

Environment and ethics

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 Supplier Code of 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 70 to 81 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 72.

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.

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.

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.



The annual Group Safety Conference promotes the Group safety vision, the sharing of best practice and rewards notable achievements.

Our internal safety audit programme 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



- Business unit learning across the Group, supporting continual improvement
- A consistent Babcock approach to safety and sharing best practice.

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

A further audit was implemented in the final quarter of the period. Its scope was to assess the design and operating effectiveness of the process and controls in place for the accurate and consistent reporting, recording, collection and analysis of injury data that occurs across the Group. This internal audit has not highlighted any significant inaccuracies in the reporting of injury data to the Group.

In Aviation, we have continued to develop and implement an industry leading Safety Management System across the sector, applying relevant global good practise within both our civil and defence businesses. The Aviation safety culture stresses the importance of learning from

experience and working to develop and maintain an effective and efficient learning cycle through communication, reporting and feedback. The Safety Behaviours & Expectations programme this year has focused on and delivered improved staff engagement and hazard awareness. Our Rosyth site was awarded its 12th consecutive Sword of Honour from the British Safety Council, Devonport's Refuel Group achieved five years of zero lost time accidents and at Bristol we received accreditation to ISO 45001, the new Occupational Health and Safety Standard. Cavendish Nuclear won its eighth consecutive RoSPA Occupational Health and Safety Gold Award and fifth Fleet Safety Award.

We continue to develop safety initiatives targeted at specific risk mitigation, and have launched a sector-wide strategic programme focused on our top operational risks. We continue to be the global leader in the implementation of aviation fatigue risk and pilot mental wellbeing management systems in advance of regulation.

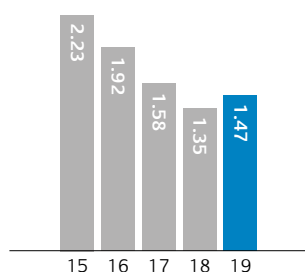
Review

In December 2018, one of our helicopters crashed in Portugal. Tragically, the accident resulted in the death of two Babcock pilots and two passengers. The incident is being investigated by the authorities.

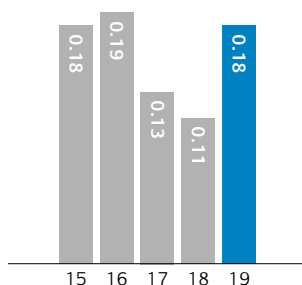
Safety continues to be a core value for the Group and we monitor performance through many measures. This year we are disappointed that we have seen a rise in the number of injuries, although the Group's performance remains better than industry norms. The Health and Safety Executive Summary Statistics Report 2018 for the manufacturing sector, which includes shipbuilding and repairs, shows an injury/incidence rate of 2.18 injuries per 100,000 hours worked whereas the injury/incidence rate for the Group is 1.35 injuries per 100,000 hours worked. However, in response, the Corporate Safety Steering Group and our business units have refreshed and reinforced the basic messages at the Group's sites and are aiming further to improve performance.

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|------------------------------------|---------|---------|---------|---------|--------------|
| Total number of injuries | 2,054 | 2,084 | 1,720 | 1,389 | 1,452 |
| Fatalities | 0 | 1 | 7 | 2 | 4 |
| Major injuries | 41 | 38 | 27 | 12 | 24 |
| Over-three-day injuries | 127 | 164 | 107 | 101 | 145 |
| Babcock riddor ¹ totals | 168 | 202 | 141 | 115 | 173 |

Total injury rates per 100,000 hours worked



Babcock riddor¹ rate per 100,000 hours worked



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'.



Reducing waste at Dungeness B

In our nuclear business, we work with the supply chain to minimise waste and reduce the carbon footprint of materials and components wherever possible.

At Dungeness B Power Station, we have introduced a waste reduction initiative for the supply of Neutron Scatter Plugs (NSP). Each of these plugs was supplied in a wooden crate which used to be disposed of, but is now reused, reducing the amount of wood and waste required and reducing costs.

Reducing waste also means moving materials more efficiently, and so we plan vehicle deliveries to site and between supply-chain members carefully to ensure that they don't leave the site empty after unloading, for example returning packaging or moving other items. We encourage suppliers to incorporate this philosophy into their own supply chains so that sourcing is carried out in a responsible and ethical way from top to bottom.

We expect our suppliers to implement recycling and energy saving measures at their own sites.

Electric cars at Devonport



In 2018 we began a project to examine the potential to increase the use of electric vehicles (EVs) within Devonport. The focus was

initially on 10 diesel vans that had low mileage and range, ideal conditions for EVs. We found we could potentially reduce our CO₂ emissions by an estimated 7.6 tonnes, which equates to around 45 trees.

If the Devonport trial is successful, we could see significant benefit from increasing our electric fleet across the wider business, leading to sizeable reductions in emissions and localised improvements in air quality.

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 with representatives of each sector attending and is chaired by the Group Energy Manager. The working group reviews energy and environmental policy and seeks to share best practice. Sectors and business units within the Group set environmental policies and KPIs that are appropriate to their business. Our Group level performance indicator for energy consumption is to reduce our overall CO₂ emissions year on year against a metric of tCO₂/£m revenue.

Energy consumption data is collated into a central software database that can be accessed by all stakeholders enabling reduction targets to be set and monitored regularly. The continuous monitoring of energy consumption and the attention to environmental policies ensure that the environmental impact of the Company's operations is minimised.

During the year Babcock once again achieved reaccreditation for its UK operations to the Carbon Trust, a standard that it has held since 2010.

We regularly review our built estate requirements to ensure that the requirements of our customers can be efficiently met while providing a good standard of environmental conditions for our employees. 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.

During the year we undertook energy audits across the built estate and embarked on reviewing transport provision to enable Energy Savings Opportunities Scheme compliance.

Babcock committed to developing sustainable office accommodation

During the year a new development of the office accommodation at Devonport Dockyard replaced old and inefficient office accommodation, joining Rosyth with the achievement of a BREEAM (Building Research Establishment Environment Assessment Method) Excellent rating. The new accommodation has been constructed to a very high standard to ensure the buildings are energy efficient whilst providing an excellent environment for our staff and visitors. A new office is being constructed in Bristol to the same high standards.



Building the DREAM at RAF Shawbury

RAF Shawbury new build operational support facility (Flight Training School) was awarded a DREAM 'Excellent' level Certificate for Sustainability at the Construction Stage by The Defence Infrastructure Organisation.

DREAM helps create a sustainable built environment by supporting clients, designers and project managers through the design, construction and facility management processes. Its holistic approach ensures environmental issues are dealt with positively, whole life costs are reduced, and better living and working conditions are delivered.

Total Group emissions – UK and overseas

| Year ending | | March 2018 | March 2019 |
|---|-----------------------|------------|------------------|
| Scope 1: Direct emissions from owned/controlled operations | tCO ₂ e | 170,476.3 | 144,350.7 |
| Scope 2: Indirect emissions from the use of purchased electricity and steam | tCO ₂ e | 104,074.8 | 75,647.1 |
| Scope 3: Emissions – business travel | tCO ₂ e | 22,033.7 | 17,627.2 |
| Absolute footprint | tCO ₂ e | 296,584.8 | 237,625.0 |
| Revenue | £m | 4,659.6 | 4,474.8 |
| Intensity ratio | tCO ₂ e/£m | 63.7 | 53.1 |

Due to the highly diverse nature of the Company's business, the metric of 'tonnes of CO₂e 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. The prior year numbers have been adjusted to include additional consumption data for direct emissions from aviation fuel used in our operations in Scandinavia, Spain, Italy and Australasia and unavailable last year.