Chair's introduction

I am pleased to present my first Chair's report on the work of the Babcock Board. Since joining the Board in April last year, I have focused much time engaging with Babcock's stakeholders in order to get a real understanding of the Company.

My induction into the Group over the last year has been designed to give me insights into all aspects of the Company, including importantly our ways of working and our governance in practice. In addition to familiarising myself with all of our governance structures and processes, I have been keen to understand first-hand how we interface with key stakeholder groups and what their views are.

To understand more about the work we undertake, the experiences of our workforce and the ways in which we interact with them, over the course of my first year I have visited key sites within every sector, both in the UK and internationally; some of the locations are shown on the following page.

I plan to continue with a programme of regular visits across the business, as soon as this becomes possible again.

These visits have given me the opportunity to meet and talk with a range of our employees from sector management to local managers and the front line, as well as groups of graduates and apprentices, and diversity networks. Across the operations, I have been struck by our employees' deep understanding of our customers' needs, as well as their absolute commitment to deliver. As covered in the Strategic report, this culture of customer focus and service has underpinned the many ways in which we have responded to the COVID-19 pandemic.

I have also met with a number of our major customers. I see it as an important part of the Chair's role to have a strong relationship with key customers that complements the depth and breadth of the Group's management relationships, through a programme of regular senior-level meetings. I intend to develop this role further, and am committed to supporting the continued improving momentum of dialogue with our primary customers. We have been pleased to welcome customers to participate in a number of contract reviews at the Board during the year.

I have also enjoyed meeting many of Babcock's shareholders to hear, directly from them, their views, concerns and priorities. The Board and I are clear about the importance of corporate governance and its role in the long-term success of the Group.

Purpose and culture

At the Board we recognise the essential role that a clear purpose and a strong corporate culture play in assuring the Group's long-term success. During the year the Board has worked to clarify Babcock's purpose, which we describe on page 10, and we expect to do more on this over the coming year. This purpose is underpinned by the corporate culture, based on strong values that I found in evidence across my induction visits.

A key role of the Board is to ensure that the Company's purpose, strategy, culture and values are coherent, and reinforce each other. Our values are clearly set out in our Code of Business Conduct and are described in our being babcock principles on page 43.

They require us, amongst other things, to respect our fellow employees, to ensure the safety of each other at work, to minimise our impact on the environment, and to abide by our ethics policy in our business dealings. The Board has mechanisms in place to check the progress on embedding these values within all parts of the Company's business. For example, our ethics policy is available to all on the website and appropriate training is given on the standards expected of our employees; as described on page 49, the Board reviews and monitors all reports to our whistleblowing line, which encourages employees to report any breach of our Code of Conduct or our ethics policy.

All our stakeholders, from our employees to our government customers, are placing increasing emphasis on the global sustainability agenda. We expect this will only grow in importance as time goes on. The Board has sought to ensure that we have the appropriate level of focus on these matters and we were pleased to support a new Group-wide environmental, social and governance (ESG) strategy this year. This has allowed us to bring together much of the activity that is being driven at sector level; you will see this work reflected in this Annual Report. The Board will continue to review the strategy and monitor progress in implementation. For example, this will include actions to increase the diversity of our people across the organisation.

Compliance with the UK Corporate Governance Code

My first year as Chair coincides with the first year that Babcock is reporting under the new UK Corporate Governance Code. The new Code places an increased emphasis on corporate purpose and culture, as addressed above, and risk. It also asks companies to provide information that enables shareholders to assess how directors have performed their duty under section 172 of the Companies Act 2006, as well as encouraging companies to engage with its employees.

In this report we describe our governance structure on pages 102 and 103, including the responsibilities of the Chair, the Board, the Non-Executive Directors and the Executive Directors.

We also describe the purpose and principal responsibilities of the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee. The reports of those Committees follow on pages 106 to 136. We set out our s172(1) statement and our statement on stakeholder engagement on pages 30 and 31.

The Board considers that the Company complied with all the provisions of the Code throughout the year to 31 March 2020. The required governance and regulatory assurances are provided throughout this Governance statement and in some cases in other parts of the Annual Report. The Additional statutory information section on page 137 provides further cross references.

Board developments

I would like to take this opportunity to thank Ian Duncan and Jeff Randall for their service to the Group, as they step down from the Board after the AGM. Ian has served for nine years and Jeff for six. Russ Houlden, who joined the Board on 1 April 2020, will take over Ian's role as Chair of the Audit and Risk Committee. Russ is well qualified for the role as the current Chief Financial Officer of United Utilities Group PLC, until he retires in July.

Kjersti Wiklund has taken over Jeff's role as Chair of the Remuneration Committee. She has served on Babcock's Remuneration Committee for over a year and is also the Chair of the Remuneration Committee of Trainline plc.

In addition to Russ joining the Board, I am also pleased to welcome Carl-Peter Forster who joined the Board on 1 June 2020 and will become our new Senior Independent Director at the AGM. He is currently the Chair of Chemring Group PLC and the Senior Independent Director at IMI plc. Sir David Omand will step down from the role of Senior Independent Director at the AGM, and has stepped down as a member of the Audit and Risk and Remuneration Committees; he will remain a member of the Board while we conclude the appointment of a successor with strong government experience and insights, and the Nominations Committee has determined his continued independence.

2021

I have described above some of the actions that the Board has taken in the last year in progressing our work on governance. Developing and fine-tuning our governance will be an ongoing exercise and since the year end, we have already taken some further steps. The executive membership of the Board has been simplified with John Davies, Land sector CEO, stepping down. We have also reduced the memberships of both the Audit and Risk Committee and the Remuneration Committee with a view to making their workings more flexible and efficient.

Looking forward, we will keep the effectiveness of our governance under review. This is particularly relevant as we work through the impacts of the pandemic, which have brought into sharp focus the importance of paying attention to the needs of all our stakeholders.

Chair induction visits to date

- Bovington to visit Land's DSG operations
- Faslane to visit Marine's operations at the Clyde Naval Base
- Rosyth to visit Marine's Rosyth Royal Dockyard
- Albacete to visit Aviation's HEMS operations
- Bristol to visit Marine's Technology operations
- Plymouth to visit Marine's Devonport Royal Dockyard
- Wick to visit Nuclear's operations at Dounreay
- Anglesey to visit Aviation's operations at RAF Valley
- London to visit Land's Park Royal operations for the Metropolitan Police
- Donnington to visit Land's DSG operations

Board of Directors

Ruth Cairnie
Chair

Appointed: April 2019

Tenure: One year

Nationality: British

Experience: Ruth brings extensive experience of the engineering sector gained from a 37-year international career spanning senior functional and line roles at Royal Dutch Shell plc. She has experience advising government departments on strategic development and capability building.

External appointments: Ruth is currently the Senior Independent Director of Associated British Foods plc. She is Patron of the Women in Defence Charter, the Chair of POWERful Women, an initiative to advance gender diversity within the energy sector and a trustee of Windsor Leadership.

Previous roles: She has been a Non-Executive Director of Rolls Royce Holdings plc, ContourGlobal plc and Keller Group PLC and a member of the finance committee of the University of Cambridge.

Qualifications: She is a Master of Advanced Studies in Mathematics from the University of Cambridge and holds a BSc Joint Honours in Mathematics and Physics from the University of Bristol.

Sir David Omand GCB
Senior Independent Director

Appointed: April 2009 and Senior Independent Director January 2012

Tenure: 11 years

Nationality: British

Experience: Sir David brings extensive UK intelligence and change management experience.

External appointments: Sir David is a visiting professor in the Department of War Studies, King's College London and PSIA Sciences Po in Paris, where he teaches intelligence studies. He is a senior advisor to Paladin Capital Group LLP, investing in the cyber-security sector.

Previous roles: He served in various senior roles in the UK Government service, including as UK Government Security and Intelligence Coordinator, Permanent Secretary of the Home Office, Director of GCHQ (the UK Signals Intelligence and Information Assurance Agency) and Deputy Under-Secretary of State for Policy in the Ministry of Defence.

Qualifications: Sir David holds a degree in Economics from Cambridge University, has an honorary Doctorate from Birmingham University and he recently completed a degree in Mathematics and Theoretical Physics with the Open University.

Prof. Victoire de Margerie
Independent Non-Executive Director

Appointed: February 2016

Tenure: 4 years

Nationality: French

Experience: Victoire brings strong international strategic and commercial experience.

External appointments: Victoire is the Executive Chairman of Rondol (France), a start up developing micro machinery for advanced industry applications. She is also a Non-Executive Director of Eurazeo S.A. (France) and Arkema (France).

Previous roles: She was a Non-Executive Director of Banque Transatlantique, Italcementi S.p.A (Italy), Morgan Advanced Materials PLC (UK), Norsk Hydro ASA (Norway) and Outokumpu OyJ (Finland). During her earlier executive career, Victoire held senior management positions in France, Germany and the USA, with Atochem, Carnaud MetalBox and Pechiney.

Qualifications: Victoire holds a PhD in Strategic Management from Université Panthéon-Assas and a Master in Business Administration from HEC Paris.

Ian Duncan
Independent Non-Executive Director

Appointed: November 2010

Tenure: 9 years. Ian will retire from the Board at the 2020 AGM.

Nationality: British

Experience: Ian brings extensive financial and change management experience.

External appointments: Ian is currently the Senior Independent Director of Bodycote PLC, as well as being the Chairman of its Audit Committee. He is also a Non-Executive Director and Audit Committee Chair at SIG PLC.

Previous roles: He is a former Group Finance Director of Royal Mail Holdings PLC and has also formerly been the Corporate Finance Director at British Nuclear Fuels, the Chief Financial Officer and Senior Vice President at Westinghouse Electric Company LLC in Pennsylvania, USA, and a Non-Executive Director and the Chairman of the Audit Committee of Fiberweb PLC, Mouchel Group and WANdisco PLC.

Qualifications: Ian is a Chartered Accountant and holds an MA from Oxford University.

Lucy Dimes
Independent Non-Executive Director

Appointed: April 2018

Tenure: 2 years

Nationality: British

Experience: Lucy is currently the Group Transformation Officer at Virgin Money UK PLC and brings experience in industries at the forefront of growth and technology-based innovation and an understanding of complex outsourcing and global strategic partnerships.

Previous roles: She was a Non-Executive Director of Berendsen PLC and, in her executive career, Lucy was Chief Executive Officer of UBM EMEA until September 2018 and previously Chief Executive Officer, UK & Ireland, of Fujitsu, the Chief Operating Officer and Executive Director of Equiniti Group, Chief Executive Officer UK & Ireland of Alcatel Lucent (now Nokia) and prior to that had a 19-year career at BT.

Qualifications: Lucy holds an MBA from London Business School and a First Class Honours Degree in Business Studies from Manchester Metropolitan University.

Russ Houlden
Independent Non-Executive Director

Appointed: April 2020

Tenure: 2 months

Nationality: British

Experience: Russ brings accounting and treasury management experience along with his extensive knowledge of driving performance improvement.

External appointments: Russ is currently the Audit Committee Chairman of Orange Polska SA, which is listed on the Warsaw Stock Exchange.

Previous roles: He was Chairman of the Financial Reporting Committee of the 100 Group (from 2013 to March 2020), Chief Financial Officer (from 2010 to July 2020) of United Utilities Group PLC and Chief Financial Officer of Telecom New Zealand (from 2008 to 2010).

Qualifications: Russ holds a first class honours degree in Management Sciences from Warwick Business School and is a Fellow of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant and a Fellow of the Association of Corporate Treasurers.

E Executive Committee
A Audit and Risk Committee
R Remuneration Committee
N Nominations Committee
Board Committee Chair

Myles Lee
Independent Non-Executive Director

Appointed: April 2015

Tenure: 5 years

Nationality: Irish

Experience: Myles brings extensive global experience in management, M&A and finance.

External appointments: Myles is a Non-Executive Director of UDG Healthcare PLC and Trane Technologies plc, which is listed on the New York Stock Exchange.

Previous roles: He was Chief Executive Officer (from 2009 to 2013) and Finance Director (from 2003 to 2008) of CRH PLC.

Qualifications: Myles holds a degree in Civil Engineering and is a Fellow of the Institute of Chartered Accountants in Ireland.

Kjersti Wiklund
Independent Non-Executive Director

Appointed: April 2018

Tenure: 2 years

Nationality: Norwegian

Experience: Kjersti brings broad technology and business experience gained across Europe, Eastern Europe/Russia and Asia.

External appointments: Kjersti is a Non-Executive Director of Spectris PLC, Trainline plc and Zegona Communications PLC.

Previous roles: She has held senior roles, including Director, Group Technology Operations of Vodafone, and Chief Operating Officer of VimpelCom Russia, Deputy Chief Executive Officer and Chief Technology Officer of Kyivstar in Ukraine, Executive Vice President and Chief Technology Officer of Digi Telecommunications in Malaysia, and Executive Vice President and Chief Information Officer at Telenor in Norway.

Qualifications: Kjersti holds a Master of Business Management from BI Norwegian Business School and an MSc in Electronical Engineering from Chalmers University of Technology, Sweden.

Jeff Randall
Independent Non-Executive Director

Appointed: April 2014

Tenure: 6 years. Jeff will retire from the Board at the 2020 AGM.

Nationality: British

Experience: Jeff brings extensive experience of the media, particularly in politics, business and finance.

External appointments: Jeff is an Independent Non-Executive at BDO, the accounting and business-services firm, and Fundsmith, and a Visiting Fellow at Oxford University's Saïd Business School.

Previous roles: He worked at Sky News and was editor-at-large of the Daily Telegraph. Jeff was business editor of the BBC, the launch editor of Sunday Business and, for six years, City Editor of the Sunday Times. He is a former director of Times Newspapers.

Qualifications: Jeff holds a degree in Economics from the University of Nottingham, where he is an Honorary Professor in the School of Economics.

Carl-Peter Forster
Independent Non-Executive Director

Appointed: June 2020

Nationality: German

Experience: Carl-Peter brings extensive manufacturing and international experience.

External Appointments: Carl-Peter is currently the Chairman of Chemring Group PLC and Senior Independent Director of IMI plc.

Previous roles: Carl-Peter held senior leadership positions in some of the world's largest automotive manufacturers, including BMW, General Motors and Tata Motors (including Jaguar Land Rover). He was also previously a Non-Executive Director of Rexam PLC and Rolls-Royce plc.

Qualifications: Carl-Peter holds a Diploma in Economics from Bonn University and a Diploma in Aeronautical Engineering from the Technical University in Munich.

Archie Bethel CBE
Chief Executive

Appointed: Board Director May 2010 and Chief Executive September 2016

Tenure: 10 years

Nationality: British

Experience: Archie was Chief Executive, Marine and Technology division, from June 2007, having joined the Group in January 2004. He was appointed Chief Executive on 1 September 2016.

He is President of the Society of Maritime Industries and is a Lay Member of the Court of the University of Strathclyde.

Previous roles: He held various Engineering and Senior Management roles in Vetco Gray International Inc. in both the UK and US. He was also Chief Executive of Scottish Enterprise Lanarkshire and Chief Operating Officer of Motherwell Bridge Group.

Qualifications: BSc, MBA and DSc (h.c.) from University of Strathclyde. Archie is a Chartered Mechanical Engineer, a Fellow of the Royal Academy of Engineering and a Fellow of the Royal Society of Edinburgh.

Franco Martinelli
Group Finance Director

Appointed: Board Director August 2014

Tenure: 6 years

Nationality: British

Experience: Franco served 12 years with the Group as Group Financial Controller, prior to his appointment as Group Finance Director. Before joining Babcock, Franco worked across the support services and engineering sector.

Previous roles: He was Group Financial Controller at Powell Duffryn PLC and before that he held divisional and group roles at Courtaulds, James Capel and BP.

Qualifications: Franco is a Chartered Accountant and has a degree in Physics from Exeter University.

Executive Committee

B Board

Biographies for Archie Bethel CBE and Franco Martinelli are on page 99.

Archie Bethel CBE
Chief Executive

Franco Martinelli
Group Finance Director

John Howie MBE
Chief Executive, Marine

Simon Bowen
Chief Executive, Nuclear

John Davies
Chief Executive, Land

Neal Misell
Chief Executive, Aviation

Jon Hall
Managing Director, Technology

Kevin Goodman
Group Director of Organisation and Development

Kate Hill
Group Director of Communications

Jack Borrett
Group Company Secretary and General Counsel

John Howie MBE

Appointed: April 2016

Experience: John joined Babcock in April 2001. He has been sector CEO for Marine since 2016 and has responsibility for Babcock's warship operations, as well as the commercial and international marine operations. John is a Visiting Professor at Strathclyde University, a Director of the Society of Maritime Industries, a member of the Glasgow Economic Leadership Board and Acting Chair of Maritime Research & Innovation UK.

Simon Bowen

Appointed: April 2017

Experience: Simon is responsible for our nuclear capability in Defence, including Babcock's submarine operations, and Civil. He joined Babcock in December 2015 as Managing Director of Cavendish Nuclear. Simon was previously the Managing Director of Urenco UK, which he joined in 2010. Prior to that, Simon worked at BP, undertaking a variety of senior roles, culminating in his appointment as Vice President of Manufacturing and Procurement for Petrochemicals. In the early part of his career, Simon was an Engineering Officer in the Royal Navy on operating submarines.

John Davies

Appointed: July 2010

Experience: John joined Babcock in 2010 on the acquisition of VT Group, and was appointed Divisional Chief Executive of the then Defence and Security division. In November 2015, he moved to lead the Support Services division and is now sector CEO, Land. Previously John worked extensively across the support services and defence sectors within Bombardier, BAE Systems and VT Group. John is a lawyer by background and a graduate of the University of Manchester and Chester Law College.

Neal Misell

Appointed: April 2020

Experience: Neal is the sector CEO for Aviation. He joined Babcock following the acquisition of VT Group in 2010. Neal worked initially as the Integration Director bringing together the Babcock and VT Group non-defence businesses. In 2011, he was appointed Managing Director of the Critical Services business which covered Babcock's vehicle and asset management contracts in Emergency Services and Airports. In February 2016, Neal was appointed Managing Director of the Military Aviation business focused on the RAF, French Air Force and Royal Navy. Neal is also a Board Director of the Ascent and Airtanker Joint Ventures.

Jon Hall

Appointed: April 2017

Experience: Jon joined Babcock in 2008 as Managing Director, Technology. Prior to that, Jon held senior roles within the Weir Group, covering defence, nuclear and commercial sectors and, before that, worked in the power and process sectors with Balfour Beatty International and Monenco Inc. Jon is a Chartered Engineer and a Fellow of the Institution of Mechanical Engineers. He holds a PhD from Bath University for research work in technology.

Kevin Goodman

Appointed: July 2010

Experience: Kevin joined Babcock in 2001. He was a Director of both our Defence and Security and Marine and Technology divisions prior to his current Group appointment. In his present role, he is responsible for remuneration, talent management, executive development and diversity. He is a trustee of the Babcock International Group pension scheme.

Kate Hill

Appointed: April 2017

Experience: Kate joined Babcock in 2014 on the acquisition of the Avincis Group. She was subsequently appointed Babock's Group Director of Communications. Prior to her role as Communications Director at Avincis, she was a Partner in a financial PR consultancy, which she joined from Royal Dutch Shell plc where she held a number of senior communications roles. Trained as a journalist, Kate is a member of the Chartered Institute of Public Relations.

Jack Borrett

Appointed: April 2016

Experience: Jack joined Babcock in 2004 and from 2010 was Deputy Group General Counsel, until his appointment as Group General Counsel and Company Secretary in April 2016. He is Secretary to the Board and to the Remuneration, Audit and Risk, and Nominations Committees and a member of the Executive Committee. Prior to joining Babcock, Jack was a solicitor at law firm, Clifford Chance.

Key areas of Board focus during the year

Key matters considered	Outcome
Review of Group's strategy	The Board reviewed the Group's strategy at an offsite all-day meeting in November. This year, the review included testing the strategy against the medium-term targets set out at the Group's Capital Markets Day. The Board received regular updates on performance against strategy during the year and reviewed the Group's strategic projects such as T31.
Environmental, social & governance (ESG)	The Board initiated a review of the Group's ESG activities and strategy. The Board considered the review and approved the introduction of the new Group-wide ESG strategy. The strategy demonstrates the Board's commitment to delivering the Group's business model in a sustainable way. The strategy sets out a clear framework for our ESG priorities across the Group and allows us to focus our activities to share more effectively the positive impact within the communities in which we work and serve.
Principal and emerging risk, and risk appetite	The Board, either by itself or through the Audit and Risk Committee, reviewed the major risks that the Group faces in its business model and its appetite for those risks. As part of that review, the Board considered and approved the Group's risk management system.
Monthly operational reports	The Board considered at its monthly meetings an operational report from the Chief Executive, supported by a monthly report from each of the sector CEOs, who attend the monthly meetings. Due to the importance of the relationship, the Board received regular updates from Tom Newman, the senior executive who is dedicated to working on progressing the Strategic Partnering Programme with the UK Government.
Budget review, trading statements, results	The Board agreed the Group's budget and received a monthly report from the Group Finance Director on the Group's performance against that budget. It reviewed and approved all the trading statements and results announcements before their release. This year, the Board focused on its liquidity strength by renewing the Group's five-year revolving credit facility of up to £775 million and issuing €550 million of eight-year bonds expiring in 2027. In addition, the Board refined its capital allocation approach, which it announced at the half year.
Ethics review, health & safety review	Health and safety is at the forefront of everything that the Group does. The Board received monthly reports on performance to ensure that the Group is living up to its aim of "Home Safe Every Day". The Board also recognises the importance of its reputation. It conducted its annual ethics review and assured itself that Babcock's Code of Conduct was understood and complied with throughout the Group. The Board reviewed all reports to the Group's whistleblowing line quarterly to make sure that they were appropriately dealt with and no issue had been reported that has a Group significance.

Our governance framework

Board

The Board of Directors of Babcock International Group PLC (the Board) is collectively responsible to the Company's shareholders for the long-term success of the Company. This responsibility includes matters of strategy, performance, resources, standards of conduct and accountability. The Board also has ultimate responsibility for corporate governance, which it discharges either directly or through its Committees, as well as the structures described in this Governance statement.

Chair

The Chair is responsible for the leadership and overall effectiveness of the Board. In particular, her role is to:

- With the Chief Executive, demonstrate ethical leadership and promote the highest standards of integrity throughout the business
- Ensure effective operation of the Board and its Committees
- Set the agenda, style and tone of Board discussions in order to promote constructive debate and effective decision-making
- Foster effective working relationships between the Executive and Non-Executive Directors, support the Chief Executive in his development of strategy and, more broadly, support and advise the Chief Executive
- Ensure effective communication with shareholders and other key stakeholders and make the Board aware of their views.

Executive

Responsible for implementing the strategy, led by the Chief Executive.

Chief Executive

The Chief Executive is responsible for the day-to-day leadership of the business. In particular, his role is to:

- Develop strategic proposals for recommendation to the Board and implement the agreed strategies
- Develop an organisational structure, establishing processes and systems to ensure that the Company has the capabilities and resources required to achieve its plans
- Be responsible to the Board for the performance of the business consistent with agreed plans, strategies and policies
- Oversee the application of Group policies and governance procedures
- Develop and promote effective communication with shareholders and other key stakeholders.

Senior Independent Director
Shareholders can bring matters to his attention, if they have concerns, which have not been resolved through the normal channels of Chair, Chief Executive or Group Finance Director, or if they believe these channels are inappropriate. The Chair looks to the Senior Independent Director as a sounding board and he is available as an intermediary between the other Directors and the Chair. The Senior Independent Director is also responsible for leading the Non-Executive Directors in the annual performance evaluation of the Chair. The specific role of the Senior Independent Director has been set out in writing and approved by the Board.

Non-Executive Directors
The Non-Executive Directors bring external perspectives and insight to the deliberations of the Board and its Committees, providing a range of knowledge and business or other experience from different sectors and undertakings (see their biographies on pages 98 to 99). They play an important role in the formulation and progression of the Board's agreed strategy and monitor the performance of the executive management in the implementation of this strategy.

Audit and Risk Committee
Responsible for overseeing the Company's systems for internal financial control, risk management and financial reporting.

Remuneration Committee
Oversees the remuneration arrangements for Babcock's Directors and senior employees across all sectors. The Committee is keenly conscious of the importance of having in place a fair remuneration structure, one that strikes a balance between rewarding employees' hard work and shareholders' interests.

Nominations Committee
Reviews the structure, size and composition of the Board and Committees and oversees succession planning for the Board and across the Group.

Group Finance Committee
Approves borrowing, guarantees, treasury and related matters within its terms of reference delegated by the Board. Comprises any two Directors, one of whom must be the Group Finance Director.

Group Executive Committee
The Group Executive Committee reviews and discusses all matters of material significance to the Group's management, operational and financial performance, as well as strategic development. For its membership, please see page 100.

Steering Groups
Group Security Committee: chaired by the Group Finance Director and made up of senior functional and operational managers with responsibility for security and information assurance at Group and operational level. See page 81.

Diversity Steering Group: co-ordinates the implementation of our equality and diversity policy. See page 45.

Corporate Safety Steering Group: ensures the delivery of Group policy and initiatives relating to all matters relevant to the health and safety of the Group's employees and any other persons affected by the Group's undertakings. See page 44.

Energy/Environmental Working Group: responsible for developing and sharing best practice for cost-effective energy and environmental control and for developing strategy for meeting energy and environmental targets. See page 40.

Sector Management Boards
Each of our four business sectors has its own management board responsible for: setting sector strategy and objectives; ensuring adequate financial and human resources to achieve those objectives; reviewing sector performance; and ensuring the sector's obligations to shareholders and other stakeholders are understood and met.

Board of Directors

The Board is satisfied that each Director has the necessary time to devote to the effective discharge of their responsibilities and that, between them, the Directors have a blend of skills, experience, knowledge and independence suited to the Company's needs and its continuing development.

The powers of the Directors are set out in the Company's Articles of Association (the Articles), which may be amended by way of a Special Resolution of the members of the Company. The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation. The Articles are available for inspection online at www.babcockinternational.com, and can also be seen at the Company's registered office.

Board meeting attendance

The Board has ten scheduled full Board meetings each financial year, with two other meetings devoted solely to strategy. The Chair also meets separately with Non-Executive Directors without Executive Directors or other managers present. Debate and discussion at Board and Committee meetings is encouraged to be open, challenging and constructive. Directors regularly receive presentations by senior managers. In the annual Board and Committee evaluation review, no Directors expressed dissatisfaction with the timing or quality of information provided to them.

Attendance at Board meetings

Chair	
Mike Turner*	3 of 3
Ruth Cairnie	12 of 12
Executive Directors	
Archie Bethel	12 of 12
Franco Martinelli	12 of 12
John Davies	12 of 12
Non-Executive Directors	
Sir David Omand**	11 of 12
Victoire de Margerie**	11 of 12
Ian Duncan	12 of 12
Lucy Dimes**	11 of 12
Myles Lee	12 of 12
Kjersti Wiklund	12 of 12
Jeff Randall	12 of 12

* Mike Turner retired from the Board after the AGM in July 2019.
** Sir David Omand, Victoire de Margerie and Lucy Dimes were unable to attend certain meetings due to pre-existing commitments.

Composition of the Board

The composition of the Board during the year, and as it currently stands, is shown below:

Date	Chair	Executive Directors	Independent Non-Executive Directors
1 April 2019 – 2 April 2019	1	3	7
3 April 2019 – 18 July 2019	1	3	8
19 July 2019 – 31 March 2020	1	3	7
1 April 2020 – 31 May 2020	1	2	8
1 June 2020 – 10 June 2020	1	2	9

During the financial year and up to the date of this report, changes to the Board were the appointment of Ruth Cairnie, the retirement of Mike Turner, John Davies's stepping off the Board on 31 March 2020 and the appointments of Russ Houlden and Carl-Peter Forster as Independent Non-Executive Directors, on 1 April 2020 and 1 June 2020 respectively.

Board effectiveness

The Board and its Committees review their skills, experience, independence and knowledge to enable the discharge of their duties and responsibilities effectively. Each year, an evaluation is conducted to assess these aspects and also the effectiveness of the ways of working at the Board and Committees. The last two reviews have been conducted internally by the Company Secretary and so, in line with the Corporate Governance Code, this year the review should have been carried out by an external evaluator. However, with a new Chair having been appointed during the year and with a number of changes occurring to the Board composition, it was decided that an external review would add much more value in a year's time once the membership changes, and a number of procedural changes introduced by the new Chair, have bedded down. Therefore, the review for the financial year ending 31 March 2020 has once again been an internal process conducted by the Company Secretary. The Board remains fully committed to external review, which it sees as a valuable support to its continuous development and improvement.

The review was conducted via confidential one-on-one meetings between the Company Secretary and each Director. Topics considered included the balance of skills, experience, independence and knowledge on the Board; its diversity; how the Board, its Committees, the Chair and individual Directors performed and how they worked together; as well as other factors relevant to effectiveness.

The main conclusions from the prior year's review focused on the pending change of Chair and need for further recruitment, given the length of tenure of both Sir David Omand and Ian Duncan. Progress is therefore reflected in the appointments that have been announced. This year, there was general satisfaction regarding the way in which the Board and its Committees function, the support given to them, the matters covered at meetings, the way issues are dealt with, and the contribution of individual Directors. A number of developments were noted as positive including the external input received for the annual strategy review, the external review of senior talent, the participation of customers in some contract reviews at the Board, and the streamlining of membership of the Board and Committees.

The Board discussed the evaluation at its meeting in March 2020. The focus for the current financial year will be to align further the Board's agenda and workings with the strategy and strategic priorities set out in the Group's Capital Markets Day, to shift the balance of the Board's time further towards strategic rather than operational matters. At a private meeting, Sir David Omand, SID, led a review of the Chair's performance, which confirmed her effectiveness.

Board induction and development

New Non-Executive Directors receive comprehensive and tailored induction programmes. The Chair's induction, parts of which are described on pages 96 and 97, was built using induction programmes developed previously for Lucy Dimes and Kjersti Wiklund as a starting point. The Company Secretary will set up a similar programme for Carl-Peter Forster and Russ Houlden as and when circumstances allow. The programme will involve:

- Meetings with the Executive Directors and the sector CEOs
- An overview of the Group's governance policies, corporate structure, and business functions
- Details of risks and operating issues facing the Group
- Visits to key operational sites, which will include Devonport, Rosyth, Bristol and the Group's EU operations
- Briefings on key contracts and customers.

In addition, the Company Secretary arranges training and ongoing updates as requested or as required. Non-Executive Directors may at any time make visits to any Group business and presentations are made to the Board during the year.

Ruth Cairnie
Chair

Nominations Committee

Introduction

The core function of the Nominations Committee is to review the structure, size and composition of the Board and its Committees and, crucially, to consider and oversee succession plans for the Board and across the Group, taking into account inclusion and diversity. I believe that effective succession planning, underpinned by a vibrant talent agenda, is at the heart of the long-term success of any company. There should be a clear link between strategy, succession planning and the culture of an organisation.

Membership of the Committee

I chair the Committee and all the independent Non-Executive Directors are members. Members of the Executive team, for example the Chief Executive or the Group Director of Organisation and Development, attend by invitation as required.

Responsibilities of the Committee

The Committee is responsible for:

- Board nominations – the Committee leads on the appointment process for Directors and makes recommendations regarding candidates to the Board
- Board composition – the Committee considers the balance of skills, diversity, knowledge and experience of the Board (as well as the Committees) and makes recommendations with regard to any changes
- Succession planning – the Committee oversees and reviews the succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise required by the Company for the future.

Diversity

The Board has a clear objective to see increasing diversity on the Board, in senior executive management roles and throughout the workforce as a whole. The strategic plans involve developing the business in both existing and new market sectors and with new, and new types of, customers, both in the UK and internationally. Diversity is important to underpin our credibility across our chosen business areas and to support new thinking and flexibility in our approach. We recognise that across the whole organisation we have much work to do on diversity but progress is being made, including in gender diversity (please see pages 45 and 46).

In considering recommendations for appointments to the Board, the Committee takes into account the Board's policy to foster and encourage greater diversity of gender, ethnicity, outlook, background, perception and experience. This is factored into instructions given to search consultants and into the short-listing process. Currently, the Board's gender diversity is 33.3% female (4 women out of 12) and we will aim to maintain a good representation of women on the Board. The membership has become slightly more international with the appointment of Carl-Peter Forster.

Activities undertaken by the Committee during the year

This was a busy year for the Committee with a number of key changes:

Board nominations

At the beginning of the year, the Committee, led by Sir David Omand, Senior Independent Director (SID), oversaw my appointment as Chair and kept under review my induction programme to ensure that I met and heard from our stakeholders. The Committee then undertook the appointment of Russ Houlden (effective 1 April 2020) and Carl-Peter Forster (effective 1 June 2020) to the Board.

Russ Houlden provides valuable expertise in accounting, reporting and performance improvement as well as international experience. He will chair the Company's Audit and Risk Committee after Ian Duncan's retirement at the AGM.

Carl-Peter brings extensive manufacturing and international experience to the Board. He will take over as the Group's SID from the AGM at which point Sir David Omand will step down from that role.

The Committee has also had to consider a successor for Chair of the Remuneration Committee, as Jeff Randall announced his retirement. The Committee was pleased to recommend the appointment of Kjersti Wiklund, who has sat on the Remuneration Committee for over a year and has relevant experience as the current Chair of the Remuneration Committee of Trainline plc.

Over the latter part of the year, and ongoing, a key area of focus for the Committee has been the search for a new Chief Executive, following Archie Bethel's decision to retire.

In the Committee's searches, the first step is to develop a candidate specification that takes into careful consideration the future needs in terms of skills, experiences, capabilities, style and diversity. Independent search consultants are appointed to support the Committee through a structured process of candidate identification, review, short-listing, interview and referencing. In its searches for a new Chair of the Audit and Risk Committee and for a new SID, the Committee appointed MWM Consultants. MWM does not have any connection with the Group other than as a senior recruitment consultant. The process for appointing a new Chief Executive Officer is still in progress and details will be disclosed in due course.

Board composition

During the year, the Committee reviewed the composition of the Board and its Committees to determine the best structure for the future, taking into account the challenges and opportunities facing the Group. This review led to some recommendations regarding Committee membership as well as addressing Executive representation on the Board.

Regarding Executive membership the Committee recommended that the Board should be simplified and have just two Executive Directors, the Chief Executive Director and the Group Finance Director. Accordingly, effective 31 March 2020, John Davies stepped down from the Board. He continues to lead the Land sector as CEO and remains a key member of the Group Executive Committee. The current practice of having all the sector CEOs attending Board meetings will continue.

Regarding Committee membership, past practice has been to have all the Non-Executive Directors as members of all the Board's Committees. The Committee recommended a simplification, with fewer members of the Audit and Risk and Remuneration Committees. The Committee believes that the reduced size will improve the flexibility of each Committee, whilst retaining the skills and competences to be effective. The new membership of the Audit and Risk Committee consists of Ian Duncan, Russ Houlden, Lucy Dimes, Myles Lee and Kjersti Wiklund. The new membership of the Remuneration Committee consists of Kjersti Wiklund, Carl-Peter Forster, Jeff Randall, Russ Houlden and Victoire de Margerie. All Non-Executive Directors will continue to sit on the Nomination Committee.

As well as considering the membership of the Board and its Committees, the Committee reviewed the continued independence of Sir David Omand, as he has served on the Board for over nine years. The Committee recommended to the Board that he remains independent. The Committee welcomes his expertise and the continuity of support he is providing as the composition of the Board evolves. However, Sir David will step down as Senior Independent Director with effect from the AGM. In addition, he will no longer serve on either the Audit and Risk Committee or the Remuneration Committee.

Succession planning

The Committee recognises the key role that succession planning for Directors and senior management plays in building a team capable of achieving the Group's strategic goals in the short, medium and longer term. Over the last year we have undertaken a review of senior talent in the organisation, as an important ingredient of the overall talent development strategy that is one of the Group's core enablers. This review was supported by independent external consultants,

During the current year, the Committee will look to build on the review by overseeing the career pathways mapped out for those in the succession pipeline. In these reviews, diversity will be a prominent feature. The Committee is committed to working hard to have as broad a list of future candidates as possible.

Ruth Cairnie
Committee Chair

Nomination Committee membership and attendance during the year

Ruth Cairnie	5 of 5
Sir David Omand	5 of 5
Jeff Randall	5 of 5
Ian Duncan	5 of 5
Myles Lee	5 of 5
Victoire de Margerie	5 of 5
Lucy Dimes*	4 of 5
Kjersti Wiklund	5 of 5

* Lucy Dimes was unable to attend one meeting due to a pre-existing business commitment.

Audit and Risk Committee

Introduction

The principal purpose of this report is to look back over the financial year ending 31 March 2020 and to describe the Committee's responsibilities during that period. Most of the period was not under the shadow of the Coronavirus (COVID-19). However, the impact of COVID-19 was a significant issue, which the Committee considered in relation to the financial statements for the year to 31 March 2020. How the Committee considered the impact is described later in this report.

This is my final report as Chair of the Audit and Risk Committee as, having completed nine years on the Board, I have decided to step down with effect from the end of the Company's next AGM. As previously announced, my successor will be Russ Houlden, who joined the Board on 1 April 2020. Please see page 98 for further details of his background and qualifications.

Membership of the Committee

The Audit and Risk Committee was during the year made up entirely of all the independent Non-Executive Directors. Committee membership, as well as attendance at its meetings in the year, is set out below. However, with effect from the beginning of the current financial year, the Committee decided to streamline its membership in order to make its operation more efficient and Sir David Omand decided to step down as a member of the Committee after 11 years of service. Currently, the members of the Committee are Ian Duncan, Russ Houlden, Kjersti Wiklund, Myles Lee and Lucy Dimes.

Unless otherwise stated, members were members throughout the year. Please see pages 98 and 99 for further details of the backgrounds and qualifications of the members of the Committee.

The Board is satisfied that Ian Duncan, who has been Chair of the Committee since July 2011, has recent and relevant financial experience and that the Committee complies with the UK Corporate Governance Code. Ian is a chartered accountant and former Group Finance Director of Royal Mail Holdings PLC.

Currently, Ian is the Senior Independent Director of Bodycote PLC, as well as being the Chair of its Audit Committee. He is also a Non-Executive Director and Audit Committee Chair of SIG PLC.

Role of the Committee

The principal responsibilities of the Audit and Risk Committee are to:

- Monitor the integrity of the full-year and half-year financial statements and any formal announcements relating to the Company's financial performance
- Provide advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- Review the statement in the Annual Report confirming that the Directors have carried out a robust assessment of the principal and emerging risks facing the Company and how the Company manages them
- Make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor
- Review and monitor at least once a year the external auditor's independence and objectivity, as well as the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- Approve the engagement of the external auditor to supply non-audit services, in line with policy (see page 112)
- Keep under review the adequacy and effectiveness of the Company's internal financial controls, as well as its internal control and risk management systems
- Monitor and keep under review the effectiveness of the Company's internal audit service
- Report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

The full terms of reference for the Committee are on the Company's website.

Committee meeting attendance

In addition to the members of the Committee, the Committee, at its discretion, usually invites the Group Chair, the Chief Executive, the Group Finance Director, the sector Chief Executives and the Group Financial Controller to attend meetings. The Committee is satisfied that having these invited attendees present does not influence or constrain the Committee's discussions or compromise the Committee's independence. Their presence ensures that all Board Directors and the senior management of the Group are directly aware of the Committee's deliberations, how it goes about discharging its responsibilities on behalf of the full Board and any areas of concern or focus for the Committee. It also assists the Committee by allowing direct questioning of executives on matters that the Committee thinks need further challenge, clarification, explanation or justification. Should a situation arise where the presence of any such attendee would be inappropriate or might compromise discussion, the Committee would either not invite the attendee concerned or request that they not attend the relevant part of that meeting.

During the year to 31 March 2020, Ernst & Young LLP (EY) provided internal audit services to the Company and PricewaterhouseCoopers LLP (PwC) was the Group's external auditor. Both auditors attended the Committee's meetings during the year to 31 March 2020. The Committee Chair also met PwC and EY in the absence of executive management before every meeting. The Committee invites the auditors to address the Committee without executives present at least once a year.

The Committee reviews its terms of reference annually to ensure that they are in line with best practice guidelines.

Activities undertaken by the Committee during the year

During the year to 31 March 2020, the Committee met four times. At these meetings, and at additional meetings after the year end, the Committee considered the following matters and issues:

Financial results

- full-year and half-year financial statements and related results announcements
- reports from the external auditors
- matters that required the exercise of a significant element of management judgement in relation to the financial statements for the year to 31 March 2020 (see pages 110 and 111)
- review of the assessment that the Company's financial statements are presented on a going concern basis
- the Company's approach to the requirement on the Company to examine the Company's longer-term solvency and viability (please see page 93 for further details).

Fair, balanced and understandable assessment

The Committee advised the Board on the requirement for a statement from it that the Annual Report and Accounts for the year to 31 March 2020 are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy during the relevant period.

To satisfy itself, the Committee circulates to Board members draft wording at an early stage with sufficient time and detailed content to allow for an assessment of the content against the reports and accounts provided to the Board and its discussions throughout the relevant period.

Before drafts are submitted to the Board, the Group Director of Investor Relations and Group Director of Communications review the content of the Strategic report to ensure consistency with other financial statements made by the Group during the year and that the necessary information is included in the draft.

In addition, the Committee asks the Group Financial Controller to prepare a formal written report for the Committee. He reviews the relevant draft, its consistency with his understanding of matters and the appropriateness of the weighting given to them, and confirms that the draft, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

Audit plans

The Committee reviewed and approved internal and external audit plans for the year.

Internal audit

At each meeting, the Committee received internal audit reports on findings from internal audit visits to business units, which look at matters including accounting and financial controls, anti-bribery and corruption controls, business continuity, contract performance and contract bidding risks. These included follow-up reports on any matters identified in earlier reports as requiring attention or improvement. The reports contain tracking information to enable the Committee to see the control performance of business units over time as well as how quickly they address any matters.

Risk and internal controls

- review of the principal and emerging risks facing the Company and how they are managed or mitigated
- review of the Group's risk management and internal control systems and their effectiveness
- regular detailed reports identifying areas of risk at business unit, sector and Group level, assessing and prioritising potential impact, risk mitigation steps in place and the pre- and post-mitigation risk levels
- in-depth reviews of selected specific risks. This year, the Committee considered the COVID-19 outbreak and the Company's response to the outbreak and related lockdown. Earlier in the year, the Committee had considered one of the Group's principal risks – the nature of its contracts, bid processes and markets with particular reference to the Aviation sector. In addition, the Committee considered its business-critical suppliers and the potential impacts of disruption upon the Group in the event of one of their failures.

Fraud

Reports covering any suspected incidents of fraud, their investigation and any remedial or preventative action.

Whistleblowing

The Committee has monitored the Group whistleblowing policy on behalf of the Board. It receives regular reports of calls and emails to the Group's external independent whistleblowing services and how the Group investigates them. With effect from 1 April 2020, the Board has decided that it will review the whistleblowing reports. The total number of whistleblowing reports in the year to 31 March 2020 was 66 (2019: 71). For further explanation of the whistleblowing procedure, please see page 82.

Audit/non-audit fees and auditor independence

The Committee reviews the audit and non-audit fees for the external auditor and considers them in relation to auditor independence. The Committee is satisfied that PwC maintained its independence throughout the year.

Significant issues considered by the Committee in relation to the financial statements

In planning the year-end audit, the Committee considered with management and the Company's auditors the key areas of focus for the audit having in mind their significance to the reporting of the Group's results and the degree of judgement involved in their evaluation. The significant issues considered in relation to the financial statements for the year ended 31 March 2020 and how the Committee addressed them are set out in the table below.

Significant issue	How the Committee addressed it
Contract accounting and revenue recognition	The Committee considered the Group's material contracts. These require a significant degree of management judgement that could materially affect the appropriate accounting treatment for these contracts; these were the subject of discussion and challenge with management to ensure that the Committee was satisfied as to the reasonableness of those judgements. Additionally, an external provider conducted a review of a number of the Group's most significant and complex long-term contracts. The results of this review confirmed that the Group's long-term contract accounting is consistently conservative.
Cash generating units and carrying value of goodwill	Goodwill is allocated to the Group's cash generating units (CGUs): Marine, Land, Aviation and Nuclear. The Committee reviewed and challenged management's assessment of the goodwill held on the Group's balance sheet by considering, amongst other matters, management's evaluation of the cash flows resulting from the Group's budget and strategy plan, the terminal value assessment, noting the reduced long-term growth rate of 2% (2019: 3%) reflecting management's assessment of the uncertain economic conditions in which the Group is operating and the appropriateness of the discount rates used in the value in use calculations. The Committee noted the highly competitive trading conditions experienced in oil and gas and was satisfied with adjustments made by management to the budget and strategy plans of the Aviation CGU in this regard and additionally with the higher discount rate, reflecting CGU-specific risk factors, of 10.9% (2019:10%) used in the value in use assessment of this CGU. These adjustments, together with the reduced long-term growth rate applied to all CGUs, resulted in an impairment charge of £395 million. The value in use calculations presented significant headroom in respect of the other CGUs. The Committee discussed the results of its review with the external auditor and was satisfied with management's assumptions and with the conclusion to recognise an impairment charge of £395m in relation to the Aviation CGU and, following appropriate sensitivity testing of key assumptions, that no impairment charge was necessary for the other CGUs. The Committee was also satisfied that appropriate disclosures were included in the financial statements. Note 11 on page 182 to 183 provides information on key assumptions and sensitivity analyses performed.

Internal controls and risk management

The Committee believes that the identification, control, mitigation and reporting of risk is central to the delivery of the Company's strategy. The way that the Company manages risk is set out in the Strategic report on pages 80 to 82, with the principal risks facing the Group described on pages 83 to 92. The Committee has conducted a rigorous and robust review of the ongoing effectiveness of the Company's risk management processes in light of the Code (and the Financial Reporting Council's associated Guidance on Risk Management, Internal Control and Related Financial and Business Reporting).

As part of its review, the Committee considered the Group's risk management process, which identifies the risks, the controls and the mitigations before reporting them to the Committee.

During the year, the Committee continued to develop an assurance map, which sets out the Group's principal risks and considers the sources of assurance available in relation to them. The Group measures these sources of assurance against a "three lines of defence" model: the first line being management control, policies and procedures, together with management oversight; the second being internal assurance activities, such as the review of the sector risk assessments by Group senior management; and the third being assurance obtained from our out-sourced internal auditor, now BDO previously Ernst & Young.

Detailed and bottom-up risk registers, which sector and Group review and challenge, support the Group's risk management process. The schedule of delegated authorities and the Group's system of financial reporting add additional assurance.

Significant issue	How the Committee addressed it
Exceptional items	The Group recognised exceptional charges of £502.9m on a pre-tax basis. The Committee reviewed all the charges to assess whether their classification as exceptional was appropriate. In Aviation Oil and Gas, the market has deteriorated significantly in the year with pricing levels reduced following the re-emergence of two large helicopter providers from US Chapter 11 protection. As a result, the business has impaired certain Oil and Gas right of use assets. In addition, the business had exited from its Oil and Gas business in Ghana and the Congo. The impact of trading in the oil and gas business combined with the delay of contract awards in aerial emergency services led to a reshaping of the Aviation sector cost base. In Nuclear, the end of the Magnox contract, along with the ongoing trading environment in the civil nuclear market, has also led to a reshaping of the Cavendish cost base. In addition, there were further restructuring charges relating to additional costs from actions taken in the prior financial year, as well as further restructuring in the Rail business. There were charges relating to other exits and disposals, consisting of a gain on the sale of Context IS, partially offset by additional costs from exits in the prior financial year and the costs of exiting our nuclear manufacturing business. There were also other exceptional items, principally relating to additional costs from Aviation's Brexit-related restructure and the fine in Italy together with associated legal costs described on page 59. The Committee was satisfied with the quantum of the charges and their classification as exceptional.
Pensions accounting – the choice of assumptions in the valuation for accounting purposes of the liabilities of the Group's defined benefit schemes	The Committee assessed the particular assumptions proposed by management and their impact on scheme assets and liabilities in the context of assumptions used in respect of the same factors by other companies and the pensions industry more widely. The Committee was satisfied that the assumptions fell within acceptable ranges. See note 26 on pages 202 to 204.
Adoption of IFRS16 – Leases	The Company adopted IFRS 16 on 1 April 2019. At the Committee's request, the Company undertook a completeness exercise across the Group. The Committee asked PwC to assess the robustness of that exercise. Having considered PwC's conclusions, and having discussed with management, the Committee is satisfied that the Company has implemented IFRS 16 appropriately and duly reflected the new accounting standard in the financial statements for year to 31 March 2020.
Impact of COVID-19	Following the outbreak of COVID-19 and the subsequent national lockdowns, the Company did experience disruption in its operations. For the year to 31 March 2020, the impact of those disruptions was not significant. However, the Committee, as part of its going concern review and its viability review, also had to consider the impact of COVID-19 on the Group's future operations. Management prepared a number of stress tests and scenarios for the Board. The Committee reviewed the assumptions upon which the management based the tests and scenarios. After its review, the Committee was satisfied that it was appropriate to prepare the Group's financial statements for the year to 31 March 2020 on a going concern basis and to make the viability statement as set out on page 93.
Disclosure in the financial statements for the year to 31 March 2020	In the previous financial year, the FRC sent a letter to the Company suggesting areas of improvement. The Company made changes to its financial statements for the year ending 31 March 2019 in order to address the points made by the FRC, following which the FRC closed the matter. This year, the Committee has reviewed the financial statements to ensure that they continue to reflect the FRC's comments.

These bottom-up risk reviews carried out by the Sectors also include emerging risks. However, the Group separately also considers emerging risk as part of its strategic or top-down risk review. Top global emerging risks include globalisation/geopolitical risk, environmental risk/climate change, technological risk, cyber risk and societal risk. The Group will continue to develop its approach to the review of emerging risk during the current year.

The Group's internal auditors test the process through an agreed plan, which the Committee approves on an annual basis. The internal auditor reported on progress to every scheduled meeting of the Committee. Where the internal auditor does identify areas for improvement, it reports on the remedial plans. Follow-up visits assure the Committee of compliance.

After the review, the Committee was satisfied that the Group's risk identification process did allow the Committee to identify and evaluate the Company's principal and emerging risks. A statement regarding the effectiveness of the internal controls and control processes, including those over financial reporting, is on page 141 and 142.

Internal audit

The Committee considers that it is appropriate to have an internal audit service provided by an external advisor, but keeps this under review. In the year to 31 March 2020, the Committee was satisfied with the service provided by EY acting as internal auditor. However, as the Committee wishes EY to participate in its upcoming tender for the external audit, EY had to stand down as internal auditor with effect from 31 March 2020 in order to comply with the FRC's December 2019 Revised Ethical Standard.

Accordingly, the Committee conducted a tender for the internal audit service and, after a robust process, decided to appoint BDO as its new internal auditor with effect from 1 April 2020. BDO has prepared, and is now working to, its internal audit plan for the year ending 31 March 2021. The Committee will review the findings of BDO's reports during the course of the current financial year.

External audit

The Committee manages the relationship with the external auditor on behalf of the Board and monitors the auditor's independence and objectivity, along with the effectiveness of the external audit, on an annual basis. Audit fees are re-evaluated periodically.

For the year to 31 March 2020, PwC has been the Group's external auditor, following its reappointment by Shareholders at the AGM on 18 July 2019 on the recommendation of the Board. The Chair and the Committee regularly assess PwC's effectiveness in the provision of audit services in their meetings with PwC. After each annual audit, there is a rigorous review of PwC's audit services in that audit, examining the level and consistency of expertise and resources, the effectiveness of the audit (including, inter alia, the understanding of our business and reporting processes for subsidiary audit teams), and PwC's independence and leadership. The review includes the provision to PwC, and discussion with it, of detailed feedback from those exposed to the audit process within the Group. The question of PwC's continuing independence in the provision of audit services is considered and discussed with PwC, including the basis upon which that assessment can reasonably be made and supported.

The Company continues to expect to tender the external audit during the course of the current financial year. PwC, having been auditor since 2002, will not participate in any such tender. The Committee confirms that the Group complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Non-audit fees

The Committee regularly considers the engagement of, and level of fees payable to, the auditor for non-audit work, considering potential conflicts and the possibility of actual or perceived threats to their independence. The Company's policy is to consider whether to place material non-audit services work with the external auditor on a case-by-case basis, based on an assessment of who is best placed to do the work having regard to availability, resources, capability, experience and any conflicts of interest of potential candidate firms for the work. The Committee makes the choice based on what it considers to be in the Company's best interest overall, having regard to potential independence issues if the work is placed with the Company's auditor. Non-audit services not offered to the auditor are those listed in appendix B of the FRC's revised ethical standard 2019 including the design or operation of financial information systems, internal audit services, maintenance or preparation of accounting records or financial statements that would be subject to external audit, or work that the Committee considers is reasonably capable of compromising its independence as auditor. The Committee Chair must approve any non-audit work, subject to the Group Financial Controller being able to approve any single expenditure of £10,000 or less, although, in any year, he may not approve more than £50,000 in aggregate. Having considered the non-audit services provided by the auditor during the year ended 31 March 2020, the Committee is satisfied that PwC provided these services effectively and the services did not prejudice the objectivity or independence of the auditor.

For the year ended 31 March 2020, non-audit fees paid to the auditor were £0.1 million, representing 3% of the audit fee. A breakdown of fees paid to the auditor is set out in note 4 on page 177.

Ian Duncan
Committee Chair

Audit and Risk Committee membership and attendance during the year

Ian Duncan (Chair)	4 of 4
Sir David Omand*	3 of 4
Jeff Randall	4 of 4
Myles Lee	4 of 4
Victoire de Margerie	4 of 4
Lucy Dimes	4 of 4
Kjersti Wiklund	4 of 4

* Sir David Omand was unable to attend one meeting due to a pre-existing business commitment.

Kjersti Wiklund
Chair

Annual Statement of the Remuneration Committee Chair

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report ("DRR") for the year ended 31 March 2020, my first following my appointment as Chair of the Remuneration Committee on 1 April, having served on the Committee since I joined the Board in April 2018. I would like to thank Jeff Randall, who served as the Committee Chair up to the end of the 2019/20 financial year, for his hard work and commitment to the Committee over the last six years.

At the time of writing this DRR, I am mindful that the COVID-19 pandemic continues to affect Babcock's employees and other stakeholders – and society more generally. As set out elsewhere in this Annual Report, the last financial year has had its challenges, but the Group has made progress in driving forward its strategy, with revenue growth in its defence business and the award of significant opportunities, such as the contract to build the next generation of the UK's warships. However, the unprecedented situation brought on by the pandemic has framed the Committee's discussions in recent months and has led the Committee to defer a number of decisions (details of which are set out later in this Report). The Committee nevertheless believes that the Remuneration Policy proposed for the next three years (and its implementation for the 2020/21 financial year) remains fit-for-purpose and provides sufficient flexibility to reflect the impact of the pandemic in our approach to remuneration, in particular how we incentivise and reinforce success for Babcock going forward.

New Remuneration Policy

Our current remuneration policy ('Policy') was approved at the 2017 AGM and hence is due for renewal at the 2020 AGM. During 2019 and early 2020, the Committee reviewed the Policy taking into account the Company's desire to retain and attract top executive talent, promote the strategic and financial performance of the business and maintain executive alignment with long-term shareholder interests. The Committee considered feedback received from shareholders since the adoption of the current Policy in 2017, as well as developments in UK corporate governance and trends in market practice. The Committee was also mindful of the need to ensure that the proposed new remuneration policy is transparent, easy to understand, consistent with the Company's purpose, values and strategy and provides an appropriate link to long-term performance.

The Committee's conclusion is that the 2017 Policy remains broadly fit for purpose. No changes are therefore proposed to the overall quantum or structure, being based on fixed pay, annual bonus with mandatory deferral and a performance-based long-term incentive. We believe the current arrangements enable the Company to recruit and retain the best talent as they are competitive with the remuneration structures offered by our competitors for talent. Furthermore, the use of both an annual bonus and a three-year PSP helps ensure the variable pay component reinforces our key shorter-term objectives as well as capturing long-term value creation for shareholders. However, the Committee believes that some revisions are required to bring the Policy in line with corporate governance changes and evolving investor expectations. These are described in detail below.

Earlier this year, we consulted with shareholders (representing a total of c.60% of our issued share capital) and shareholder representative bodies. I would like to express my gratitude for the feedback, which supported our proposal to maintain the same overall incentive structure as previously and helped to shape the changes to the current Policy, which we have decided to propose. We had a high level of engagement and are pleased to report that virtually all investors who provided feedback indicated support for the proposed approach.

Summary of proposed changes to the Policy

The changes to the Executive Directors' remuneration policy for 2020 are set out below.

1. **Rebalancing the annual bonus and PSP performance measures.** Every year the Committee reviews the performance measures, their weightings and their targets for both the annual bonus and the PSP to ensure their alignment with strategy and business priorities respectively. Prior to the COVID-19 outbreak, the Committee had considered simplifying the annual bonus by removing the EPS measure and increasing the weighting for PBT and Cashflow (both measured on an underlying basis) to 40% each. Non-financial measures will continue to be weighted 20%. For the PSP the Committee was considering the inclusion of a new measure focused on cashflow to ensure the scorecard better reflects the Group's strategic focus. This remains the current intention. However, for the 2020/21 financial year, due to the pandemic, the Committee has delayed its decisions on both the annual bonus and the PSP, as it may decide to make adjustments to make sure that they reflect our priorities as we emerge from the current crisis. Any revisions to the current intention will be consistent with the Policy.
2. **Aligning pensions.** We have already committed that new Executive Director hires will be offered a pension aligned with that offered to the general UK workforce, consistent with investor preferences. In the proposed 2020 Policy, we will be extending this commitment to the incumbent Directors, whereby pensions will be reduced over the course of the life of the Policy to that of the workforce by 1 April 2023.
3. **Promoting long-term share ownership.** Consistent with the new provisions under the UK Corporate Governance Code, a new requirement to maintain a shareholding post-termination will be adopted in the 2020 Policy. The required level of post-termination holding will be the same as the current in-post shareholding requirement and cover the 2 years following departure.

Remuneration outcomes for 2019/20

Remuneration for the Executive Directors in 2019/20 was consistent with the Remuneration Policy. The Committee reviewed, and was satisfied that, the remuneration outcomes reflected Company performance and the broader context, including Shareholders' experience. After due consideration, and with no discretion required to be used, the Committee approved the following outcomes:

2019/20 annual bonus

The 2019/20 annual bonus was based 80% on underlying financial performance measures (30% on EPS, 20% on PBT and 30% on OCF) and 20% on non-financial measures. While financial performance for the 2019/20 financial year was below the threshold levels set for the Group measures, the Committee determined that some payout would ordinarily be warranted by the achievement of many of the non-financial performance objectives set at the start of the year (ranging from 14% to 38% of maximum bonus for the Executive Directors). However, the final decision on the payment of the bonus warranted for the 2019/20 year will be delayed until after the Board makes its decision on the final dividend. Please see page 130 for more detail.

2017 PSP awards

The vesting of PSP awards granted in 2017 was based on performance measured over 1 April 2017 to 30 March 2020, with EPS, ROCE (both measured on an underlying basis) and TSR equally weighted. Performance against the targets set at the start of the cycle for each element was below threshold, resulting in 2017 PSP awards lapsing in full. Please see page 130 for more detail.

Remuneration for 2020/21

Decisions made for remuneration in 2020/21 are as follows:

Salary/fees

The Committee reviewed the executive director salaries in early 2020. The expectation is that the average increase in the UK workforce for the current financial year would be between 2% and 2.5%. The Committee decided to set the increase for the Executive Director salaries at 2%. In light of the impact on our employees and other stakeholders of the COVID-19 pandemic, the Committee accepted a proposal by the Chief Executive to suspend the implementation of annual salary increases and keep this under review during the 2020/21 financial year. In addition, the Executive Directors and other senior executives volunteered a temporary 20% reduction to their base salaries. The Non-Executive Directors volunteered a similar reduction to their annual fees.

Pension

The pension for incumbent Executive Directors will reduce to 21.5% of salary, as the first step in the transition from the prior arrangement (a contribution of 25% of salary) to alignment with the workforce over the new Policy period.

2020/21 annual bonus

It is currently anticipated that the 2020/21 annual bonus will be based 80% on underlying financial performance measures (40% on PBT and 40% on OCF), and 20% on non-financial measures. The Committee will disclose targets in the 2020/21 Directors' Remuneration Report. However, the Committee decided to defer its final decision on the annual bonus until it had a better understanding of the impact of the pandemic. Therefore, it will determine the appropriate structure for the bonus in the first half of the financial year. Any final decisions around the annual bonus for Executive Directors will be consistent with the Policy and considered in the context of the bonus for the broader participant population.

2020 PSP awards

PSP awards will be granted in 2020 consistent with the new Policy. However, the granting of awards will be delayed until at least the half year, to allow the Committee sufficient time to consider the appropriate weighting of measures and performance ranges in the context of the ongoing impact of the COVID-19 pandemic. The targets – which would normally be disclosed prospectively in this report – will be disclosed in the RNS statement announcing the granting of these awards.

In February, after 16 years of service with the Group, Archie Bethel announced his intention to retire as Director and Group Chief Executive. The Nomination Committee has started the search for his replacement. Archie's remuneration arrangements will remain in line with our Policy.

Please see page 126 for a summary of his outcomes for the last financial year and page 131 for his arrangements for the current financial year. In addition, in order to simplify the workings of the Board, John Davies stepped off the Board on 31 March 2020 and is no longer an Executive Director, although, as the CEO of the Land Sector, he remains a key member of the senior leadership team. However, we disclose below on page 126 his pay outcomes for the last financial year.

Finally, the composition of the Committee has been reviewed for 2020 onwards. To streamline its membership in order to make its operation more efficient and following Sir David Omand's decision to step down as a member of the Committee after 11 years' service, from 1 April 2020, the membership of the Committee was Kjersti Wiklund (Chair), Jeff Randall, Victoire de Margerie and Russ Houlden, with Carl-Peter Forster joining the Committee on his appointment to the Board on 1 June 2020.

Kjersti Wiklund
Committee Chair

Remuneration Committee membership and attendance during the year

Jeff Randall (Chair)	7 of 7
Sir David Omand	6 of 7
Ian Duncan	7 of 7
Myles Lee	7 of 7
Victoire de Margerie*	6 of 7
Lucy Dimes	7 of 7
Kjersti Wiklund	7 of 7

* Victoire de Margerie was unable to attend one meeting due a pre-existing business commitment.

Compliance statement

This report has been prepared by the Committee according to the requirements of the Companies Act 2006 (the Act), Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations) and other relevant requirements of the FCA Listing Rules. In addition, the Committee has applied the principles of good corporate governance set out in the UK Corporate Governance Code 2018, and has considered guidelines issued by its leading Shareholders and bodies such as the Investment Association, Institutional Shareholder Services and the Pensions and Lifetime Savings Association. In accordance with Section 439 of the Act, an advisory resolution to approve this Annual Statement and the Annual Report on Remuneration will be proposed at the Annual General Meeting on 4 August 2020. A binding resolution to approve the remuneration policy will also be proposed at the Meeting.

This report contains both auditable and non-auditable information. The information subject to audit is so marked.

Remuneration at a Glance

This section provides an overview of the Company's performance over the 2019/20 financial year and the remuneration received by our Executive Directors. Full details can be found in the Annual Report on Remuneration on pages 125 to 136.

2019/20 remuneration outcomes

Annual bonus

The annual bonus for the 2019/20 financial year was based on a mix of financial and non-financial measures, the performance targets for which (and actual performance against these) are set out below:

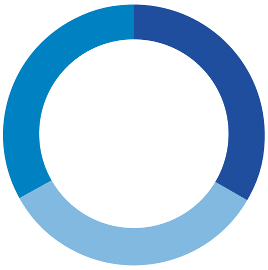
Measures	Warranted payout (% of max. bonus)			Performance targets
	A Bethel	**F Martinelli**	**J Davies**	
Group Earnings per Share (EPS)	30% Max / **0% Actual**	30% Max / **0% Actual**	30% Max / **0% Actual**	Threshold 70.5p; Target 74.2p; Stretch 81.6p **Actual 69.7p**
Group Profit Before Tax (PBT)	20% Max / **0% Actual**	20% Max / **0% Actual**	10% Max / **0% Actual**	Threshold £437.7m; Target £460.7m; Stretch £506.8m **Actual £432.0m**
Group Operating Cash Flow (OCF)	30% Max / **0% Actual**	30% Max / **0% Actual**	15% Max / **0% Actual**	Threshold £351.6m; Target £378.1m; Stretch £404.6m **Actual £306.7m**
Sector Profit Before Interest & Tax (PBIT)[1]			10% Max / **10% Actual**	Threshold 95%*; Target 100%*; Stretch 110%* *Of budget
Sector Operating Cash Flow (OCF)[1]			15% Max / **15% Actual**	Threshold 93%*; Target 100%*; Stretch 107%* *Of budget
Non-financial[2]	20% Max / **14%[3] Actual**	20% Max / **16% Actual**	20% Max / **13.3%[3] Actual**	
Total	100% Max / **14% Actual**	100% Max / **16% Actual**	100% Max / **38.3% Actual**	

1. Given the commercially sensitive nature of sector measures, targets and outcomes are not disclosed.
2. Several measures have been merged into an overall assessment in this table for disclosure purposes.
3. The Committee reduced the non-financial outcome for Archie Bethel and John Davies to take account of the fatality in the year.

Based on actual outturn as set out above, the Executive Directors would have received payouts under the 2019/20 annual bonus of between 14.0% and 38.3% of maximum bonus. However, the Committee has delayed the decision on payment of the annual bonus until after the Board's decision on the final dividend for the 2019/20 financial year. 40% of any bonus earned will be deferred in shares for three years under the Deferred Bonus Plan.

2017 PSP

The 2017 PSP vests subject to three performance measures, the targets for which (and actual performance against these) are summarised below:



Measure & weighting	Performance range: Threshold (25% vesting)	Performance range: Stretch (100% vesting)	Outcome	Warranted vesting (% of total award)
EPS growth (3-year CAGR) 33%	4% p.a.	11% p.a.	(4.4%) p.a.	0%
Return on Capital Employed (ROCE) (3-year average) 33%	12.0%	14.5%	11.7%	0%
Relative Total Shareholder Return (TSR) (vs FTSE350) 33%	Median	Median +9% p.a.	Below median	0%
TOTAL				**0%**

Based on the performance outcomes set out above, 2017 PSP awards shall lapse in full.

Implementation of the Remuneration Policy in 2020/21

For the 2020/21 financial year, the Committee's intention at the time of writing this report is for the Remuneration Policy to be implemented as set out in the table below. As set out earlier in this Report, the Executive Directors have volunteered a temporary 20% reduction to their base salaries, and the Chair and Non-Executive Directors have also volunteered a temporary reduction to their fees of 20%. The measures, their weightings and targets for the annual bonus and PSP are expected to be finalised following publication of this report and will be confirmed in next year's DRR or earlier if applicable through RNS.

Element of remuneration	Implementation for 2020/21
Base salary	Unchanged from 2019/20, with any inflationary increase currently suspended until later in the year: Archie Bethel: £796,000 Franco Martinelli: £446,000
Pension	Reduced from 25.0% to 21.5% of salary
Benefits	Unchanged from 2019/20
Annual bonus and DBP	Awards of up to 150% of salary, based on the achievement of financial targets (80% weighting) and non-financial measures (20% weighting). 40% of any bonus earned deferred in shares for 3 years.
PSP	Awards of 200% of salary based on: EPS, ROCE, free cashflow, relative TSR

Alignment of the Remuneration Policy

The Committee believes that the proposed Policy complies with the six pillars set out in paragraph 40 of the 2018 Corporate Governance Code.

Clarity: The Committee believes that the disclosure of the remuneration arrangements is transparent with clear rationale provided on its maintenance and any changes to policy. The Committee remains committed to consulting with shareholders on the Policy and its implementation.

Simplicity: The policy and the Committee's approach to implementation is simple and well understood. The performance measures used in the long-term incentive plans, along with those in the bonus, are well aligned to Babcock's strategy.

Risk: The Committee has ensured that remuneration arrangements do not encourage and reward excessive risk-taking by setting targets to be stretching and achievable, with discretion to adjust formulaic bonus and PSP outcomes.

Predictability and proportionality: The link of the performance measures to strategy and the setting of targets balances predictability and proportionality by ensuring outcomes do not reward poor performance.

Culture: The policy is consistent with Babcock's culture as well as strategy, therefore driving behaviours which promote the long-term success of the Company for the benefit of all stakeholders.

Remuneration Policy Report

The Remuneration policy set out in this section is to be submitted to a binding Shareholder vote at the 2020 AGM and it is intended that this policy will apply for three years from that date. The key changes from the previous remuneration policy and the rationale for the changes are explained in the Committee Chair's introduction on pages 113 to 115.

Key principles of the Remuneration policy

Our policy for Executive Directors reflects a preference that we believe is shared by the majority of our shareholders – to rely more heavily on the value of variable performance-related rewards, rather than on the fixed elements of pay, to incentivise and reward success. The focus of our executive remuneration is, therefore, weighted towards performance-related pay with a particular emphasis on long-term performance. We believe that, properly structured and with suitable safeguards, variable, performance-related rewards are the best way of linking pay to strategy, risk management and shareholders' interests.

Remuneration policy for Executive Directors

Base salary

Purpose and link to strategy	To recruit and retain the best executive talent to execute our strategic objectives at appropriate cost.
Operation	Base salaries are reviewed annually, with reference to the individual's role, experience and performance; salary levels at relevant comparators are considered, but do not in themselves drive decision-making.
Opportunity	In respect of existing Executive Directors, it is anticipated that decisions on any salary increases will be guided by the increases for the wider employee population over the term of this policy. In certain circumstances (including, but not limited to, a material increase in job size or complexity, market forces, promotion or recruitment), the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain fair and competitive.
Performance metrics	Business and individual performance are considerations in setting base salary.

Pension

Purpose and link to strategy	To provide market competitive retirement benefits.
Operation	Cash supplement in lieu (wholly or partly) of pension benefits for ongoing service and/or membership of the Group's defined benefit or defined contribution pension scheme.
Opportunity	Policy for new appointments Executive Directors appointed after 1 April 2020 will receive pension benefits up to the value equivalent to the maximum level of pension benefits provided under the Company's regular defined contribution pension plans as offered to the wider workforce in the relevant market as may be in effect or amended from time to time. Transition arrangements for existing Executive Directors The existing directors will transition from the arrangements immediately prior to the new policy (25% of salary) to alignment with the workforce, as per the new appointment policy, by 1 April 2023.
Performance metrics	Not performance-related.

Benefits

Purpose and link to strategy	Designed to be competitive in the market in which the individual is employed or to meet costs effectively incurred at the Company's request.
Operation	A range of benefits is provided which may include (but is not limited to): life insurance; medical insurance; car and fuel benefits and allowances; home to work travel and related costs; accommodation benefits and related costs. Other benefits (e.g. relocation) may be offered if considered appropriate and reasonable by the Committee.
Opportunity	Benefit values vary by role and are periodically reviewed and set at a level that the Committee considers appropriate in light of relevant market practice for the role and individual circumstances. The cost of the benefits provided changes in accordance with market conditions and will, therefore, determine the maximum amount that would be paid in the form of benefits during the period of this policy. The Committee retains the discretion to approve a higher cost in certain circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially.
Performance metrics	Not performance-related.

Annual Bonus

Purpose and link to strategy	To underpin delivery of year-on-year financial performance and progress towards strategic non-financial objectives, being structured to motivate delivery against targets and achievement of stretching outperformance, whilst mindful of achievement of long-term strategy and longer-term risks to the Company. The requirement to defer a substantial part of bonus into Company shares strengthens the link to long-term sustainable growth.
Operation	Performance targets are set at the start of the year and reflect the responsibilities of the Executive in relation to the delivery of our strategy. At the end of the year, the Committee determines the extent to which these targets have been achieved. The Committee has the discretion to adjust the outcome (up or down) within the limits of the plan for corporate transactions, unforeseen events, factors outside reasonable management control, changes to business priorities or operational arrangements, to ensure targets represent and remain a fair measure of performance. In addition, the Committee considers health and safety performance and it may reduce or cancel any annual bonus otherwise payable if it considers it appropriate to do so in light of that performance. At least 40% of annual bonus payments for Executive Directors is deferred into Company shares for three years. Dividend equivalents accrued during the deferral period are payable in respect of deferred shares when (and to the extent) these vest. Malus and clawback provisions apply to cash and deferred bonus awards: if the accounts used to determine the bonus level have to be materially corrected; if the Committee subsequently comes to a view that bonus year performance was materially worse than originally believed; in the event of gross misconduct; or if the award holder leaves employment in circumstances in which the deferred bonus did not lapse and facts emerge which, if known at the time, would have caused the deferred bonus to lapse on leaving or caused the Committee to exercise any discretion differently.
Opportunity	Maximum bonus opportunity is 150% of salary. For achievement of threshold, up to 15% of maximum bonus is earned; for achievement of target up to 55% of maximum bonus is earned.
Performance metrics	Performance is determined by the Committee on an annual basis by reference to Group and/or sector financial measures, e.g. PBT, OCF, as well as the achievement of non-financial objectives. The weighting on non-financial objectives is limited to 20%, unless the Committee believes exceptional circumstances merit a higher weighting. The Committee retains discretion to vary the financial measures and their weightings annually, to ensure alignment with the business priorities for the year.

Performance Share Plan (PSP)

Purpose and link to strategy	To incentivise delivery of top-quartile shareholder returns and earnings growth over the longer term. Long-term measures guard against short-term steps being taken to maximise annual rewards at the expense of future performance.
Operation	The Committee has the ability to grant nil-cost options or conditional share awards under the PSP. The award levels and performance conditions, on which vesting depends, are reviewed from time to time to ensure they remain appropriate. Participants will receive cash or shares equal to the value of any dividends that would have been paid over the vesting period on awards that vest. The Committee has the ability to exercise discretion to override the PSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles. An additional two-year holding period will apply to Executive Directors' vested PSP awards before they are released. Malus and clawback provisions apply to PSP awards: if there is a misstatement of the Group's financial results for any period; if the Committee subsequently comes to a view that performance was materially worse than originally believed; in the event of gross misconduct; or if the award holder leaves employment in circumstances in which the award did not lapse and facts emerge which, if known at the time, would have caused the award to lapse on leaving or caused the Committee to exercise any discretion differently.
Opportunity	Maximum annual PSP award opportunity is 200% of base pay. 16.7% of the maximum award opportunity will vest for threshold performance.
Performance metrics	Vesting of PSP awards is subject to continued employment and Company performance over a three-year performance period. It is intended that PSP awards made during the life of this Policy will be based on the achievement of stretching EPS, cashflow (added for the 2020 Policy), TSR and ROCE targets, equally weighted. The Committee will review the performance measures, their weightings, and performance targets annually to ensure continued alignment with Company strategy.

All-employee plans – Babcock Employee Share Plan

Purpose and link to strategy	To encourage employee ownership of Company shares.
Operation	Open to all UK tax-resident employees, including Executive Directors, of participating Group companies. The plan is an HMRC approved share incentive plan that allows an employee to purchase shares out of pre-tax salary which, if held for periods of time approved by HMRC (currently three to five years), are taxed on a favourable basis. The Company can match purchased shares with an award of free shares.
Opportunity	Participants can purchase shares up to the prevailing HMRC limit at the time employees are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free matching share for every ten shares purchased. The matching rate is reviewed periodically, and any future offer will be bound by the prevailing HMRC limit.
Performance metrics	Not performance-related.

Approach to recruitment remuneration

In the case of hiring or appointing a new Executive Director, the Committee may make use of any of the components of remuneration (and subject to the same limits) set out in the Policy above.

In determining appropriate remuneration for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and where the candidate was recruited from) to ensure that arrangements are in the best interests of the Company and its Shareholders. The Committee may also make an award in respect of a new external appointment to 'replace' incentive arrangements forfeited on leaving a previous employer over and above the limits set out in the Policy in the table above. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, time to vesting and the likelihood of those conditions being met. The fair value of the compensatory award would not be greater than the awards being replaced. In order to facilitate like-for-like compensatory awards on recruitment, the Committee may avail itself of the relevant Listing Rule, if required.

When appointing a new Executive Director by way of promotion from an internal role, the pay structure will be consistent with the policy for external hires detailed above. Where an individual has contractual commitments, outstanding incentive awards and/or pension arrangements prior to their promotion to Executive Director, the Company may honour those arrangements; however, where appropriate, these would be expected to transition over time to the arrangements stated above.

When recruiting a new Non-Executive Director, the Committee or Board will structure pay in line with the existing policy, namely a base fee in line with the current fee schedule, with additional fees for fulfilling the role of Senior Independent Director and Chairmanship of the Audit and Risk, and Remuneration Committees.

Payments from existing awards and commitments

Executive Directors are eligible to receive payment from any award or other commitment made prior to the approval and implementation of the Remuneration Policy detailed in this report.

Performance measure selection and approach to target-setting

The measures used under annual bonus plans are selected annually to reflect the Group's main strategic objectives for the year and reflect both financial and non-financial priorities. Performance targets are set to be stretching but achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Financial targets are set taking into account a range of reference points, including the Group's strategic and operating plan.

The Committee considers at length the appropriate financial conditions and non-financial objectives to attach to annual bonus awards as well as the financial targets to attach to share awards to ensure they continue to be: (i) relevant to the Group's strategic objectives and aligned with shareholders' interests, mindful of risk management; and (ii) fair by being suitably stretching whilst realistic.

The Committee believes that TSR, EPS, cashflow and ROCE are effective measures of long-term performance for the Company, providing a good balance between shareholder value creation and line of sight for Executives.

The Remuneration Committee has the discretion to make adjustments to the calculation of short and long-term performance outcomes in circumstances where application of the formula would produce a result inconsistent with the Company's remuneration principles. Such circumstances may include: changes in accounting standards and certain major corporate events such as rights issues, share buybacks, special dividends, corporate restructurings, acquisitions and disposals.

The Committee reviews the performance conditions for share awards prior to the start of each cycle to ensure they remain appropriate. No material reduction in long-term incentive targets for future awards would be made without prior consultation with our major shareholders.

Executive Director and general employee remuneration

The policy and practice with regard to the remuneration of senior executives below the Board is consistent with that for the Executive Directors. Senior executives generally participate in the same long-term incentives as the Executive Directors with similar performance measures applied. The Remuneration Policy for our Executive Directors is considered with the remuneration philosophy and principles that underpin remuneration for the wider Group in mind. The remuneration arrangements for other employees reflect local market practice and seniority of each role. As a result, the levels and structure of remuneration for different groups of employees will differ from the policy for executives as set out above but with the common intention that remuneration arrangements for all groups might reasonably be considered to be fair having regard to such factors.

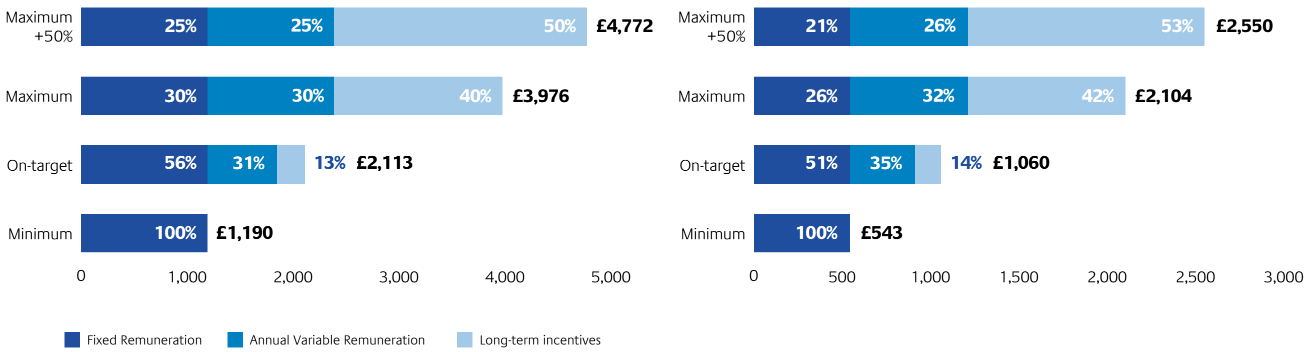
Balance of remuneration for Executive Directors

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum+50%'.

Potential reward opportunities are based on the Company's Remuneration Policy and implementation in 2020/21, as outlined in the Committee Chair's statement and later in the Annual Report on Remuneration, applied to base salaries as at 1 April 2020. Note that the projected values exclude the impact of any share price movements except in the 'Maximum+50%' scenario.

Chief Executive
Archie Bethel (£'000)

Group Finance Director
Franco Martinelli (£'000)



The 'Minimum' scenario shows base salary, pension (and/or pay in lieu of pension) and benefits (i.e. fixed remuneration). These are the only elements of the Executive Directors' remuneration packages that are not at risk.

The 'On-target' scenario reflects fixed remuneration as above, plus a payout of 55% of the annual bonus and threshold vesting of 16.7% of the maximum award under the PSP.

The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives (150% of salary under the annual bonus, 200% of salary under the PSP).

The 'Maximum+50%' scenario reflects fixed remuneration, plus full payout of all incentives with the value of the PSP also reflecting an increase of 50% in the share price from grant.

Shareholding guidelines for Executive Directors

The Committee sets shareholding guidelines for the Executive Directors. The current guideline is to build and maintain, over time, a personal (and/or spousal) holding of shares in the Company equivalent in value to at least twice the Executive Director's annual base salary (three times for the CEO). Executive Directors are expected to retain at least half of any shares acquired on the exercise of a share award that remain after the sale of sufficient shares to cover tax and national insurance triggered by the exercise (and associated dealing costs) until the guideline level is achieved and thereafter maintained.

For the 2020 Policy onwards, the shareholding requirements will be extended post-cessation such that departing Executive Directors will be required to hold vested Company shares, received through incentive plans granted from the 2020/21 financial year onwards, for two years at a level equal to the lower of their actual shareholding on cessation and the in-post shareholding requirement. Any shares purchased by an Executive Director will not be part of this holding requirement.

Details of Directors' service contracts and exit payments and treatment of awards on a change of control

The following summarises the key terms (excluding remuneration) of the Executive Directors' service contracts:

Executive Directors

Name	Date of service contract	Notice period
Archie Bethel (Chief Executive)	1 April 2016	12 months from Company, 12 months from Director
Franco Martinelli (Group Finance Director)	1 August 2014	12 months from Company, 12 months from Director

The latest service contracts are available for inspection at the Company's registered office and will also be available at the Company's Annual General Meeting.

The Company's policy is that Executive Directors' service contracts should be capable of being terminated by the Company on not more than 12 months' notice. The Executive Directors' service contracts entitle the Company to terminate their employment without notice by making a payment of salary and benefits in lieu of notice. Under the Executive Directors' contracts, the Company may choose to make the payment in lieu by monthly instalments and mitigation applies such that the Committee may decide to reduce or discontinue further instalments.

In addition to the contractual provisions regarding payment on termination set out above, the Company's incentive plans contain provisions for termination of employment, where the Committee has the discretion to determine the level of award vesting.

Name	Treatment on a change of control	Treatment for a good leaver*	Treatment for other leavers
Annual bonus	Will be paid a time pro-rated proportion, subject to performance during the year, generally paid immediately, with Committee discretion to treat otherwise.	Will be paid a time pro-rated proportion, subject to performance during the year, generally paid at the year end, with Committee discretion to treat otherwise.	No annual bonus entitlement, unless the Committee exercises discretion to treat otherwise.
Deferred bonus awards	Awards may be exercised in full on the change of control, with Committee discretion to treat otherwise.	Entitled to retain any award which will generally vest at the normal vesting date, with Committee discretion to treat otherwise.	Outstanding awards are forfeited unless the Committee exercises its discretion to treat otherwise.
PSP	Awards generally vest immediately and, for performance-related awards, will be pro-rated for time and remain subject to performance conditions, with Committee discretion to treat otherwise.	Entitled to retain a time pro-rated proportion, which remains subject to performance conditions tested at the normal vesting date. In very exceptional circumstances, the Committee has discretion to allow immediate vesting but time pro-rating will always apply.	Outstanding awards are forfeited, unless the Committee exercises discretion to treat otherwise.

* An individual would generally be considered a 'good leaver' if they leave the Group's employment by reason of injury, ill-health, disability, redundancy or retirement. The treatment of share awards held by Directors who leave on other grounds is entirely at the discretion of the Committee and in deciding whether (and the extent to which) it would be appropriate to exercise that discretion the Committee will have regard to all the circumstances.

External appointments of Executive Directors

The Executive Directors may accept external appointments with the prior approval of the Chair, provided that such appointments do not prejudice the individual's ability to fulfil their duties at the Group. Any fees for outside appointments are retained by the Director.

Chair and Non-Executive Directors

Name	Date of appointment as a Director	Date of current appointment letters	Anticipated expiry of present term of appointment (subject to annual re-election)
Ruth Cairnie (Chair)	3 April 2019	2 April 2019	AGM 2022
Sir David Omand	1 April 2009	17 May 2018	AGM 2021
Ian Duncan	10 November 2010	1 April 2019	AGM 2020
Jeff Randall	1 April 2014	22 February 2017	AGM 2020
Myles Lee	1 April 2015	17 May 2018	AGM 2021
Victoire de Margerie	1 February 2016	1 April 2019	AGM 2022
Lucy Dimes	1 April 2018	5 March 2018	AGM 2021
Kjersti Wiklund	1 April 2018	5 March 2018	AGM 2021
Russ Houlden	1 April 2020	4 February 2020	AGM 2023
Carl-Peter Forster	1 June 2020	6 April 2020	AGM 2023

The latest written terms of appointment are available for inspection at the Company's registered office and at the Company's Annual General Meeting. The expected time commitment of Non-Executive Directors is set out in their current written terms of appointment.

The Group's Non-Executive Directors serve under letters of appointment as detailed in the table above, normally for no more than three-year terms at a time; however, in all cases appointments are terminable at will at any time by the Company or the Director. All Non-Executive Directors are subject to annual re-election by the Company in general meeting in line with the UK Corporate Governance Code.

Details of the Non-Executive Directors' terms of appointment are shown in the table. The appointment and re-appointment, and the remuneration of Non-Executive Directors are matters reserved for the Nominations Committee and Executive Directors, respectively.

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans and do not receive any pension contributions.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance measures
To attract and retain high-calibre Non-Executive Directors with commercial and other experience relevant to the Company	Fee levels are reviewed against market practice from time to time (by the Chair and the Executive Directors in the case of Non-Executive Director fees and by the Committee in respect of fees payable to the Chair), with any adjustments normally being made on 1 April in the review year. Additional fees are payable for additional responsibilities such as acting as Senior Independent Director, Chair of the Audit and Risk Committee, and Chair of the Remuneration Committee. Non-Executive Directors do not participate in any incentive schemes, nor do they receive any pension or benefits (other than the cost of nominal travel and accommodation expenses). Fee levels are reviewed by reference to FTSE listed companies of similar size and complexity. Time commitment, level of involvement required and responsibility are taken into account when reviewing fee levels. This may result in higher fee levels for overseas Directors.	Non-Executive Director fee increases are applied in line with the outcome of the periodic fee review. Any increases to the Non-Executive Director fee will typically be in line with general movements in market levels of Non-Executive Director fees. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	None

Consideration of employee views

When reviewing Executive Directors' remuneration, the Committee is aware of the proposals for remuneration of all employees. The Committee receives regular updates on salary increases, bonus and share awards made to employees throughout the Group. These matters are considered when conducting the annual review of executive remuneration.

The Company seeks to promote and maintain good relationships with employee representative bodies as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates. The Committee engages with employees through the Babcock Employee Forum, which is attended by representatives from across the Group's business operations. The Committee's policy on remuneration for Executive Directors is presented to the Forum together with an explanation as to how it aligns with the wider company pay policy. The representatives not only give feedback on the policy, but also explain it to their business operations. The Committee takes the feedback it receives into account in its decision-making on executive remuneration.

Consideration of shareholder views

When determining remuneration, the Committee takes into account views of leading shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee welcomes feedback from shareholders on the Remuneration policy and arrangements and commits to undergoing consultation with leading shareholders in advance of any significant changes to the Remuneration policy. In developing the proposed Policy set out in this Report, we consulted with shareholders representing a total of c.60% of our issued share capital, as well as shareholder representative bodies. We had a high level of engagement and are pleased to report that virtually all investors who provided feedback indicated support for the approach initially proposed.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Annual Report on Remuneration

The Committee

The members of the Committee are appointed by the Board on the recommendation of the Nominations Committee and, in accordance with the UK Corporate Governance Code, the Committee is made up of independent Non-Executive Directors. The membership of the Committee during the year to 31 March 2020 (with each member serving throughout the year) as well as attendance at Committee meetings in the year is shown below. The Group Chair and the Chief Executive normally attend meetings by invitation, as does the Group Finance Director on occasion, but they are not present when their own remuneration is being decided. The Group Director of Organisation and Development also attends meetings.

The terms of reference for the Committee are available for inspection on the Company's website and were reviewed during the year. Duties of the Committee include the review of the policy for the remuneration of the Executive Directors and the Chair, as well as their specific remuneration packages. In determining the Remuneration Policy, the Committee takes into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance and that they are rewarded for their individual contributions to the success of the Company in a fair and responsible manner. The composition of the Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code.

In total there were seven meetings in the year to 31 March 2020.

Committee membership and attendance during the year

Jeff Randall (Chair)	7 of 7
Sir David Omand	6 of 7
Ian Duncan	7 of 7
Myles Lee	7 of 7
Victoire de Margerie*	6 of 7
Lucy Dimes	7 of 7
Kjersti Wiklund	7 of 7

* Victoire de Margerie was unable to attend one meeting due to a pre-existing business arrangement.

Advisors

Mercer | Kepler (which is part of the MMC group of companies) was appointed by the Committee in late 2008, following a selection process, including interviewing a number of candidate firms, to provide it with objective and independent analysis, information and advice on all aspects of executive remuneration and market practice, within the context of the objectives and policy set by the Committee. Mercer | Kepler reports directly to the Committee Chair. A representative from Mercer | Kepler typically attends Committee meetings. Mercer | Kepler also provides participant communications, performance reporting, and Non-Executive Directors' fee benchmarking services to the Company. Mercer | Kepler is a member of the Remuneration Consultants Group and is a signatory to the Code of Conduct for consultants to remuneration committees of UK listed companies, details of which can be found at www.remunerationconsultantsgroup.com. Mercer | Kepler adheres to this Code of Conduct. The fees paid to Mercer | Kepler in respect of work for the Committee carried out in the year under review totalled £92,234 on the basis of time and materials, excluding expenses and VAT.

The Committee reviews Mercer | Kepler's involvement each year and considers any other relationships that Mercer | Kepler's parent company has with the Company that may limit its independence. The Committee is satisfied that the advice provided by Mercer | Kepler is objective and independent and that any services provided by its parent to the Company do not impair its independence.

Matters considered

The Committee considered a number of matters during the year to 31 March 2020, including:

- reviewing the Remuneration policy against market trends and corporate governance best practice
- agreeing how to align incumbent Executive Directors' pension arrangements to those of the general UK workforce
- agreeing Executive Director salaries for the financial year 2020/21
- reviewing the Committee's terms of reference
- considering trends in executive remuneration, remuneration governance and investor views
- making share awards under the Company's share plans
- reviewing the performance measures and targets to be applied under the Company's share plans
- finalising performance targets and non-financial objectives for the 2019/20 annual bonus plan
- agreeing the level of vesting of PSP and DBMP awards granted in 2016

- considering performance against the measures applied to, and level of payout of, the 2018/19 annual bonus
- agreeing the level of 2019 PSP awards
- reviewing share ownership guidelines for senior executives
- reviewing the Directors' Remuneration report
- approving the procedure for the authorisation of Chairman and CEO expenses
- reviewing the continued appointment of the Committee's independent advisors.

Summary of shareholder voting

The following table shows the results of the last binding shareholder vote on the Remuneration policy (at the 2017 AGM) and the advisory shareholder vote on the 2019 Annual Report on Remuneration at the 2019 AGM:

	2017 Remuneration policy		2019 Annual Report on Remuneration	
Votes cast	Total number of votes	% of votes cast for & against	Total number of votes	% of votes cast for & against
For (including discretionary)	368,814,605	96.5%	355,040,155	98.1%
Against	13,528,165	3.5%	6,915,419	1.9%
Total votes cast (excluding withheld votes)	382,342,770	100.0%	361,955,574	100%
Votes withheld	4,341,748		19,437	
Total votes cast (including withheld votes)	386,684,518		361,975,011	

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director

	Archie Bethel £'000		Franco Martinelli £'000		John Davies £'000	
Fixed remuneration	**19/20**	18/19	**19/20**	18/19	**19/20**	18/19
Salary[1]	**796**	780	**446**	437	**430**	421
Benefits in kind and cash[2]	**223**	221	**1**	1	**20**	24
Pension[3]	**199**	195	**112**	109	**107**	106
Annual variable remuneration						
Annual bonus (cash)[4]	**100**	409	**64**	240	**148**	207
DBP (deferred annual bonus)[5]	**67**	273	**43**	160	**99**	138
Long-term incentives						
PSP[6]	**–**	77	**–**	59	**–**	57
Dividends[7]	**–**	14	**–**	11	**–**	10
Total (of which)	**1,385**	1,969	**666**	1,017	**804**	963
Fixed remuneration[1,2,3]	**1,218**	1,196	**559**	547	**557**	551
Annual variable remuneration[4,5]	**167**	682	**107**	400	**247**	345
Long-term incentives[6,7]	**–**	91	**–**	70	**–**	67

The figures have been calculated as follows:
1. Salary: basic salary amount paid in the year.
2. Benefits in kind and cash: the value of benefits and salary supplements (other than those in lieu of pensions) including medical insurance, home to work travel expenses incurred at the request of the Company, accommodation-related benefits, car and fuel benefits and costs in connection with accommodation. Archie Bethel in 19/20 received £221,210 (18/19: £218,181) in connection with his accommodation costs in London, at the Company's request, to enable him to lead the business effectively.
3. Pension: for all Executive Directors the numbers above represent for each year the value of the cash supplement of 25% of salary paid to each of them.
4. Annual bonus (cash): this is the part of total annual bonus earned for performance during the year (see page 128) that is not required to be mandatorily deferred into shares under the DBP (see page 119) and that is paid in cash. The decision on the payment of 19/20 bonuses set out above (including the granting of associated DBP awards) will be delayed until the Board makes a decision on a final dividend in respect of the 19/20 financial year.
5. DBP deferred annual bonus: this is the mandatorily deferred element of the annual bonus earned for performance during the year, which will vest after three years.
6. PSP: for 19/20, represents the lapsing in full of the 2017 awards that were subject to performance to 31 March 2020 (see page 130). Note: the difference between the PSP figures shown for 2018/19 in the table above and the equivalent numbers disclosed in last year's Annual Report on Remuneration reflects the actual share price on subsequent actual vesting of 464.60p on 14 June 2019.
7. Dividends: the total value of dividends accruing on long-term incentive awards (other than on mandatory deferral of bonus awards under the DBP) vesting on performance to 31 March 2020 (for 19/20) and 31 March 2019 (for 18/19), payable in cash on exercise of the award.

Pensions

None of the Executive Directors participated in a Group pension scheme or otherwise received pension benefits from the Group for service during the year to 31 March 2020. They instead received a cash supplement equal to 25% of their base salary in lieu of pension benefits. There are no additional early retirement benefits.

Supplements paid in lieu of pension do not count for pension, share award or bonus purposes.

Babcock International Group Pension Scheme (the Scheme) (audited)

Archie Bethel was an active member of the executive tier of the Scheme until 31 March 2012. Franco Martinelli was an active member of the executive tier of the Scheme until 31 March 2015. Whilst still members of the Scheme, Archie Bethel and Franco Martinelli accrued benefits at the rate of one-forty-fifth of pensionable salary for each year of service, with a cash supplement on earnings over the applicable scheme earnings cap. Archie Bethel transferred his benefits out of the Scheme during the 2017/18 financial year on the standard terms offered under the Scheme.

Until 31 March 2016, John Davies was a member of the VT Upper Section Ex-Short Brothers section of the Scheme and accrued benefits on earnings up to the scheme earnings cap at the rate of one-sixtieth of pensionable salary for each year of service. John Davies transferred his benefit out of the Scheme during the 2018/19 financial year under review on the standard terms offered under the scheme.

Pension entitlements under the Scheme (defined benefit) for the year to 31 March 2020 are set out in the following table:

Director[1]	**Accrued pension at 31 March 2020 £'000 pa**	Normal retirement age[2]
Franco Martinelli	**66**	65

1. None of the Executive Directors were active members of the scheme during the year.
2. Age from which payment can be drawn with no actuarial reduction.

Note: The figures in the above table make no allowance for the cost of death in service benefits under the Scheme, or for any benefits in respect of earnings in excess of the earnings cap. In calculating the above figures no account has been taken of any retained benefits that the Director may have from previous employments.

Directors also benefit from life assurance cover of four times base salary. The cost of providing that life assurance cover was:

Director	**2019/20 £'000 pa**	2018/19 £'000
Archie Bethel	**5**	5
Franco Martinelli	**3**	3
John Davies	**3**	3

Annual bonus

2019/20 Annual bonus (audited)

The 2019/20 annual bonus was based on a mix of financial and non-financial measures. The financial element, weighted 80%, was based on the Group's underlying PBT and EPS performance (based on budgeted FX rates), and cash flow against budget. The non-financial measures were principally based on the key themes that the Committee considers to be of material importance to the continued success of the Company.

The table below summarises performance against each financial measure, and the bonus outcome.

Bonus element	Threshold	Target	Maximum	Actual outturn		Archie Bethel	Franco Martinelli	John Davies
EPS[1] performance stretching targets, with a sliding scale between threshold and maximum	70.5p	74.2p	81.6p	69.3p	Maximum potential (% of salary)	**45.0%**	**45.0%**	**45.0%**
					Outturn (% of salary)	0%	0%	0%
Achieving budgeted Group cash flow	93% of budget	Budget (£378.1m)	107% of budget	£300.3m	Maximum potential (% of salary)	**45.0%**	**45.0%**	**22.5%**
					Outturn (% of salary)	0%	0%	0%
Achieving budgeted Group PBT[2]	95% of budget	Budget (£460.7m)	110% of budget	£429.1m	Maximum potential (% of salary)	**30.0%**	**30.0%**	**15.0%**
					Outturn (% of salary)	0%	0%	0%
Achieving budgeted sector cash flow	93% of budget	Budget[3]	107% of budget	[3]	Maximum potential (% of salary)			**22.5%**
					Outturn (% of salary)			22.5%
Achieving budgeted sector PBIT[2]	95% of budget	Budget[3]	110% of budget	[3]	Maximum potential (% of salary)			**15.0%**
					Outturn (% of salary)			15.0%
Non-financial objectives[4]					Maximum potential (% of salary)	**30.0%**	**30.0%**	**30.0%**
					Outturn (% of salary)	21.0%	24.0%	20.0%
Total					Maximum potential (% of salary)	**150.0%**	**150.0%**	**150.0%**
					Outturn (% of salary)	21.0%	24.0%	57.5%

1. Threshold vesting is: 10% of maximum for the Group PBT and sector PBIT elements; 27.5% of maximum for the EPS element; and 15.9% of maximum for the Group and sector cash flow elements. In line with our policy, overall vesting at threshold is no more than 15% when all measures are taken into account.
2. Before amortisation of acquired intangibles. The treatment of exceptional items is at the discretion of the Committee.
3. The Committee considers that the sector budgets remain commercially sensitive given the strategic nature of some of our customers or their activities, and they would also be of assistance to competitors, and will not be published.
4. Further details on the non-financial objectives set for 19/20 are set out on the following page.

Non-financial measures

The Committee sets non-financial objectives at the start of each year around strategic and risk management 'Themes'. For 19/20, the Themes were Growth, Technology/Processes, Resources and Reputation. At the end of the bonus year, the Committee conducted a review of the achievement of the objectives set for the Themes, having regard to all relevant circumstances and adjudicating the appropriate payout for the non-financial measures element. In making its assessment in respect of the award under the non-financial measures, the Committee considered the following context in respect of each Theme:

	Archie Bethel	Franco Martinelli	John Davies
Growth	In a challenging year, further clarified the Group's strategy and drove progress in the Group with good revenue growth in the defence business and the award of significant tenders, including the UK's next generation of warships, a long-term position on the major submarine projects in the US and Australia and the expansion of the Group's aviation defence operations in France.	Secured the refinancing of the Group's revolving credit facility until August 2024 and the issue of a €550 million Eurobond, giving the Group reassurance on its liquidity in the current circumstances. Continued the emphasis on the Group's strategy to concentrate on three focus markets, delivered across our four sectors, by leading on the rationalisation of the Group's portfolio (for example the sale of Context).	Made good progress in our Defence Support Group business, helped by working collaboratively with the Cabinet Office's Strategic Partnering Programme. Won strategic bids, such as the bid for the Metropolitan Police Service's learning partner and the bid to be one of Network Rail's key track work suppliers.
Technology/Processes	Continued to drive the initiative to embed technology across the Group and established the technology group to work across all sectors. An example of progress made is iSupport360 and its role in winning the contract to build the UK's next generation of warships.	Continued to lead the rollout of the Group's enterprise resource programme. A particular highlight was the implementation of the system in our Defence Support Group business.	Working with Franco Martinelli, John Davies oversaw the implementation of the Group's enterprise resource programme in our Defence Support Group business.
Resources	Reinvigorated the Group's safety programme, which resulted in a reduction in the Group's total injury rate as well as its RIDDOR rate.	Oversaw the restructuring programmes to right size the cost base of our Aviation and Nuclear sectors.	Continued to champion the Group's effort to improve its diversity and talent development with over 30% of key talent pool being female and 30% of the 2020 graduates also being female.
Reputation	Championed the continued development of our Strategic Partnering Programme with the Cabinet Office and leading the initiative to share the learning across all the Group's business lines.	Developed the Group's environmental, social and governance function with the introduction of a new Group policy and a new Group Head of Sustainability. Continued the improvement in investor relations.	Worked extensively to deepen further our Defence Support Group's relationship with the MOD through the Strategic Partnering Programme.

The annual bonus outcome is primarily determined by the extent to which the financial targets and non-financial objectives are met. The Committee was satisfied that the outcomes against the financial measures were reflective of the underlying performance of the Group and so no discretion was applied. However, the Committee is clear that the key underpin to the annual bonus scheme is the Group's health and safety performance. In the year, the Committee reduced the outcomes for Archie Bethel and John Davies due to the fatal accident involving an employee in the Land sector.

The 2019/20 bonus outcomes for each Executive Director are as follows:

	Payment for financial targets (% salary)	Payment for non-financial targets (% salary)	Total bonus (% salary)	Total bonus
Archie Bethel	0%	21.0%	21.0%	£167,160
Franco Martinelli	0%	24.0%	24.0%	£107,040
John Davies	37.5%	20.0%	57.5%	£247,250

The decision on the payment of the bonus warranted by performance against the targets set at the start of the 19/20 year shall be delayed until such time as the Board makes its decision on the final dividend in respect of the 2019/20 financial year.

40% of the earned annual bonus will be deferred into Company shares under the DBP. Deferred shares normally vest after three years, subject to continued employment.

Long-term incentive schemes (PSP)

2017 PSP awards vesting for the period ending March 2020 (audited)

The Executive Directors were granted PSP awards in 2017, which were subject to three-year TSR, EPS and ROCE targets for the period ending 31 March 2020. Performance against these measures is as follows:

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)	Actual performance	% of each element vesting
3-year TSR vs FTSE 350 (excluding investment trusts and financial services)	33%	Median TSR	Median TSR + 9% p.a.	Below median	0%
Adjusted basic underlying EPS growth to 31 March 2020	33%	4%	11%	(4.4%)	0%
3-year average ROCE	33%	12%	14.5%	11.7%	0%
Total vesting					0%

The Committee was satisfied that the outcomes against the measures were reflective of the underlying performance of the Company and so no discretion was applied. As a result, the Executive Directors' 2017 PSP awards will lapse in full.

PSP awards granted during 2019/20 (audited)

The Executive Directors were granted PSP awards in 2019, which were subject to three-year TSR, EPS and ROCE targets for the period ending 31 March 2022. Due to the fall in the share price since the previous PSP grant, the Committee decided that 2019/20 PSP awards should be scaled back by 20% in value, to 160% of salary.

PSP awards made in 2019/20* (audited)

Director	Number of shares	Face value (£)[1]	Face value (% of salary)[2]	% of award receivable for threshold performance	End of performance period
Archie Bethel	263,685	£1,273,599	160%	16.7%	31 March 2022
Franco Martinelli	147,743	£713,599	160%	16.7%	31 March 2022
John Davies	142,443	£688,000	160%	16.7%	31 March 2022

1. Based for Directors on three-day average share price (of 483p) at time of grant.
2. Expressed as a percentage of salary at the date of the award (13 June 2019).

* In the form of nil-cost options.

The performance targets that were attached to these awards are summarised in the table below:

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)
3-year TSR vs FTSE 350 (excluding investment trusts and financial services)	33%	Median TSR	Median TSR + 9% p.a.
3-year cumulative adjusted basic underlying EPS	33%	231.5p	248.0p
3-year average ROCE	33%	11%	14%

Deferred Bonus Plan awards made during 2019/20* (audited)

The Executive Directors were granted DBP awards in 2019. The awards (details of which are set out below) will normally vest after three years subject to continued employment only.

Director	Number of shares	Face value (£)[1]	Face value (% of salary)[2]	% of award receivable for threshold performance	End of performance period
Archie Bethel	56,453	£272,668	34%	n/a	n/a
Franco Martinelli	33,087	£159,810	36%	n/a	n/a
John Davies	28,570	£137,993	32%	n/a	n/a

1. Based for Directors on three-day average share price (of 483p) at time of grant.
2. Expressed as a percentage of salary at the date of the award (13 June 2019).
* In the form of nil-cost options.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the total remuneration received by each Non-Executive Director:

	Base fee £'000		Additional fee[1] £'000		Total £'000	
Fixed remuneration	**19/20**	18/19	**19/20**	18/19	**19/20**	18/19
Mike Turner	**112**	330	**0**	0	**112**	330
Ruth Cairnie[2]	**253**	n/a	**0**	n/a	**253**	n/a
Sir David Omand	**72**	71	**0**	0	**72**	71
Ian Duncan	**61**	60	**15**	15	**76**	75
Jeff Randall	**61**	60	**15**	15	**76**	75
Myles Lee	**65**	64	**0**	0	**65**	64
Victoire de Margerie	**65**	64	**0**	0	**65**	64
Lucy Dimes	**61**	60	**0**	0	**61**	60
Kjersti Wiklund	**61**	60	**0**	0	**61**	60

1. Relating to Chairmanship of the Audit and Risk Committee (Ian Duncan), and Remuneration Committee (Jeff Randall).
2. Reflects Ruth Cairnie's fee as a Non-Executive director (from 3 April 2019 until 18 July 2019) and as Chair of Babcock from 19 July 2019 to 31 March 2020.

Sourcing of shares

Shares needed to satisfy share awards for Directors are either shares that are newly issued to the Group's employee share trusts to meet share awards or purchased in the market by the trusts using funds advanced by the Company. The source selection is finalised on or before vesting, the choice being based on what the Board considers is in the best interests of the Company at the time, and what is permissible within available headroom and dilution limits.

Executive Directors' remuneration for 2020/21

The Committee has set the remuneration for Executive Directors for 2020/21 in line with the proposed 2020 Policy.

Base salary

Executive Directors' base salaries are reviewed each year with any changes usually taking effect from 1 April. In early 2020 the Committee approved increases to the Executive Directors' salaries of 2% for 2020/21, in line with increases for the wider UK workforce. However, in light of the ongoing impact on our employees and other stakeholders of the COVID-19 pandemic, the Committee has accepted a proposal by the Chief Executive to suspend the implementation of annual salary increases and keep this under review during the 2020/21 financial year. In addition, the Executive Directors have volunteered a 20% reduction to their base salaries.

	2020/21*	2019/20
Archie Bethel	**£796,000**	£796,000
Franco Martinelli	**£446,000**	£446,000

* Subject to review during the 2020/21 financial year.

Pension

The pension for the Executive Directors will reduce to 21.5% of salary as the first step in the transition from the prior arrangements (25% of salary) to alignment with the workforce over the new policy period.

2020/21 Annual bonus

The structure of Executive Director annual bonus for 2020/21 is expected to be unchanged from that in 2019/20, other than for the removal of EPS and the reweighting of OCF and PBT (OCF from 30% to 40%, PBT from 20% to 40%). Non-financial objectives continue to be weighted 20%. However, at the time of drafting this Report, the Committee was considering the impact on the structure of the bonus of the ongoing COVID-19 pandemic, and will take this into account in the final decision around the bonus for 2020/21, which will be consistent with the shareholder-approved Policy. The Group financial performance targets and non-financial objectives will be disclosed in next year's Annual Report on Remuneration, subject to these no longer being considered by the Board to be commercially sensitive. Non-financial objectives will continue under the categories of:

- Operational excellence: continue to enhance reputation as a trusted partner for our customers
- Growth: focus on our three markets with leadership positions and grow our international business
- Technology: strengthen our offering through the increased adoption of technology
- Resources: develop and retain our people to meet the future growth plans of the business
- Value creation: act to deliver our medium term Capital Markets Day financial targets

40% of any earned bonus will be deferred into shares for three years.

2020 PSP awards

Due to the impact of the current COVID-19 pandemic, the Committee has decided to delay the PSP awards for 2020 until such time as the Committee believes that it can agree appropriate performance ranges. Any award will be consistent with the new Policy, with vesting currently intended to be based on four measures: EPS, cashflow, ROCE (all measured on an underlying basis) and Relative TSR. The weighting of these measures and the targets – which would normally be disclosed prospectively in this report – will be disclosed in the RNS statement announcing the granting of these awards.

Exit payments made in year (audited)

No exit payments were made to Executive Directors during the year under review.

Payments to past Directors (audited)

Peter Rogers retired from the Company on 31 August 2016. During the year under review, 15.1% and 12.5% of his retained interests in the 2016 PSP award and the 2016 legacy deferred bonus matching plan award, totalling 5,377 shares, vested at the normal time and in line with other participants, on 15 June 2019. In addition to the vesting of these shares, Mr Rogers was paid a cash sum of £4,544, representing the total value of dividends accruing on his 2016 PSP award and his legacy deferred bonus matching plan award.

Bill Tame retired from the Company on 30 June 2018, having previously stepped down as an Executive Director on 31 March 2018. During the year under review, 15.1% of his retained interests in the 2016 PSP, totalling 8,654 shares, vested at the normal time and in line with other participants, on 15 June 2019. Mr Tame was also paid a cash sum of £7,313, representing the total value of dividends accruing on his 2016 PSP award. Mr Tame's 2016 DBP award (the value of which was disclosed in the 2016 Directors' Remuneration Report) also vested on 15 June 2019.

Non-Executive Directors' fees (including the Chair)

There are no changes to the fees for the Chair and the Non-Executive Directors for the 2020/21 financial year. In line with the Executive team, the Chair and Non-Executive Directors volunteered a temporary 20% reduction in their fees.

Annual rate fee	**Year to 31 March 2021 £**	Year to 31 March 2020 £	% change since last review (% p.a.)
Chair	**336,000**	336,000	0%
Senior Independent Director (inclusive of basic fee)	**72,000**	72,000	0%
Basic Non-Executive Director's fee (UK based Directors)[1]	**61,000**	61,000	0%
Chairmanship of Audit and Risk Committee[2]	**15,000**	15,000	0%
Chairmanship of Remuneration Committee[2]	**15,000**	15,000	0%

1. Fees for non-UK based Directors will be set having regard to the extra time commitment involved in attending meetings. For Myles Lee, appointed 1 April 2015 and based in Ireland, and for Victoire de Margerie, appointed 1 February 2016 and based in France, the fee has been set at £65,000 for the year to 31 March 2021.
2. Committee chairmanship fees are paid in addition to the basic applicable Non-Executive Director's fee. No additional fees are paid for membership of Committees.

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in remuneration from the prior year for the CEO compared to the average employee. The analysis is based on UK employees as they are operating in the same geography and macro-economic background as the Chief Executive.

	% change 2018/19 to 2019/20	
	Chief Executive	Other employees
Base salary	2%	2.4%
Taxable benefits	1%	(2.6)%
Single-year variable	(75)%	6.4%

Relative importance of spend on pay

	2019/20	2018/19	% change
Distribution to shareholders	£152m	£151m	1.1%
Employee remuneration	£1,606m	£1,612m	(0.4)%

CEO pay ratio

The table below provides disclosure of the ratio between the CEO's salary and total remuneration and that of the lower quartile, median and upper quartile UK-based employee for the 2019/20 financial year.

Financial year	Calculation methodology		P25 (lower quartile)	P50 (median)	P75 (upper quartile)	CEO
FY19/20	C	**Total remuneration ratio**	**47:1**	**37:1**	**27:1**	
		Total remuneration (£'000)	£29.2	£37.6	£50.6	£1,385
		Salary ratio	**32:1**	**22:1**	**18:1**	
		Salary (£'000)	£25.1	£36.3	£43.6	£796

Figures for the CEO are calculated using the data from the Executive Directors' single figure table on page 126. Total remuneration figures for the lower quartile (P25), median (P50) and upper quartile (P75) employees were determined using the 'single figure' methodology, providing a like-for-like comparison with CEO remuneration. The employees representing P25, P50 and P75 were determined using a projected forecast based on the first nine months of the financial year (i.e. to 31 December 2019). This selection methodology excludes any annual bonus component, as the results for employee annual bonuses for the 19/20 financial year are not known at the time of publication. Through analysing previous years' data, it is understood that the employees identified as representing the 25th, 50th and 75th percentile would not be bonus eligible, therefore the exclusion of this remuneration component is deemed as unlikely to have a significant impact on the ratios reported. This Option C was chosen for practical reasons, primarily relating to the number of employing entities and employees covered by this analysis.

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst our UK workforce. The three individuals identified were full-time employees during the year. None received an exceptional incentive award which would otherwise inflate their pay figures. No adjustments or assumptions were made by the Committee with the total remuneration of these employees calculated in accordance with the methodology used to calculate the single figure of the CEO.

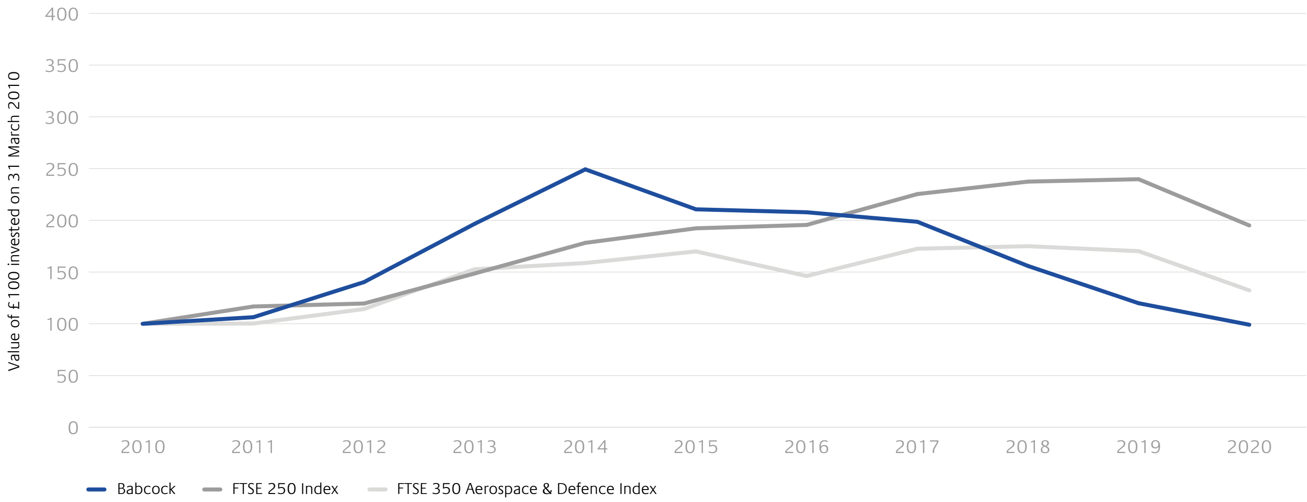
As this is the first year of reporting the CEO pay ratio using the above methodology, there is no comparative data against which to compare the pay ratios above. The Committee will consider the median pay ratio of 37:1 in the context of the ratio reported in future years as well as the figures produced by sector comparators and across the FTSE more generally.

The CEO pay ratio is based on comparing the CEO's pay to that of Babcock's UK-based workforce. The Committee expects that the ratios will be largely driven by the CEO's incentive pay outcomes, which will likely lead to greater variability in his pay than that observed at other levels who, consistent with market practices, have a greater proportion of their pay linked to fixed components. The Committee takes into account these ratios when making decisions around the Executive Director pay packages, and Babcock takes seriously the need to ensure competitive pay packages across the organisation.

Performance graphs

The following graph shows the TSR for the Company compared to the FTSE 250 and FTSE 350 Aerospace & Defence Indices, assuming £100 was invested on 31 March 2010. The Board considers that the FTSE 250 Index (excluding investment trusts) and FTSE 350 Aerospace & Defence Index currently represent the most appropriate indices (of which Babcock is a constituent) against which to compare Babcock's performance.

Babcock vs. FTSE 250 Index vs. FTSE 350 Aerospace & Defence Index



The table below details the historical CEO pay over a ten-year period.

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	**2019/20**
Peter Rogers[1]										
Single figure (£'000)	1,792	2,185	2,731	3,809	4,448	2,491	1,091			
Bonus vesting (% max)	98%	99%	99%	93%	78%	60%	66%			
DBMP matching shares vesting (% max)	n/a	n/a	n/a	n/a	88.4%	57.8%	17.0%			
PSP/CSOP vesting (% max)	82.9%	57.8%	58.8%	94.7%	83.5%	37.3%	26.5%			
Archie Bethel[2]										
Single figure (£'000)							1,844	2,079	1,969	**1,385**
Bonus vesting (% max)							66%	61%	58%	**14%**
DBMP matching shares vesting (% max)							17.0%	20.0%	n/a	**n/a**
PSP vesting (% max)							26.5%	23.9%	15.1%	**0%**

1. Until retirement on 31 August 2016.
2. Includes remuneration received whilst undertaking the role of Chief Operating Officer until August 2016.

Directors' share ownership

Directors' interests in shares (audited)

The interests of the Directors (and/or their spouses) in the ordinary shares of the Company as at 31 March 2020 and Directors' interests in shares and options under the Company's long-term incentives are set out in the sections below:

	At 31 March 2019	At 31 March 2020							
	Shares held	Shares held	Option held						
Director	Owned outright by Director or spouse[1]	Owned outright by Director or spouse[1]	Vested but subject to holding period	Vested but not exercised	Unvested and subject to performance conditions	Unvested and subject to continued employment	S/holding req. (% salary)	Current shareholding (% of salary)[2]	Req. met?[2]
Archie Bethel	424,063	**460,416**	**0**	**0**	**616,878**	**118,387**	**300%**	**331%**	**Yes**
Franco Martinelli	322,509	**336,014**	**0**	**0**	**345,578**	**69,957**	**200%**	**422%**	**Yes**
John Davies	197,202	**210,852**	**0**	**0**	**333,121**	**57,859**	**200%**	**283%**	**Yes**
Ruth Cairnie	n/a	**50,000**							
Jeff Randall	5,758	**6,097**							
Sir David Omand	0	**0**							
Ian Duncan	0	**0**							
Myles Lee	20,000	**30,000**							
Victoire de Margerie	4,800	**7,061**							
Lucy Dimes	5,000	**5,000**							
Kjersti Wiklund	2,100	**2,100**							
Former directors[3]									
Mike Turner	107,384	**107,384**							

1. Beneficially held shares (of Director and/or spouse).
2. Current shareholdings for comparison with the shareholding requirements for Executive Directors are calculated based on salary as at 31 March 2020 and by reference to shares owned outright by Director or spouse, options vested but subject to holding periods, options vested but not exercised and options unvested but subject only to continued employment. Holdings are valued assuming options are exercised on 31 March 2020 and a three-month average share price to 31 March 2020 of 504.08p, and calculated post-tax.
3. Shares held at date of retirement from the Board.

There have been no changes to the continuing Directors' (or their spouses') shareholdings between 31 March 2020 and 10 June 2020.

Directors' share-based awards and options (audited)

The tables below show the various share awards held by Directors under the Company's various share plans. The Company's mid-market share price at close of business on 31 March 2020 was 383.2p. The highest and lowest mid-market share prices in the year ended 31 March 2020 were 646.6p and 323.5p, respectively.

Director	Plan[1] and year of award	Number of shares subject to award at 1 April 2019	Granted during the year	Exercised during the year[(a)]	Lapsed during the year	Number of shares subject to award at 31 March 2020	Exercise price (pence)[2]	Market value of each share at date of award (pence)	Exercisable from[3]	Expiry date[4]
Archie Bethel	PSP 2016	110,312		16,657	93,655	**0**		997.17	Jun 2019	Jun 2020
	DBP 2016	13,162		13,162		**0**		997.17	Jun 2019	Jun 2020
	PSP 2017	171,588				**171,588**		891.67	Jun 2022	Jun 2023
	DBP 2017	29,185				**29,185**		891.67	Jun 2020	Jun 2021
	PSP 2018	181,605				**181,605**		859.33	Jun 2023	Jun 2024
	DBP 2018	32,749				**32,749**		859.33	Jun 2021	Jun 2022
	PSP 2019		263,685			**263,685**		483.00	Jun 2024	Jun 2025
	DBP 2019		56,453			**56,453**		483.00	Jun 2022	Jun 2023

Director	Plan[1] and year of award	Number of shares subject to award at 1 April 2019	Granted during the year	Exercised during the year[(a)]	Lapsed during the year	**Number of shares subject to award at 31 March 2020**	Exercise price (pence)[2]	Market value of each share at date of award (pence)	Exercisable from[3]	Expiry date[4]
Franco Martinelli	PSP 2016	84,238		12,719	71,519	**0**		997.17	Jun 2019	Jun 2020
	DBP 2016	12,843		12,843		**0**		997.17	Jun 2019	Jun 2020
	PSP 2017	96,112				**96,112**		891.67	Jun 2022	Jun 2023
	DBP 2017	18,387				**18,387**		891.67	Jun 2020	Jun 2021
	PSP 2018	101,723				**101,723**		859.33	Jun 2023	Jun 2024
	DBP 2018	18,483				**18,483**		859.33	Jun 2021	Jun 2022
	PSP 2019		147,743			**147,743**		483.00	Jun 2024	Jun 2025
	DBP 2019		33,087			**33,087**		483.00	Jun 2022	Jun 2023

Director	Plan[1] and year of award	Number of shares subject to award at 1 April 2019	Granted during the year	Exercised during the year[(a)]	Lapsed during the year	**Number of shares subject to award at 31 March 2020**	Exercise price (pence)[2]	Market value of each share at date of award (pence)	Exercisable from[3]	Expiry date[4]
John Davies	PSP 2016	81,230		12,265	68,965	**0**		997.17	Jun 2019	Jun 2020
	DBP 2016	13,571		13,571		**0**		997.17	Jun 2019	Jun 2020
	PSP 2017	92,635				**92,635**		891.67	Jun 2022	Jun 2023
	DBP 2017	12,890				**12,890**		891.67	Jun 2020	Jun 2021
	PSP 2018	98,043				**98,043**		859.33	Jun 2023	Jun 2024
	DBP 2018	16,399				**16,399**		859.33	Jun 2021	Jun 2022
	PSP 2019		142,443			**142,443**		483.00	Jun 2024	Jun 2025
	DBP 2019		28,570			**28,570**		483.00	Jun 2022	Jun 2023

(a) Market value of each share at date of exercise (19 Jun 2019) = 480.0p.

1. PSP = 2009 Performance Share Plan; DBP = 2012 Deferred Bonus Plan. Further details about these plans and, where applicable, performance conditions attaching to the awards listed are to be found on pages 119 to 120.
2. The PSP awards are structured as nil priced options. Subject to the rules of the plan concerned, including as to meeting performance targets for PSP awards.
3. Where this date is less than ten years from the date of award, the Committee may extend the expiry date on one or more occasions, but not beyond the tenth anniversary of the award.

General notes:

1. 'Dividend equivalent cash' (an amount representing dividends earned) of 84.5p per vested share had accrued on the PSP 2016 awards and on the DBP 2016 awards, in each case for the period between grant and vesting. It is payable by the Company to the award holder on exercise of the award concerned.
2. Closing share price on the last dealing date before vesting was 464.6p (14 June 2019) for PSP 2016 and DBP 2016 awards.

Summary of share-based awards and options vested during the year

During the year to 31 March 2020 the following awards vested:

Director	Award	Number vesting	Vesting date	Market value of vested shares on award £	Market value of vested shares on vesting date £	Exercise price payable for vested shares (if any) £
Archie Bethel	PSP 2016	16,657	15 Jun 2019	£166,099	£77,388	
	DBP 2016	13,162	15 Jun 2019	£131,248	£61,151	
Franco Martinelli	PSP 2016	12,719	15 Jun 2019	£126,830	£59,092	
	DBP 2016	12,843	15 Jun 2019	£128,067	£59,669	
John Davies	PSP 2016	12,265	15 Jun 2019	£122,303	£56,983	
	DBP 2016	13,571	15 Jun 2019	£135,326	£63,051	

Other interests

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

External appointments of Executive Directors in 2019/20

None of the Executive Directors received a fee for any external appointment during the year.

This Remuneration report was approved by the Board on 11 June 2020 and signed on its behalf by:

Kjersti Wiklund
Chair of the Remuneration Committee