ESG Strategy

Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: *to create a safe and secure world, together*. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

During the year we progressed our corporate environment, social and governance (ESG) strategy, which focuses on the operations and strategy of the Group. We expanded our corporate commitments to incorporate broader environmental targets, see pages 57-59. We also created new Group policies and guidance to support appropriate governance of our sustainability programmes.

Our ESG priorities

1 **We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040**

See page 57

2 **We will integrate environmental sustainability into programme design to minimise waste and optimise resources**

See page 59

3 **We will ensure the safety and wellbeing of all our people**

See page 63

4 **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**

See page 67

5 **We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges**

See page 69

Sectors and regions have developed their own sustainability programmes, which support the Group-led programmes and stakeholders' needs.

Our sustainability strategy will continue to evolve with the interests of our stakeholders, as well as those of the Company. This year we asked some of our key stakeholders for their views on our material topics to ensure that we focus on issues that matter most to them. The findings will help influence our sustainability agenda and our priorities (see Materiality assessment on following page).

Progress against our ESG priorities

Climate action is a key focus: we are continuing to progress our decarbonisation programme (Plan Zero 40) across the Group. Aligned with the Plan Zero 40 pathway announced last year, we commenced baselining our carbon footprint and are on track to submit carbon reduction targets to the Science-Based Targets initiative by April 2023. These are to be achieved by 2030 and will set us on course for decarbonising our estate, assets and operations to reach our overarching goal of net zero emissions by 2040.

During 2021, the Board and Executive Committee agreed Group strategic priorities for climate action and we incorporated Task Force on Climate-related Financial Disclosures (TCFD) risk management and scenario planning into both our strategic planning cycle and corporate risk management framework. This year we are enhancing our level of disclosure against the TCFD requirements (see pages 60-62 for more detail).

Sustainability is central to our thinking and we are integrating it into programme design to ensure optimal use of resources and to minimise waste. We are using data and digital techniques to inform our through-life thinking and support effective and efficient asset operation and management.

We want to create a better working environment at Babcock and ensuring the safety and wellbeing of our employees is at the heart of all that we do. In the context of our new unifying corporate Purpose, we ran a Group-wide safety stand-down to focus on and re-emphasise our Care and Learn safety commitments.

We aim to provide a workplace which is inclusive and where each individual feels supported and respected. Inclusion and Diversity (I&D) is therefore a key focus and this year we hired additional senior women into our senior leadership team, increasing female representation at the end of the year to 21%. We are pleased that our Mean Gender Pay Gap has narrowed year-on-year from 12.5% to 11.8%. (See Babcock's 2021 Gender Pay Gap report on our corporate website.)

We recently appointed our first Global Head of I&D to develop our approach and review, design and implement activities that will enable Babcock to become a more inclusive business that values difference.

We want to have a positive impact on the communities in which we operate, to be a good neighbour and contribute to the local economy through social value initiatives. This year we developed a Group-wide Sponsorship and Donations policy which is aligned to our corporate Purpose and is supported by local activity. In January the Executive Committee also agreed to launch a Group-wide volunteering programme, which will allow every employee to volunteer for one day per year.

We have engaged the consultancy Oxford Economics to conduct a comprehensive study of Babcock's economic impact including how the Company delivers social value as outlined in the Government's Social Value Model.

We continue to actively collaborate through industry partnerships, academia and our supply chain to meet global challenges such as climate change.

Our sustainability charter

A. We use innovative solutions to reduce our energy needs, while focusing on cleaner energy and other natural resources.

B. We integrate environmental sustainability into our programme design, optimise use of resources and minimise waste through increased re-use and recycling.

Environment

C. We play an active part in our local communities to enhance development and inspire the next generation.

D. The safety and wellbeing of our people is our priority. We encourage a diverse and inclusive employee base where each person feels respected and able to fulfil their potential.

Social

E. We partner with our supply chains to identify innovative solutions and ensure timely delivery of quality products and services.

F. We believe that ethical behaviour underpins our sustainability activities. We have robust processes and controls to identify opportunities and manage corporate risks.

Governance

Materiality assessment

Last year we conducted an internal materiality assessment to highlight the issues we believed mattered most to our stakeholders and to Babcock (see table below). This year we extended the materiality assessment to capture the views of some of our key stakeholder groups and ensure that our strategy evolves with their interests and needs, and aligns with our priorities.

To capture the views of our employees we ran an employee opinion poll in March, to identify the top three priority sustainability issues they think we should be focusing on in order *'to create a safe and secure world, together'*.

We also asked our investors for their views on sustainability priorities. Below we have highlighted the three topics cited by these respective groups.

Employees:

- Climate action: We are facing a global climate crisis and our people recognise we need to play our part in averting this

- Waste: Our employees believe we need to reduce the amount of waste generated, be more efficient and adopt circular economy principles

- Health and safety: Our employees recognise we must protect the wellbeing of all who interact with Babcock

Investors:

- Sustainable supply chains: In an increasingly unpredictable macro environment, supply chain resilience is key. Also, embedding sustainable practices within the supply chain will be an important factor in achieving our net zero target

- Governance, accountability and culture: These are key to delivering benefits from the operating model and to fully integrate ESG in the business to achieve our sustainability ambitions

- Talent and development: Babcock requires skilled employees. Our workforce is ageing and there is concern that we could struggle to deliver planned growth or take advantage of emerging opportunities

This year we intend to survey our key suppliers and several customer stakeholders within contracts across the sectors and regions.

Our Purpose: *to create a safe and secure world, together*

	Environment	Social	Governance
Material issues	Biodiversity and ecological impact	Community engagement	Business ethics and integrity
	Climate change	Health, safety and wellbeing	Data and cyber security
	Waste	Talent and development	Governance, accountability and culture
	Water consumption	Local economic contribution	Sustainable supply chains
		Employee inclusion and diversity	Innovation and technology
			Collaboration

ESG and our shareholders

We recognise that parts of our business model are of increasing relevance to investors looking through an ESG lens: most notably that we operate in defence and nuclear markets.

Babcock has been supporting the UK's commitment to the Continuous At Sea Deterrent for over 50 years while also delivering complex and critical civil nuclear through-life engineering. We will continue to support our UK customer, both with their defence agenda and their commitment to generate low emission power from nuclear energy.

This year we further our ESG disclosure on key sustainability interests. During the year, critical ESG topics were raised in the market allowing funds to identify and filter equities to minimise exposure to defence and nuclear industries, and enabling compliance with new investment policies.

Below we talk through key points identified by our shareholders on common issues and material areas of focus:

Environmental: In addition to new disclosure this year, we add further road-mapping to achieving our target of net zero for harmful emissions from our estate, assets and operations by 2040. The target is also linked to our KPI on CO_2e emissions for measuring our progress on page 23.

Social: The health, safety and wellbeing of our employees, customers and the community comes first at all times. This has been a year of change with our new People strategy and the setting of solid foundations to build upon as we continue to improve our safety performance, inclusion and diversity, gender pay gap, talent development and community outreach. See pages 63 to 68.

Governance: Governance starts at the top. We have continued to support the Company's turnaround by making improvements to the governance of the Group at Board level, which is covered in our Chair's report (page 92) and our Audit Committee Chair's report (page 108). Our approach to risk management is discussed on page 76, and the Group-level response to our new governance over contract bids is covered on pages 8 and 9.

This year we have continued to develop our approach to ESG reporting. Building on last year's work, we have enhanced the level of transparency and provided further insight into a range of economic, social and environmental impacts including working towards full disclosure to the TCFD requirements, as per Listing Rule LR9.8.6R.

Investor FAQs:

Are you involved in nuclear weapons?
- We do not design, manufacture, maintain or deal in nuclear weapons or their components

Are you involved in nuclear delivery platforms?
- In the UK, nuclear delivery platforms are generally defined as the UK's SSBN (Ship Submersible Ballistic Nuclear) fleet of Vanguard Class submarines and in future, its replacement programme, the Dreadnought Class
- We manufacture and assemble components for the joint UK and US SSBN submarine replacement programme
- We also design and manufacture handling and ejector systems for the future UK Dreadnought Class submarines
- These two areas of manufacture represent less than 2% of FY22 revenue

Are you involved in any other nuclear defence activities?
- Babcock has been supporting the UK's most critical defence capability, the Continuous At Sea Deterrent, for over 50 years
- We own and operate critical infrastructure and have technical knowledge of the defence nuclear market
- We provide maintenance, through-life support and life-extensions for the UK's fleet of nuclear-powered submarines. This relates to the fleets of both SSBNs and SSNs (Surface Ship Nuclear – nuclear-powered)
- As part of our civil nuclear business we also deliver infrastructure projects for AWE
- These areas of support for the wider UK defence nuclear programme represents the defence revenue in our Nuclear sector, approximately 21% of FY22 revenue

Are you involved in other weapons?
- We do not make or deal in other weapons
- We do, however, design and manufacture weapons handling and launch systems for international naval platforms used by the UK, Spain, Republic of Korea and Australia
- We also have contracts to maintain the UK Royal Navy's naval weaponry
- These areas of support and manufacture represents less than 2% of FY22 revenue

Are you involved in nuclear power?
- Yes: nuclear power provides a reliable source of low-carbon electricity and is a critical component of countries' national energy strategies as they move towards net zero carbon
- Our civil nuclear business is involved in new build, power generation support, fuel route management and decommissioning in the UK nuclear market
- We also use our technical knowledge and reference cases to undertake consultancy work in Canada and Japan, albeit at a small volume currently
- Work related to these areas represents approximately 4% of FY22 revenue

Do you have dedicated ESG remuneration targets?
- Three of the Group's key performance indicators are linked to our ESG strategy: (i) Total injuries rate, (ii) CO_2 emissions, and (iii) Senior management gender diversity
- We have two main targets as part of our ESG strategy: (i) to be net zero (Scope 1 and 2) by 2040, and (ii) for at least 30% of our senior management to be female by 2025

ENVIRONMENTAL

1 Reducing emissions and setting science-based targets to get to net zero

Across our operations we interact with a diverse range of environments and we are committed to reducing our impact on the environment. We seek to deliver to the highest standards of environmental management and protection, truly embedding our Principle of 'be kind' to ensure our impacts are minimised. We take our responsibilities seriously and ensure we are playing our part in the transition to a more sustainable future for all.

Our Group-wide Environmental Protection Working Group (EPWG) is working to conduct a holistic assessment of Babcock's approach to environmental management. We currently have 25 ISO14001 Environmental Management Systems (EMS) across the organisation which capture over 75% of our global operations, and we have several more EMS seeking accreditation over the coming 12 months. We are committed to ensuring all Babcock operations are to be delivered within an EMS by 2024, delivering advanced environmental training to all relevant employees by 2025 and have set new targets for waste, water and bio-diversity (see page 59).

Babcock Group energy consumption and emissions

		Dec-18	Dec-19	Dec-20	Dec-21
UK / UK offshore					
Scope 1: Direct emissions from owned/controlled operations	tCO₂e	74,819	69,450	52,693	42,515
Scope 2: Indirect emissions from the use of electricity and steam	tCO₂e	78,903	66,881	52,791	45,069
Scope 3: Emissions – business travel, electric transmission and distribution	tCO₂e	18,198	15,265	8,246	7,981
Total emissions	**tCO₂e**	**171,920**	**151,596**	**113,730**	**95,566**
Underlying energy consumption used to calculate emissions	**kWh**	**561,818,680**	**531,968,134**	**418,292,992**	**365,816,822**
Global (excluding UK / UK offshore)					
Scope 1: Direct emissions from owned/controlled operations	tCO₂e	93,333	99,579	110,591	100,644
Scope 2: Indirect emissions from the use of electricity and steam	tCO₂e	2,461	6,743	4,569	4,426
Scope 3: Emissions – business travel, electric transmission and distribution	tCO₂e	457	410	213	68
Total emissions	**tCO₂e**	**96,251**	**106,732**	**115,373**	**105,139**
Underlying energy consumption used to calculate emissions	**kWh**	**391,772,490**	**417,537,009**	**459,580,840**	**417,483,548**
Babcock Group total (UK / UK offshore and global)					
Scope 1: Direct emissions from owned/controlled operations	tCO₂e	168,152	169,029	163,285	143,160
Scope 2: Indirect emissions from the use of electricity and steam	tCO₂e	81,364	73,624	57,360	49,496
Scope 3: Emissions – business travel, electric transmission and distribution	tCO₂e	18,654	15,675	8,459	8,050
Total emissions	**tCO₂e**	**268,170**	**258,328**	**229,103**	**200,705**
Underlying energy consumption used to calculate emissions	**kWh**	**953,591,170**	**949,505,142**	**877,873,832**	**783,300,370**
Underlying energy consumption	**GJ**	**3,432,928**	**3,418,219**	**3,160,346**	**2,819,881**
Fiscal year revenue FY19 - FY22	**£m**	**4,474.8**	**4,428.5**	**4,182.7**	**4,101.8**
Intensity ratio	**tCO₂e/£1m Revenue**	**59.9**	**58.3**	**54.8**	**48.9**

Our emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard under the 'Operational Control' approach. The reporting period for our energy consumption and carbon emissions is the calendar year (01 January to 31 December), this is opposed to financial year as we have previously reported. The transition to calendar year reporting has allowed more time to collate, analyse and report our environmental data, which has improved the accuracy and completeness of our data sets. 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). Emissions data for prior years have been adjusted to include data unavailable last year, and emission figures for this year include an element of estimated data. Prior year revenue figures have not been restated for removal of pass through revenue, identified in the financial review, to remain consistent with the emissions data recorded in prior years. 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 and USA). Metering and monitoring improvements are being implemented to capture these data streams. During the reporting period estate rationalisation, strategic divestments, 'low-hanging fruit' energy conservation measures and improvements to our energy management practices have resulted in a reduction of both our carbon baseline and FY22 operational emissions. We are progressing well on our journey to net zero and aim to accelerate our carbon reduction over the coming years.

Plan Zero 40

We are committed to addressing the global climate crisis and leading the transition to net zero. Under the direction of our carbon strategy, Plan Zero 40, over the past 12 months we have made significant progress on our journey to net zero.

We have collaborated with a number of climate experts including Frazer-Nash and Energy Systems Catapult and developed our approach to decarbonisation. We have commenced the development of comprehensive and deliverable carbon reduction plans within our 'Pathfinder Boundaries' and are on schedule to scale the reduction plans across our global operations by the end of 2023.

We have developed a specialist central team to support the organisation and effectively manage the transition to net zero and are investigating opportunities to finance our net zero journey.

In April 2021, we signed the Business Ambition Pledge and committed to a 2030 science-based target in line with a 1.5°C degree pathway. We are on track to meet our goal and over the next 12 months we aim to submit our targets for approval by the Science Based Targets initiative (SBTi).

Within our carbon reduction plans we are identifying carbon reduction, energy efficiency and renewable energy opportunities across our operations.

At Rosyth Dockyard we have identified the opportunity for renewable energy systems with generating capacity of over 10MW, which will meet a significant percentage of the energy demand for the site, reduce the footprint of our operations and provide resilience to fluctuating energy prices. We have also conducted estate-wide renewable energy surveys to identify the opportunity for the installation of solar photovoltaics.

We are also seeking accreditation to the Carbon Trust's new 'Route to Net Zero Standard' by the end of April 2023.

During 2021 Babcock conducted a strategic review of our estate and built environment. The review identified cost savings and environmental improvements which could be delivered through estate rationalisation. We have subsequently proceeded to consolidate our estate which has delivered a reduction in our carbon baseline and operational emissions, along with delivering a broad range of environmental and organisational efficiencies.

Scope 3 emissions

Given the diverse and complex nature of Babcock's operations, Scope 3 emissions presents a range of challenges. We have, however, made significant progress investigating and mapping our Scope 3 emissions. This includes assessment of our Scope 3 upstream emissions utilising the Environmentally Extended Input Output (EEIO) approach, hotspot analysis of our supply chain and publication of our new Supplier Sustainable policy.

Our work to date is driving proactive engagement and will ensure sustainable and low-carbon considerations are embedded throughout the value chain.

We have commenced investigations into our Scope 3 downstream footprint and have completed an initial assessment as a pathfinder. We are working to conduct further downstream assessments to identify hotspots across our global operations and are on track to develop a detailed understanding of our Scope 3 footprint with associated net zero pathway by 2025.
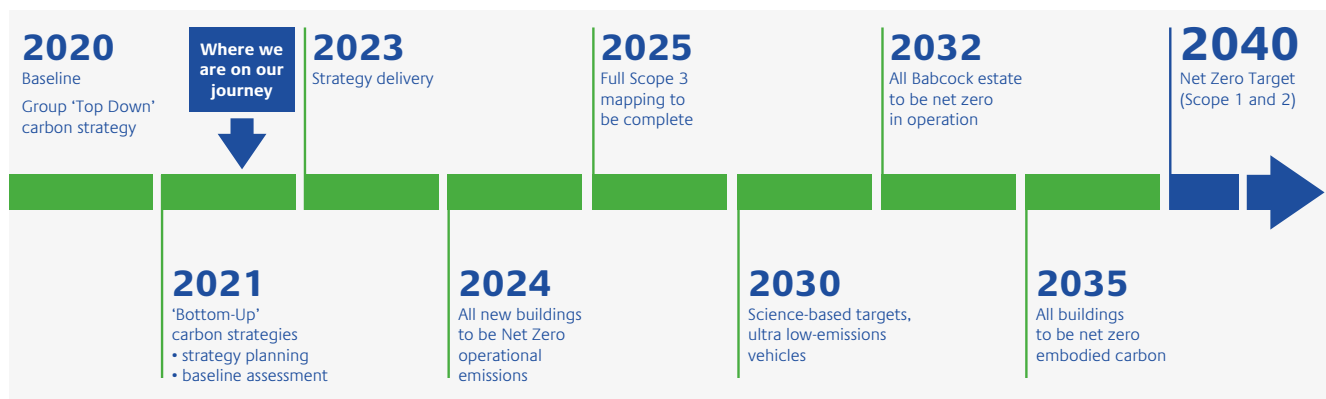
We are taking proactive action and collaborating with our customers, peers and suppliers to ensure there is a consistent approach to calculating and managing Scope 3 emissions across the defence and aerospace industry. We are active members of a range of industry forums investigating sustainable solutions and alternative fuels.

Reducing the impacts of our products and services is a key aim for the organisation. As a priority, the Group Executive Committee is ensuring the delivery of appropriate training and development for our employees and stakeholders, embedding circular economy principles and leading on the development of 'Green Ports'. We are working in collaboration with industry and academic partners to investigate approaches to environmental lifecycle assessments and whole-life models.

Sustainable transport

Sustainable transport is an important factor in our transition to net zero. Our Sustainable Transport strategy addresses our key transportation impacts including: the Babcock fleet, business travel, employee commuting and transportation & distribution (upstream and downstream). We are developing specific transportation targets in line with our ambitions under Plan Zero 40 and our science-based targets. We are seeking to transition our fleet to 100% ultra low-emission vehicles (ULEVs) by 2030 and have a range of programmes aimed at raising awareness and promoting varying modes of sustainable transport.

Our journey

2020
Baseline
Group 'Top Down' carbon strategy

Where we are on our journey

2023
Strategy delivery

2025
Full Scope 3 mapping to be complete

2032
All Babcock estate to be net zero in operation

2040
Net Zero Target (Scope 1 and 2)

2021
'Bottom-Up' carbon strategies
• strategy planning
• baseline assessment

2024
All new buildings to be Net Zero operational emissions

2030
Science-based targets, ultra low-emissions vehicles

2035
All buildings to be net zero embodied carbon

As a flagship, we have recently launched an electric vehicle (EV) salary sacrifice scheme for our UK operations. This scheme will promote and accelerate the uptake of EVs across our workforce, which will lead to a reduction in the footprint and impact of our operations.

Raise awareness of environmental and sustainability issues

We understand our people are key to embedding sustainability into our operations. Over the past year we have effectively engaged with our workforce and wider stakeholder groups to educate and raise awareness of environment and sustainability issues. In the run-up to and throughout COP26 we hosted a series of events including 'lunch and learn' briefings and a presentation/Q&A with Olympic gold medallist Hannah Mills. We also ran a climate podcast series with appearances from Babcock's CEO David Lockwood and the Ministry of Defence's Lt Gen Richard Nugee. We have exciting plans to continue and enhance our engagement over the coming year.

Data management

Data is the cornerstone of our Environmental strategy and journey to net zero. We use data to understand our impacts, inform our decisions and communicate our position in a transparent manner.

Throughout 2021 we implemented a range of improvement measures to our data management system to ensure high accuracy and completeness. As a priority we are investigating the development of an environmental data management system which will form the basis of our approach.

2 Integrating environmental sustainability into programme design

Climate action Executive Committee priorities

As part of Babcock's TCFD governance workstream, climate action priorities have been agreed by the Group Executive Committee and are underway to ensure the assessment and management of climate-related risks. See page 60.

Waste

Consumption of materials and resources is a significant contributor to Babcock's environmental footprint and we understand our responsibility to minimise the impacts of our operations. We continue to deliver improvements to our waste management practices and to minimise waste sent to landfill.

Within our Marine business we have adopted innovative technology, such as robotic welding, which reduces waste along with providing a wide range of additional benefits. Within our Aviation business we harnessed data to inform the scheduling and planning of our touring pilots and reduced wasted travel and expense by over 50%.

We have set three waste targets;

- Preparing waste management plans across all significant sites by 2024
- Zero controlled waste to landfill by 2025
- Eliminate the use of unavoidable single-use plastic by 2027

Water

Water is a key resource across our global operations and we understand the need to reduce our impacts and manage our water consumption responsibly. Across the organisation, local environmental teams are working to identify water reduction opportunities and to incorporate water reduction technologies such as rainwater harvesting, leak detection and flow restriction in our new developments.

Within our African operations, water scarcity poses a significant challenge and we have taken proactive steps to reduce our impacts through rainwater harvesting to recycling water for irrigation and flushing toilets. For example in Botswana our teams created wash bays that recycle and filter the runoff water for reuse, which has achieved a 60% reduction in water consumption.

- We have set a target to prepare water management plans across all significant sites by 2024

Biodiversity

Maintaining and enhancing biodiverse ecosystems is a fundamental aspect of our Environmental strategy and we aim to ensure we preserve and enhance natural capital. Our local environmental specialists ensure that environmental considerations are embedded throughout our operations and our impacts are minimised.

We have set two biodiversity targets;

- Conduct biodiversity assessments across all significant sites by 2024
- Deliver a 10% biodiversity increase across the estate by 2030

Task Force on Climate-related Financial Disclosures

This year we have been working towards full disclosure to the Task Force on Climate-related Financial Disclosures (TCFD) requirements, as per Listing Rule LR9.8.6R. We have appropriate governance with respect to climate change, integrated risk management and scenario planning in our strategic planning cycles and we have set some initial targets. As we work towards full disclosure, we will assess how climate change scenarios impact on the organisation's business strategy, financial planning and budgeting. For further details see FY23 priority table, page 62.

Governance
Board oversight of climate-related risks and opportunities
In FY21 the Board, in order to progress the ESG programme and meet the expectations of our stakeholders, approved Babcock's carbon initiative (Plan Zero 40), our list of identified ESG material issues and our phased approach to full TCFD implementation.

Group-wide ESG matters are now an integral part of Board strategic discussions. In FY22, the Board reviewed progress on Plan Zero 40 and TCFD through updates from the Group Head of Sustainability. See page 97 for further details on our governance framework.

Climate-related risks and opportunities are to be reported to the Executive Committee on a quarterly basis.

Management's role in assessing and managing climate-related risks and opportunities
The executive with responsibility for TCFD reporting is the Chief Corporate Affairs Officer. TCFD workstreams are championed by the Group Head of Sustainability and activities are overseen by the Corporate ESG Committee, which meets quarterly and includes representatives from the Executive Committee. Progress on TCFD activities is reported to this Committee, and any actions/activities required to further climate-related risk management activities are agreed by the Committee. Executive Committee members who are members of the Corporate ESG Committee are indicated on page 97.

TCFD actions and activities are managed at the Group and sector level by 'TCFD Sponsors' with oversight from the Group Head of Sustainability and support from each sector risk lead and/or relevant environmental, technical or facilities team. The sponsors are typically Finance Directors/Heads of Finance, which ensures that TCFD activities are overseen by individuals with sufficient seniority, and authority, to delegate tasks and monitor progress. Sponsors also hold responsibility for ensuring that climate-related risks and opportunities within their sector are understood, financially quantified and delegated for management on an ongoing basis.

Plan Zero 40 is being led by the Group environmental team, with sectors accountable for developing their bottom-up carbon reduction plans. For further details on decarbonisation, see page 58.

Additionally, during the year the Edinburgh University Centre for Business and Climate Change facilitated an Executive Education session with the Executive Committee on climate change.

Strategy
We have analysed climate-related risks and opportunities across all of our business operations against three climate scenarios. These are based on an evolution and customisation of scenarios developed by the Network for Greening the Financial System (NGFS). We customised these scenarios to include location-specific information relating to areas where we carry out our operations. Additional criteria were also developed to capture the longer-term nature of climate-related risks and opportunities.

Orderly: 'Net Zero 2050' (warming limited to 1.5°C)
- Early high levels of transition risks with reduced subsequent physical risks

Disorderly: 'Delayed Transition' (warming limited to 2°C)
- Delayed transition risks with higher subsequent physical risks

Hothouse World: 'Current Policies' (warming of 3°C+)
- Limited or no transition risks but runaway physical risks

These scenarios were adopted as they were determined to be in line with Babcock's most likely possibilities across the business. Due to the disparate geographies that we operate in, the most relevant scenario for each sector or region varies, particularly in relation to policy retention. The UK, European countries and New Zealand are broadly seen to have a high amount of legislation that addresses climate change, with a legal commitment to achieve net zero by 2050. Canada and South Africa are aspirational for the transition but more locked into traditional carbon-intensive economies. Australia is much further behind in this area. As a result, transition risks in the UK are different from those in the Australian region. Some sectors also have operations exposed to different types of transition risk depending on their geographic spread.

Our process for identifying and assessing the impact of future potential scenarios included interviews with senior executives across all of our sectors and regions, as well as a number of workshops. More than 100 stakeholders have been involved across Babcock, providing coverage of nearly all business functions. This confirmed the materiality of climate-related issues. Based on analysis of the impact of these risks on Babcock's operations, the following areas will influence our sector/regional strategies and business model:

- Extension of risk management timescales to accommodate the longer-term nature of climate-related risks
- Development of robust green credentials to continue to attract top talent
- Implementation of flexible and adaptable governance structures and processes to accommodate regulation change
- Implementation of renewable energy sourcing and energy-efficiency measures across sites and facilities
- Implementation of a contracting approach that includes climate considerations
- Collaboration with supply chain to understand/mitigate suppliers' climate impacts

Risks
An analysis of climate-related risks relevant to Babcock has shown that many risks and opportunities are in the medium term (2030-2040) and long term (2040-2100), giving Babcock time in the short term to implement activities to mitigate.

Details of our most significant climate-related physical and transition risks, proximity, impact and control measures introduced can be seen in the graphic on the next page.

Our most significant physical risk is dockyard disruption and we have assessed the risk of increased flooding and storm surges. The highest risk is seen in a 3°C scenario, where we expect to see more extreme weather patterns.

From our assessment of transition risk, we believe increased climate-related regulation will have an impact on supply chain disruption. The lowest risk is in the 3°C scenario which assumes that only current climate policies are implemented, therefore transition risks globally will be negligible.

Examples of key risks and control measures

Risk title	Risk description	Proximity	Scenario 1.5°C	2°C	3°C+	Control measures
Dockyard disruption	Dockyards owned/operated by Babcock may be flooded due to an increase in sea level and higher frequency of extreme weather, resulting in storm surges.	Short (2020-2030)				Our Devonport site is currently undertaking a significant infrastructure rebuild and climate-related risk is being factored into rebuild decisions.
		Medium (2030-2040)		🟡		
		Long (2040+)	🟡		🔴	In the medium to longer term as the site develops, for the design of rebuild and new facilities we will consider climate-related risk in line with the latest ONR standards.
Supply chain disruption	Increased climate-related regulation, such as taxes on fossil fuels, may affect Babcock's supply chain cost base or viability of supply chain companies.	Short (2020-2030)	🟡			Our Sustainable Procurement policy has been implemented, which considers our suppliers and sub-contractors' ability to meet our requirements against 12 sustainability priorities. We will consider the plans of our suppliers in our sourcing decisions and actively monitor and manage sustainability performance in the supply chain. Further details can be found in our Sustainable Procurement policy.
		Medium (2030-2040)		🟡		
		Long (2040+)			⚪	We have invested in an AI monitoring solution for our supply chain, see page 69.

Impact
⚪ Insignificant / Moderate   🟡 Moderate   🟠 Major   🔴 Severe

Plan Zero 40 is our chief mitigation mechanism to combat transition risk, which is highest in countries with a strong net zero policy, such as the UK.

Opportunities
We also recognise there will be opportunities in the transition towards a greener economy. Through our Liquid Gas Equipment (LGE) business, we aim to continue to develop our ammonia fuel gas supply system, as well as solutions for the transportation and storage of CO_2 in line with customer and legislative requirements. This will ensure that we are optimising efficiency while developing zero-carbon solutions.

We're collaborating cross-industry and working with academia on several programmes such as the MarRI-UK hydrogen Fuel Cell-BATTERY Ship Advanced Power-Energy Management Solution for Zero Emission Marine Propulsion Systems. In our PHOENIX II contract, we manage in excess of 15,000 White Fleet vehicles and are working with the customer to deliver its commitment to achieve both the 2022 and 2027 UK Government's 'Road to Zero' targets. The targets require a transition of 25% of the M1 Classified Fleet (predominantly cars) to ULEVs by the end of 2022, and then 100% of M1 and N1 (predominantly vans, 4x4s) fleets to zero tailpipe emission vehicles by the end of 2027.

In 2021, we integrated the climate-related risks and opportunities flowing from our TCFD scenario workshops into our strategic planning process. Each sector, region and function has detailed its strategies for managing the priority risks and realising opportunities over the strategic plan period (five-year outlook).

Risk management
Our process for identifying and assessing climate-related risks and opportunities utilised the existing Babcock risk management framework.

The horizons against which the climate-related risks were assessed are as follows:

• Short term (present to 2030)
• Medium term (2030 to 2040)
• Long term (2040 to 2100)

Once all relevant climate-related risks and opportunities had been identified, assessed and scored across the relevant time horizons, individual climate-related risk registers were created for each sector. These registers have been delegated to individual owners by TCFD sponsors and are required to be submitted on a quarterly basis inclusive of relevant mitigation or controls in place. On an annual basis, owners will be required to review the initial scoring of each item to assess the effectiveness of control measures. The Group Risk policy has been updated to reflect integration of the new process.

Metrics and targets
Babcock has developed the following metrics, with associated targets and timescales, to measure our progress towards reducing our exposure to climate-related risk. We plan to develop and disclose further metrics and targets in the next financial year.

• Establish baseline and submit carbon reduction targets to the Science Based Targets initiative by April 2023
• Complete an assessment of climate-related risk of all critical Babcock infrastructure by December 2024
• Complete a review of climate-related changes to working conditions covering all employees who are exposed at geographical locations. Our target for this review is April 2023
• Ensure climate-related impacts are considered in all new business bid/no bid decisions and associated contract negotiations/KPIs
• 100% of electricity for Babcock facilities to be sourced from renewable supplies by 2030, as far as reasonably practicable
• Complete an assessment of all our critical suppliers' climate-related risks and associated impact on Babcock in autumn 2022

TCFD progress vs priorities

	FY22 progress	FY23 priorities
Governance	• Group Executive Committee and the Board completed the 'Chapter Zero' survey • Group Executive Committee completed the Executive Education session run by Edinburgh University • ESG updates to the Board included climate action • In FY22 the Remuneration Committee included specific ESG objectives and measures in the FY23 annual bonus, see page 114	• Board to continue the discussion on the topic of sustainability
Strategy	• Climate-related risks and opportunities have been integrated into 'business as usual' processes, through inclusion of climate-related questions within the Group enhancement strategy process undertaken by each sector and region	• Further assess approach to scenario analysis and assess organisational resilience • Further define financial implications of climate-related risks and opportunities and seek to include mitigation steps in strategic planning • Ensure climate-related impacts are considered in all material new business decisions and associated contract negotiations / KPIs
Risk management	• Physical and transitional climate-related risks and opportunities have been identified and scored through sector and region workshops in the short, medium and long term using Babcock's approach to risk • Climate-related risk management has been integrated into Babcock's overall risk management process through the addition of a climate-related risk register	• Assess progression of climate-related risk registers and ongoing management • Further validation of financial impacts • Complete an assessment of critical suppliers' climate-related risks and associated impact on Babcock by autumn 2022
Metrics and targets	• Progressed 11 pathfinder boundary projects and baselining phase	• Establish baseline and submit carbon reduction targets to Science Based Targets initiative by April 2023 • Progress on Plan Zero 40 by scaling across the rest of the organisation

Technology plays a critical role in our efforts to minimise the environmental impact of our business. Scan this code to watch a video to find out more about the work we are doing in this area.

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.
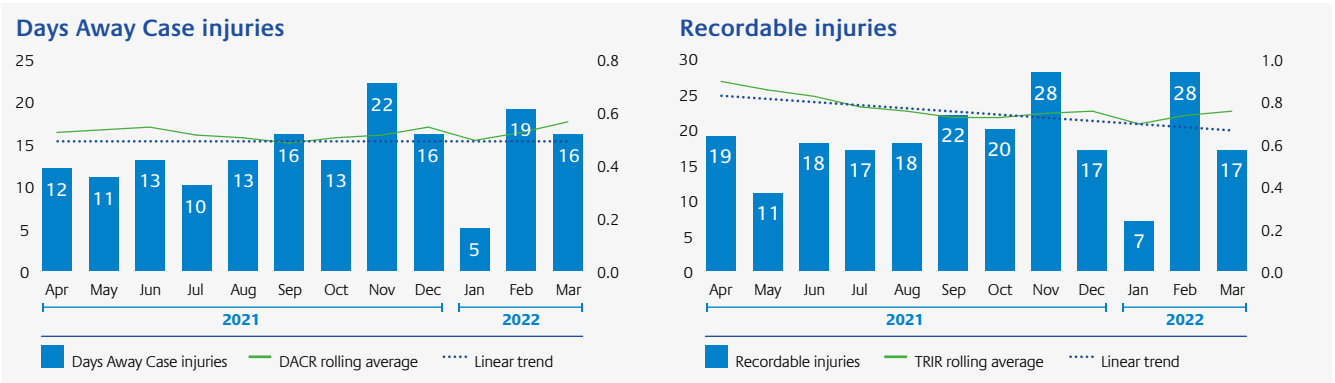
Proactive reporting – Reporting safety issues before they cause harm

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.
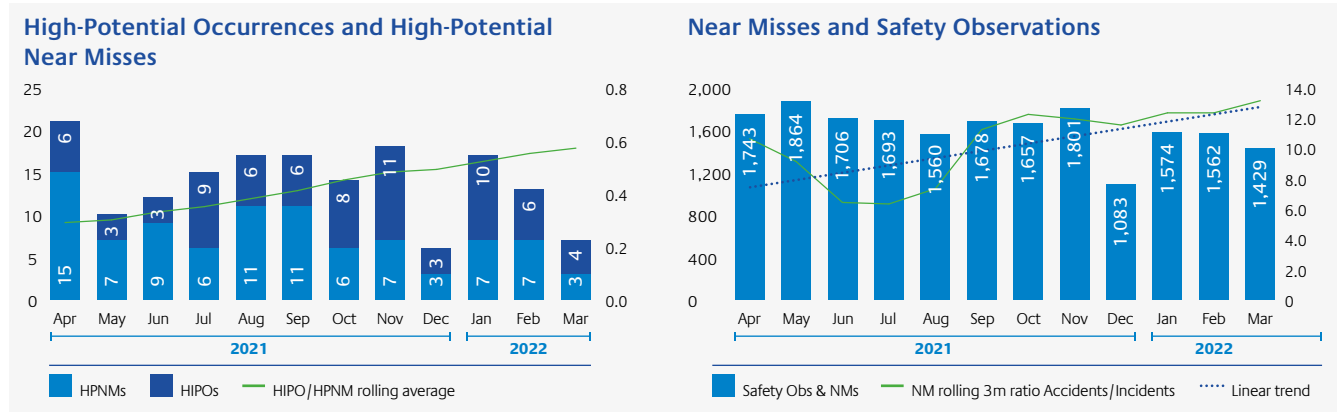
The Group's Total Recordable Injury Rate (TRIR),[1] which includes work-related injuries requiring medical treatment or above, has reduced from 0.89 to 0.75 over the year, with a reduction in the number of these types of accidents of 18% against 2021. The Days Away Case Rate (DACR) across the whole of 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.

Days Away Case injuries

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Days Away Case injuries	12	11	13	10	13	16	13	22	16	5	19	16

2021 — 2022

■ Days Away Case injuries — DACR rolling average ⋯⋯ Linear trend

Recordable injuries

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Recordable injuries	19	11	18	17	18	22	20	28	17	7	28	17

2021 — 2022

■ Recordable injuries — TRIR rolling average ⋯⋯ Linear trend

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

High-Potential Occurrences and High-Potential Near Misses

Legend: HPNMs | HIPOs | HIPO/HPNM rolling average

Near Misses and Safety Observations

Legend: Safety Obs & NMs | NM rolling 3m ratio Accidents/Incidents | Linear trend

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%.
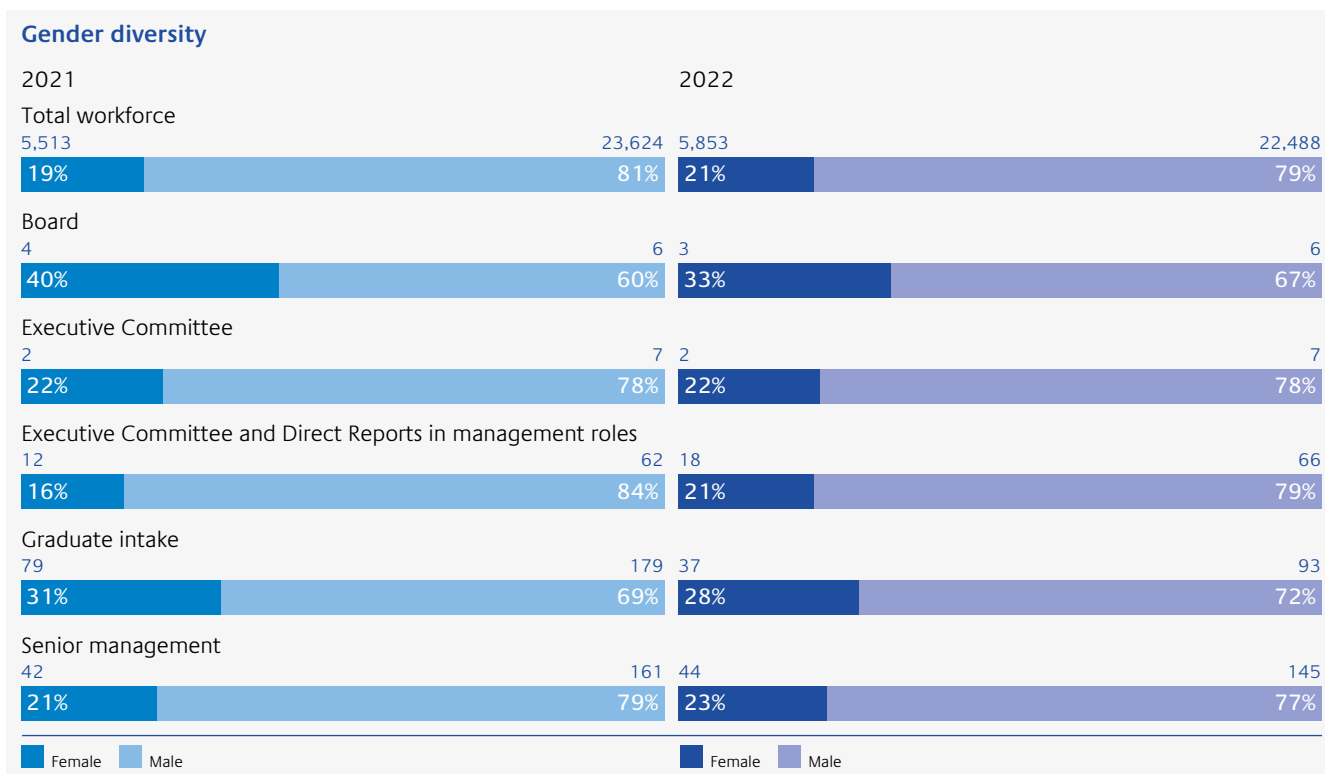
Following our overall headcount reductions, our graduate population shrank this year from 258 in 2021 to 135 in 2022, which resulted in a subsequent reduction in our female intake by three percentage points. This is mainly driven by the challenges associated with recruiting in a very competitive graduate 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

Gender diversity

2021 | 2022

Total workforce

2021		2022	
5,513	23,624	5,853	22,488
19%	81%	21%	79%

Board

2021		2022	
4	6	3	6
40%	60%	33%	67%

Executive Committee

2021		2022	
2	7	2	7
22%	78%	22%	78%

Executive Committee and Direct Reports in management roles

2021		2022	
12	62	18	66
16%	84%	21%	79%

Graduate intake

2021		2022	
79	179	37	93
31%	69%	28%	72%

Senior management

2021		2022	
42	161	44	145
21%	79%	23%	77%

Female Male   Female Male

1. 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.
2. 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.
3. 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).
4. Senior management role total is 189.
5. 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.

GOVERNANCE

5 Being a collaborative, trusted partner across the supply chain

We are committed to conducting business honestly, transparently and with integrity. Diverse and robust supply chains enable us to provide quality and timely delivery of products and services.

External expenditure via third-party suppliers, including original equipment manufacturers (OEMs), continues to account for a significant part of our turnover and we recognise how our ability to deliver performance and margin is affected by our approach and ability to manage these relationships.

Our supply base design is balanced to meet our customer, regulatory and financial performance requirements. It considers supply chain risk and addresses appropriate mitigating actions. We review our business-critical suppliers on an annual basis to address any risks or concerns. To support this process we have invested in an AI risk monitoring solution that will allow us to map our supply chain ecosystem, monitor activities and alert us when hidden risk is exposed in our sub-tier supply chain. This has been rolled out in Q1 FY22.

We buy a wide range of goods and services from over 14,000 suppliers. These range from large multinational OEMs to small and mid-size enterprises (SMEs). Approximately 250 of these suppliers are considered to be key partners supporting our ability to deliver continuous improvement and innovative quality outputs. We combine technology, market intelligence and business process to engage with our supply base and form long-term sustainable relationships.

Our activities ensure that we continue to deliver value through working effectively with our supply chains. By improving upfront supply chain involvement in bid processes, we have been able to engage earlier with potential suppliers. This enables our suppliers to actively support both the design and implementation stages of our work with innovative solutions and deliver enhanced productivity and increased quality.

Over the past year we have undertaken a structural reset of our procurement and supply chain, appointing a new Chief Procurement Officer to lead its transformation. We have made strong progress with the implementation of the Group Procurement and Supply Chain operating model and standardisation of key business processes. The purpose of this strategy is to create a Group procurement and supply chain team with a common purpose and strategy which is fully integrated and aligned with the business. We aim to achieve consistent long-term value creation for our interested parties by continually enhancing our supply chain to deliver best-in-class and sustainable products, goods and services.

Sustainable sourcing

Babcock aims to maintain strong and sustainable supply chains and we recognise that to be successful we must work collaboratively with our suppliers and sub-contractors to identify and deliver ever more sustainable goods and services. Our intention is to reduce the environmental footprint of our supply chain and provide social benefits to society in parallel with meeting our business goals.

We continue working to align our processes and standards to ISO20400 (Sustainable Procurement) including circular economy principles such as recycling and disposal options. A strategic roadmap has been developed which establishes the framework required to integrate sustainability within procurement and supply chain activities, driven by the need to deliver sustainable outcomes through our supply chain. Our procurement and supply chain business processes will continue to be developed and aligned to ISO20400 guidelines throughout 2022, with a view to full alignment by the end of 2023.

To support this intent we have published a new Supplier Sustainability policy which is being rolled out to our supply chain through planned communication activities and supplier engagement events during FY23.

Supporting guidance has also been produced in the form of our Sustainable Procurement Supplier guide. This document is provided to assist suppliers in meeting the requirements of our Sustainable Procurement policy. It identifies areas for emphasis, reference documents and some regional requirements arising from national policies.

Our suppliers and their extended supply chains are required to share our commitment to respecting, protecting and promoting human rights and to support our efforts to achieve transparency within higher-risk supply chains and take responsibility for the issues we uncover such as hidden labour exploitation.

Scope 3 carbon emissions mapping

We are currently conducting an assessment of upstream Scope 3 emissions (categories 1 and 2) to establish data for Babcock's upstream value chain emissions.

A spend-based calculation methodology is being adopted for the mapping activity to produce tabular and graphical results for Babcock's upstream value chain emissions and provide a baseline for developing Babcock's carbon strategy further.

Working with SMEs

We recognise the value that SMEs play in the wider economy and we actively encourage them to engage with us. We will continue to engage with both smaller and local suppliers, especially those that help inclusion of under-represented groups, which fosters economic prosperity and societal integration.

Working with SMEs also ensures that we have access to innovative new solutions and provides enhanced flexibility and agility. As part of the wider Group procurement and supply chain strategy, we expanded key performance indicators throughout FY22 to measure and monitor our percentage spend with SMEs. This is now a key measure within the procurement and supply chain function and our performance against benchmark targets is subject to ongoing management review, which supports both our decision-making and any actions required to support the growth of our SME supplier population.

Human rights

Babcock is an international company and we are committed to conducting our dealings with the utmost integrity. We are committed to the protection of human rights and we comply with all national laws in the jurisdictions in which we operate. We welcome the opportunity to contribute positively to global efforts to ensure that human rights are understood and observed. We believe that a culture of respect for, and promotion of, human rights is embedded throughout our business and can be demonstrated by our commitment to ethical conduct in everything we do.

We recognise the United Nations Universal Declaration of Human Rights and the standards established by the International Labour Organization. Our suppliers and their extended supply chain are expected to share this commitment and to meet the following:

Treat workers equally
- Respect the human rights of all employees and the rights of the communities in which they operate
- Ensure work is performed on a voluntary basis
- Ensure that all employees can make a free choice about their employment – there should be no illegal, forced, bonded, involuntary or exploited labour
- Ensure there is no involvement in human trafficking or involuntary movement of people

Reasonable working hours
- Ensure employees do not work hours in excess of the limitations set by relevant local and national laws and regulations
- Ensure all overtime work is voluntary
- Other than for extraordinary situations, all workers are entitled to at least one day off in every seven-day period

Workers are of an appropriate age
- Ensure that no underage workers are employed, either directly or indirectly
- Babcock's suppliers are encouraged to participate in appropriate apprenticeship programmes that comply with applicable laws and regulations

Workers are paid fair wages
- Pay wages which at least meet national legal standards. Pay industry benchmark standards wherever possible
- Ensure overtime work is used responsibly and compensated fairly
- Ensure that everyone is working in a recognised employment relationship as defined by law, and explain clearly to employees the terms and conditions of their employment and the expected work output to which their wages relate

Workers' health and safety in the workplace is protected
- Provide a safe and sanitary workplace, taking all necessary actions to educate employees to prevent accidents and injury to health

Ensure access to fair procedures and remedies
- Allow access to full and confidential remedy/grievance processes
- Freedom of association and collective bargaining
- Allow free association and the opportunity to communicate directly with management without fear of intimidation or reprisal

Core processes to ensure compliance with our expectations include supplier onboarding, audits and assessments, issue management and performance management. The requirements are also incorporated into our Supplier Code of Conduct, Supplier Sustainability policy and Supplier Sustainability Guideline which are subject to routine periodic review.

The human rights risk assessment process is embedded into a number of our due diligence and management processes, where a targeted approach is taken within our questionnaires to understand the maturity levels of controls within our supply chain. Our supplier lifecycle management controls also trigger scheduled reviews within our supplier onboarding solution.

The supplier audit programme is currently being reviewed to ensure human rights issues are being embedded into the standard audit content. The supplier quality and development audit programme is being extended during FY23 to cover a wider section of our supply chain and the audit checklists are being standardised across each of the business units to consistently verify adequate human rights controls are demonstrable by the supplier throughout the audit process. Formal actions are taken when risks are identified during the audit process.

Our strategy for supply chain risk management has also led to the introduction of an AI solution for live monitoring of human rights risk within our extended supply chain. Babcock can now assess our suppliers' policy and performance strength regarding human rights, including information on child or compulsory labour, treatment of people throughout the supply chain and treatment of local populaces. This approach serves as an early warning system. Should events or changes occur in our supply, live alerts are communicated to the procurement and supply chain team.

Modern slavery

In the UK, we expect our suppliers and extended supply base to adhere to the Modern Slavery Act 2015, as we do ourselves. We expect all our overseas suppliers to understand and comply with the intent of the Act.

Modern slavery considerations are included as part of our risk management and supplier selection processes and we will continue to review our approach to training our employees and ascertaining risks in regards to the prevention of modern slavery.

If it is discovered that there has been a breach of the above, or any other relevant, declarations and legislation, we will take all necessary steps to mitigate any impact.

Our Modern Slavery Transparency Statement is reviewed and approved annually by the Board. The statement remains available on our website.

Fair operating practices

Our Group-wide Suppliers' Code of Conduct (available on the Group's website) is designed to provide clarity about our expectations of suppliers, including compliance with all applicable laws. While we recognise that many of our suppliers operate in different geographic and economic environments, we expect that products and services are delivered in a way that supports Babcock's high standards and contributes to the reputation of Babcock and our customers.

Suppliers and the extended supply chain are expected to meet these standards at all times and should either be willing to subscribe to our Code, or have equivalent standards and procedures in their own businesses.

Our intention is to be a good partner and to work with suppliers to support necessary improvements, but we will not accept any behaviour which is contrary to either our ethical codes or health, safety and environmental working practices.

Before engaging with suppliers, we assess their ability to demonstrate that they are 'fit for business', with financial, commercial, safety and governance capability. Suppliers also demonstrate they are 'fit for purpose', with technical, health and safety capability and security compliance to meet our contractual requirements.

Our businesses use appropriate processes to qualify, onboard and periodically revalidate sub-contractors to ensure compliance with commercial, regulatory and legal requirements.

Protecting the information and physical assets of our customers is an important part of what we do. We always expect high standards of commercial confidentiality. For certain types of supply we have and continue to develop exacting standards of security compliance.

In the UK, we use the JOSCAR due diligence tool, which is a shared industry-wide management system for defence contractors that collects standardised information about individual suppliers across the UK supply chain.

Payment to suppliers

We understand the importance of predictable payments when running a business and will ensure good practice across the Group.

17 legal entities submit returns to Companies House according to the Payment Practices and Performance Regulations. 11 of our legal entities are signed up to the Prompt Payment Code and are compliant as of 31 March 2022.

Procurement methodology to calculate average payment days across the group has changed this year from an average to weighted average approach. The average payment over the past six months to March is 24.6 days, versus 23.5 days last year. For reference, using last year's methodology, the equivalent figures would be 30.5 days over the past six months versus 29.6 days last year.

We actively support the Prompt Payment Code and encourage our suppliers to adopt the code themselves and promote its adoption throughout their own supply chains.

Commercial integrity

We are committed to conducting business honestly, transparently and with integrity. It is the right and proper way to behave, ensuring we uphold high ethical standards across the Group. It also supports our long-term success.

We understand our reputation and good name are amongst our greatest assets and could easily be lost by actual or suspected unprincipled behaviour. To support good governance and ethical behaviour across our Group, our actions and those of our employees, suppliers and partners are guided by a series of Group policies. These are reviewed periodically to ensure that they continue to meet current best practice principles and legislative needs. By establishing transparent policies and procedures we can reduce risk to our business and to our customers.

Code of Business Conduct and Ethics policy

To protect the Company and reduce risks, we have established a policy on how we should conduct business which is summarised in the form of the Babcock Code of Business Conduct.

Compliance with this policy is compulsory for our employees, business advisors and business partners (or, in the case of business advisors and partners, they must have equivalent standards and procedures in their own businesses). The policy is kept under review by the Group Company Secretary and General Counsel and on an annual basis the Board undertakes an annual ethics review, seeking assurance that the Group's Ethics policy is complied with.

Our Ethics policy comprises a detailed manual, available to employees on the Group's intranet and also available on our website, which contains guidelines, authorisation mechanisms and other procedures aimed at identifying and reducing ethical risks. It supports extensive policies around anti-bribery and competition law that clearly show our zero tolerance for any form of bribery or anti-competitive behaviour.

These controls form an integral part of our risk management arrangements, which also include training our employees and undertaking regular risk assessments throughout the business. We implement appropriate training and procedures designed to ensure that we, and others working for us, understand what our Code of Business Conduct and our Suppliers' Code of Business Conduct (see also page 71) mean for them in practice. This training includes mandatory completion of courses on an annual basis in all our geographies, translated where applicable, such as anti-bribery and corruption, security and data protection. Completion of these courses is monitored.

We treat breaches of our Codes or associated guidance seriously. Employees can raise any concerns that our Code or its associated guidance is not being followed without fear of unfavourable consequences for themselves.

To ensure that anyone with a concern is able to access advice and support, our independent whistleblowing hotline, EthicsPoint, (operated by NAVEX Global) allows for confidential and anonymous reporting and is available 24 hours a day, seven days a week, in all territories where we are based. Employees are encouraged to use it if they feel unable to raise concerns with their local management team and details are available for use by external stakeholders and members of the public.

All reports to the whistleblowing line are sent directly to the Company Secretary who decides the appropriate course of investigation. During the year 83 whistleblowing reports were received (FY21: 83).

More details of our risk management procedures can be found on page 76 whilst our Ethics policy, Code of Business Conduct and Suppliers' Code of Conduct can be found on our website.

Cyber security

We recognise the very real risk of malicious cyber breach and work hard to ensure both our customers' and our own information assets remain protected. Babcock's Group Security Committee meets quarterly to provide governance covering cyber and other security and informational assurance risks, issues and threats facing the Group.

Babcock is a member of the joint UK Ministry of Defence and industry Defence Cyber Protection Partnership (DCPP) which is an initiative to ensure the defence supply chain understands the cyber threat and is appropriately protected against attack. Babcock is represented on all the working groups and DCPP executive committee, as well as other defence security forums.

Babcock applies all required international and government security standards for installation and secure operation of Information systems.

Babcock's core IT services are certified to ISO27001 (Information Security), ISO22301 (Business Continuity) and Cyber Essentials Plus, which is mandatory for all suppliers of UK Government contracts that involve handling personal information and providing certain products and services.

Babcock continues to invest in cyber resilience and in raising awareness across the workforce.

Non-financial information statement

Reporting on material yet non-financial measures is important in understanding the performance, opportunities and long-term sustainability of the Company and our ability to generate value for all our stakeholders. We disclose non-financial information in the ESG strategy report and throughout the Strategic report. We are committed to providing greater transparency about our policies, standards and governance approach through the global reporting frameworks and insight in the ESG strategy report.

Reporting requirement	Policies and standards	Additional information	Page
Environmental matters	Health, Safety and Environmental policy*	Environmental section	57
	Energy policy*	Environmental section	57
	Procurement Sustainability policy**	Sustainable sourcing	69
Employees	Code of Conduct **	Commercial integrity	71
	Health, Safety and Environment policy*	Home Safe Every Day	63
	Agile working framework*	Employee inclusion and diversity	64
	Charity and Sponsorship High-Level Guidelines*	Group-wide sponsorship	67
		Building relationships	52
Human rights	Code of Conduct**	Code of Business Conduct and Ethics	71
	Supplier Code of Conduct**	Fair operating practices	71
	Modern Slavery Transparency Statement**	Commercial integrity	71
Social matters	Anti-bribery and Corruption/Ethics policy**	Code of Business Conduct and Ethics	71
	Code of Conduct**	Code of Business Conduct and Ethics	71
	Respect and Inclusion Charter*	Employee inclusion and diversity	64
	Canada Indigenous Peoples policy*	Indigenous peoples	67
		Building relationships	52
Anti-bribery and corruption	Anti-Bribery and Corruption/Ethics policy**	Code of Business Conduct and Ethics	71
	Whistleblowing policy**	Principal risks and management controls	76
	Supplier Code of Conduct**	Fair operating practices	71
Description of principal risks and impact on business activity	Group Risk Management policy*	Principal risks and management control	76
Business model		Our business model	8
Non-financial KPIs		Our strategy	6

* Available to employees through the Babcock intranet but not published externally.
** Available on the Babcock website and available to employees through the Babcock intranet.

Compliance with Global Reporting Initiative (GRI)

We intend to report in accordance with the GRI Standards, Core option. We have indicated the disclosure topics that are relevant to Babcock and the level of disclosure in AR21 and AR22.

Standards	Disclosures		AR-21	AR-22
Universal Standards	GRI 101: Foundation 2016	GRI 101-01 to 101-10	●	●
	GRI 102: General Disclosures 2016	GRI 102-01 to 102-56	●	●
	GRI 103: Management Approach 2016	GRI 103-01 to 103-03	●	●
Economic Topics	GRI 201: Economic Performance 2016	GRI 201-01 to 201-04	◐	◐
	GRI 202: Market Presence 2016	GRI 202-01 to 202-02	◕	◕
	GRI 203: Indirect Economic Impacts 2016	GRI 203-01 to 203-02	◔	◔
	GRI 204: Procurement Practices 2016	GRI 204-01	●	●
	GRI 205: Anti-corruption 2016	GRI 205-01 to 205-03	◐	◐
	GRI 206: Anti-competitive Behaviour 2016	GRI 206-01	◐	◐
	GRI 207: Tax 2019	GRI 207-01 to 207-04	◐	◐
Environmental Topics	GRI 301: Materials 2016	GRI 301-01 to 301-03	○	◕
	GRI 302: Energy 2016	GRI 302-01 to 302-05	◔	◔
	GRI 303: Water and Effluents 2018	GRI 303-01 to 303-05	◕	◔
	GRI 304: Biodiversity 2016	GRI 304-01 to 304-04	○	◕
	GRI 305: Emissions 2016	GRI 305-01 to 305-07	◔	◔
	GRI 306: Waste 2020	GRI 306-01 to 306-05	◕	◐
	GRI 307: Environmental Compliance 2016	GRI 307-01	◔	◔
	GRI 308: Supplier Environmental Assessment 2016	GRI 308-01 to 308-02	◐	◐
Social Topics	GRI 401: Employment 2016	GRI 401-01 to 401-03	●	●
	GRI 402: Labour/Management Relations 2016	GRI 402-01	●	●
	GRI 403: Occupational Health and Safety 2018	GRI 403-01 to 403-10	◔	◔
	GRI 404: Training and Education 2016	GRI 404-01 to 404-03	◐	◐
	GRI 405: Diversity and Equal Opportunity 2016	GRI 405-01 to 405-02	◐	◐
	GRI 406: Non-discrimination 2016	GRI 406-01	◐	◐
	GRI 407: Freedom of Association and Collective Bargaining 2016	GRI 407-01	●	●
	GRI 408: Child Labour 2016	GRI 408-01	●	●
	GRI 409: Forced or Compulsory Labour 2016	GRI 409-01	●	●
	GRI 410: Security Practices 2016	GRI 410-01	⊗	⊗
	GRI 411: Rights of Indigenous Peoples 2016	GRI 411-01	●	●
	GRI 412: Human Rights Assessment 2016	GRI 412-01 to 412-03	◕	◐
	GRI 413: Local Communities 2016	GRI 413-01 to 413-02	◐	◐
	GRI 414: Supplier Social Assessment 2016	GRI 414-01 to 414-02	○	○
	GRI 415: Public Policy 2016	GRI 415-01	●	●
	GRI 416: Customer Health and Safety 2016	GRI 416-01 to 416-02	⊗	⊗
	GRI 417: Marketing and Labelling 2016	GRI 417-01 to 417-03	⊗	⊗
	GRI 418: Customer Privacy 2016	GRI 418-01	○	○
	GRI 419: Socioeconomic Compliance 2016	GRI 419-01	●	●

Response to Sustainable Accounting Standards Board (SASB)

Dimension	General issue category	Disclosure topic	Accounting metric(s)	AR-21	AR-22
Environment	Energy Management	Energy Management	• RT-AE-130a.1: (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Partial (75%)	Partial (75%)
	Hazardous Waste Management	Waste & Hazardous Materials Management	• RTA-AE-150a.1: Amount of hazardous waste generated, percentage recycled • RTA-AE-150a.2: Number and aggregate quantity of reportable spills, quantity recovered	Partial (50%)	Partial (50%)
Social Capital	Data Security	Data Security	• RT-AE-230a.1: (1) Number of data breaches, (2) percentage involving confidential information • RT-AE-230a.2: Description of approach to identifying and addressing data security risks in (1) company operations and (2) products	Partial (75%)	Partial (75%)
	Product Quality & Safety	Product Safety	• RT-AE-250a.1: Number of recalls issued, total units recalled • RT-AE-250a.2: Number of counterfeit parts detected, percentage avoided • RT-AE-250a.3: Number of Airworthiness Directives received, total units affected • RT-AE-250a.4: Total amount of monetary losses as a result of legal proceedings associated with product safety	Not Relevant	Not Relevant
Business Model & Innovation	Product Design & Lifecycle Management	Fuel Economy & Emission in Use-phase	• RT-AE-410a.1: Revenue from alternative energy-related products • RT-AE-410a.2: Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products	Partial (25%)	Partial (25%)
	Materials Sourcing & Efficiency	Materials Sourcing	• RT-AE-440a.1: Description of the management of risks associated with the use of critical materials	Partial (25%)	Partial (25%)
Leadership & Governance	Business Ethics	Business Ethics	• RT-AE-p510a.1: Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade • RT-AE-p510a.2: Revenue from countries ranked in the 'E' or 'F' Band of Transparency International's Government Defence Anti-Corruption Index • RT-AE-p510a.3: Discussion of processes to manage business ethics risks throughout the value chain	Partial (75%)	Partial (75%)

Status key

Symbol	Status	Indicative disclosure	Symbol	Status	Indicative disclosure
●	Full Disclosure	100%	◔	Partial Disclosure	25%
◕	Partial Disclosure	75%	○	No Disclosure	0%
◑	Partial Disclosure	50%	⊗	Not Relevant	N/A