



**Babcock International Group PLC
UK Gender Pay Gap Report 2019**

Forward

This is our third annual gender pay gap report. In our previous two reports we have outlined the reasons we believe we have a pay gap and our long-term approach to close it. We are pleased to see we are continuing to make progress and that our gap has again reduced slightly compared to last year.

Like others in the engineering sector, we face challenges recruiting female employees with STEM (Science, Technology, Engineering and Maths) qualifications and experience, due to less number of females studying these subjects in the UK than men. This coupled with a low turnover of staff, means our opportunity to change quickly is limited, so it will take time to close our gap, but we remain committed and focused on doing so.

Whilst the improvement compared to last year is a small step in the right direction, we remain conscious that there are many factors that can influence the numbers (positively and negatively) on a yearly basis. For example the constant shifting composition of the workforce as people join and leave the organisation, and welcoming more women into early careers programmes can result in a short term widening of the pay gap. That's why we believe it's important to continue to take a longer term view in terms of both action plans and progress to close our gap, as set out in our previous reports.

A bit about Babcock

Babcock operates in three critical markets – defence, emergency services and civil nuclear – working to meet the needs of customers for whom failure is not an option. We know that to serve our customers successfully we must understand them inside out, building close partnerships based on a deep knowledge of their operations, assets and technology. We are trusted to find solutions that address our customers' most demanding requirements, ensuring that they can perform at their best wherever and whenever they are needed.

What is the Gender Pay Gap?

Every year employers with more than 250 staff have to report the following data:

- Gender pay gap
- Gender bonus gap
- Proportion of men and women receiving bonuses
- Proportion of men and women in each quartile of the organisation's pay structure.

The gender pay gap is not the same as equal pay. The gender pay gap is the difference between average male and female pay across the organisation and across all roles. Equal pay means that men and women receive the same pay for carrying out the same work or equivalent work. Having a gender pay gap does not mean that men and women at Babcock are not receiving equal pay.

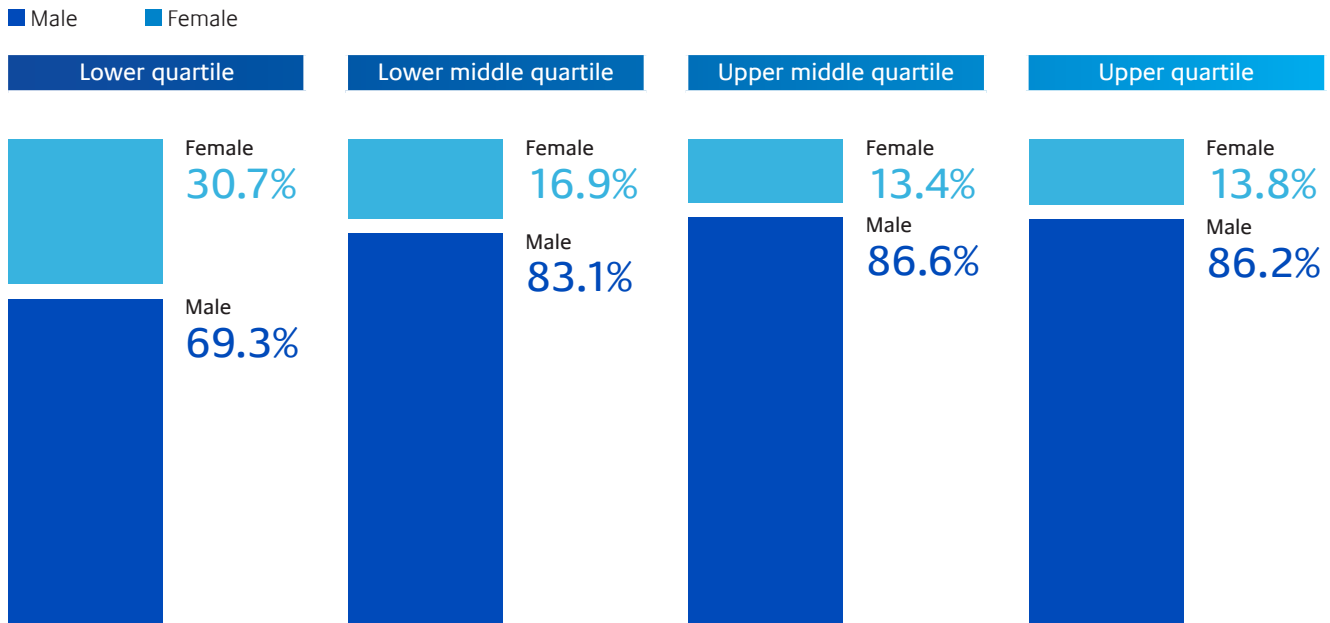
Our Data for 2019

We have over 30 legal entities employing staff in the UK. The data below is for the Group. The data for each Babcock entity which has 250 or more staff is set out in the table on the last page.

Mean and median gender pay gap	Mean pay gap	Median pay gap
The mean gender pay gap is the difference in average hourly rates of pay that male and female employees receive, expressed as a percentage of male employees' earnings.	2019: 13.5% 2018: 14.1% 2017: 16.2%	2019: 15.9% 2018: 16.0% 2017: 16.5%
The median gender pay gap is the difference in the midpoints of the ranges of hourly rates of pay for men and women, expressed as a percentage of male employees' earnings.	The UK gender pay gap for all employees is 17.3% (ONS)	
Mean and median gender bonus gap	Mean	Median
The mean gender bonus gap is the difference in average bonus pay that male and female employees receive, expressed as a percentage of male employees' earnings.	2019: 28.7% 2018: 27.1% 2017: 36.5%	2019: 21.1% 2018: 3.0% 2017: 26.9%
The median gender bonus gap shows the difference in the midpoints of the ranges of bonus pay received by men and women, expressed as a percentage of male employees' earnings.		
Proportion of males and females receiving a bonus	Men	Women
This is the percentage of men and women who received bonus pay in the 12 months up to 5th April 2019.	14.7% of men receive bonus pay	15.3% of women receive bonus pay
	Within the Group, 14.8% of the workforce received a bonus.	

Proportion of males and females by pay quartile

This is the percentage of male and female employees in four quartile pay bands (dividing our workforce into four equal parts).



Approach to closing the gap

In summary, we continue to have a gender pay gap because we employ fewer women than men, and we currently have fewer women than men in senior roles. Accordingly we continue to have a long-term three pronged approach, outlined in our previous years’ reports, which focuses on 1) creating supply, 2) attracting talent and 3) enabling women to fulfil their potential. We continue to make steady progress on a number of fronts, but there is still a long way to go. Below you can see some of the things we continue to do in these areas.

1) Creating Supply: Growing our talent pipeline for the long term

We, like others in our sector, need to do what we can to increase the supply of available STEM female talent in the market.

- We continue to focus on STEM activities with teams of employee ambassadors working with schools, universities and youth organisations to encourage young women to see STEM as a future career.
- We have recently supported a female engineer to publish a children’s book, to be distributed to primary schools aimed at key stage 1 pupils, to help young children to understand what engineering is, with the aim of highlighting to young girls that they too can be engineers.
- We continue to aim to increase (subject to availability) the number of females entrants onto our early career programmes.

2) Attracting Talent: Attracting the best female talent from the current available talent pool

As we reported last year, following a review of our recruitment processes, we have partnered with a recruitment outsourcing provider to run all our recruitment activities from January 2019 onwards. Through this partnership we have been able to better ensure that our approach to talent attraction best enables the attraction of more females into our company. These include:

- Use of more gender neutral messaging and wording in our recruitment adverts, including the use of gender de-coding software to ensure that advert wording is not unintentionally gender biased,
- Better use of diverse imagery in all advertising and promotional collateral,
- All non-industrial roles now advertised as flexible as a default, along with the majority of industrial roles also.

The enhanced reporting and metrics on gender ratios now available to us for CVs received, interviews arranged and offers made has better enabled us to track our progress, and will allow us to make year to year comparisons in the future. Since the inception of our recruitment outsourcing provider, we have seen an increase in the proportion of female applicants throughout all stages of the recruitment process, with an increase in 2019 from 19% in quarter 1, to 23% in quarter 3.

We are also reviewing our use of verbal and numerical testing since discovering that proportionally more females than males were failing these tests, despite doing well in all other elements of the assessment process.

3) Enabling employees to fulfil their potential within Babcock

Creating an ever larger supply of STEM females and being able to recruit increasingly more females into our organisation are critical, however we then need to ensure we retain this talent, in support of this we continue to be committed to doing what's necessary to remove any unnecessary barrier to staying with us and progressing to fulfil their potential. Some of the work we are continuing to do in this area is outlined below:

- With an increased focus on people analytics, we are reviewing our attrition data, with a view to understand and address any disproportionate numbers of female employees leaving our business.
- We have joined three significant initiatives designed to support women to reach their potential within Babcock: Women in Defence Charter, Women in Aviation Charter and Women in Nuclear UK. Our Chair is the Patron of the Women in Defence Charter and one of our senior female employees is currently the President of Women in Nuclear UK.
- We have started planning for the launch of a new work life integration policy within part of our business, for which we have received positive feedback from our Trade Union representatives and held employee taster conversations during dialogue month last year. The intention of the new policy is to enable the continued career progression for all

employees, regardless of their life circumstances. In addition, a new menopause awareness programme has been launched.

- We have also piloted the concept of female insight lunches, allowing high potential female employees to engage with and share their views with senior leaders.
- We continue to place focus on inclusive leadership within our leadership and management development programmes, as well as the providing active support of a number of networks, activities and initiatives as part of our Diversity and Inclusion strategy.

We remain confident that through our long-term focus on these three areas (creating supply, attracting talent and enabling women to fulfil their potential), the actions taken will help us to ensure that we continue to close our gender pay gap over time.



Archie Bethel

Group Chief Executive



Kevin Goodman

Group Director of Organisation and Development

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Gender Pay Gap data for legal entities with 250 or more employees

Legal Entity	Gender Pay Gap		Bonus Pay Gap				Lower quartile		Lower middle quartile		Upper middle quartile		Upper quartile	
	Mean	Median	Mean	Median	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Babcock Aerospace Limited	8.1%	15.9%	-	-	6.3%	0.0%	73.8%	26.2%	85.9%	14.1%	91.4%	8.6%	89.0%	11.0%
Babcock Airports Limited	0.1%	-0.4%	-	-	0.9%	0.0%	91.2%	8.8%	93.1%	6.9%	92.1%	7.9%	91.7%	8.3%
Babcock Corporate Services Limited	27.9%	37.5%	32.8%	0.0%	15.0%	12.7%	32.5%	67.5%	63.5%	36.5%	78.9%	21.1%	80.9%	19.1%
Babcock Critical Services Limited	9.1%	24.7%	70.0%	51.7%	32.8%	15.2%	72.8%	27.2%	89.0%	11.0%	96.0%	4.0%	89.0%	11.0%
Babcock DSG Ltd	2.7%	-0.5%	-36.2%	-110.3%	4.8%	1.7%	73.7%	26.3%	91.9%	8.1%	80.9%	19.1%	84.0%	16.0%
Babcock Marine Training Limited	17.0%	14.8%	84.6%	88.8%	6.8%	9.5%	53.0%	47.0%	71.4%	28.6%	77.3%	22.7%	86.3%	13.7%
Babcock Integrated Technology Limited	12.8%	11.5%	37.5%	0.0%	67.2%	69.9%	71.8%	28.2%	80.0%	20.0%	86.1%	13.9%	86.1%	13.9%
Babcock Land Limited	15.6%	23.6%	-92.6%	-222.0%	8.3%	4.8%	63.3%	36.7%	79.7%	20.3%	89.2%	10.8%	86.6%	13.4%
Babcock Marine (Clyde) Limited	17.1%	18.7%	3.7%	-6.8%	5.4%	4.3%	67.2%	32.8%	89.1%	10.9%	85.1%	14.9%	91.7%	8.3%
Babcock Networks Limited	-6.6%	-24.2%	-	-	3.6%	0.0%	100.0%	0.0%	89.0%	11.0%	80.0%	20.0%	94.0%	6.0%
Babcock Rail Limited	17.5%	15.5%	-178.0%	-18.3%	34.8%	17.9%	77.7%	22.3%	84.7%	15.3%	88.6%	11.4%	88.1%	11.9%
Babcock Training Limited	9.2%	19.1%	20.1%	-128.4%	11.5%	28.9%	35.5%	64.5%	41.0%	59.0%	65.5%	34.5%	54.8%	45.2%
Babcock Vehicle Engineering Limited	14.4%	21.6%	95.1%	68.8%	41.1%	6.3%	88.0%	12.0%	94.7%	5.3%	100.0%	0.0%	96.0%	4.0%
Babcock Mission Critical Services Offshore Limited	44.4%	52.8%	-	-	0.0%	0.0%	64.6%	35.4%	72.9%	27.1%	94.8%	5.2%	97.9%	2.1%
Cavendish Nuclear Limited	19.1%	22.2%	18.6%	0.0%	7.6%	2.4%	65.7%	34.3%	78.5%	21.5%	85.7%	14.3%	89.2%	10.8%
Devonport Royal Dockyard Limited	9.8%	12.5%	26.1%	31.1%	7.5%	7.5%	80.7%	19.3%	88.3%	11.7%	91.3%	8.7%	91.2%	8.8%
Frazer-Nash Consultancy Limited	31.8%	35.8%	32.2%	38.7%	94.0%	93.3%	61.7%	38.3%	82.7%	17.3%	91.8%	8.2%	95.4%	4.6%
Babcock Design & Technology Limited	16.4%	15.4%	70.4%	0.0%	6.4%	6.3%	75.8%	24.2%	85.1%	14.9%	93.9%	6.1%	97.0%	3.0%
Rosyth Royal Dockyard Limited	3.2%	2.8%	89.8%	77.0%	0.6%	1.8%	86.4%	13.6%	84.6%	15.4%	92.6%	7.4%	87.0%	13.0%

Notable changes from 2019 report

1. Rosyth Royal Dockyard Limited

In 2018, a mean pay gap of 16.1% and a median pay gap of 18.7% were reported. This would indicate a significant closing of the gap in 2019 for Rosyth Royal Dockyard Limited. However, it was latterly uncovered that the 2018 results included a large one off backdated pay award to many Rosyth Royal Dockyard Limited employees that was relevant to a period greater than the snapshot period. Excluding these payments, results in a revised mean pay gap of 3.3% and median pay gap of 4.4% for 2018, hence 2019 still shows a year on year improvement but much less significant than was reported.

2. Babcock Corporate Services Limited

In 2018, a mean pay gap of 22.4% and a median pay gap of 28.3% were reported. This would indicate a significant widening of the gap in 2019 for Babcock Corporate Services Limited. This is predominantly caused by a large increase in the headcount of Babcock Corporate Services due to organisational restructuring. A large proportion of the employees joining Babcock Corporate Services were found to be females, paid in the lower quartile – the result of which is a widening of the pay gap.

3. Babcock Vehicle Engineering Limited

In 2018, a mean pay gap of 4.7% and a median pay gap of 18.4% were reported. This would indicate a significant widening of the gap in 2019 for Babcock Vehicle Engineering Limited. Due to the size of Babcock Vehicle Engineering, and the low total proportion of women employed, small changes to the female population has a significant impact on the gender pay gap. The change between 2018 and 2019 is largely driven by the disproportional impact of leavers from such a small female population.