



BABCOCK AUSTRALASIA
MODERN SLAVERY STATEMENT
FY2019/2020

1. Introduction

This statement relates to Babcock Australia Holdings Pty Ltd ('Babcock Australasia'), covering all fully owned operating companies and business units within Australia and Timor-Leste. It excludes New Zealand entities as well as joint ventures. Therefore, in the context of modern slavery, Babcock Australasia in this document refers to the operations located in Australia and Timor-Leste. The statement relates to the Babcock financial year ending 31 March 2020.

At Babcock Australasia, we are committed to conducting our dealings, whether with customers, suppliers, employees or the communities in which we operate, with the utmost integrity and we are steadfast in our support for the elimination of modern slavery in all its forms. All our businesses, wherever they are located and wherever they have dealings in the world, are required to respect people and to value their diversity. Our aim is to create an inclusive organisation where everyone's skills and contributions are welcomed and valued. This approach is enshrined in our Babcock Code of Conduct, detailed in our 'being babcock' guidelines and also embedded in our attitude towards health and safety.

This document explains the steps Babcock Australasia is undertaking to prevent, detect and respond to modern slavery within our business and supply chains. It has been approved by the Australasian Executive Committee and is made in accordance with the Commonwealth Modern Slavery Act 2018.

Babcock International Group, which Babcock Australasia is part of, also complies with Section 54(1) of the UK Modern Slavery Act 2015. The statement can be found [here](#).

2. Business overview

Babcock International Group ('Babcock')

Babcock is principally involved in the delivery of critical, complex engineering services, which support national defence, save lives and protect communities. We operate in three key markets – Defence, aerial emergency services and nuclear power – through four sectors of Marine, Nuclear, Land and Aviation. We provide services predominantly to government or blue chip customers, approximately 90% of whom are located in the UK, Europe, North America, Australia or New Zealand.

Babcock Australasia

Babcock Australasia operates across Marine, Aviation and Land sectors to support the technical, complex platform and critical service delivery requirements of our customers. We employ over 1000 talented people in Australia, New Zealand and Timor-Leste. We deliver complex and critical engineering and technical support services to our customers in Defence, emergency services and oil and gas markets. Figures 1, 2 and 3 show the geographical locations of the Marine, Land and Aviation sectors, respectively.



Figure 1 - Marine operations map



Figure 2 - Land operations map



Figure 3 - Aviation operations map

3. Organisational structure

All sectors are part of Babcock Australia Holdings Pty Ltd. Along with our Corporate sector, Marine Australia and Land sectors belong to Babcock Pty Ltd entity, whereas the Aviation sector is divided into two separate entities; Babcock Mission Critical Services Australasia Pty Ltd ('Aviation Onshore') and Babcock Offshore Services Australasia Pty Ltd ('Aviation Offshore'), .

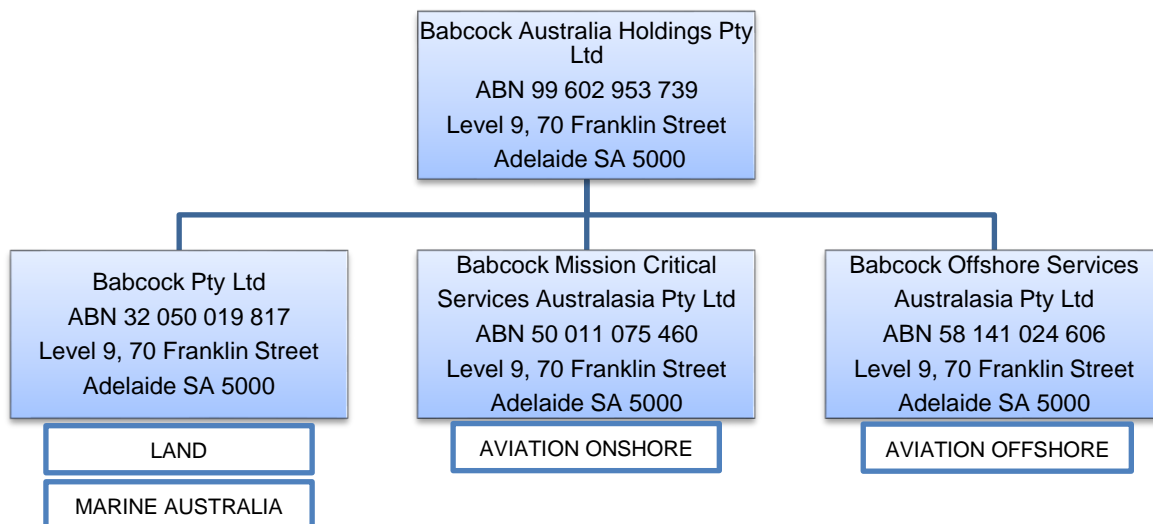


Figure 4 - Organisation Structure

Supply chains teams operate under a matrix organisation, where each sector has a Procurement and Supply Chain (P&SC) team led by P&SC Managers, who report directly into the sector's organisation structure. Their primary focus is to ensure the function meets contractual requirements and comply with corporate governance. The managers also report functionally to the Head of Commercial and Procurement Australasia, who reports

directly to a member of the Babcock Australasia Executive Committee. The Head of Commercial and Procurement Australasia leads a core team responsible for cross-sector activities in the areas of commercial, trade controls, procurement and supply chain management, implementation of functional standards and corporate governance. Babcock Australasia's modern slavery risk management framework is owned by the Executive Committee and implemented by the Head of Commercial and Procurement Australasia, with the support of all sector P&SC teams.

4. Governance framework

As an international business, we recognise our responsibility for upholding and protecting the human rights of our employees and other people we deal with throughout our supply chain, and in our operations across the world. We have embedded a culture of respect for human rights throughout our business, which is demonstrated by our commitment to ethical conduct in everything we do.

The [Babcock Code of Conduct](#) summarises our commitment and compliance with this policy, and is mandatory for all employees, business advisers and business partners. We expect the same commitment from our suppliers and for them to flow down that commitment through the supply chain. In addition to communicating Babcock's values, it mandates full compliance with all laws and regulations. It also addresses the proper handling of intellectual property and other sensitive data, health, safety and environmental concerns as well as human rights. The code reflects the standards that we hold ourselves to and enables a consistent approach to our customers in delivering to the highest ethical standards.

Babcock Australasia has an equivalent [Code of Business Conduct](#), which includes compliance with local laws and regulations. Compliance with the code is also a requirement for all suppliers, and is included in our supplier due diligence procedure (refer to section 7. Risk Management for details) as well as in our [Standard Conditions of Purchase](#).

5. Our supply chain

External expenditure via third party suppliers, including Original Equipment Manufacturers (OEMs), accounts for approximately 50% of our turnover, and our approach and ability to manage these relationships affects our ability to deliver performance and margin. Our P&SC function develops and delivers optimal supply chain solutions, which enable us to return value to our customers, shareholders and communities. We buy a wide range of goods and services and need reliable, high performing suppliers across our supply chain. We have over 10,000 suppliers globally, with strategic relationships with around 300 of them. These suppliers range from OEMs to small and mid-size enterprises (SMEs). We build appropriate engagement models with these partners and preferred suppliers to drive quality and innovation across our supplier base.

We have approximately 2,500 suppliers in Australasia. Over 60% of spend is sourced locally. Importation is mostly from Western Europe, Southern Europe and North America. There is some level of assembly work in our Marine sector in Australia, but the business in the region is predominantly focused on the management and sustainment of assets owned by our various customers. As the result of that, most suppliers are OEMs, with the rest of the supply base coming from the services industry (e.g. electrical and mechanical repairs, warehousing, etc.).

6. Assessing modern slavery risks

Modern slavery questionnaire

Our modern slavery risk assessment takes into consideration both internal and external environments. A modern slavery questionnaire has been developed for use in both assessments and covers the following areas:

1. **Background questions** – captures basic details about the company (name, address, reporting person)
2. **Workforce questions** – provides an overview of employees profile (e.g. number of women workers, number of migrant workers, the existence of trade unions, employee turnover, etc.)
3. **Policy and practice questions** – provides an overview of policies and practices to identify and manage forced labour issues, including the existence of a worker grievance mechanism.
4. **Third party labour practice questions** – addresses the requirement for cascading down the requirements for addressing modern slavery risks within the lower tiers of the company's supply chain.
5. **Supply chain questions** – covers the identification and management of modern slavery risks within the company's supply chain.

The document also has a section listing the major modern slavery risk indicators, which is an extract from the Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities. It is included to help assessors in conducting the assessment. The risk indicators are grouped into five types of risks:

1. **Sector and industry risks** - certain sectors and industries may have high modern slavery risks because of their characteristics, products and processes.
2. **Product and services risks** - certain products and services may have high modern slavery risks because of the way they are produced, provided or used.
3. **Geographic risks** - some countries may have higher risks of modern slavery, including poor governance, weak rule of law, conflict, migration flows and socio economic factors like poverty.
4. **Entity risks** - some entities may have particular modern slavery risks because they have poor governance structures, a record of treating workers poorly or a track record of human rights violations.
5. **Indicators of modern slavery** - a combination of these signs may indicate a person is in a situation of modern slavery and that further investigation and assessment is required. Some groups may be at higher risk of being impacted by modern slavery, such as women and migrant workers.

Internal assessment – Babcock Australasia operations

The internal assessment has been conducted by our HR department. No issues were identified. Grievance and whistleblowing mechanisms are also available, which are described in section 7.

External assessment – Babcock Australasia supply chain

Our approach to managing modern slavery risks includes screening the supply chain for high risk countries of origin, the category of products or services provided by suppliers and the nature of the supplier's labour force. Identified suppliers are asked to submit responses against the questionnaire. Based on the responses, the P&SC department makes a risk assessment and determines whether further actions are required.

On new Requests for Tender (RFTs), if either the country of origin, the product/service or the nature of the supplier's labour force has potential modern slavery risks, the questionnaire is included in the RFT pack issued to suppliers. This is addition to the requirement we have in our due diligence process for suppliers to confirm that they have a modern slavery policy in place (refer to supplier due diligence discussion in the next section).

7. Managing modern slavery risks

Supplier due diligence procedure

Our modern slavery risk assessment is conducted via our due diligence pack for new and existing suppliers. This pack assists with supply chain awareness and facilitates measurement of supplier mitigation activities relating to modern slavery.

We use appropriate processes to qualify, on-board and periodically revalidate suppliers, to ensure compliance with commercial, regulatory and legal requirements. We explain the qualification process to our suppliers in our P&SC functional principles and sector-specific policies. The level of detail gathered from the supplier is appropriate to the type of supply.

Supplier due diligence starts when a Request for Information (RFI) is issued to the supplier and finalised no later than when orders are released. All suppliers that go through the process are requested to submit answers to a due diligence questionnaire that covers topics relating to the following areas:

- Anti-bribery and corruption
- Health and safety
- Cybersecurity
- Business stability
- Compliance to regulations and legislation

Modern slavery falls under the last item. If risks are perceived as high in relation to modern slavery, the modern slavery questionnaire described in section 6 can also be included in the due diligence pack issued to suppliers.

Risk register

P&SC conducts risk assessments globally to review critical supplier relationships. A risk register is used for global entities to identify high risk suppliers and describe mitigation actions; it also identifies those suppliers which should be subject to our modern slavery risk assessment. Suppliers listed are not necessarily non-compliant, but have been flagged as requiring more attention either because they are located in high risk countries, or the nature of products or services provided warrants closer investigation.

Grievance mechanism

A Grievance Procedure is available in Babcock Australasia's intranet, which provides guidance on what can be classified as a workplace grievance, how grievances can be raised, decisions appealed, and how the company may address these concerns and resolve conflict. The procedure adopts an escalation model that starts from the employee's raising issues directly with the involved people, through consulting with managers or the HR department, up to the extent of resorting to external sources that are provided within the document.

Whistleblowing

Babcock Australasia provides a whistleblowing facility for our employees and suppliers to raise any concerns that they may have with regard to matters covered by our Code of Business Conduct, including whether:

- bribery or corruption has taken place, or is likely to take place;
- 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);
- the health or safety of any individual is being, or is likely to be, endangered by the way activities are being carried out;
- any other criminal offence – including modern slavery – has taken place, or is likely to take place;
- there has been, or is likely to be, a failure to comply with legal obligations, including modern slavery;
- there has been, or is likely to be, a miscarriage of justice; or
- the environment has been, or is likely to be damaged.

Our employees and suppliers are encouraged to bring such matters to the attention of line management. If an employee or a supplier feels that this is an inappropriate route, they may use the confidential whistleblowing telephone service.

Telephone: +44 808 100 5689 (access code: 22226#)

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

Training and awareness

We continue to raise awareness of modern slavery across our business and especially within our procurement and supply chain function. Our procurement professionals understand what modern slavery is, what the key identifiers are and how proactively to address and manage this risk.

This year Babcock has released Modern Slavery Awareness modules for P&SC employees across the company who are involved in supplier engagement, supplier sourcing, supplier selection, supplier on-boarding/due diligence or supplier performance management.

Amongst other related issues, these modules highlight high-risk sectors where additional care may be needed when on-boarding suppliers. It also highlights our mandated due diligence processes, the indicators of forced labour, as well as information about our whistleblowing helpline.

We have hosted an extended selection of modules and resources on a dedicated Modern Slavery intranet page, allowing anyone within the company to complete them. This page also contains a selection of links that explain current legislation, Babcock policy and internal escalation points.

Babcock Australasia has revised its supplier due diligence procedure. Key stakeholders have been trained and the new procedure rolled out to all employees, who have been given access to a training pack on supplier due diligence. This is to ensure that anyone who would like to start a new supplier relationship follows the workflow described in the procedure and that the appropriate due diligence on the supplier is conducted before any orders can be placed.

8. Measuring effectiveness

Babcock Australasia is yet to identify any modern slavery issues internally or within its supply chain. We continue to monitor the status of our due diligence process, including reporting requirements as part of our RFIs and RFTs, and raising awareness. No grievances or whistleblowing issues relating to modern slavery have been raised so far, and those channels will continue to be available to all employees and suppliers.

9. Future commitments and declaration

While risks to our business is considered low, Babcock Australasia recognises the need to continuously apply due diligence within its operations and supply chains. We will continue to raise awareness by ensuring that processes are followed and training is provided. The revision of our supplier due diligence held this year is an example of our company's continuous improvement culture. We are looking at improving our capability in monitoring and managing compliance, as our large list of suppliers requires us to be able to work on exceptions instead of on an individual basis. This improvement initiative has started and will continue during the course of next year.

This statement is made pursuant to the Commonwealth Modern Slavery Act 2018 and constitutes the Modern Slavery Statement of Babcock Australia Holdings and its fully-owned operating companies and business units within Australia and Timor-Leste for the year ended 31 March 2020, and has been approved by the Babcock Australasia board.

David Ruff

Chief Executive Officer and Managing Director

November 2020