

Our strategy

We are focused on being an international aerospace, defence and security company with a leading naval business, providing value-add services across the UK, France, Canada, Australasia and South Africa.

UK naval business	UK value-add services	International
<p>Strengths</p> <ul style="list-style-type: none"> Owns key sites and infrastructure including the Devonport and Rosyth dockyards Deep technical expertise across critical and complex engineering Customer relationships 	<p>Strengths</p> <ul style="list-style-type: none"> Deep technical expertise across critical and complex engineering Deep technical expertise in civil nuclear Customer relationships 	<p>Strengths</p> <ul style="list-style-type: none"> Strong niche positions in Canada and Australasia and South Africa Developing position in France Range of platforms, systems and products that are highly competitive in international markets Customer relationships
<p>Growth drivers</p> <ul style="list-style-type: none"> Increase in UK defence budget Increase in shipbuilding Defence and nuclear infrastructure Increased submarine support with more classes in service 	<p>Growth drivers</p> <ul style="list-style-type: none"> Long-term opportunities in civil nuclear 	<p>Growth drivers</p> <ul style="list-style-type: none"> First generation outsourcing Equipment and systems Potential for Type 31 exports

Supported by

Our five strategic actions

Delivering

<p>Returns for our shareholders</p> <p>A return to growth with improving margins and better cash conversion</p>	<p>Improved delivery for customers</p> <p>Consistent delivery and partnering with customers to solve their challenges</p>	<p>A better place to work for our employees</p> <p>An open, collaborative and diverse workplace that engages our employees</p>
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Strategic actions

1. Align the portfolio



- We will align the Group's portfolio by divesting certain businesses to reduce complexity, increase focus and improve the effective use of the Group's capital by disposing of the businesses that are nearer the perimeter of our strategy
- This is expected to generate disposal proceeds of at least £400 million over the next 12 months

2. Implement our operating model



- We are creating a business that is more efficient and effective
- A flatter structure will simplify how we operate, improve communication and increase business flexibility and our responsiveness to market conditions
- The new structure will reinforce a one company culture and remove duplication
- This new model will generate annualised cost savings of approximately £40 million, helping to create a stronger Babcock
- The new model will also help our internal and financial controls

3. Roll out a new people strategy

See page 22 for more details



- We will develop an organisation that shares capability, talent, innovation and best practice across the Group and removes complexity
- We will communicate our purpose and create a culture that better supports and empowers our people
- We will create an agile and inclusive workplace, which supports work-life balance
- We will improve diversity across the Group
- We will take a new approach to talent, learning and performance
- We will harmonise people policies and processes

4. Develop our ESG strategy

See page 62 for more details



- We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040
- We will integrate environmental sustainability into programme design to minimise waste and optimise resources
- We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies
- We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges
- We will ensure the safety and wellbeing of all our people

5. Explore growth opportunities

See page 18 for opportunities across our defence markets



- The markets we address offer favourable medium-term growth. We will focus on opportunities for defence and value-add services in the UK, France, Canada, Australasia and South Africa
- Growth in the UK will mainly come from market growth, given our strong market position today. There are areas where we will also look to increase our share, for example defence secure communications and shipbuilding
- Growth in international markets can come from market growth and an increase in market share. We are bidding for contracts that, if won, would offer significant in-market growth, for example pilot training in Canada
- Our products have further opportunities for growth including growth in our equipment and systems exports and international demand for the Type 31 platform