Environment and Ethics

Our commitment to strict ethical conduct, together with the importance we place on health and safety and our respect towards the wider society and environment in which we work, are the foundation of a sustainable business.

Ethics and governance

We understand that our reputation and good name are amongst our greatest assets, which could easily be lost by actual or suspected unethical behaviour. To protect the Company and reduce these risks, we have set out a policy on how we should conduct business, which we summarise in the form of the Babcock Code of Business Conduct. Compliance with this policy is compulsory for our employees, business advisors and business partners (or, in the case of business advisors and partners, they must have equivalent standards and procedures in their own businesses). The Babcock Suppliers Code of Business Conduct further promotes these values throughout our supply chain. The policy comprises a detailed manual, available on the Group's intranet, that contains guidelines, authorisation and other procedures aimed at identifying and reducing ethical risks. The controls that we have in place form an integral part of our risk management arrangements and include the training of employees, regular risk assessments throughout the business and availability of whistleblowing hotlines.

More details of these risk management procedures can be found on pages 68 to 70 and the Ethics Policy and Code of Business Conduct and Suppliers' Code of Conduct are on our website. Further information about our whistleblowing process can be found on page 70.

Human rights

As an international business, we recognise our responsibility for upholding and protecting the human rights of our employees and other individuals with whom we deal in our operations around the world. While we continue to believe that our exposure to the risks of human rights abuses and modern slavery is low within our own business and supply chain, we welcome the opportunity we have to

contribute positively to global efforts to ensure that human rights are understood and observed. We believe that a culture of respect for, and promotion of, human rights is embedded throughout our business and can be demonstrated by our commitment to ethical conduct in everything we do. The Group's Modern Slavery Transparency Statement, which is published annually on our website, details action taken to support the elimination of modern slavery and human trafficking.

Sword of honour

Babcock has been presented with its 11th Sword of Honour award from the British Safety Council for the exemplary management of Health and Safety risks at its Rosyth site.

The prestigious Sword of Honour is awarded to organisations that have demonstrated excellence in the management of Health and Safety risks at work, with Babcock being one of 57 organisations worldwide to achieve it.

In order to compete for the Sword of Honour, Babcock first had to achieve the maximum five stars in the British Safety Council's Health and Safety management audit scheme in the period August 2016-July 2017. The company also had to demonstrate to an independent panel of experts that their Health and Safety management throughout the business is excellent — from the build hall to the boardroom.

Babcock Rosyth picked up the accolade at an awards ceremony in London.

Mark Dixon, Managing Director of Babcock's Energy and Marine business, said: "Ensuring that all of our employees go home safe every day is our number one priority at Babcock. We invest a lot of time to ensure that our staff are appropriately trained and equipped to carry out their roles.

Our 11th Sword of Honour is due to the combined efforts of everyone on-site and I am extremely proud of them all for helping to achieve this award."

Safety the Babcock way

Governance

We are committed to ensuring that Babcock sets and achieves high standards for safety across all its operations. Our goal is for everybody to go 'home safe every day'. The key principles that guide us to achieve this goal are:

- Looking after yourself and each other
- Caring about how we deliver, as well as what we deliver
- Setting an example to others by not walking past an unsafe act or unsafe condition
- Continually improving our safety.

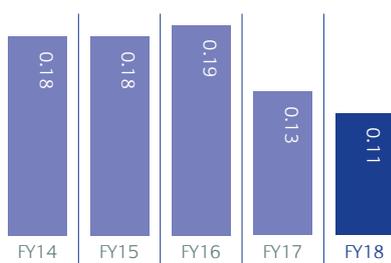|	2013/14	2014/15	2015/16[2]	2016/17	2017/18
Total number of injuries	1,979	2,054	2,084	1,720	1,386
Fatalities	0	0	1	7	2
Major injuries	36	41	38	27	13
Over-three-day injuries	98	127	164	107	101
Babcock riddor[1] totals	134	168	202	141	116

1. In 2012, the UK Health and Safety Executive changed riddor reporting from time lost through injury from three days to seven days. We have, however, continued to monitor and report on the lower three-day threshold and record this as 'Babcock riddor'.
2. Incidents relating to MCS and Babcock DSG are included for the 2015/16 period onwards.

Total injury rates per 100,000 hours worked

2.51	2.23	1.92	1.58	1.35
FY14	FY15	FY16	FY17	FY18

Babcock riddor[1] rate per 100,000 hours worked

0.18	0.18	0.19	0.13	0.11
FY14	FY15	FY16	FY17	FY18

Sector safety leadership teams and the Corporate Safety Steering Group oversee implementation of policy, strategy and initiatives across all of our businesses. The Group Executive Committee reviews monthly commentary and performance reports and the Board receives half yearly commentary and performance reports for discussion.

During the year, we launched a Group wide internal safety audit programme which aims to ensure:

- Alignment of business safety policy with the Group safety policy and capability to discharge duties therein
- Compliance with Babcock's Safety Behaviours and Expectations
- Adequate safety improvement plans are implemented, based on a balanced assessment of safety performance that delivers the commitment to continuous improvement
- Share business unit learning across the Group, supporting continual improvement
- Promote a consistent Babcock approach to safety and share best practice.

Formal audit reports are provided to the business units, with feedback also provided to the Group Executive Committee.

Performance

Tragically, two of our colleagues died in separate incidents in South Africa whilst working on towers within our powerlines business. Extensive investigations by Babcock, our client and the authorities resulted in a comprehensive review of procedures and retraining of erection teams.

Health and safety is a core value for the Group and we monitor performance through a number of measures. Over the last year, across the Group, we have seen a 15% reduction in the total injuries and a 15% reduction in our 'Babcock riddor' accidents.

Managing environmental impacts

Babcock seeks to achieve the highest standards in the management of environmental matters. We recognise the impact our operations may have on the environment and seek to minimise or eliminate adverse effects.

An Energy and Environmental Working Group meets quarterly, attended by representatives of each sector and chaired by the Group Energy Manager. The Group reviews our energy and environmental

policy and seeks to share best practice. Each sector sets environmental policies that are appropriate to its business. Energy consumption data is collated into a centrally managed data base that can be accessed by all stakeholders, enabling reduction targets to be set and monitored regularly. In the coming year, Babcock will once again seek reaccreditation for its UK operations to the Carbon Trust, a standard that it has held since 2010.

The continuous monitoring of energy consumption and the attention to environmental policies ensure that the environmental impact of the Group's operations is minimised.

We regularly review our built estate to ensure that the requirements of our clients can be efficiently met, while providing a good standard of environmental conditions for our employees. The utility markets are tracked to enable our utility requirements to be purchased at the best cost. Forward contingency planning ensures that should we lose a utility supply to any of our built estate, the impact to our customers is minimised.

We review our transport fleet regularly to seek means to reduce our fleet's impact on the environment.

Our high level performance indicator for energy consumption is to reduce our overall CO_2 emissions year on year against a metric of tCO_2/£m revenue.

Total Group emissions — UK and overseas

Year ending		March 2016	March 2017	March 2018
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	105,479.66	103,337.30	86,666.26
Scope 2: Indirect emissions from the use of purchased electricity and steam	tCO_2e	93,558.18	114,514.90	104,074.81
Scope 3: Emissions — business travel	tCO_2e	10,724.80	9,496.18	22,033.71
Absolute footprint	tCO_2e	209,762.64	227,348.38	212,774.78
Revenue	£m	4,158.40	4,547.10	4,659.60
Intensity ratio	tCO_2e/£m	50.44	50.00	45.66

Due to the highly diverse nature of the Company's business, the metric of 'tonnes of CO_2e per £m revenue' has been used to provide a more meaningful measure of energy use throughout the business. The total emissions from Scope 1, 2 and 3 sources have been divided by the annual revenue to provide a final benchmark figure, the Intensity ratio.