

Social – People and potential

People are critical to our ability to deliver our strategic goals. In order to serve our customers effectively, we need to attract, recruit and retain the best people and provide a workplace which is inclusive where each individual feels supported and respected.

New People strategy

If we are to deliver our business strategy and priorities we need to develop a people strategy that underpins this. Our people strategy is evolving under the new leadership of Nikki Fox, Chief Human Resources Officer (see People section on page 22 and Business model on page 20).

As we move forward, we will create an organisation that is more integrated and collaborative, putting our people at the centre of what we do. We will bring our HR teams into a more integrated function that supports the business in its mission, supporting and navigating the cultural challenges we will inevitably face.

We will design simple and consistent people processes, and scale up the approaches that are working well already, to deliver a new HR function. These new ways of working and the overarching people strategy will seek to develop and motivate a workforce that is built on trust and empowerment. Our new people strategy will offer a consistent and common solution for Babcock, providing the foundation to evolve the Babcock we want for the future.

The agile framework and culture

We are committed to creating an inclusive working environment with a trust-based culture, focused on providing our customers with the delivery they expect, to the quality they desire, in the timeframe that is agreed.

The COVID-19 pandemic and our operational response has highlighted opportunities to work effectively but differently – one of these new ways is agile working. We have launched an agile framework which builds on the positive and alternative working arrangements, setting out a consistent, single framework to maintain these across Babcock.

Agile is an all encompassing term to describe not just where our people work but how they work; providing our people with the flexibility to make local decisions on when, where and how they deliver their commitments, and the infrastructure, policies and procedures that support them, within an agreed and acceptable framework.

Agile working will support our new business model and culture, providing an environment where employees are trusted to make decisions about how they work, balancing personal preferences with Company and customer needs:

- A way of working that enables work-life balance, supports family commitments and promotes inclusivity;
- Where employees are empowered to use personal judgement and make individual choices; and
- A business that focuses on output and deliverables, not presence or location.

Each business within the Group will implement the principles of the agile framework, working closely with local trade unions and HR teams, so that we have synergy and a common improved working environment for all. There are already activities underway in different areas of the business to review revised working methods and it is the intention that the Group framework will complement the local progress.

Employee engagement

During the COVID-19 pandemic we significantly increased and improved employee communications to enhance and improve employee engagement. These include a weekly CEO vlog and the 'Ask David' initiative, where employees can email the CEO and get a direct response from him, as well as the launch of a Babcock app allowing more employees to access communication content.

The CEO has been open in his communication with employees; for example explaining that as the COVID-19 situation worsened in most of our markets the Executive Committee made the decision to defer the Annual Pay Review, which usually takes place in April, until September. The deferral will allow the Group to make a decision as to whether the pay review can then proceed or whether it will need to consider alternative options.

Based on the outcomes of our employee engagement focus groups, employee surveys and listening forums, we have been focusing on the topics that employees have highlighted as a priority, those being: communication, pay and reward, leadership and career development. Examples of our work to improve across these areas are the introduction of our BIG Benefits platform and the development of the Babcock Academy.

During FY22 we will be moving to a consistent approach to measuring employee engagement across the Group.

Capability and skills

Maintaining and developing the capability and skills of our workforce is important to Babcock to ensure we deliver on our contractual and operational commitments.

To ensure we have a sound baseline of current and future requirements we have implemented a robust Strategic Workforce Planning Process (SWFP). To satisfy the requirements identified through our SWFP we source and develop talent through a number of routes. We bring experienced talent into the business through our experienced hire and contingent labour programmes, we bring new talent in through our early careers programmes and we develop our existing workforce through our learning and development offerings.

To develop our leadership capability we re-launched the Babcock Academy this year. The academy provides development from team leader to senior leader within the business. To date we have had around 50 employees start the team and operational leadership programmes and around 60 employees start the senior leader programmes leading to an MSc or MBA qualification.

Early careers

For our early careers we run extensive apprenticeship and graduate development programmes across the business.

We recruited over 300 apprentices onto our apprenticeship programmes during the year. The majority of these were new

starters on level two and three programmes, which create entry level opportunities to join the workforce.

We recruited over 250 graduates onto our graduate development programme this year, our largest intake to date. We have implemented a new behavioural programme for all graduates across the Group which has been developed following extensive research involving our current graduates, their managers and mentors and a range of senior leaders.

Inclusion and diversity

We have seen improvements over the year in our efforts to build an inclusive and diverse organisation that more accurately represents the communities and countries in which we operate. This has included the addition of new networks including BAME and Multifaith, along with the growth of existing networks that have collaborated and worked together to lead a number of initiatives across the business. Our vision for Babcock is that we are a company where people can bring their whole selves to work and feel proud to be part of an organisation where everyone feels respected, included and supported.

At Babcock we recognise the value for our people of working in an inclusive environment where differences are valued, where everyone can thrive, give their best and fulfil their potential. We are committed to being a workforce that reflects the rich diversity of wider society and to be a business that inspires and shapes the

communities in which we operate. We also recognise the importance of diverse thinking in the development of solutions for customers and our ambition is to become an employer of choice for diverse candidates, attracting and nurturing the best talent, that will enable us to deliver exceptional business outcomes.

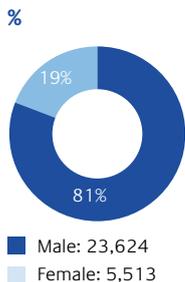
Our Diversity and Inclusion focus areas for the year ahead are: harnessing our data to drive insight and measure results; strengthening and broadening our employee networks; transforming our key people processes; creating a culture of wellbeing; and celebrating inclusion and diversity as our key differentiating strength.

To monitor progress in these areas we will focus on enhanced data collection and measure ourselves against three targets:

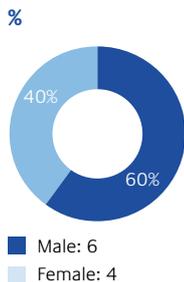
1. 80% disclosure of diversity data within 18 months.
2. 30% women within senior leadership teams by 2025. Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing or controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector/functional leadership teams) and/or who are directors of subsidiary business units (BU leadership.)
3. 30% gender representation at all levels by 2030.

Gender Diversity

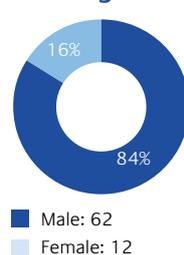
Total workforce



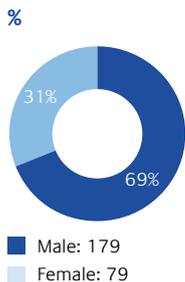
Board



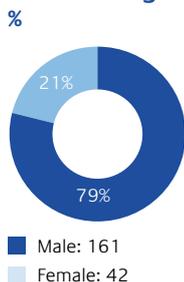
Executive Committee and Direct Reports in management roles



Graduate intake



Senior Management*



* See KPI on page 29.

Along with these commitments, we are also actively working on meeting the recommendations of the Parker Review as we support increasing the representation of ethnicity on UK boards.

Gender diversity and gender pay gap

In relation to female representation across our Company, we have made in-roads over the past year with 19% of our total workforce female (2020: 18.8%). At the end of the financial year, our Senior Management population (over 200 people in senior leadership positions throughout the business against which we will measure our progress (see opposite and page 29)) was 21% women and 9% of our Executive Committee were women. This alongside our 31% female graduate intake supports that we are making progress and gender diversity will be a key focus over the coming year as we deliver on the commitments we have set ourselves for the future.

Our gender pay gap results support that we have made progress in rebalancing the representation of our female staff across our business. In spite of this, the engineering sector, as well as other STEM disciplines in which we operate, continues to be male dominated and we therefore remain committed to driving down this gap.

We are pleased to see our gender pay gap has reduced year on year since first reporting in 2017. The mean gender pay gap has narrowed year on year from 16.2% in 2017 to 12.5% in 2020. Similarly, the median gender pay gap has narrowed year on year from 16.5% in 2017 to 12.3% in 2020. We recognise that closing this gap will take time and whilst these results do reflect the positive outcome of our efforts, we remain focused on cutting the time it will take us to get there.

For further information please see our Gender Pay Gap Report.

Focus for FY22

We will seek to address the challenges identified in the Chief HR Officer's opening statement through the implementation of a new people strategy in support of the new Babcock operating model. We are reviewing our Diversity and Inclusion strategy and metrics and by the next Annual Report will have a more comprehensive set of Diversity and Inclusion metrics.

Health and safety

Governance

The Group's Board and Executive Committees review safety commentary and performance reports on a monthly basis.

The mission of the Group is that everyone goes "Home Safe Every Day". Our vision is that Health and Safety is at the heart of all that we do.

We have a high-performing, open and just safety culture, with strong leadership at all levels, where our people are empowered to speak up, intervene, and are heard, invested in and trusted.

The Corporate Safety Leadership Team (CSLT) leads the development and implementation of all policies, standards and expectations for Health, Safety and Environmental (HSE) issues within Babcock.

The role of the CSLT is to:

- Recommend and set the Group policy and standards for health, safety and environment relating to all matters relevant to the protection of the environment and the health and safety of the Group's employees and any other persons affected by the Group's undertakings.
- Assure the Group Executive Committee of the delivery of these policies and standards.
- Facilitate and enable corporate learning around the Group, raising awareness of health, safety and environmental topics throughout the business.
- Own and deliver Group-wide health, safety and environmental culture initiatives and projects.

The CSLT is responsible for driving the generation of the safety strategy and standards for the Group and adherence of businesses to these. Additionally, there are sector-specific industry standards and regulations that must also be adhered to, for example Nuclear, Aviation and Product Safety. The expectation is that subject matter experts are retained within the sectors and consequently the CSLT's remit/scope does not seek to replicate specialist sector-specific roles.

Achievements and improvements

Our annual Group Safety Conference promotes the Group safety vision and the sharing of health and safety initiatives and activities. It also recognises the hard work and tireless efforts made every day by Babcock personnel, our customers and our suppliers. Our 14th annual event was held virtually in February 2021 with 250 attendees and a theme of 'Share, Learn and Improve'. Safety leadership is the primary driver for a positive safety culture. When we have a positive safety culture, we create an environment where we listen and take notice, we don't walk by and we take time to stop and think. We collectively learn from our mistakes and successes to achieve our goals safely.

babcock™

Our leadership safety commitments to you:

CARE

We will CARE by

- Never walking by anything unsafe.
- Challenging constructively.
- Providing you with the right tools, training and working conditions.
- Visible safety leadership and starting all meetings with a safety moment.

LEARN

We will LEARN by

- Reviewing all significant events.
- Listening to you and seeking your views.
- Creating an open environment, with a just culture, that recognises that people make mistakes that we can learn from.

HOME SAFE EVERYDAY

Throughout the period we have reviewed and refreshed our Group safety strategy, our Safety policy and the Terms of Reference of the Corporate Safety Leadership Team. Of particular note, we launched our new safety commitments (see left).

Additionally, during January 2021 all of our sectors, direct reporting countries and business units undertook safety stand downs. Dedicated sessions were held to hear about the new safety commitments, based around the themes of Care and Learn and to discuss how we can improve safety. A short survey was launched to all employees and the feedback will prove important and extremely valuable in informing our future direction towards achieving our safety vision and mission.

A replacement incident reporting system was launched in May 2020 predominantly for our UK operations. All other areas are due to be included early in the next financial year; this will then provide a truly global reporting and analysis system.

Performance

Tragically, in August, during a firefighting mission an aircraft crash-landed in Spain near the Portuguese border causing the immediate fatality of the co-pilot. The pilot, who had suffered major injuries, subsequently passed away. The incident is currently under investigation by the appropriate authorities.

The number of injuries in the period has reduced by 32%; however, the more serious 'Babcock riddor' injuries increased by 11% compared to the previous year. Similarly, our total injury rate (injuries per 100,000 hours worked) has reduced by 19% and the Babcock riddor injury rate increased by 36%.

Incident numbers

	2016/17	2017/18	2018/19	2019/20	2020/21
Total number of injuries	1,720	1,389	1,452	1,141	780
Fatalities	7	2	4	1	2
Major injuries	27	12	24	20	12
Over three day injuries	107	101	144	111	133
Babcock riddor ¹ totals	141	115	173	132	147

Incident rates

	2016/17	2017/18	2018/19	2019/20	2020/21
Total injury rates per 100,000 hrs worked	1.58	1.35	1.47	1.24	1.01
Babcock riddor ¹ rates per 100,000 hrs worked	0.13	0.11	0.18	0.14	0.19

1. In 2012, the UK Health and Safety Executive changed formal RIDDOR reporting from time lost through injury from three days to seven days. We have, however, continued to monitor and report on the lower three-day threshold and record these as a 'Babcock riddor'.

Focus for FY22

Our focus for FY22 will be on building on the strategy and creating a second wave of Group-wide Health, Safety and Environment standards, engagement with our people and the second part of the safety commitments survey, together with a Group-wide communications campaign on our new safety commitments. We will also be moving to Occupational Safety and Health Administration reporting requirements in order to be able to benchmark our HSE performance against our peers.

Social – Community engagement

We are the major employer in many of our communities so our engagement approach aims to ensure we support the communities in which we work, we are a good neighbour and we contribute positively to society's progress.

We focus on the wider impact we have on society, including environmental, social and cultural factors.

We are committed to being proactive in ensuring we build a positive relationship and engagement with the local communities in which we operate; in some places we are one of the most significant employers in the area. In some communities inequality and high unemployment are a specific concern, so we try to recruit locally and train where the required skills are available.

Historically we have focused our sponsorship and volunteering activities on locally-led causes that are important to us and close to our business but we plan to introduce a Group-wide approach in FY22.

Volunteering

Volunteering is a rewarding and meaningful experience that supports employee development and their wellbeing. Whilst we do some volunteering activities around the Group, our ambition is to develop a centrally-led framework which can be applied locally across our business.

We are proud that two of our employees have been awarded the prestigious British Empire Medal (BEM) for the important role that they played during the COVID-19 pandemic.

In Australia many of our employees acted as volunteers in the bush fire rescue services. In Canada employees volunteered to support local homeless shelters and in South Africa we supported “adopt a school”, donated computers and provided maintenance.

We actively support our reservist employees and we now have circa 160 volunteer reserves and 50 sponsored reserves. We also have around ten uniformed cadet instructors. We provide a minimum of ten days' special paid leave per year for reserves or uniformed cadet instructors with a full training commitment. We promote reserve service to all those in the Group, including all our new graduates and apprentices.

Community Impact

During the year we supported a broad range of activities for local communities and the armed forces community. This includes Science, Technology, Engineering and Maths (STEM) programmes, strengthening our relationship with indigenous peoples, support for armed forces and reserves, partnering with a broad range of academic establishments to support funded research and local sponsorship.

In FY21, COVID-19 had a significant impact on our operations, our employees and our supply chain. As the main employer in many of the communities we supported a range of different initiatives such as the Mayflower 400 celebrations in Plymouth, military open days (eg *HMS Raleigh* and *HMS Collingwood*) and The Trussell Trust (a foodbank charity). Our Chair was a founder member of the Covid Recovery Commission and we recognise the critical role that businesses have to play in supporting the needs of individual communities.

STEM

Babcock encourages its employees to become STEM Ambassadors so they can support our schools engagement programme. In the UK this year we have trained over 200 STEM Ambassadors, bringing our total across the business to over 700 active Ambassadors. The focus this year has been to move our extensive programme of events in schools to virtual offerings. This has included: two activity books targeted at primary age children that could be used at home, and virtual careers events for students, parents and teachers/ careers leaders. In Australia we are focused on female STEM programmes and Submarine in school programme. This year we sponsored the “xhibition” team of 20/21 from Brighton Secondary School in Adelaide and supported with engineering technical capability.

Indigenous peoples

In Canada we are in year two of the Progressive Aboriginal Relations Certification through the Canadian Council for Aboriginal Business. We are focused on expanding the supply chain and have recently invested C\$1 million in an indigenous owned business based in Victoria, British Columbia. We have a further range of activities in place to help drive social inclusivity, eg an initiative over the next two years with the Camosun College Coastal Training Centre which is an indigenous post-secondary institution in British Columbia. In Australia, we are engaging with organisations targeted towards indigenous peoples and we are focusing on expanding our indigenous supply chain.

Support for Armed Forces, veterans and reserves

We are proud to be a major employer of service leavers, veterans and reserves and have in excess of 5,000 veterans in the UK workforce. As part of our commitment to the Armed Forces Covenant, all service leavers, veterans and members of a volunteer reserve are guaranteed a job interview if they meet the minimum requirement for an advertised role at Babcock. In 2020 we enhanced our focus on Service Leaver and Veteran hires and recruited 164 declared service leavers and 380 veterans (total 544) representing circa 20% of our total UK hire for 2020.

Members of the Armed Forces community and their families can rely on our support and understanding. We offer a degree of flexibility in granting leave for service spouses and partners before, during and after a partner's deployment, and will consider special paid leave for employees who have been bereaved or whose spouse or partner has been injured. We work closely with the Career Transition Partnership, to ensure our employment opportunities are made available to service leavers and veterans. We also participate in careers fairs for those leaving the Armed Forces. We understand that Armed Forces spouses need flexibility when their service partner is posted to a new location, and we do our best to find alternative employment within the business if our employees need to move to accompany their partner to a new posting.

Partnerships with academia

We are collaborating with and have built outstanding relationships with a broad range of academic establishments both local to our facilities and where subject matter expertise exists that complements our business. We support learning development opportunities by mentoring and helping to refine the teaching of courses as well as providing industrially related projects for students. In addition we fund and collaborate on a number of excellent research programmes developing impactful, sustainable solutions for implementation across all our sectors.

Sponsorship

During FY21, we supported communities by sponsoring local events or providing donations to local causes. Babcock policy is not to make political donations either in cash or kind; this includes not only financial donations but indirect support.

Sponsorship activity has been locally led and not coordinated centrally. In FY22 we will be developing a Group-wide sponsorship and donations policy which will be aligned to our corporate purpose and this will be supported by locally led programmes. There will be a clear guidelines for managing community and sponsorship activities to ensure that our sites follow the overall Group approach.



Bokantsho Primary School in Viljoensdrift, South Africa.

Supporting local communities

It is important that Babcock supports the communities around the world in which it operates.

In South Africa, we championed the renovations for the Bokantsho Primary School in Viljoensdrift. Located approximately 5km from the Lethabo Power Station, the school provides an essential service to the community and caters for Grade R to 7 learners from different townships. The majority of the school's 198 pupils come from nearby farms and impoverished families who cannot afford to pay school fees. The school also participates in the National School Nutrition Programme (NSNP) which provides food for pupils on a daily basis.

Our team of Babcock volunteers engaged several contractors to upgrade the school buildings including the classrooms, kitchen, hall, administration building and toilets. The scope of work was extensive, including painting of walls; repairing and replacing ceilings, doors, windows and roofing; installing new flooring; repairing and upgrading of the electrics and plumbing; and removing the old fence and installing a new one.

T A Lengana, the school's principal, said: "Babcock's contribution and assistance is highly appreciated and valued, and ensures that learners are taught in an environment that is conducive to teaching and learning. The support also contributes to learners' holistic development by providing adequate resources for all learners, and will contribute to improving the learners' confidence and their self-worth."

Babcock is proud to support all of our communities.