees by a member of the senior management team and it is also in a readable format. Furthermore, the company’s Anti-Bribery and Corruption Policy is available online and provides detailed guidelines. However, TI notes that the Code of Conduct only appears to be available in English. The company therefore scores 1.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014):

Code of Business Conduct:

Annual Report (June 2014), p.55:
‘The Babcock Code of Business Conduct is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks. For example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations; due diligence and approval requirements before engaging new business partners; and how to whistleblowing concerns. This manual can also be accessed online on the Company’s website at www.babcockinternational.com/about-us/responsibilities/ethical-compliance/.

Employees take online training courses in anti-bribery and corruption risks. Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training.
Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility.


Annual Report (2013), p.49:

‘Each division and Group function must also have a designated member of its senior management team, who has the specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, how to apply it, and which employees need to be trained in its content and application.’

‘The Babcock Code of Business Conduct is a Group-wide policy that sets out the following principles to ensure that those who work with or within the Company work to the highest of ethical standards...

This policy is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks, for example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations guidelines; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns.’

A17(a):
Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:
2

Comments:
Based on public information, the company’s code of conduct is presented in a clear and understandable format. Further, the company’s Anti-Bribery and Corruption Policy provides extensive guidelines on all company anti-corruption regulations in accessible and understandable language.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014):

Code of Business Conduct:

Annual Report (June 2014), p.55:
‘The Babcock Code of Business Conduct is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks. For example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns. This manual can also be accessed online on the Company’s website at www.babcockinternational.com/about-us/responsibilities/ethical-compliance/.

Employees take online training courses in anti-bribery and corruption risks. Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility.’
Annual Report (2013), p.49:

‘This policy is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks, for example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations guidelines; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns.’

A18:

Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score:

1

Comments:

Based on public information, there is evidence that the Code of Conduct covers all employees but it does not explicitly mention whether Board members are included or if additional regulations apply. The company therefore scores 1.

References:

Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.4:
‘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’

Annual Report (June 2014), p.54:
‘To protect the Company and reduce these risks we have set out a policy on how we should all conduct business in the form of the Babcock Code of Business Conduct. Compliance with this policy is compulsory for employees, business advisers and business partners (or, in the case of business advisers and partners they must have equivalent standards and procedures in their own businesses).

Company Website, Governance (updated 2014):
‘The Board insists that our business is carried out to the highest standards of honesty and integrity. We have a Code of Conduct as well as a strict anti-bribery and corruption policy in place giving guidance on business dealings. This policy defines expected behaviours and is formally re-emphasised to senior management each year who formally confirm compliance. All employees are expected to avoid conflicts of interest, to act lawfully and ethically and report any non-compliance issues of which they become aware.’
‘To protect the Company and reduce these risks the Company has set out its policy in a Babcock Code of Business Conduct and requires employees, business advisors and business partners to comply with that code (or in case of business advisors and partners to have equivalent standards and procedures in their own businesses).’

Code of Business Conduct:
The code states "our employees..." at multiple times in the policy referring to issues of corruption, bribery and facilitation payments.
A20:
Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:
1

Comments:
Based on public information, there is evidence that the company has a conflicts of interest policy which applies to all employees and board members. However, the company does not provide examples of potential conflicts of interest. The company therefore scores 1.

References:
Public:
Company Website, Governance (updated 2014) (also available in Annual Report (2013), p.72; p. 121:
‘All employees are expected to avoid conflicts of interest, to act lawfully and ethically and report any non-compliance issues of which they become aware.

...Conflicts of Interest:
Babcock has adopted a formal procedure for the disclosure, review, authorisation and management of Directors' actual and potential conflicts of interest in accordance with the Companies Act 2006. The procedure requires Directors formally to notify the Board (via the Company Secretary) as soon as they become aware of any new actual or potential conflict of interest or when there is a material change in any of the conflicts of interest they have already disclosed. Any potential conflicts of interest notified by a Director are reviewed by the Board as soon as possible. The Board considers whether a conflict or potential conflict does, in fact, exist. If a conflict does, or could, exist, the Board will decide whether it is in the interest of the Company to authorise it and, if so, on what terms. In making their judgment on this, the other Directors have regard to their general duties to the Company. A register is maintained of all the disclosures made and the terms of any authorisations granted.
Authorisations can be revoked, or the terms on which they were given varied, at any time if judged appropriate. Possible conflicts of interest authorised by the Board are reviewed annually. In the event of any actual conflict arising in respect of a particular matter, mitigating action would be taken (for example, non-attendance of the Director concerned at all or part of Board meetings and non-circulation to him of relevant papers).’
http://www.babcockinternational.com/investors/governance
Code of Business Conduct:

‘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;’

A21: Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?

Score: 2

Comments: Based on public information, there is evidence that the company has extensive regulations regarding giving and receiving of gifts in order to ensure these transactions are bona fide. TI understands that each Divisional Department sets its upper limits although it is unclear exactly what these are for each Division, they regulations are clearly outlined.

References:

Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.8:
‘Section B
The main features of the approvals structure are:
• Divisions 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;
... Quarterly reporting of corporate gifts and hospitality to Group is required.’

(pp.19-22): Guidelines and Checklist on Gifts and Hospitality

(pp.26-28): ‘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?

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-Divisional and overall Group level.

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 divisional 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 Division 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 Division 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 Divisional Finance Director of each Business Division (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.’

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.’

(p.59):

‘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 Divisional 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 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.

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].

(p. 63): ‘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].

BABCOCK INTERNATIONAL 11/09/14
WWW.BABCOCKINTERNATIONAL.COM
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)

Annual Report (June 2014), p.55:

‘The Babcock Code of Business Conduct is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks. For example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns. This manual can also be accessed online on the Company’s website at www.babcockinternational.com/about-us/responsibilities/ethical-compliance/.’

A22:
Does the company’s anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?

Score:
2

Comments:
Based on public information, there is evidence that the company has extensive regulations regarding giving and receiving of hospitality in order to ensure these transactions are bona fide. TI understands that each Divisional Department sets its upper limits although it is unclear exactly what these are for each Division, they are clearly outlined.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.8:
‘Section B
The main features of the approvals structure are:
Divisions 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;
... Quarterly reporting of corporate gifts and hospitality to Group is required.’

(pp.19-22): Guidelines and Checklist on Gifts and Hospitality

(pp.26-28): ‘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
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-off” 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?

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-Divisional and overall Group level.

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 divisional 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.

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17. It will be for each Division 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 Division 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 Divisional Finance Director of each Business Division (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.’

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.'

(p.59): ‘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 Divisional 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 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.
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].

(p. 63): ‘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): [£●]
   - Higher amounts may be appropriate on a case by case basis, but must be approved in writing by [insert appropriate approver]
   - 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.

6. No travel for officials may be provided without approval from the [insert appropriate approver].

7. Babcock cannot pay for any airfare or other travel expenses for family members of government or public officials.

8. 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

9. 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)’

Annual Report (June 2014), p.55:
‘The Babcock Code of Business Conduct is supplemented by a detailed manual available on the Group’s intranet that contains guidelines, authorisation and other procedures aimed at identifying and reducing corruption and ethical risks. For example: an explanation of the law and how it can apply; ‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting gifts and hospitality or making charitable or political donations; due diligence and approval requirements before engaging new business partners; and how to whistleblow concerns. This manual can also be accessed online on the Company’s website at www.babcockinternational.com/about-us/responsibilities/ethical-compliance/.’

A23:
Does the company have a policy that explicitly prohibits facilitation payments?

Score:

2

Comments:
Based on public information, there is evidence that the company clearly prohibits facilitation payments and also goes into detail to define facilitation payments to employees and business partners and to explain how they are regulated.

References:

Public:
Code of Business Conduct (also in Annual Report (2013), p.49:
‘WILL NOT bribe or attempt to bribe anyone (including by making “facilitation payments”) 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;’

Description of facilitation payment in Code:
‘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).’


Company Anti-Bribery and Corruption Policy (February 2014), p.12:
‘Facilitation Payments (“FPs”)’
For an explanation of what these are see Section G.
NONE (unless exceptional circumstance applies.

General Guidance
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).
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.

Whenever and wherever an FP is requested or demanded this fact and all relevant background information must always be promptly reported in writing (email will suffice) to applicable Divisional Legal Counsel and to the Group General Counsel, copy Deputy Group General Counsel.

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 Divisional Legal Counsel.

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.

Each Division 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.’

(pp.35-36): ‘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.’
A24:
Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?

Score:

2

Comments:

Based on public information, there is evidence that the company clearly regulates political contributions based on a set of guidelines. TI notes that the company has declared that under this process there were no political contributions in the year 2013.

References:

Public:
Anti-Bribery and Corruption Policy (February 2014), p.11:
‘Political Donations & Lobbying
Political Donations: NONE permitted
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 Political Lobbying Only ever with the approval of the Group Chief Executive
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.
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.
Each Division 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.’
13. Just as donations or other support to charities can be indirec
t 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 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 Divisional 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.’

Annual Report (2013), p.49:
‘This policy is supplemented by a detailed manual available on the Group’s intranet that
contains guidelines, authorisation and other procedures aimed at identifying and reducing
corruption and ethical risks, for example: an explanation of the law and how it can apply;
‘Red Flags’ to look out for; guidelines and authorisation procedures for giving or accepting
gifts and hospitality or making charitable or political donations guidelines; due diligence and
approval requirements before engaging new business partners; and how to whistleblow
concerns.’

(p.69): ‘Charitable and political donations
No donations were made during the year for political purposes’

A25:

Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?

Score:

2

Comments:

Based on public information, there is evidence that the company regulates lobbying activities in order to prevent undue influence.

References:

Public:
Anti-Bribery and Corruption Policy (February 2014), p. 34:
‘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.’
A25(a):
Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score:

2

Comments:
Based on public information, there is evidence that the company regulates charitable donations to prevent undue influence or other corrupt intent. TI notes that the company also declares the recipients of such donations.

References:
Public:
Company Anti-Bribery and Corruption Policy (February 2014), pp.31-32:
‘Section E
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.
... 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;
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 or the Deputy 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.’

Annual Report (2013), p.47:
‘We seek to engage with communities around our sites and operations and to provide opportunities for employees to assist with local initiatives and support local charities that are important to them. We have Group-wide guidelines setting out our approach to charitable donations, our commitment to the communities in which we operate and the broader interests of our customers. As well as ensuring financial donations are appropriately targeted, they also encourage active engagement in local community

At Group level, we have continued to provide corporate sponsorship for the Soldiers, Sailors, Airmen and Families Association (SSAFA), the forces charity providing support to service families in times of need.

Across the Group, our donations to charitable causes during the year amounted to GBP 351,000 (2012: GBP 272,000)’

A26:

Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?

Score:

2

Comments:

Based on public information, there is evidence that the company’s Code of Business Conduct and Anti-Bribery and Corruption policy contain guidance and explanation of the company’s anti-corruption policies in a clear and readable format.

References:

Public:
Company Anti-Bribery and Corruption Policy (February 2014):

Code of Business Conduct poster:
A27:
Does the company have a training programme that explicitly covers anti-corruption?

Score:
2

Comments:
Based on public information, there is evidence that the company has a training programme covering anti-corruption and its scope and employee coverage is extended to employees who require it “appropriate” to their role. Also further training is extended in the form of divisions and group functions having designated members from its senior management responsible for ensuring that employees are trained in anti-corruption guidance.

References:
Public:
Code of Business Conduct:
‘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.’

Anti-Bribery and Corruption Policy (February 2014), p.47:
‘xi. The Division 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 Division 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;’

Company Website, The Babcock Approach to Ethical Compliance (updated 2014):
‘3. Training
So that the procedures are properly understood and applied, Babcock recognises that it must ensure that it has given its employees the right training. Babcock requires all its employees with access to the Babcock network to complete an on-line training module. In addition, each Division has identified those departments in its business where ethical
compliance is particularly relevant (for example, bid teams or procurement). In these areas, the Divisions give specific face to face training.

http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Annual Report (2014), pp. 54-55:
‘...– 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

Employees take online training courses in anti-bribery and corruption risks. Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

Annual Report (2013), p.49:
‘Employees take online training courses in anti-bribery and corruption risks”

“Each division 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 the anti-bribery and corruption guidance, how to apply it, and which employees need to be trained in its content and application. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility.’

(p.50): ‘Risk Management Framework

Employees undertake a selection of compulsory risk management training programme (for example: security, data protection and anti-bribery and corruption training) appropriate to their roles; in order to increase awareness of potential risks.’

A28: Is anti-corruption training provided in all countries where the company operates or has company sites?

Score: 2

Comments: Based on public information, there is evidence that the company requires all employees to complete an on-line training module or face-to-face when deemed necessary.

References:

Public:
Code of Business Conduct:
‘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.'

Company Anti-Bribery and Corruption Policy (February 2014), p.47:
‘xi. The Division 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 Division 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;’

Company Website, The Babcock Approach to Ethical Compliance (updated 2014):
‘3. Training
So that the procedures are properly understood and applied, Babcock recognises that it must ensure that it has given its employees the right training. Babcock requires all its employees with access to the Babcock network to complete an on-line training module. In addition, each Division has identified those departments in its business where ethical compliance is particularly relevant (for example, bid teams or procurement). In these areas, the Divisions give specific face to face training.’
Annual Report (2014), pp. 54-55:
‘...– 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

Employees take online training courses in anti-bribery and corruption risks. Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

Annual Report (2013), p.49:
‘Employees take online training courses in anti-bribery and corruption risks’
“Each division 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 the anti-bribery and corruption guidance, how to apply it, and which employees need to be trained in its content and application.’

(p.50): ‘Risk Management Framework
Employees undertake a selection of compulsory risk management training programme (for example: security, data protection and anti-bribery and corruption training) appropriate to their roles; in order to increase awareness of potential risks.’

A29: Does the company provide targeted anti-corruption training to members of the Board?

Score: 0

Comments: Based on public information, there is no readily available evidence of anti-corruption training being specifically provided to members of the Board. TI understands that the highest ethical conduct is expected of the senior management and the Board but has found no explicit information on anti-corruption training targeted to the Board. The company therefore scores 0.

References:

Public:
Anti-Bribery and Corruption Policy (February 2014), p.47:
‘xi. The Division 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 Division 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;’

Annual Report (2014), pp. 54-55:
‘…– 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

Employees take online training courses in anti-bribery and corruption risks. Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out
a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

Company Website, The Babcock Approach to Ethical Compliance (updated 2014):

‘3. Training
So that the procedures are properly understood and applied, Babcock recognises that it must ensure that it has given its employees the right training. Babcock requires all its employees with access to the Babcock network to complete an on-line training module. In addition, each Division has identified those departments in its business where ethical compliance is particularly relevant (for example, bid teams or procurement). In these areas, the Divisions give specific face to face training.’

http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Company Website, Governance (updated 2014):

‘Ethical conduct

The Board insists that our business is carried out to the highest standards of honesty and integrity. We have a Code of Conduct as well as a strict anti-bribery and corruption policy in place giving guidance on business dealings. This policy defines expected behaviours and is formally re-emphasised to senior management each year who formally confirm compliance. All employees are expected to avoid conflicts of interest, to act lawfully and ethically and report any non-compliance issues of which they become aware.

Babcock also subscribes to the Common Industry Standards for European Aerospace and Defence.’

http://www.babcockinternational.com/investors/governance/
A30:
Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score:

2

Comments:
Based on public information, there is evidence that the company recognises the need for more targeted training to employees in high risk roles and that this is provided.

References:

Public:
Company Anti-Bribery and Corruption Policy (February 2014), p.47:
‘xi. The Division 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 Division 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;’

Company Website, The Babcock Approach to Ethical Compliance (updated 2014):
‘3. Training
So that the procedures are properly understood and applied, Babcock recognises that it must ensure that it has given its employees the right training. Babcock requires all its employees with access to the Babcock network to complete an on-line training module. In addition, each Division has identified those departments in its business where ethical compliance is particularly relevant (for example, bid teams or procurement). In these areas, the Divisions give specific face to face training.’
http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Annual Report (2004), pp. 54-55:
‘...– 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
Employees take online training courses in anti-bribery and corruption risks. Each Division and Group function is required to have a designated member of its senior management team with specific responsibility for ensuring the distribution, communication and implementation of the anti-bribery and corruption guidance, and for overseeing training. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility. Anti-bribery and corruption risks have expressly to be considered each year in business unit risk reviews as an integral part of our risk management arrangements. Internal audit carries out a review of the implementation of the Guidance as part of the annual internal audit plan. Divisional monthly reports contain information on anti-bribery and corruption compliance, copies of which go to each Board meeting.’

Annual Report (2013), p.49:
‘Employees take online training courses in anti-bribery and corruption risks’

‘Each division 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 the anti-bribery and corruption guidance, how to apply it, and which employees need to be trained in its content and application. Divisions and Group functions are also required to consider carefully whether they need also to designate business unit level or site specific managers with the same responsibility.’

(p.50): ‘Risk Management Framework
Employees undertake a selection of compulsory risk management training programme (for example: security, data protection and anti-bribery and corruption training) appropriate to their roles; in order to increase awareness of potential risks.’

A31:
Does the company have a clear and formal process by which employees declare conflicts of interest?

Score:
0

Comments:
Based on public information, there is evidence that the company has a clear policy for directors to disclose their conflicts of interest; however, the Code of Business Conduct for employees refers only to "proper disclosure" for employees and the process for this is not defined.

References:

Public:
Code of Business Conduct:
‘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;’

–Company Website, Governance (updated 2014):
‘Babcock has adopted a formal procedure for the disclosure, review, authorisation and management of Directors' actual and potential conflicts of interest in accordance with the Companies Act 2006. The procedure requires Directors formally to notify the Board (via the Company Secretary) as soon as they become aware of any new actual or potential conflict of interest or when there is a material change in any of the conflicts of interest they have already disclosed. Any potential conflicts of interest notified by a Director are reviewed by the Board as soon as possible. The Board considers whether a conflict or potential conflict does, in fact, exist. If a conflict does, or could, exist, the Board will decide whether it is in the interest of the Company to authorise it and, if so, on what terms. In making their judgment on this, the other Directors have regard to their general duties to the Company. A register is maintained of all the disclosures made and the terms of any authorisations granted. Authorisations can be revoked, or the terms on which they were given varied, at any time if judged appropriate. Possible conflicts of interest authorised by the Board are reviewed annually. In the event of any actual conflict arising in respect of a particular matter, mitigating action would be taken (for example, non-attendance of the Director concerned at all or part of Board meetings and non-circulation to him of relevant papers).’
A32:
Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?

Score:

1

Comments:
Based on public information, there is evidence that the company is committed to applying disciplinary action to employees for breaches of their policies and the applicable legislation. However, it is not clear that this commitment also applies to Board members. The company therefore scores 1.

References:

Public:
Company Anti-Bribery and Corruption Policy (February 2014), p. 57:
‘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.’

Code of Business Conduct:
‘Babcock... WILL treat seriously breaches of our Code or its associated Guidance.’
Annual Report (2012), p.39:

‘We have during the year, following the enactment of the Bribery Act 2010, completely refreshed and updated our longstanding Ethical Policy, introducing a new Code of Conduct (which can be viewed on our website at www.babcock.co.uk/investors/governance) making clear our total commitment to not tolerating bribery, corruption or other unethical behaviour on the part of our businesses or those who perform services on our behalf in any part of the world.’

A33:

Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?

Score:

2

Comments:

Based on public information, there is evidence that the company has a well-publicised and confidential whistleblower hotline to report corruption. The hotline also has multiple channels for reporting corruption. TI also notes the good practice that “[a]ll calls, letters or emails received regarding whistleblowing cases are initially received by an external third party and logged into a whistle blowing database”.

References:

Public:
‘Whistleblowing
Babcock insists on responsible, transparent and accountable business practices in accordance with our Code of Business Conduct. Confidential employee whistleblower hotlines are available Group-wide to relay any employee concerns that these standards are not being adhered to for investigation. The service is provided by an independent third party who promptly reports messages received to central Group senior management. Callers can remain anonymous if they wish. The hotlines are intended for use by employees to report concerns that they feel unable to raise with line management (or if they have raised matters, but are not satisfied with the response) regarding financial irregularities, non-compliance with laws, or breaches of our Code of Business Conduct, threats to health and safety, conflicts of interest or improper practices. New employees are made aware of the existence of the hotlines as part of their induction; details of the hotlines are advertised at operating sites.
All whistleblowing incidents are reviewed and a method of investigation confirmed, which can be by a senior manager not directly related to the incident, an external agency or by internal audit. In all cases this review is followed up by a report to Group senior management. Where possible, the caller reporting the incident will be notified of the outcome of the investigation.
A report on all whistleblowing calls throughout the Group, the investigations undertaken as a result of these calls, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit and Risk Committee.
The total number of whistleblowing reports in the year to 31 March 2014 was 39. During the
same period to 31 March 2013 the number was 40. Details of the number of cases by
division and by category are set out below.’

Annual Report (2013), p.49 (also on company website):
‘Whistleblowing
Babcock has confidential ‘whistleblower’ hotlines provided by independent third parties
who promptly report messages received via the service to central Group senior
management. Callers can remain anonymous if they wish. The hotlines are intended for use
by employees to report concerns that they feel unable to raise with line management (or
where they have raised matters, but they are not satisfied with the response) regarding
financial irregularities, concerns about non-compliance with laws, or breaches of our Code
of Business Conduct, threats to health and safety, conflicts of interest or improper practices.
New employees are made aware of the existence of the hotlines as part of their induction,
details of hotlines are advertised at operating sites.
All calls, letters or emails received regarding whistleblowing cases are initially received by an
external third party and logged into a whistle blowing database. They are then passed on to
a member of senior management at Group Head Office. The incident is then reviewed and
the method of investigation confirmed, which can be by a senior manager, unrelated to the
incident, an external agency or by internal audit. Where possible, the caller reporting the
incident will be notified of the outcome of the investigation
A report on all whistleblowing calls throughout the Company, the investigations undertaken,
the conclusions drawn and the recommendations and actions resulting is given to each
meeting of the Audit & Risk Committee.’

Company Anti-Bribery and Corruption Policy (February 2014), p.45:
‘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 Divisional 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.’
A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:
2

Comments:
Based on public information, there is evidence that several channels, including independent third party whistleblowing channels, are available to all employees in all geographies.

References:
Public:
‘Whistleblowing
Babcock insists on responsible, transparent and accountable business practices in accordance with our Code of Business Conduct. Confidential employee whistleblower hotlines are available Group-wide to relay any employee concerns that these standards are not being adhered to for investigation. The service is provided by an independent third party who promptly reports messages received to central Group senior management. Callers can remain anonymous if they wish. The hotlines are intended for use by employees to report concerns that they feel unable to raise with line management (or if they have raised matters, but are not satisfied with the response) regarding financial irregularities, non-compliance with laws, or breaches of our Code of Business Conduct, threats to health and safety, conflicts of interest or improper practices. New employees are made aware of the existence of the hotlines as part of their induction; details of the hotlines are advertised at operating sites.

All whistleblowing incidents are reviewed and a method of investigation confirmed, which can be by a senior manager not directly related to the incident, an external agency or by internal audit. In all cases this review is followed up by a report to Group senior management. Where possible, the caller reporting the incident will be notified of the outcome of the investigation.

A report on all whistleblowing calls throughout the Group, the investigations undertaken as a result of these calls, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit and Risk Committee.

The total number of whistleblowing reports in the year to 31 March 2014 was 39. During the same period to 31 March 2013 the number was 40. Details of the number of cases by division and by category are set out below.’

Annual Report (2013), p.49 (also on company website):
Whistleblowing

Babcock has confidential ‘whistleblower’ hotlines provided by independent third parties who promptly report messages received via the service to central Group senior management. Callers can remain anonymous if they wish. The hotlines are intended for use by employees to report concerns that they feel unable to raise with line management (or where they have raised matters, but they are not satisfied with the response) regarding financial irregularities, concerns about non-compliance with laws, or breaches of our Code of Business Conduct, threats to health and safety, conflicts of interest or improper practices. New employees are made aware of the existence of the hotlines as part of their induction, details of hotlines are advertised at operating sites.

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A report on all whistleblowing calls throughout the Company, the investigations undertaken, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit & Risk Committee.


Company Anti-Bribery and Corruption Policy (February 2014), p.45:
‘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 Divisional 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.’
A33(b):
Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?

Score:

1

Comments:
Based on public information, the whistleblowing channels are comprehensive and easily accessible; they are also introduced to all new employees on induction and are strongly promoted. Further, whistleblowing incidents are reviewed and investigated on annual basis and reported to the Audit and Risk Committee. However, TI found limited readily available evidence that whistleblowers are supported by follow up after serious incidents have been reported and investigated or by independent employee surveys to gauge employee feelings about the reporting process. The company therefore scores 1.

References:
Public:
‘Whistleblowing
Babcock insists on responsible, transparent and accountable business practices in accordance with our Code of Business Conduct. Confidential employee whistleblower hotlines are available Group-wide to relay any employee concerns that these standards are not being adhered to for investigation. The service is provided by an independent third party who promptly reports messages received to central Group senior management. Callers can remain anonymous if they wish. The hotlines are intended for use by employees to report concerns that they feel unable to raise with line management (or if they have raised matters, but are not satisfied with the response) regarding financial irregularities, non-compliance with laws, or breaches of our Code of Business Conduct, threats to health and safety, conflicts of interest or improper practices. New employees are made aware of the existence of the hotlines as part of their induction; details of the hotlines are advertised at operating sites.
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A report on all whistleblowing calls throughout the Group, the investigations undertaken as a result of these calls, the conclusions drawn and the recommendations and actions
resulting is given to each meeting of the Audit and Risk Committee.
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Annual Report (2013), p.49 (also on company website):
‘Whistleblowing
Babcock has confidential ‘whistleblower’ hotlines provided by independent third parties who promptly report messages received via the service to central Group senior management. Callers can remain anonymous if they wish. The hotlines are intended for use by employees to report concerns that they feel unable to raise with line management (or where they have raised matters, but they are not satisfied with the response) regarding financial irregularities, concerns about non-compliance with laws, or breaches of our Code of Business Conduct, threats to health and safety, conflicts of interest or improper practices. New employees are made aware of the existence of the hotlines as part of their induction, details of hotlines are advertised at operating sites.

All calls, letters or emails received regarding whistleblowing cases are initially received by an external third party and logged into a whistleblowing database. They are then passed on to a member of senior management at Group Head Office. The incident is then reviewed and the method of investigation confirmed, which can be by a senior manager, unrelated to the incident, an external agency or by internal audit. Where possible, the caller reporting the incident will be notified of the outcome of the investigation.

A report on all whistleblowing calls throughout the Company, the investigations undertaken, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit & Risk Committee.’


Company Anti-Bribery and Corruption Policy (February 2014), p.45:
‘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 Divisional 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.'
A34:

Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:

2

Comments:

Based on public information, TI has found evidence that the company has resources available to employees where help and advice can be sought on corruption-related issues.

References:

Public:

Company Anti-Bribery and Corruption Policy (February 2014), p.6:
‘Delegation of responsibility

16. At an operational level, responsibility for compliance with our Code of Business Conduct is delegated to Divisional Chief Executives and Managing Directors. For Group functions, the Head of function is responsible.

17. Each Division 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. Divisions 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.’

‘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 Divisional 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.’

Code of Business Conduct:
‘Employees:
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.’

‘Whistleblowing
Babcock insists on responsible, transparent and accountable business practices in
accordance with our Code of Business Conduct. Confidential employee whistleblower
hotlines are available Group-wide to relay any employee concerns that these standards are
not being adhered to for investigation. The service is provided by an independent third
party who promptly reports messages received to central Group senior management.
Callers can remain anonymous if they wish. The hotlines are intended for use by employees
to report concerns that they feel unable to raise with line management (or if they have
raised matters, but are not satisfied with the response) regarding financial irregularities,
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the existence of the hotlines as part of their induction; details of the hotlines are advertised
at operating sites.
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internal audit. In all cases this review is followed up by a report to Group senior
management. Where possible, the caller reporting the incident will be notified of the
outcome of the investigation.
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a result of these calls, the conclusions drawn and the recommendations and actions
resulting is given to each meeting of the Audit and Risk Committee.
The total number of whistleblowing reports in the year to 31 March 2014 was 39. During the
same period to 31 March 2013 the number was 40. Details of the number of cases by
division and by category are set out below.’

Annual Report (2013), p.49:
‘Each division 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 the anti-bribery and corruption guidance, how to
apply it, and which employees need to be trained in its content and application. Divisions
and Group functions are also required to consider carefully whether they need also to
designate business unit level or site specific managers with the same responsibility.’
A35:
Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company states that employees have the right to report violations of the Code without fear of unfavourable consequences. There is also evidence that employees who breach this commitment will be subject to disciplinary measures.

References:
Public:
Code of Business Conduct:
‘Employees... 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.’

Company Anti-Bribery and Corruption Policy (February 2014), p.45:
‘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.

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6. It is the responsibility of Divisional 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.

(p. 61): ‘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.’

Annual Report (2013), p.49 (Same on website):
‘Whistleblowing
Babcock has confidential ‘whistleblower’ hotlines provided by independent third parties who promptly report messages received via the service to central Group senior management. Callers can remain anonymous if they wish. The hotlines are intended for use by employees to report concerns that they feel unable to raise with line management (or where they have raised matters, but they are not satisfied with the response) regarding financial irregularities, concerns about non-compliance with laws, or breaches of our Code of Business Conduct, threats to health and safety, conflicts of interest or improper practices. New employees are made aware of the existence of the hotlines as part of their induction, details of hotlines are advertised at operating sites.
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A report on all whistleblowing calls throughout the Company, the investigations undertaken, the conclusions drawn and the recommendations and actions resulting is given to each meeting of the Audit & Risk Committee.’
Information Sources:

Company website:
www.babcockinternational.com

The Babcock Approach to Ethical Compliance, website (updated 2014):
http://www.babcockinternational.com/about-us/responsibilities/ethical-compliance/

Anti-Bribery and Corruption Policy (February 2014):

Ethics and Governance, website (updated 2014):
http://www.babcockinternational.com/about-us/responsibilities/governance

Code of Business Conduct:

Company Annual Report (2013):

Company Annual Report (June 2014):

Company Customer and Supplier Relationship, website (updated 2014):
http://www.babcockinternational.com/about-us/responsibilities/customers/

Company Board:
http://www.babcockinternational.com/about-us/the-board/
Governance:
http://www.babcockinternational.com/investors/governance/