Environmental – Clean inputs

At Babcock, our Group-wide Energy and Environmental policies and strategies set out the direction and ambition of the organisation for environmental matters. Our sectors and business units have policies, strategies and implementation plans which are specific to their operations and impacts. Our approach ensures that sustainable considerations and practices are embedded throughout the organisation.

Across our operations we are providing products and services to support the renewable energy and low-carbon economy, from our services within Cavendish Nuclear on critical nuclear power plants, to Liquid Gas Equipment's low-carbon shipping solutions and Fastblade turbine R&D.

Low carbon energy

We purchase electricity for our UK operations from renewable energy sources aligned with our flexible purchasing strategy; this ensures cost effectiveness, reduces our carbon emissions and supports the shift to a low carbon economy. We are also investigating renewable energy opportunities across our global operations and plan a transition to renewable energy sources where feasible.

Across our estate and operations we are working to investigate opportunities for alternative energy sources, low-carbon technology and renewable energy installations. Babcock Power has trialled solar pods to power its temporary accommodation at remote sites.

This sustainable solution leverages solar hybrid technology with an automatic backup generator to power sites and is a low-carbon alternative to diesel generators. The solution has resulted in a 43% reduction in fossil fuel consumption and a reduction in carbon emissions.

Developments across our estate continue to be designed and delivered to high environmental standards and aim to achieve BREEAM Excellent ratings as a minimum.

We are committed to improving the environmental performance of our estate and are actively investigating SMART Building Solutions in line with our Agile Working policy.

At our new Bristol Technology Centre campus, we are assessing the feasibility of sustainable and low-carbon technologies, along with incorporating biophilic design aspects. We are working to complete Investment Grade Energy Audits to identify energy saving and carbon reduction opportunities. We have also completed renewable energy feasibility studies across a number of our key sites.

At Rosyth Dockyard, in line with investigations into the digital dockyard, we are working to complete Investment Grade Energy Audits for an Integrated Energy System which includes the integration of solar, wind, battery storage and water source heat pump technologies.

Data is the cornerstone to understanding and managing our environmental impacts. We are working to develop our environmental data management systems and to improve the accuracy and completeness of our data sets.

In line with our net zero carbon strategy, Plan Zero 40, we are investigating the transition to an ultra-low emission fleet in addition to reviewing a range of additional sustainable transport opportunities. Across the organisation we are also supporting our customers with their transition to ultra-low emission vehicles.

We are working to engage with our supply chain to understand, manage and reduce our wider environmental impacts. Our Group-wide Procurement Environmental policy ensures that environmental aspects are taken into account as part of supplier procurement and purchasing activities.

We do recognise that the change in working brought about by COVID-19 has resulted in increased energy consumption within our employees' homes. We are working to assess this increase and to identify opportunities to reduce the impact.

Environmental – Responsible consumption

In FY21 we reset and reassessed our environmental performance. We have worked hard to develop and enhance our previous environmental, energy and carbon strategies and we are working to establish more ambitious targets, with detailed roadmaps, implementation plans and initiatives.

Our sectors and business units are supported by specialist teams of environmental experts who work to ensure the impacts of our operations are minimised. We continue to manage our environmental impacts through ISO14001 accredited Environmental Management Systems (EMS) which cover over 75% of our global operations.

Waste

Waste is a significant global issue and we understand we have a responsibility to minimise the impacts of our operations. We also have the opportunity to influence a large value chain and accordingly we regularly engage with our suppliers and customers to ensure sustainable practices are adopted. Material and resource efficiency is a core principle which we seek to embed across our operations.

Babcock Group Energy Consumption and Emissions

		Mar-18	Mar-19	Mar-20	Mar-21
UK / UK offshore					
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	76,688.9	74,167.5	66,349.4	60,848.3
Scope 2: Indirect emissions from the use of electricity and steam	tCO_2e	96,233.6	73,416.0	61,595.3	51,058.1
Scope 3: Emissions – business travel, electric transmission and distribution	tCO_2e	20,747.1	17,701.8	13,722.7	6,920.9
Total Emissions	**tCO_2e**	**193,669.6**	**165,285.3**	**141,667.4**	**118,827.3**
Underlying energy consumption used to calculate emissions	**kWh**	**645,286,882.4**	**610,390,853.8**	**553,861,833.7**	**513,073,873.2**
Global (excluding UK / UK offshore)					
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	105,010.5	93,619.5	100,424.7	97,205.5
Scope 2: Indirect emissions from the use of electricity and steam	tCO_2e	8,144.8	7,314.3	4,571.0	4,268.6
Scope 3: Emissions – business travel, electric transmission and distribution	tCO_2e	851.4	323.1	364.4	86.8
Total Emissions	**tCO_2e**	**114,006.8**	**101,256.9**	**105,360.1**	**101,560.8**
Underlying energy consumption used to calculate emissions	**kWh**	**446,044,504.7**	**397,521,762.0**	**417,636,004.0**	**403,486,309.6**
Babcock Group Total (UK / UK offshore and Global)					
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	181,699.4	167,786.9	166,774.1	158,053.7
Scope 2: Indirect emissions from the use of electricity and steam	tCO_2e	104,378.4	80,730.3	66,166.3	55,326.7
Scope 3: Emissions – business travel, electric transmission and distribution	tCO_2e	21,598.6	18,025.0	14,087.0	7,007.6
Total Emissions	**tCO_2e**	**307,676.4**	**266,542.3**	**247,027.5**	**220,388.0**
Underlying energy consumption used to calculate emissions	**kWh**	**1,091,331,387.1**	**1,007,912,615.8**	**971,497,837.7**	**916,560,182.8**
Underlying energy consumption	**GJ**	**3,928,793.0**	**3,628,485.4**	**3,497,392.2**	**3,299,616.7**
Revenue	**£M**	**4,659.6**	**4,474.8**	**4,428.5**	**4,182.7**
Intensity Ratio	**tCO_2e/£1M Revenue**	**66.0**	**59.6**	**55.8**	**52.7**

Our emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard under the 'Operational Control' approach. Figures for UK operations follow conversion factors published by BEIS. Non-UK operations utilise emission factors applicable to the fuel source and location. Appropriate conversion factors have been used to calculate the underlying energy consumption figures. Scope 1, 2 and 3 sources have been divided by the annual revenue to provide the intensity ratio (tCO2e per £m). Figures for prior years have been adjusted to include data unavailable last year, and figures for this year include an element of estimated data. Certain data, estimated to be immaterial to the Group's emissions, has been omitted as it has not been practical to obtain (including operations in Oman, South Korea, Canada and Australia). Metering and monitoring improvements are being implemented to capture these data streams. During the reporting period our approach to energy and carbon management included a holistic review and the re-establishment of our baseline. We have developed our new net zero carbon strategy, Plan Zero 40, which details our journey to net zero.

Where feasible we adopt circular economy principles throughout planning, design and delivery phases to maximise opportunities for end of life reuse.

Across our operations we are investigating a range of waste management initiatives with key aims of minimising waste to landfill and limiting the use of 'single use plastics'. We do, however, acknowledge that more needs to be done and we are committed to continually improving our approach to waste management and reducing our impacts.

Water consumption

We have commenced investigations to re-establish our baseline and are working to ensure we have an accurate and complete understanding of our water consumption across our global operations. Our local environmental teams are working to identify opportunities to reduce our water consumption and we are assessing opportunities to incorporate water reduction technologies within our new developments, such as rainwater harvesting, leak detection and flow restriction.

Biodiversity and ecological impact

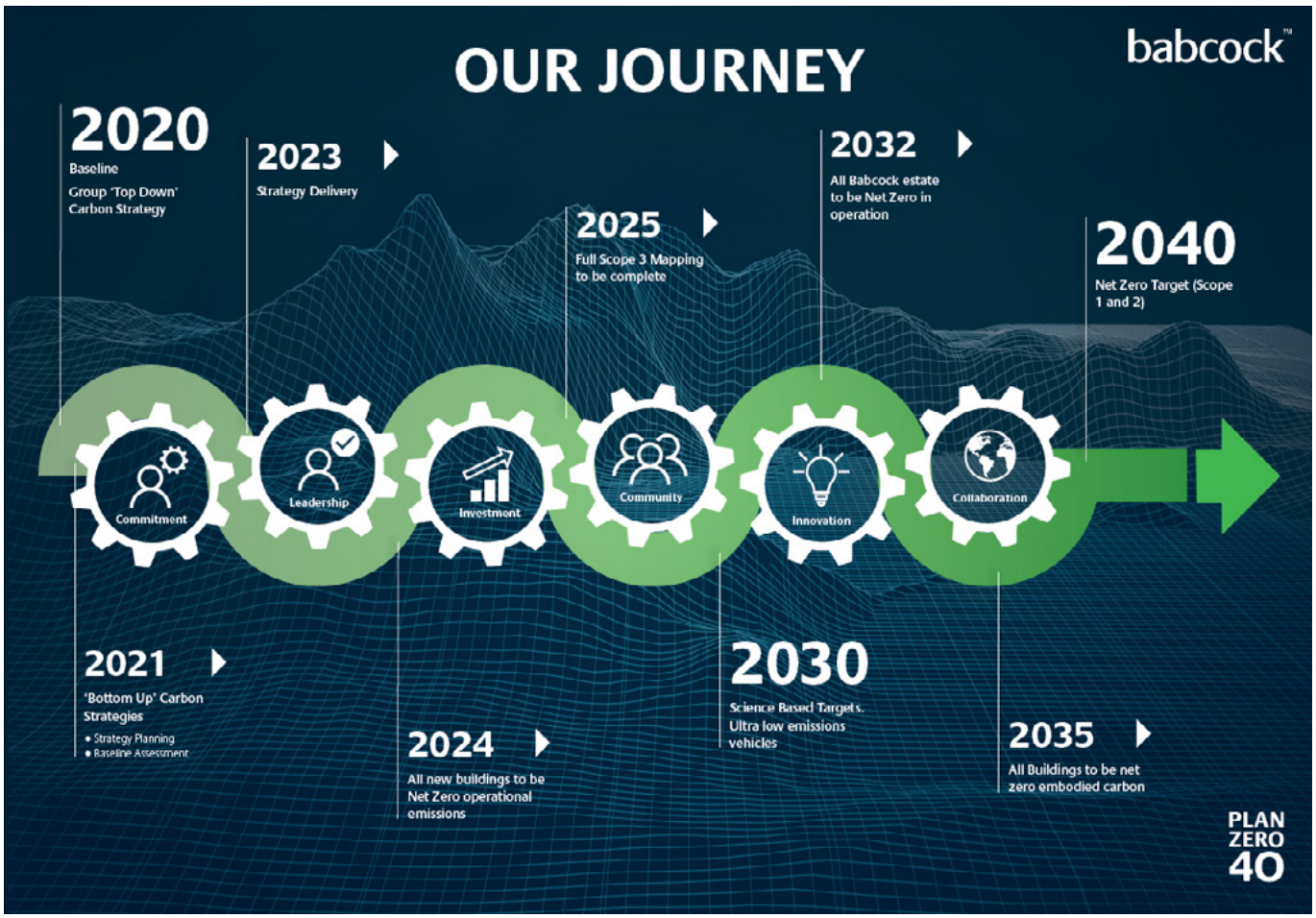
Throughout our global operations we interact with a range of complex ecosystems. Maintaining and enhancing the natural capital and ecosystems within which we operate is a priority and we strive to adopt a net gain approach where possible. Our commitment to the environment is delivered by our network of experienced environmental professionals and dedicated local sustainability groups in collaboration with our customers, value chain and wider stakeholders.

Devonport Dockyard's Environmental Working Group takes part in a range of local initiatives throughout the year, collaborating with the local communities and environment groups to address local issues such as litter on beaches. At Rosyth Dockyard our local environmental improvement team are investigating tree planting within the dockyard, with the aim of reintroducing indigenous flora and fauna, reducing carbon emissions and improving local air quality.

Climate change

Babcock is committed to addressing the global climate crisis. Plan Zero 40 is our strategy to lead the low-carbon transition with extensive decarbonisation programmes planned across our estate, assets and operations. We have committed to setting ambitious science-based targets in line with a 1.5°C limit to global warming and commit to delivering net zero carbon emissions by 2040. We are aware of the challenges and risks on our journey to net zero, but also the opportunities the low-carbon transition presents. We will require strategic investment in our people, technology and innovation. However, achieving net zero is not something we can achieve on our own and we will be taking a leading role in collaborations and partnerships. We commit to driving innovation throughout our value chain and aim to be a leader in low-carbon enablement. Planning our approach for full scope 3 mapping is a priority for FY22 and we have committed to developing our scope 3 footprint with associated decarbonisation strategy by 2025.

We have gained reaccreditation to the Carbon Trust Standard for Babcock's UK-based operations which supports our journey to net zero.



Environmental – Task Force for Climate-related Financial Disclosure

This year we have started to report in line with the TCFD requirements and have agreed our journey towards full disclosure.

In FY22 we will be incorporating TCFD risk management and scenario planning into our strategic planning cycle and working towards full TCFD disclosure requirements.

	FY21 Progress	FY22 Priorities
Governance	• Defined Executive Committee's role in climate-related disclosure • The CEO is the Executive accountable for climate change, and he determined that the Chief Corporate Affairs Officer is the Executive sponsor for climate change • Established new management ESG Committee which is responsible for management of climate-related issues and driving the performance of wider sustainability agenda	• Executive Committee completed Chapter Zero Board Readiness assessment • Training to ensure the competence of the Board and Executive Committee to respond to climate-related risks and opportunities effectively • Climate-related risks and opportunities are integrated into standard Board agendas • Full and clear consideration of the physical, transition and liability risks over the short, medium and longterm • Agree financial incentives for Executives on progress towards ESG goals
Strategy	• We recognise the impact that greenhouse gas emissions have on our environment and we are committed to reducing our impact	• Ensure climate-related risks and opportunities are integrated into sector and geographic strategies • Develop approach to scenario analysis and assess organisational resilience
Risk Management	• Reviewed current approach to identify and capture climate-related risks	• Identify and disclose physical and transitional risks and opportunities in the short, medium and long term • Integrate climate-related risk into Babcock's overall risk management process
Metrics and Targets	• Disclose Scope 1, Scope 2 and limited Scope 3 emissions • Agreed Babcock's commitment to our net zero carbon target, Plan Zero 40, and to developing science-based targets	• Baseline Scope 1 and 2 emissions and plan approach for Scope 3 mapping • Set emissions reduction targets in line with strategy and risk management process