

COR302 – ANTI-BRIBERY AND CORRUPTION PROCEDURE

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A	First Issue	18/07/2014	General Counsel
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Purpose and Scope

The purpose of this procedure is to provide further guidance in the application of Austal's Anti-bribery and Corruption Policy (**POL 301**) by describing what bribery is, why it is prohibited and what steps staff are expected to take to mitigate the risk of bribery occurring.

This procedure applies to all Austal entities and employees outside of Austal USA, hence references to 'Austal' in this document should be construed in that context. Austal USA has separate arrangements in place that are tailored to the requirements of that jurisdiction.

Responsibilities

All Austal employees are required to adhere to the Anti-bribery and Corruption Policy and this Procedure.

Executive Managers are responsible for the maintenance and updating of Gifts and Hospitality Registers as described in this Procedure as set out in the following table. Updates may be entered by an Executive manager's delegate, however the Executive Manager remains responsible for the contents of the relevant Gifts and Hospitality Register.

Department	Responsible Executive
Chief Executive/Board	Chief Executive Officer
Australian operations	Chief Operating Officer

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Philippines operations	President, Austal Philippines
Vietnam operations	President, Austal Vietnam
Corporate – Finance	Chief Financial Officer
Corporate – Sales	VP, Sales and Marketing
Human Resources	VP, People and Culture
Legal	General Counsel
Technology Development & ICT	Chief Digital Officer
Defence	VP, Defence

General Counsel will maintain this document.

Anti-Bribery Procedure

1. Introduction

Austal is committed to conducting its business ethically and is therefore committed to compliance with all laws prohibiting bribery of foreign public officials. This includes the laws of Australia, the USA, the Philippines and the United Kingdom as well as the laws in each other country in which Austal operates. Austal is committed to ensuring that throughout all phases of its activities, Austal personnel, agents, consultants and contractors do not pay, offer to pay or accept bribes of any kind.

2. Scope

This Anti-Bribery Procedure (the **Procedure**) and Austal's Anti-Bribery Policy (the **Policy**) apply to all of Austal's business dealings and transactions. All directors, officers and employees are required to comply with the Policy and Procedure. Austal also aims to ensure that all third parties that perform services for or on behalf of Austal, or our business (**Business Associate(s)**) anywhere in the world, also comply with the Policy and this Procedure. Bribery by anyone acting on behalf of Austal is strictly prohibited.

The Board has endorsed the Policy and this Procedure and given the Chief Executive Officer and General Counsel (with assistance from Executive Managers) the authority and responsibility to oversee the implementation of and adherence to the Policy and the Procedure.

Compliance with this Procedure is mandatory for all Austal entity employees and workers of any kind, no matter where they are located or what their position is in the business, as well as all Austal entity directors and corporate officers (collectively, **Personnel**).

All Austal Personnel are required to read and understand the Policy and this Procedure and to adhere to them, even where local applicable laws are not as strict. Where local laws are stricter, you must comply with them in addition to the requirements of this Procedure.

If Personnel are ever in doubt about whether something will violate the requirements of this Procedure, contact the President/VP/General Manager (**GM**) of your business unit, the General Counsel of the Chief Executive Officer for advice before going any further.

3. Purpose

This Procedure sets out Austal's mandatory anti-bribery rules and principles.

Compliance with this Procedure is mandatory everywhere in the world.

Because of the global nature of its business, Austal is required to comply with the US **Foreign Corrupt Practices Act (1977)** and the UK **Bribery Act 2010**, as well as Australia's **Criminal Code (Cth)** and the Philippines' **Revised Penal Code** and **Anti-graft and Corrupt Practices Act**, each of which contains very strict anti-bribery and corruption provisions.

That is, Personnel are required to comply with all of the above laws no matter where they

are employed or working. As a result, complying with local anti-bribery laws alone will not necessarily ensure legal compliance.

Private sector bribery is covered by the UK **Bribery Act 2010** as well as a variety of State, Territory and Commonwealth legislation such as the **Corporations Act 2001**.

Reference to the ‘Company’ in this Procedure is to be construed as a reference to each subsidiary company, branch or business unit of the Austal Limited corporate group including all Philippines, Vietnamese, Middle East or European businesses.

4. Roles and Responsibilities

Role	Responsible for
All Personnel	Compliance with the requirements of the Policy and this Procedure
President/VP/General Manager	Provision of adequate resources and support for implementation of and adherence to the Policy and this Procedure
Compliance Team (CEO and General Counsel)	Implementation and oversight of compliance with the Policy with the assistance of business unit Presidents/GMs. In most cases, the President/GM will be the first point of contact for you to seek advice from regarding matters covered under the Policy and this Procedure. He or she will raise matters with the General Counsel and/or CEO as appropriate.

5. Objective

The objective of this Procedure is to ensure that all Austal directors, officers and employees operate fairly and ethically, in compliance with all applicable laws, including anti-corruption laws.

6. Procedure

To comply with this Procedure, Personnel need to understand what bribery is, who public officials may be, what a ‘facilitation payment’ is and what form it may take, and mandatory compliance requirements. Personnel will also be able to access and perform the required procedures which support the Procedure, including the training, reporting, recording, investigation and monitoring required.

7. What is Bribery?

Bribery is when a person offers, promises or gives another person a benefit directly or through a third party intending that benefit to convince or influence that person (or another) to perform their job improperly, in order to obtain a financial or other commercial advantage. Asking for, agreeing to receive or accepting such a benefit is also bribery. It doesn't matter if the bribe is offered or accepted by a third party. It is still bribery if the intention to bribe is demonstrated.

The benefit does not have to be financial - it can be any type of advantage. Some examples are: cash, gifts, meals or sports tickets, travel expenses, discounts, rebates, kick-backs, donations, preferential treatment and favours. Bona fide hospitality in order to establish or consolidate good relations is not prohibited by law unless it is intended to influence someone in the discharge of his or her duties and thereby obtain a commercial advantage.

Under the English law referred to above, a failure by a company (such as Austal) to *prevent* a bribe is also an offence.

Bribery laws apply to both the public and private sector, but are particularly strict where public officials are concerned. Consequently, great care needs to be taken when dealing with public officials in any country or agency.

In light of the above, to avoid any doubt over the reasoning, justification or objectives of such hospitality and thus mitigate Austal's exposure to inquiry, **Austal's policy only permits the acceptance of such hospitality in very limited circumstances** and subject to a strict financial threshold. These are set out below.

7.1 Who are Public Officials?

Public officials are people who perform a public function and include people that you might not necessarily think of as "officials".

Public officials may include:

- a) any government officer, employee or other representative (local, national, foreign or domestic);
- b) any person with a legislative, administrative or judicial function (whether appointed or elected). For example: judges, tax officials, customs officials, regulators, government personnel who issue licences or permits, planning officials and immigration officials;
- c) politicians and political candidates (local, national, foreign or domestic);
- d) any political party official;
- e) any member of a royal or governing family;
- f) the officers, employees and representatives of government-owned or controlled organisations and publicly-funded organisations. For example: employees of state-run procurement organisations and employees of central banks. In the Middle East and China, many businesses and organisations are State-owned enterprises so their employees would also be public officials; or
- g) any international public organisation's employee, officer or representative, such as the United Nations and the World Health Organisation.

7.2 Facilitation payments

In many countries, it is customary business practice to make small payments or give small gifts to junior public officials in order to speed up or secure a routine action or process to which the payer is entitled. These are called facilitation or “grease” payments. Under US and Australian anti-bribery legislation, these payments **may** not be considered to be bribes if they are:

- a) lawful under the written law of the local country;
- b) nominal in value;
- c) made in order to expedite a minor routine government action – that is, it only operates to change the timing of an act which would have been required anyway; and
- d) recorded in full, immediately and disclosed in the company’s accounts,

However, English law – which applies to Austal business across the globe – does not permit facilitation payments. This means that unless your safety is at risk, **Austal does not permit any facilitation payments.**

7.3 Examples of facilitation payments

Examples of facilitation payments include:

- a) a payment to a customs official to speed up the release of goods from a customs warehouse, where the payer is entitled to the goods being released and where the payment is outside of the official process; or
- b) a payment outside of the official process to expedite the issue of a permit or licence to operate where the payer is entitled to the permit or licence by law or contract.

7.4 You must not offer or make facilitation payments

Any request for a facilitation payment must be reported as soon as possible to your President/GM and the General Counsel and/or CEO.

7.5 Exception

If you consider that your safety or liberty or that of another is at risk if you do not make a facilitation payment, you may do so without risk of disciplinary action. You must report the payment to your President/GM and the General Counsel as soon as possible after it is made and an accurate record of the payment must be kept. If possible the payment should be acknowledged in writing by the receiver as well.

If you are ever in doubt as to whether a person is a public official or whether a particular act constitutes bribery, always ask your President/GM and the General Counsel for advice before going any further.

7.6 What are the Rules?

You must NOT:

- a) offer, promise or give benefits of any kind to a person if that benefit is intended to or is likely to convince him or her to perform their job improperly or to reward such improper performance;
- b) ask for, agree to receive or accept such a benefit;
- c) accept gifts or hospitality unless:
 - a. it is valued at less than the amount prescribed in the applicable gifts & hospitality policy; and
 - b. it has been approved and dealt with by the relevant Executive Manager as set out below;
- d) give gifts or hospitality unless your Executive Manager is satisfied that doing so will benefit Austal without exposing it to allegations of bribery or corruption, and it is recorded as such in the Gifts and Hospitality register; or
- e) give gifts or hospitality where you know that doing so would violate the recipient's gifts and hospitality policy.

You MUST disclose to your manager or the relevant Executive Manager, any offers of gifts or hospitality that you receive or intend to give. Thereafter, the Executive Manager will deal with the matter in accordance with the rules around gifts and hospitality set out below.

In all cases, the Executive Manager will determine whether a gift or hospitality can be accepted or offered and ensure it is recorded in accordance with this Procedure.

These rules are strict and apply regardless of:

- the country in which you and the recipient are located;
- whether the benefit is promised or given to the person concerned, or to a third party;
- whether the benefit is promised or given by you personally or by a third person (for example, by an agent or intermediary);
- local custom/locally acceptable practice; or
- whether the decision relevant to the business of the company has already been made (i.e. – the benefit is a reward).

If in doubt, ask your President/GM and/or General Counsel for guidance before going any further.

8. What are the Consequences for Failing to Comply with this Policy?

Austal and individual Personnel may each suffer severe consequences for bribery.

8.1 Personnel may suffer:

- a) criminal penalties, including imprisonment and unlimited fines; and
- b) disciplinary action (which may result in the termination of your employment).

8.2 Austal corporate entities

Under English law, companies are liable for bribery by their Personnel and their Business Associates where the bribe was made for the benefit of the corporation's business. Non-compliance with this Procedure may have the following consequences for Austal:

- a) criminal sanctions including unlimited fines;
- b) immediate termination of material contracts;
- c) high value civil law claims by third parties disadvantaged by the bribery (for example, shareholder class actions);
- d) blacklisting of the entity from public and private tendering opportunities; and
- e) significant reputational damage.

8.3 Compliance with this Policy and Procedure at all times is therefore extremely important

Personnel who are ever in doubt about whether a particular act constitutes bribery must ask their President/GM and the General Counsel for advice before going any further. If it doesn't feel right, don't proceed without discussing it with your supervisor.

8.4 Other Rules

The following rules have also been developed to reduce the risk of bribery and must also be adhered to by all Personnel.

8.4.1 Rules for engaging/contracting with Business Associates

Because corporations can be liable for bribery by their Business Associates, it is very important that we prevent risky behaviour or practices by our Business Associates. Common examples of Business Associates include:

- a) agents, consultants, intermediaries and other representatives;
- b) finders and introducers;
- c) lobbyists;
- d) joint venture partners; and
- e) subsidiaries and affiliates of the above.

8.4.2 Mandatory Due Diligence on Business Associates

All of the above Business Associates must be engaged on written terms and approved by the Chief Executive Officer. Before a Business Associate is engaged (by written contract, contract renewal or otherwise) and before a Business Associate starts work, you must take the following 3 steps:

1. All Personnel must consider whether the Business Associate is a bribery risk. As a minimum, before engaging a Business Associate or when renewing their engagement, Personnel must complete the questionnaire set out at Annexure 1 to this Procedure.

Responses to these questions must be recorded in writing and copies provided to the General Counsel for storage.

2. If the answer to any of these questions is "yes", Personnel should contact their President/GM of the General Counsel to determine:
 - what, if any, further due diligence should be conducted on the Business Associate; and
 - what actions should be taken to prevent bribery by this Business Associate in addition to anti-bribery clauses mentioned at sub-para 8.4.4 below.
3. The above questions should be asked again if the relationship with the Business Associate lasts for a long period of time (for example, more than a year) or if there are changes in circumstances (for instance, a change in management) that make it appropriate to review the relationship.

Compliance of all Personnel with this requirement will be subject to random audit, generally on an annual basis.

8.4.3 Communication of zero-tolerance approach to bribery

Personnel must communicate Austal's zero-tolerance approach to bribery to all Business Associates (as well as other third parties with whom Austal intends to do business) before beginning a business relationship with them and as appropriate thereafter.

8.4.4 Take anti-bribery undertakings from the Business Associate

Anti-bribery clauses must be included in all contracts with Business Associates. The General Counsel can provide appropriate template clauses to be included in contracts. Where the written contract with a Business Associate is not a single document (for example, it may be an exchange of letters), contact the General Counsel for advice on whether an anti-bribery declaration or certification is necessary.

8.4.5 Due Diligence for Anti-Bribery with Business Associates

If for some reason Personnel cannot carry out the steps at sub-paras 8.4.2 to 8.4.4 (above) before engaging a Business Associate or if Personnel feel that taking an anti-bribery

undertaking is unnecessary (for example, because the Business Associate is a very low bribery risk), they must contact their President/GM **and** the General Counsel to discuss before going any further.

8.4.6 Gifts and Hospitality

Gifts, hospitality or entertainment can constitute bribes in particular circumstances. Each department at Austal has a 'Gifts and Hospitality Register' to assist in management of exposure to bribery-related offences. Executive Managers of each business unit (or other personnel as described in the policy) are responsible for maintenance of their particular register.

[section withheld from publication due to commercial in confidence nature]

9. Training

Austal will provide anti-bribery compliance training for all relevant Personnel .

10. Investigations, Reports Register and Monitoring

Austal takes all reported concerns seriously. Where appropriate, the General Counsel will investigate reports of bribery in any way connected to an Austal entity or employee. The Board (or a person or function to which it delegates such responsibility) will then consider what action to take as a result of such investigations, including, where applicable, disciplinary action against Personnel (up to and including dismissal), termination of business relationships and reports to relevant governmental authorities or regulators.

Austal's General Counsel will maintain a register of all reports made under this Procedure. This will include a record of any investigation and the outcome of those investigations.

11. How Should I Raise Concerns?

All Personnel have a responsibility to help detect and prevent bribery and to raise concerns about any behaviour that violates the Policy and/or this Procedure.

If you observe or are aware of behaviour that is not in accordance with this Procedure (by Personnel or by a Business Associate), you should raise it at the earliest possible stage. Raising concerns early may help Austal to address problems before they result in serious consequences. Concerns should be raised by contacting your manager or the General Counsel, or by anonymous reporting through the Austal Whistleblower facility (refer to [AUS100 – Whistleblower Protection Program](#) for further details).

References and Documentation

Policy

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