

SOCIAL



3 Ensuring the safety and wellbeing of our people

'Home Safe Every Day'

Our safety mission is to enable our people to go 'Home Safe Every Day', and to support this we have a series of commitments to one another that we call 'to Care and to Learn'. This has been a year of change and the setting of solid foundations to build upon as we continue to improve our safety performance.

Governance

The appointment of a Global Safety, Health and Environmental Protection Director and formation of a central team has brought additional focus to the safety improvement programme. Supported by working groups of specialists and alongside a transformed Corporate Safety Leadership Team that includes Operational Directors from across Babcock, we have strengthened our governance. We have introduced a suite of corporate standards that form the Babcock safety framework and developed a scorecard of leading and lagging performance indicators to help monitor the business. These form part of the Babcock safety and management system and enable us to *create a safe and secure world, together*.

Achievements and improvements

Babcock has introduced an electronic global safety information management system that supports event and audit management. This has standardised processes across Babcock and increased transparency. The global system enables sharing of lessons across our operations, to collectively improve our safety outcomes and will continue to grow with the additions of risk management functionality.

Our annual safety conference, held virtually in November 2021, shared and celebrated the successes of personnel for the sectors and direct reporting countries with a theme of 'Care and Learn'.

Babcock also held a safety stand-down in January 2022, where teams took time out from operations to discuss how to *create a safe and secure world, together* by improving their working environment. The commitments 'to Care and to Learn' were reiterated in many of the conversations, with a focus on doing the right thing.

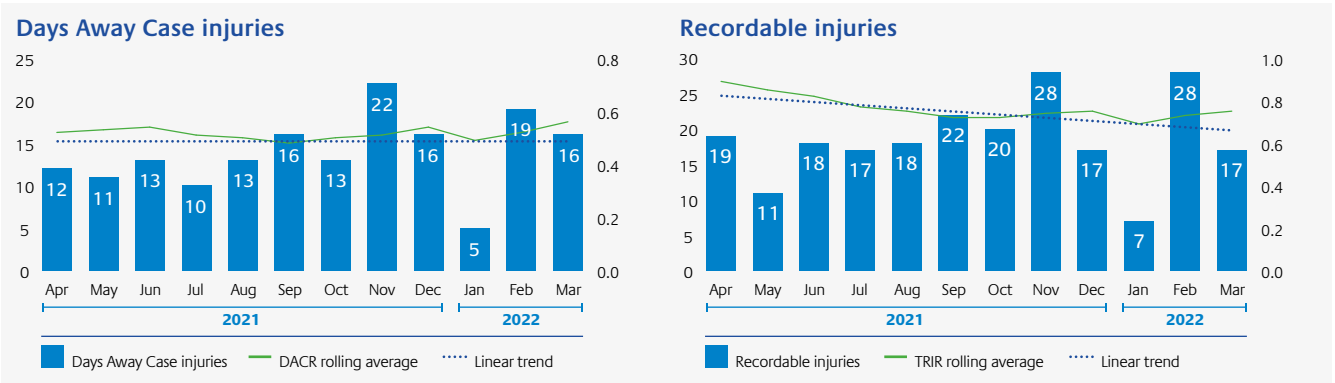
Proactive reporting – Reporting safety issues before they cause harm

During the year, we have moved to an internationally recognised HSE accident categorisation method in order to be able to benchmark against peers. Whilst the

change means that direct statistical comparison with previous years is not meaningful, it will enable future benchmarking of safety performance.

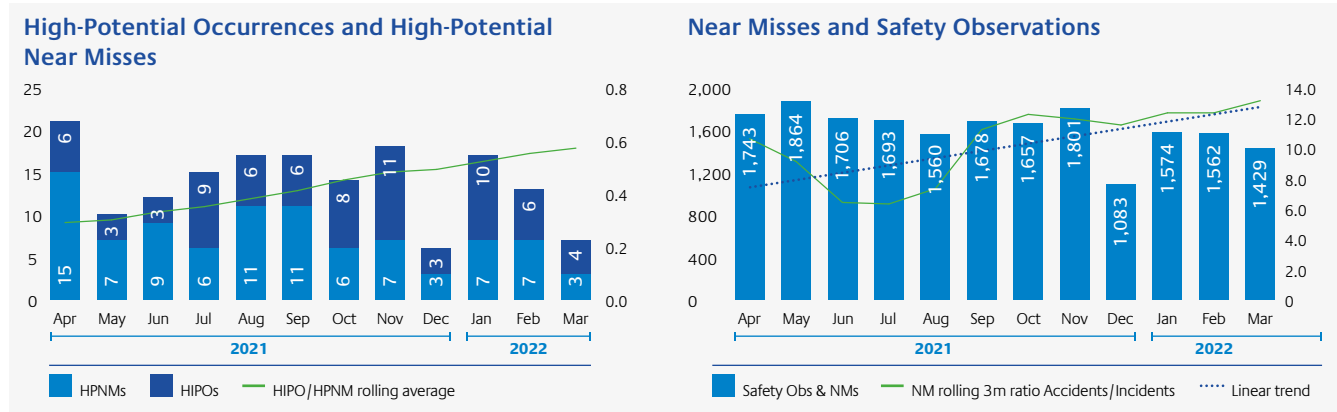
The Group's Total Recordable Injury Rate (TRIR),¹ which includes work-related injuries requiring medical treatment or above, has reduced from 0.89 to 0.75 over the year, with a reduction in the number of these types of accidents of 18% against 2021. The Days Away Case Rate (DACR) across the whole of Babcock has increased from 0.52 to 0.56.² This led to a 5% increase in work-related injuries that resulted in personnel requiring at least one day away from work. We continue to work hard to reduce the number of injuries and illnesses as a result of our activities.

In addition to recording all accidents, we have introduced metrics to track the level of proactive reporting. The focus is to encourage our people to report High-Potential Occurrences (HIPO), High-Potential Near Misses (HPNM) and safety observations, to enable us to learn from and correct these before they can cause harm. This indicator of positive reporting is an important element of an engaged safety culture and we have seen a gradual and consistent increase in proactive reporting across Babcock.



1. Number of recordable work-related injuries and illnesses per 200,000 working hours (200,000 represents 100 employees working 40 hours for 50 weeks per year).
 2. Taken from US Bureau of Labor Statistics, the average rates for Repair and Maintenance industry sector was TRIR of 1.8 and DACR of 0.9, whilst the Management Consulting industry sector had average rates of TRIR of 0.4 and DACR of 0.2.

Proactive reporting – Reporting safety issues before they cause harm continued



Employee inclusion and diversity

At Babcock, we are guided by our Purpose – ‘creating a safe and secure world, together’ – and a clear set of Principles that are central to everything we do. To deliver on our Purpose, we are committed to creating an agile, people-centred business where everyone is included, supported and empowered to unlock their potential.

We see inclusion as an enabler and the key to creating the right foundations to attract and retain the best, diverse talent. We recently appointed our first Global Head of Inclusion and Diversity (I&D) to develop our approach to I&D and to review, design and implement activities that enable Babcock to become a more inclusive business that values difference.

Our three-pillar approach outlines the:

- insight and data needed to drive an evidence-led approach to I&D
- policies and programmes that drive greater talent engagement
- ways in which we educate and demonstrate the value of an inclusive organisation

We remain firmly committed to embedding this approach and monitoring our progress.

Our gender targets are:

1. 30% women within senior leadership teams by 2025
2. 30% female representation at all levels by 2030
3. 80% disclosure of diversity data by 2025

In the 2021 report we indicated a target of 80% disclosure of diversity data within 18 months. As we analysed the data for our People strategy and revisited all our targets, we realised this target was going to be difficult to achieve. However, we remain focused on our diversity data as it’s a key component of our I&D strategy and approach. We have identified a breadth of activity required to help us meet this target by 2025 and drive real and sustainable changes across the workplace. Alongside our continued work on gender balance, LGBTQ+, faith and neurodiversity, we will renew our focus on disability and ethnicity, as well as greater exploration of social mobility as we drive to be a more inclusive company.

Gender diversity

We are proud of our work on gender diversity which is a key business priority and we know there is still much to do to deliver gender balance through attraction and retention of female talent.

Our global workforce diversity has improved over the past year, moving from 19% in 2021 to 21% in 2022. This is in spite of an overall headcount reduction through 2021 that focused on business functional areas and tend to be female dominated. Female representation declined at the Board level reflecting a snapshot in time after the retirement of one female Board member. As recruitment proceeds to build the Board back to its full complement, maintaining diversity will be an important consideration as covered in the Nominations Committee report (see page 106.)

There has however been an improvement in representation at the senior management levels, that has resulted in a shift from 21% to 23% over the past year. Most notably, at the Executive Committee and management level,

good progress has been made around the attraction and promotion of female talent, resulting in a positive move of 5 percentage points since 2021, from 16% to 21%.

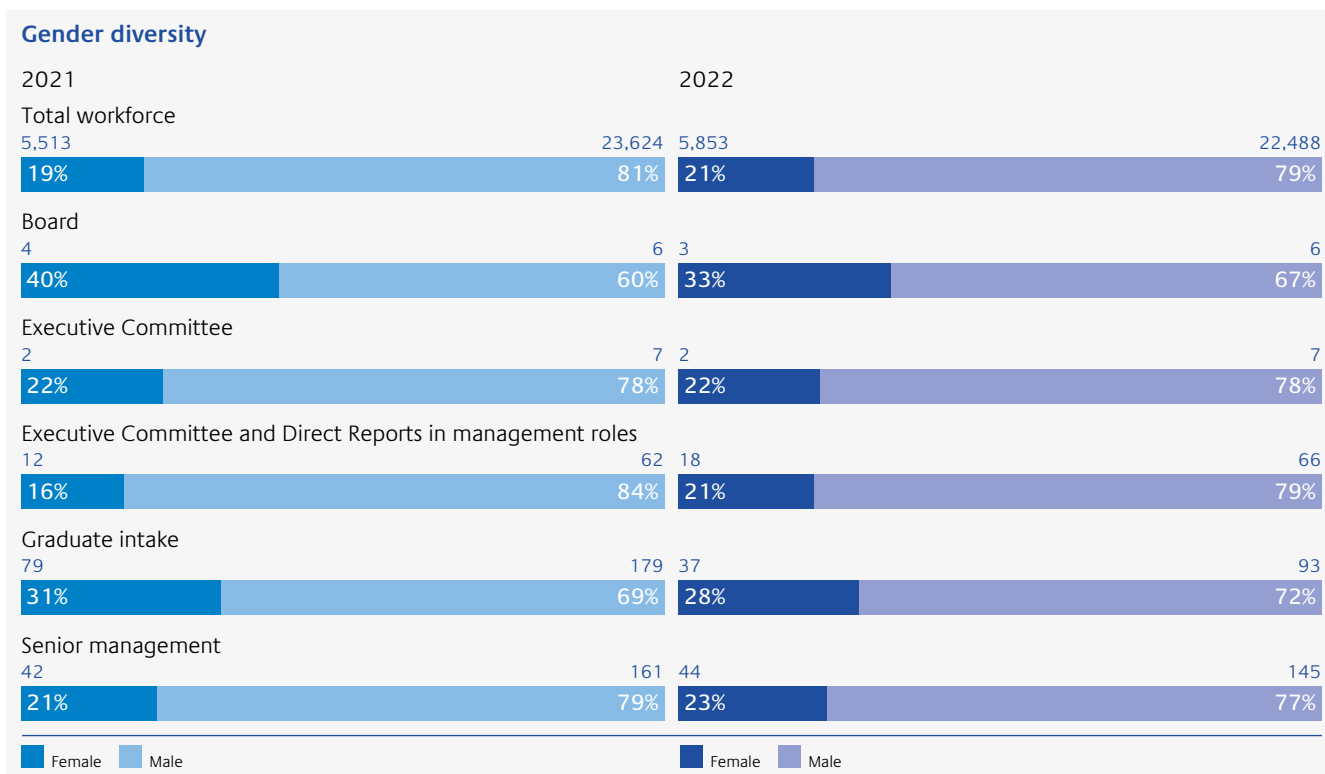
Following our overall headcount reductions, our graduate population shrank this year from 258 in 2021 to 135 in 2022, which resulted in a subsequent reduction in our female intake by three percentage points. This is mainly driven by the challenges associated with recruiting in a very competitive graduate market, and in response we have implemented a number of changes that will drive back up our progress and build our pipeline of female talent.

In spite of these challenges, Babcock is on track to fulfil our commitment to our gender targets and be an inclusive and diverse company, a great place to work where people feel part of an integrated, more global business.

Areas we are addressing to accelerate the pace of change:

1. Providing a culture in which women can progress their careers

- Redefining our ways of working
- Designing interventions and policies to support women at work, including, for example the introduction of Group-level menopause and gender-neutral leave policies
- Establishing a Returners approach and programme of activity which includes an overarching STEM returners programme. Elements within the programme will support different stages of a woman’s life and career



- The total workforce is 28,560 but excludes 2 non-binary, 4 prefer not to say, 151 non specified and 62 unknown in the gender percentages.
- The gender diversity reflects Board composition at a point in time. We are recruiting for two non-executive directors in FY23 and we would expect this to change.
- Executive Committee and Direct Reports in management roles total is 86 but excludes 2 non-specified in the gender percentages.
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).
- Senior management role total is 189.
- Graduate intake is 135 (119 UK, 12 South Africa, 4 Australasia) but excludes 1 non-binary and 4 unknown in the gender percentages.

- Designing an Early Careers strategy and approach to maximise increase in numbers of female students entering the organisation, to continue to increase the diversity of our pipeline
- Establishing an approach to supporting carers in the workplace – like the Gender-Neutral policy, this will benefit any carers, not just female ones. It is of course also a support tool and mechanism for women to stay in and progress at work

2. Establishing a pipeline of women ready to move up through the business

- We continue to engage with our women's networks across the Group to identify gaps in how we support women
- We will create individual leadership development plans to prepare female talent for senior roles
- We have opened our Women in Defence mentoring scheme to a wider range of employees to apply as both mentors and mentees

We are encouraged by our progress and are confident we have put in place a strategy which will provide a roadmap to drive systematic and sustainable change for the better.

Creating gender balance and closing the gender pay gap

Work to reduce our gender pay gap has seen year-on-year progress. Whilst we are pleased to see the median pay gap decreasing from 12.5% to 11.8%, we know we still have a way to go.

Our challenge is not a pay issue but an issue of representation. The engineering and defence sectors in which we operate in continue to be male-dominated. For us, enabling a more equal gender representation remains key to our long-term strategy.

Our intention is to create an environment which attracts and retains more women into the business and delivers a better gender balance. To make this a reality, we will continue to work with internal and external stakeholders, including our gender networks and organisations such as Women in Defence, Nuclear, Science and Engineering, and review our policies and activities that inspire and support women – such as offering access to new ways of working.

We remain committed to closing the gender pay gap, growing our talent pipeline for the long term, developing our processes to attract female talent, and enabling employees to flourish and shape their own future within Babcock.

For further information, please see our 2021 Gender Pay Gap Report on our corporate website at <https://www.babcockinternational.com/news/uk-gender-pay-gap-report-2021/>.

Focus for FY23 and beyond

Our vision for the future is to be a strong, safe and unified global business that delivers year-on-year sustainable growth with better outcomes for our culture, customers and communities.

Championed by the Board and our Group Executive Committee, our leaders are encouraged and empowered to act in line with our Principles and to role-model inclusive behaviours. They will be supported by our three pillar approach to deepen inclusion and drive results.

Our focus for the coming year is to:

- Gather data and insight from our employees to enable an evidence-led approach to driving greater inclusion and diversity
- Set clear metrics for disability and ethnicity (in addition to gender) to focus our effort, measure our performance and progress and create accountability across the Group
- Establish and embed I&D governance globally, including the further development of employee networks and peer support groups – to create a more consistent approach and build a better people experience
- Identify processes and interventions that will enable us to realise the targets set and increase I&D
- Further embed our Principles and engage our people in understanding the benefits of inclusion, social mobility and community engagement
- Continue our commitment to the Social Mobility Pledge and reduce inequalities through a thorough review of our recruitment practices and how we support progression once in employment

As we develop our Employee Networks, we will embed a new Peer Support Group model to support their development as they will continue to play a critical role in achieving Babcock's ambition for a more inclusive business. Our current networks include multi-faith, ethnicity, gender, LGBTQ+ and neurodiversity along with wider common interest groups.

We will work with our networks across a three-year programme to develop them to a global level, to drive a consistent employee experience and greater diversity across the Group. We will also identify where networks could be developed to support employee enablement, for example in relation to disability and those with caring responsibilities.

Ways in which we are changing to meet our inclusion and diversity aspirations

Growing new talent pipeline for the long term

- STEM support: more than 738 STEM ambassadors within the organisation have engaged over 32,220 students in STEM activities
- STEM returners: by FY23 we aim to increase the pool of female talent by establishing a UK pilot to hire women back into a career in STEM and support returners
- Early careers: more than 1,024 apprentices (14% female) and 335 graduates (30% female) are employed on our early careers' schemes. Our target is to achieve a 50/50 balanced intake in early careers by FY24
- Community engagement: we are extending our community engagement to attract, retain and develop more diverse talent

Attracting the best diverse candidates from the current talent pool

- Recruitment analytics: we have increased the amount of data collected and reviewed to highlight any bias in our recruitment process
- Charters and memberships: we are proud stakeholders in the Women in Defence Charter, Women in Aviation Charter and Women in Nuclear UK. We are also members of the Armed Forces Covenant and are actively looking to develop further partnerships
- Our networks, supported by our newly introduced Peer Support Groups model, play a key role in championing and supporting colleagues across Babcock to drive the cultural change we seek

Enabling employees to fulfil their potential within Babcock

- Flexible working: we have introduced the Agile Working Framework to encourage work-life balance, support family commitments, improved health and wellbeing and drive inclusivity
- Culture change: as part of an ongoing cultural change programme, we have reinforced our zero-tolerance position to any form of discrimination

Employee engagement: (see Culture change section page 18)

Our Purpose and Principles were formally launched this year. Developed with the help of hundreds of employees across the Group, we are continuing to drive engagement in our culture and bring it to life through town halls, vlogs, videos, workshops, meetings, webinars, team discussions and focused weeks.

Our people have embraced our new Principles by sharing stories of where they have seen them in action and when they have 'lived' one of our Principles. We will continue to collect and share these stories and create a cultural guide to working at Babcock.

To support the engagement and cultural immersion of new hires into the UK business, we now have a dedicated onboarding platform, designed to enable new employees to familiarise themselves with the business before they officially start. Information is tailored, based on their start date and business area and we plan for this to be extended to the whole business in due course.

Whilst during the pandemic we facilitated online engagement of current employees, this is being balanced with more face-to-face communication as many of our colleagues return to the workplace. However, we know there is more to do to make sure engagement is happening on an ongoing basis throughout the business.

We want to continue to effectively engage with employees to understand their views and ensure we achieve our people goals. Today, Babcock uses a variety of focus groups and surveys to do this. Last year we committed to moving to a consistent approach to understanding and measuring employee engagement across the Group in 2022.

We are now implementing a global platform to establish a baseline of engagement (through an annual survey) and consistently measure and benchmark ourselves externally and track progress. The platform is designed to empower leaders to own and deliver engagement and take action to increase motivation and performance.

This and other insights will inform much of our people decision-making as well as our understanding of areas for improvement. They will form an important part of the conversations our leaders and managers have about our culture.

Implementing our one Babcock approach will help us to focus our effort, drive meaningful change and enable high performance.

4 Making a positive impact on the communities in which we operate

Oxford Economics assessment

We have engaged Oxford Economics to conduct a comprehensive review of how Babcock delivers social value and contributes to the UK Government's objectives outlined in its Social Value Model, as well as maximising economic value from defence procurement.

Progressing Group-wide volunteering approach

Volunteering is a rewarding and meaningful experience that supports communities and brings personal reward for our employees, enabling them to develop new skills and personal wellbeing.

We want to make a genuine difference to our communities and help them to thrive. For example, our Driving and Maintenance (D&M) instructors in the TMASS contract at Bovington are registered volunteer 'Blood Bikers' with YFW Blood Bikes. They give up their time to provide emergency courier services for blood, platelets, blood and tissue samples, medication, breast milk, documents, X-rays, CT scans, and equipment.

We have also supported teams across Babcock to take part in group voluntary activities, such as the National Beach Clean in the UK. In South Africa many of our employees worked with the Bokantsho Primary School in Viljoensdrift, Free State, to carry out extensive and much-needed renovations at the school. A play area was also built for the children in a rural area and blankets donated before the winter.

Following COVID-19, the UK businesses also supported the COVID vaccination programme by allowing employees time to train and administer vaccines with St John's Ambulance and a number of employees took up this very worthwhile challenge.

We are currently developing a Group-wide volunteering approach, supporting one of our key Principles, 'be kind', to facilitate every employee to volunteer one day per year.

Group-wide sponsorship

During the latter part of the year we developed our internal charity and sponsorship guidelines. The current criteria have been broadened and clarified to align to our corporate Purpose 'to create a safe and secure world, together'.

We are committed to the communities in which we operate and the broader interests of the customers we serve. As good corporate citizens, we want to make a genuine difference by supporting our communities and helping them rebuild following COVID-19. Our new criteria are based on supporting military charities and events and also protecting communities around the world by focusing on local charities where we have our sites or attract our employees from.

Indigenous peoples

In Australia, we partner with Supply Nation to expand our supply chain to include Aboriginal and Torres Strait Islander-owned businesses across Australia. We have an equivalent commitment to Māori and Pasifika-owned businesses in New Zealand through the Amotai initiative.

Babcock continues to actively support Indigenous students to increase their career opportunities, through sponsorship to Engineering Aid and Yalari in Australia, and encouraging curiosity about STEM subjects in younger children in New Zealand through employee volunteering at local schools.

This year, Babcock Canada renewed our commitment to the Phase II stage of the Canadian Council for Aboriginal Business' (CCAB) Progressive Aboriginal Relations (PAR) programme. This phase centres around engagement with Indigenous communities in the areas where Babcock operates, as well as external communications to our customers, partners, and the wider business about our Indigenous engagement activities. Much of this engagement activity is currently ongoing with the First Nations in Victoria and in northern Manitoba.

In support of commitments made through the PAR programme, Babcock selected and implemented an Indigenous Cultural Awareness training programme. This programme has been added as a mandatory training requirement for all employees.

In addition to the activities directly related to the PAR programme, Babcock also continued to strengthen our internal procurement policies to identify and incorporate more Indigenous businesses. A comprehensive review of the supply

chain was undertaken to identify Indigenous business opportunities in the short, medium and long term. Through this activity, we also engaged with several potential Indigenous suppliers and partners, such as Cota Aviation in B.C., Tipi Insurance in M.B., and Makivik Corporation in Q.C.

Over the last year, Babcock has engaged in comprehensive engagement of several First Nation and Métis communities, businesses, employment and training and post-secondary institutions. Furthermore, the team continues to participate in Indigenous conferences, trade shows and networking events in order to further existing relationships and foster new engagements.

STEM

In the last year we improved our STEM recording. Commitments to STEM and the communities in which we operate translates into 160 newly trained STEM ambassadors, bringing our total to over 738 ambassadors across the business and 30,000 students engaged in our STEM activities.

The STEM team continues to deliver virtually whilst returning to in-person events where possible, which have been extremely well received by attendees of all ages. Focus has been on developing our offering to raise awareness and increase engagement, by developing STEM activity booklets for employees' children and external use.

The Clyde STEM Coordination Team launched its first STEM activity catalogue, which is designed to help teachers successfully deliver STEM activities with their students. We have evolved the way we conduct community outreach to encourage more take-up of STEM subjects and to help address diversity disparity and improve social mobility.

Babcock now more accurately represents the communities and countries in which we operate and in so doing delivered our first Virtual Neuro Diverse Work Experience Programme at Devonport with several local schools in attendance along with two virtual work experience weeks across the UK, both focussed on STEM and accredited by the Industrial Cadets.

Our employees volunteer not only their time but write books to inspire the next generation to take small positive action to better the world. The3Engineers gifted 4,000 copies of their set of rhyming children's book to local schools and communities. They have also created a suite of free-to-download STEM resources for schools to use in the future based on the books.

In FY23 Babcock will continue to engage with young people, their parents, and teachers to ignite interest in studying STEM subjects and pursue a rewarding career in the industry by focusing on our Group-wide strategic objectives around raising awareness of STEM, increasing I&D and supporting schools that are located in deprived areas of the UK.

Support for Armed Forces, veterans, and reserves

Babcock is committed to honouring and supporting the Armed Forces Covenant and the Armed Forces community. We recognise the value serving personnel, both regular and reservists, veterans and military families contribute to our business and country.

As part of our continued commitment to the Armed Forces Covenant, Babcock supports employee and graduate membership of the Reserve Forces and references our support in recruitment activity. We also support the employment of service leavers, veterans, and members of the Volunteer Forces by providing a guaranteed job interview where applicants meet the minimum requirements of a role.

Members of the Armed Forces community and their families can rely on our support. We offer a degree of flexibility in granting leave for service personnel 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, and we 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.

We are proud to currently employ 186 service leavers and 322 veterans in the business. We support the UK's Armed Forces and reservists and continue to actively back our reservist employees. We have approximately 43 volunteer and 12 regular reserves and around 14 uniformed cadet instructors in the business. We provide a minimum of 10 days' special paid leave per year. The reserve service is actively promoted to everyone in the Group, including our new graduates and apprentices.

Partnership with academia

Innovation is in our people and our partnerships. Last year we announced our strategic partnership with the University of Strathclyde, one of the leading international technology universities. Babcock and Strathclyde have been working together for more than 30 years, and formalising the partnership will strengthen existing educational programmes for degree apprenticeships and industry placements and build on existing innovative research projects in nuclear, advanced manufacturing, space, and security-related technologies.

Our recently opened state-of-the-art Additive Manufacturing Centre is part of an innovative partnership with Plymouth Science Park. The partnership builds on our strong relationship with the academic and technology community across the south west and the local community around our Devonport dockyard.

Last year we also launched an exciting new project management degree apprenticeship programme at our Devonport facility in partnership with the University of Plymouth.

Talent and development

To enable us to take on the challenges of today and the future, it is important for us to build and maintain the capability and skills of our workforce. In FY22 work was carried out on the kind of leader required to drive the future success of the business and focused on understanding the profiles of the leaders we have today.

We measured drivers, personality traits and competencies through a self-report tool – things that are our natural tendencies and capabilities which we can learn and develop. Seventy of our most senior leaders were assessed by evaluating their technical and behavioural skills and then compared to our future leader profile as well as a FTSE100 leader benchmark.

As a result, we were able to develop our leadership capability by clarifying and resetting the expectation of what it takes to be a successful high-performing leader in Babcock and understanding what is needed to deliver our strategy.

Babcock's leadership group has a wide spread of capabilities and styles and we enable them to inspire, motivate and empower their teams to make sure we deliver on our contractual and operational commitments so together we can build a stronger, more sustainable Babcock.

Early careers

Last year saw the implementation and introduction of a dedicated one Babcock Early Careers Team responsible for the development of our early careers talent nationally as well as globally.

We recruited 263 apprentices globally during FY22, bringing the total number of apprentices to 1,024 across the business. Previously, most of our new starters have entered on level two and three programmes. However, emphasis has been on expanding the apprenticeship offering with the intent to offer programmes starting from level two all the way to level seven.

One of our very own apprentices was awarded the title of Shipyard Apprentice of the Year and won the Queen's Silver Medal 2021: a prestigious award for final-year apprentices from the maritime sector, which has been running since 1944. Simultaneously, the Devonport Apprentice Team won the Best Apprenticeship Programme in Plymouth in 2021.

One hundred and thirty five graduates entered onto our graduate development programme this year and have been assigned a buddy and formal mentor to accelerate their learning throughout the programme – which in many cases lead to professional registration such as charter-ship.

We will continue to run these successful, comprehensive apprenticeship and graduate development programmes to bring more young people into the business.