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BABCOCK INTERNATIONAL GROUP'S CONTRIBUTION TO THE UK ECONOMY

NOVEMBER 2022


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FOREWORD

At Babcock we are led by our Purpose: *to create a safe and secure world, together.*

We are a UK-headquartered international defence company with a long history of supporting the Armed Forces and critical services which keep people safe.

In a world where threats to national security are evolving, I'm proud of the significant role we play in assuring the stability of the UK, and of all the countries we support.

Our Purpose reflects our commitment to making a positive contribution to the communities in which we operate, providing high-quality jobs and delivering social and economic sustainability. That is why we have asked Oxford Economics to develop an independent analysis of the true economic value of that contribution. We also asked them to assess the social value we generate through the lens of the UK Government's Social Value Model.

The UK is both our home and our primary market. We are the UK's second largest defence supplier. Our work with the Royal Navy, British Army and Royal Air Force accounts for around 8 per cent of the Ministry of Defence's total procurement spend. We work with the MOD across more critical programmes than any other company.

Our facilities and skills directly support the UK's shipbuilding strategy and are at the heart of local economies and communities, often securing jobs and upskilling where it's needed most.

We also play a leading role in the UK civil nuclear industry and are a proud partner to our UK emergency services.

This report demonstrates that in FY2022, Babcock contributed £3.3bn to GDP, £770m in tax and supported nearly 57,000 jobs in the UK.

Just under half of our 22,000 UK workforce are in skilled technical roles. And we are nurturing the next generation of technicians, engineers, data scientists and business leaders with around 1,250 people on our graduate and apprentice training programmes.

Over a fifth of our procurement spending was with suppliers in areas classified as a 'high priority' for the UK Government's Levelling Up Fund and we are supporting thousands of UK small and medium enterprises (SMEs) in the supply chain.

Our commitment to delivering value to society also drives the action we are taking to fight climate change, tackle economic inequality, support the recovery from Covid-19, improve equality of opportunity and increase wellbeing.

As we shape our business for future growth, I am determined to ensure that we continue to make a significant contribution to the UK and to the communities we are proud to serve.

Ruth Cairnie
Chair

EXECUTIVE SUMMARY

Babcock International Group is a FTSE-listed defence company with global operations, headquartered in London. Its largest market is the UK where it earns 63% of its revenue and operates across 264 sites.

Babcock operates through two business areas: naval engineering, support and systems; and critical services: defence and civil.

The naval business provides the following types of products and services:

- Technical and engineering support for ships and submarines.
- Owning, maintaining, and developing naval infrastructure.
- The design and build of naval vessels and equipment.
- Digital services in fields such as communications, cyber intelligence and security, and data analytics.

The critical services business offers the following services:

- The supply and maintenance of equipment in the land defence sector.
- The provision of engineering services to the aviation defence sector.
- Civil nuclear projects, including the construction, operation, and decommissioning of nuclear power stations.
- Operating civil emergency services, such as air ambulances, and providing support services to police services and fire brigades.
- Technical training in the defence, security, and civil emergency services sectors.
- Customising specialist vehicles for military and civil use.
- Services to the rail industry, including projects related to track renewals and engineering, signalling, and telecommunications.

56,800

Jobs supported in the UK in FY2022.

This report analyses the impact of the company's UK operations in its 2021-22 financial year (FY2022). As well as considering the overall contribution of Babcock to UK GDP, we investigate the impact of the two business areas outlined above. Separately, we take a closer look at two parts of the UK where the economic footprint of Babcock is most concentrated: the South West of England and Scotland. The final part of our study explores how the company's operations create wider social value, both for Babcock employees and for communities across the country.

CONTRIBUTION TO THE UK ECONOMY

In FY2022, Babcock directly employed around 22,000 workers in the UK. During the same period, the company's supply chain spending supported another 18,100 jobs, and 16,700 jobs were supported by workers' spending. Combining these findings suggests that Babcock supported a total of 56,800 jobs. This means that for every 100 workers employed directly by Babcock, a further 158 jobs were supported throughout the UK.

Alongside the jobs it supports, Babcock made a considerable contribution to UK GDP in FY2022. We estimate this at £3.3 billion, which includes a £1.1 billion direct contribution from the company's own activities; a further £1 billion supported through supply chain spending; and £1.2 billion from worker spending effects.

This implies that for every £100 of GDP that Babcock directly supported through its own operations, a further £198 was contributed through indirect and induced effects.

Finally, the company's operations supported a £770 million tax contribution to the UK exchequer in FY2022.

ECONOMIC CONTRIBUTION BY BUSINESS AREA

The naval business of Babcock contributed £2 billion to UK GDP in FY2022. Slightly over one third of this reflects the direct impact of operations in this space; a further £500 million was supported by supply chain spending; and, worker spending supported a further £700 million. The naval business supported a total of 35,200 jobs across the UK, either directly or through supply chain and worker spending effect. Critical services contributed £1.3 billion to UK GDP, which included a £380 million direct contribution. It also supported a total of 21,600 jobs.

£3.3 billion

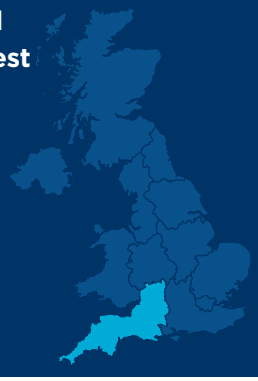
Total contribution to UK GDP in FY2022.

£198

Further contribution to GDP through supply chain and worker spending effects for every £100 supported directly through the company's activities.

19,400

Jobs supported in the South West of England in FY2022.



6,300

Jobs supported in Scotland in FY2022.

£220 million

Spent in FY2022 with 1,050 suppliers in the parts of the country worst-affected by Covid-19.

ECONOMIC CONTRIBUTION IN SOUTH WEST ENGLAND AND IN SCOTLAND

The economic footprint of Babcock is spread across the UK, but it is particularly felt in the South West of England and in Scotland.

In the South West, Babcock employs 10,400 workers across 61 sites and in FY2022 the company paid £450 million in wages to its employees living in the region. In total, our modelling suggests that Babcock contributed a total of £1.1 billion to the South West region's GDP in FY2022, either directly or through supply chain and worker spending impacts. In total we estimate that Babcock sustained nearly 19,400 jobs in the South West through these same channels of impact.

In Scotland Babcock employed 3,500 workers across 29 sites in FY2022. The company spent nearly £50 million with suppliers in Scotland in FY2022 and paid workers in Scotland more than £150 million in wages. In total we estimate that the company contributed £370 million to Scotland's GDP and supported 6,300 jobs, either directly or through supply chain and worker spending effects.

SOCIO-ECONOMIC CONTRIBUTION

Alongside its economic contribution, Babcock operations and activities create wider benefits for society.

The company's training initiatives enhance the UK's skills base. In 2021, Babcock was training nearly 1,000 apprentices and more than 250 people were participating in its graduate training scheme.

Babcock operations support economic activity right across the UK, including in parts of the country which have been particularly impacted by the Covid-19 pandemic. In FY2022, some £220 million of procurement spending was placed with more than 1,050 suppliers in the 20% of the worst-affected parts of the country. The company directly employs 3,400 workers in the 20% of areas where unemployment has increased most sharply since the beginning of the pandemic.

By sustaining economic activity in less prosperous areas, Babcock also contributes to the government's "levelling up" agenda which seeks to spread prosperity more evenly across the UK. We estimate that £290 million, or 27%, of Babcock UK procurement spending was placed with suppliers in areas classified as a "high priority" for the government's Levelling Up Fund.

Along similar lines, we find that in FY2022 Babcock directly employed nearly 1,660 workers in the 20% most deprived local authority areas in the UK. Babcock also spent over £230 million with 1,070 suppliers in these areas in the last financial year. Of this amount, £64 million was spent in England's 10 most deprived local authority districts (LADs).

£230 million

Spent with 1,070 suppliers in deprived local authority areas in FY2022.

Babcock expenditures also support small and medium-sized enterprises (SMEs) across the country. The company's supply chain includes more than 2,220 SMEs and in its last financial year Babcock spent £337 million with these suppliers.

Babcock has recognised the need to fight climate change and is undertaking a number of initiatives to reduce its environmental footprint. The company has announced a "Plan Zero 40" under which it aims to reach net zero emissions by 2040. Over the past year Babcock has collaborated with climate experts, including the Energy Systems Catapult, to identify how it can meet this objective. Actions so far include undertaking a renewable energy feasibility study across its UK estate and the publication of a sustainable procurement policy.

Babcock is delivering social value is through its efforts to increase equality of opportunity. The company has established female participation targets for its senior leadership team, and this increased between 2020 and 2021 (the latest year for which data are available). The company's mean gender pay gap has been below the UK average since 2017, and this narrowed further in 2021. The company has a number of internal networks and programmes promoting equal opportunity and wellbeing across its workforce. For example, Babcock has introduced Pride in Babcock, a network for LGBTQ+ employees; supports neurodiverse employees through its Neurodiversity Network; and operates a charity and sponsorship policy which provide time and resources to community initiatives. Babcock also implements supportive recruitment policies for members of the Armed Forces.

£337 million

Spent with 2,220 SME suppliers. Of this total, more than 18% was spent with SMEs located in deprived local authority areas.

THE CONTRIBUTION OF BABCOCK TO THE UK ECONOMY

ECONOMIC IMPACT

Direct | Indirect | Induced

£3.3bn
Total UK GDP contribution
£1.1bn | £1.0bn | £1.2bn

56,800
Total UK jobs supported
22,000 | 18,100 | 16,700

£770m
Total UK tax revenues
£210m | £220m | £340m

BUSINESS AREA ECONOMIC IMPACT

Naval engineering, support and systems

£2bn contribution to GDP

35,200 jobs supported

Critical services: defence and civil

£1.3bn contribution to GDP

21,600 jobs supported

IMPACT IN SOUTH WEST ENGLAND AND SCOTLAND

Scotland

£370m total contribution to GDP

6,300 jobs supported

South West England

£1.1bn total contribution to GDP

19,400 jobs supported

SOCIO-ECONOMIC IMPACT

264 graduates and **985** apprentices in training schemes.

30,000 students engaged through STEM outreach activities.

£337m spent with **2,220** SME suppliers.

£290m spent with suppliers in areas classified as a "high priority" for the government's Levelling Up Fund.

1,660 people directly employed and **£230m** spent with **1,070** suppliers in the 20% most deprived local authority areas in the UK.

Results relate to the 2022 financial year which ran from 1 April 2021 to 31 March 2022.

1. INTRODUCTION

Babcock International Group is among the world's 50 largest defence companies.[1] It is headquartered in the UK, and the company both exports to and operates in a number of other countries. The company earned £4.1 billion in revenue in financial year 2022, 63% of which was in the UK and 55% of which was earned in defence markets.[2] This report focuses on Babcock International Group's operations in the UK, where the company has 29 sites with 100 or more staff.[3] They provide a range of engineering and technical support services to clients in both defence and civil markets across two business areas.

Babcock naval engineering, support and systems business, hereafter abbreviated to "naval business" provides the following:

- Technical and engineering support for ships and submarines. Clients include the Royal Navy and its counterparts in other countries.
- Owning, maintaining, and developing naval infrastructure.
- The design and build of naval vessels and equipment for clients in the UK and overseas.
- Digital services in fields such as communications, cyber intelligence and security, and data analytics.

Its critical services: defence and civil business area, hereafter abbreviated to "critical services", provides the following services:

- The supply and maintenance of equipment in the land defence sector. This includes work for the British Army to maintain, upgrade and provide other support to its vehicle fleet and equipment.
- The provision of engineering services to the aviation defence sector.
- Civil nuclear projects, including the construction, operation, and decommissioning of nuclear power stations.
- Operating civil emergency services, such as air ambulances, and providing support services to police services and fire brigades.
- Technical training in the defence, security, and civil emergency services sectors.
- Customising specialist vehicles for military and civil use.
- Services to the rail industry, including projects related to track renewals and engineering, signalling, and telecommunications, as well as associated consultancy and training.

This report estimates the economic impact of Babcock operations in the UK in terms of their contribution to GDP and the employment they support. We examine this economic impact in terms of Babcock operations, as well as wider effects from its supply chain and workers' spending. These effects are analysed for the company's 2022 financial year, which ended on 31 March 2022. Our findings in relation to the company's overall UK economic impact are presented in Chapter 3.

Chapter 4 looks at how this economic impact is divided across different business areas. We explore this in relation to the two business areas identified as strategic priorities in the company's latest annual report: its naval business and its critical services business.

In Chapter 5 we take a closer look at economic contribution in the two parts of the UK where Babcock operations are most concentrated: the South West of England and Scotland.

In the final chapter we discuss the company's wider socio-economic contribution to the UK. We describe training and other initiatives which benefit Babcock employees and society more broadly, and assess how the company's spending and hiring decisions support areas in the UK which are deprived or have been most affected by Covid-19.

[1] Babcock International was ranked 43rd in Defense News' "Top 100 for 2022" list based on 2021 defence revenue.
[2] Babcock, Annual Report and Financial Statements, 2022, p.4.
[3] For brevity, we refer to Babcock International Group as Babcock hereafter.

AN INTRODUCTION TO OUR ECONOMIC IMPACT ANALYSIS

In this report we assess the company's impact using a standard means of analysis called an economic impact assessment. This involves quantifying the company's economic impact across three "core" channels:

- **Direct impact**—relating to the company's own activities in the UK. This encompasses the economic activity and employment supported directly by the company itself.
- **Indirect impact**—the economic activity and employment supported in the company's UK supply chains. This channel includes the impact of the company's capital investments, such as on new facilities and IT equipment, as well as that of its day-to-day purchases.
- **Induced impact**—this comprises the wider economic benefits that arise when the company's employees in the UK, and those in its UK supply chains, spend their wages—for example, in local retail and leisure establishments.

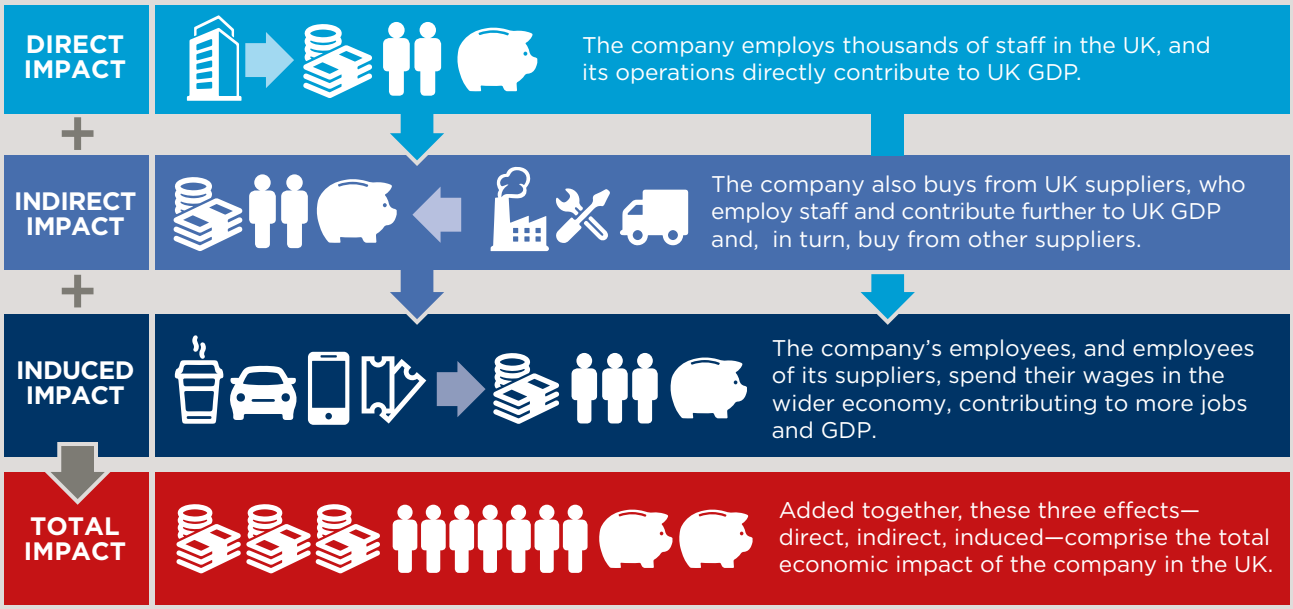
This approach enables us to build a picture of total contribution to the UK economy across two key metrics:[4]

- **GDP**—more specifically, the company's "gross value added" (GVA) contribution to GDP. We estimate this through the "income" approach. GVA is therefore calculated as the sum of income generated by the organisation, in the form of employee compensation and profits, plus some taxes on production such as business property rates. For brevity, we refer to this as the "GDP contribution" throughout the report.
- **Employment**—the number of jobs, on a headcount basis, supported as a result of the company's activity.
- **Alongside these core economic impacts, we also consider the company's wider socio-economic impact.** This includes the provision of training schemes and the company's contribution to supporting the recovery from Covid-19 and tackling economic inequality.

The modelling upon which this report is based computes the economic footprint of the company in the UK in the financial year which ended on 31 March 2022 (hereafter referred to as FY2022). Our approach uses financial data for FY2022 from the company's accounts, plus the latest economic data available at the time of writing. Additional information on our modelling approach is provided in Appendix 1.

Note: Throughout 2020 and beyond, the global Covid-19 pandemic caused considerable disruption to output, employment, and travel. These exceptional changes to the structure of the global supply chain are dynamic, and continue into 2022 as global economic activity slowly moves back towards a version of normality. Oxford Economics' global modelling framework is based on the latest published structural data, which relate to 2019, and as such can be considered to represent economic impacts during a "typical" year. In any case, it is worth noting that our discussions with stakeholders suggest that activity in "essential" industries such as defence manufacturing were less disrupted than other areas of the economy.

The channels of economic impact in our model



[4] The GDP and employment results are presented on a "gross" basis. They therefore ignore any displacement of activity from other organisations. Nor do they consider what the resources currently used by Babcock or stimulated by its expenditure could alternatively produce in their second-most productive usage. Our economic impact analysis thus estimates the actual economic footprint of Babcock in FY2022, but does not estimate the extent to which the size of the UK economy might differ if the company's operations did not exist.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2. CONTRIBUTION TO EMPLOYMENT IN THE UK

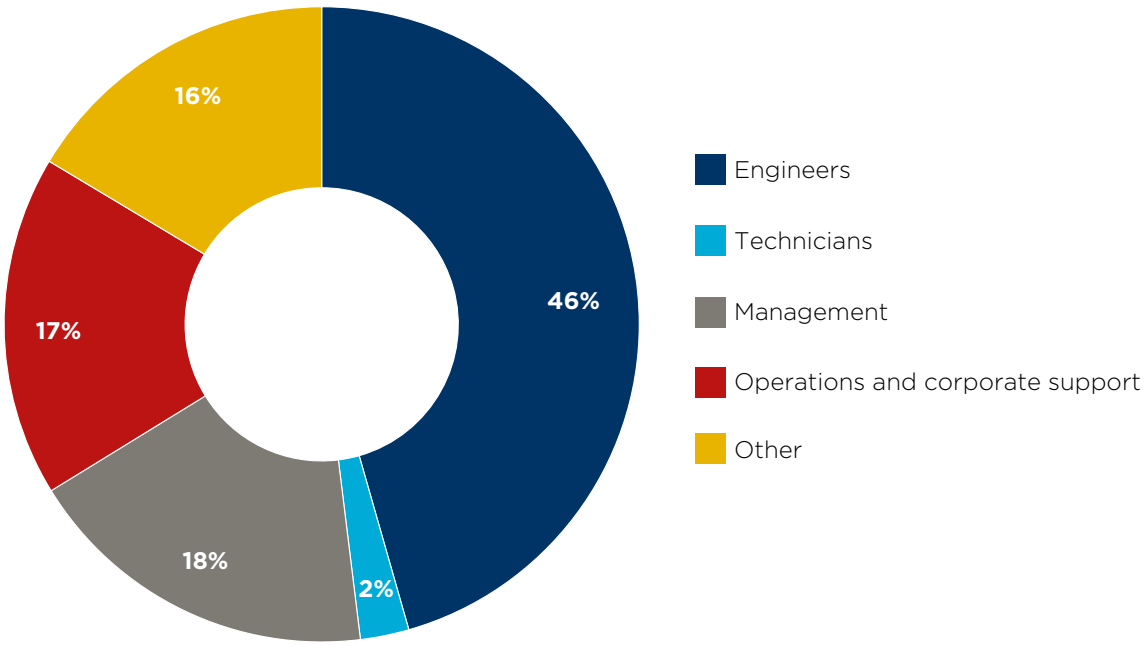
2.1 DIRECT EMPLOYMENT

In 2021, Babcock directly employed 22,000 workers in the UK.[5] Reflecting the technical nature of operations, nearly half of the company's direct workforce was employed in technical roles, with 46% working in engineering and 2% as technicians. The remaining workers were fairly evenly split across management, operations and corporate support (which includes roles in procurement, finance and human resources), and other functions.

While Babcock employs people across all of the regions and nations of the UK, the greatest concentrations of workers are in Scotland and South West England. In particular, Babcock employs around 7,300 workers at the Devonport Royal Dockyard in Plymouth, more than 1,700 workers in Rosyth Dockyard in Fife, and nearly 1,400 people at His Majesty's Naval Base (HMNB) Clyde in Argyll and Bute.

Fig. 1: Share of employment by job function at Babcock, FY2022

% of direct employment

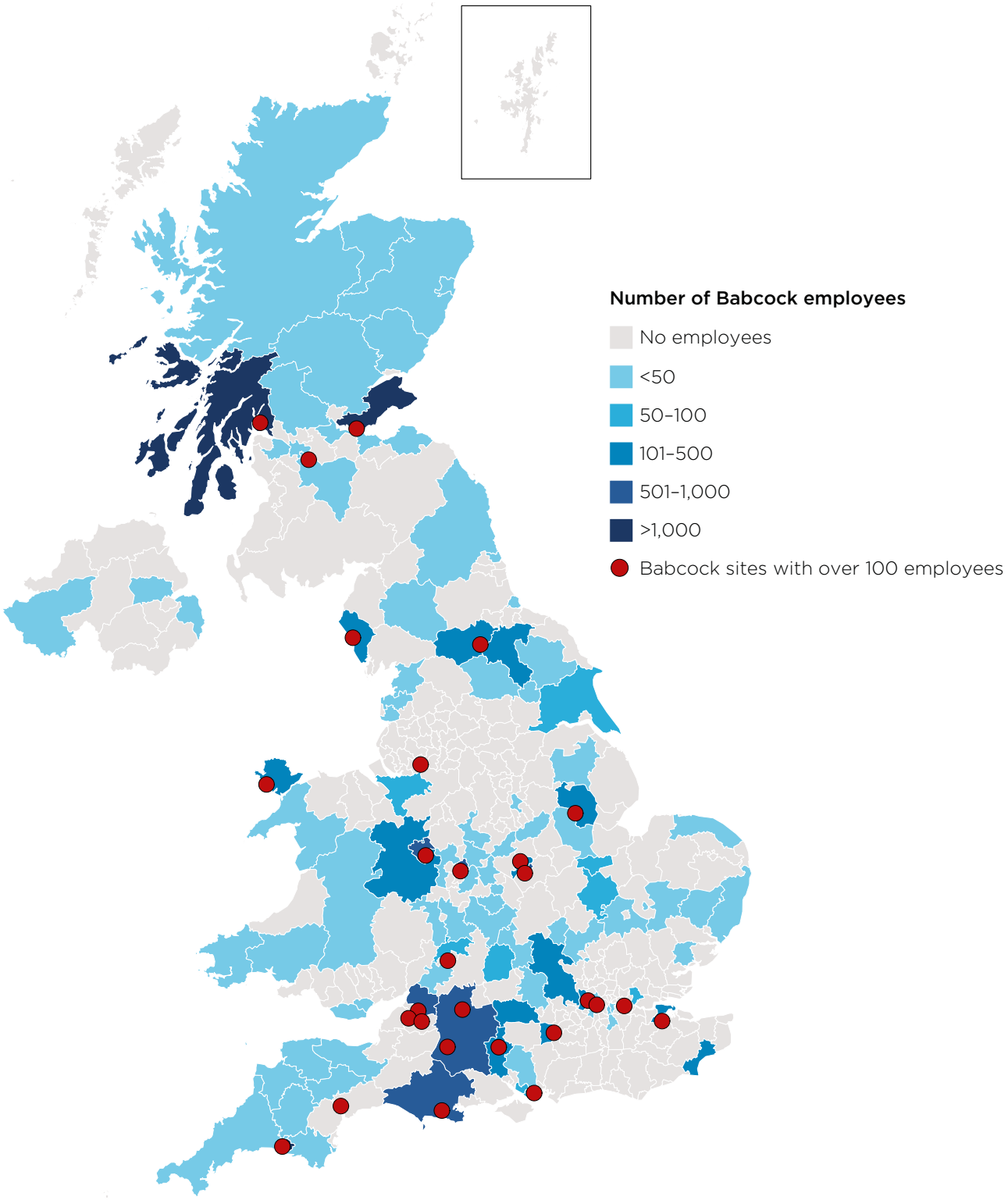


Source: Oxford Economics analysis of Babcock data.

Totals may not sum due to rounding

[5] This includes 1,700 long-term contractors who effectively act as direct employees of the company.

Fig. 2: Employees by place of work



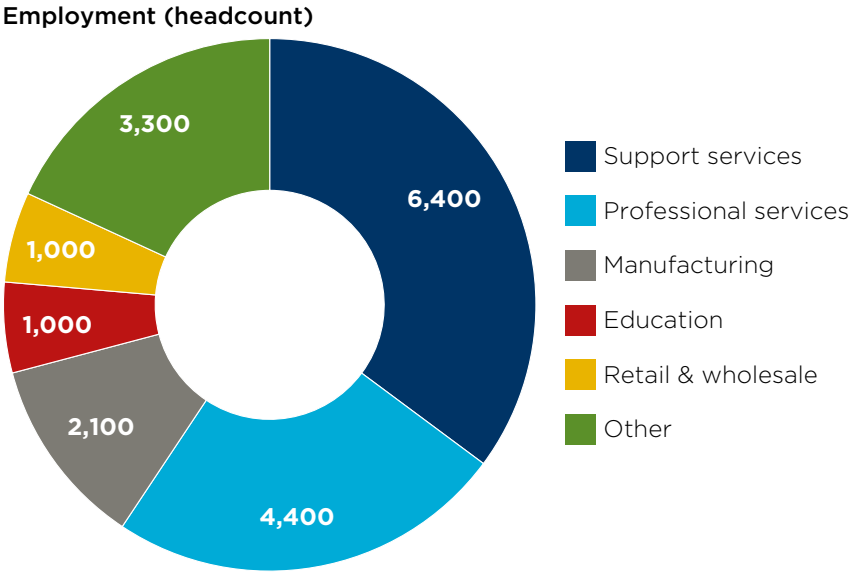
2.2 SUPPLY CHAIN CONTRIBUTION TO EMPLOYMENT

In FY2022 Babcock spent over £1 billion with more than 5,700 UK suppliers. This spending supports employment in companies along its supply chain as suppliers employ staff to produce the goods and services purchased by Babcock. In turn, these suppliers spend money and support further employment amongst their own suppliers, and so on right down the supply chain. We estimate, that in total, Babcock supply chain spending supported 18,100 jobs in the UK in FY2022.

These supply chain effects are felt in most sectors of the UK economy. The largest number of jobs were in the professional and support services sectors, where we estimate Babcock spending supported more than 10,000 jobs. A further 2,100 jobs were supported in manufacturing. The large number of jobs in support services reflect spending by Babcock on services such as recruitment and personnel, rental and leasing for their fleet of vehicles, and building maintenance.

The employment supported in professional services particularly reflects Babcock procurement of engineering services, as well as consultancy, legal, and accounting services.

Fig. 3: Indirect employment by industry, FY2022



Source: Oxford Economics

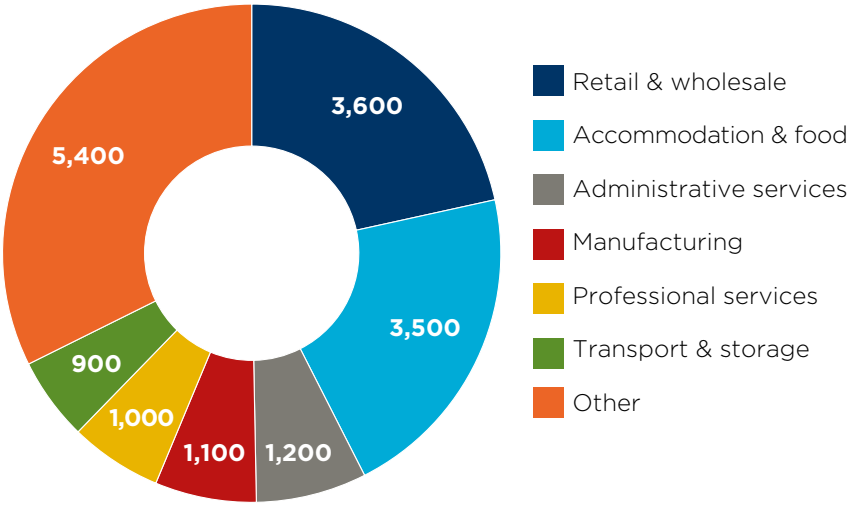
2.3 EMPLOYMENT SUPPORTED BY WORKER SPENDING

Babcock UK employees and those in its UK supply chains spend their earnings in consumer-facing sectors such as food, entertainment, and transport. This in turn sustains employment in these sectors and their respective supply chains. This is known as "induced" employment.

We estimate that the induced employment contribution of Babcock in FY2022 was more than 16,700 jobs. The largest impact was in the retail and wholesale sector, followed by accommodation and food with 3,600 and 3,500 jobs.

Fig. 4: Induced employment by industry, FY2022[6]

Employment (headcount)



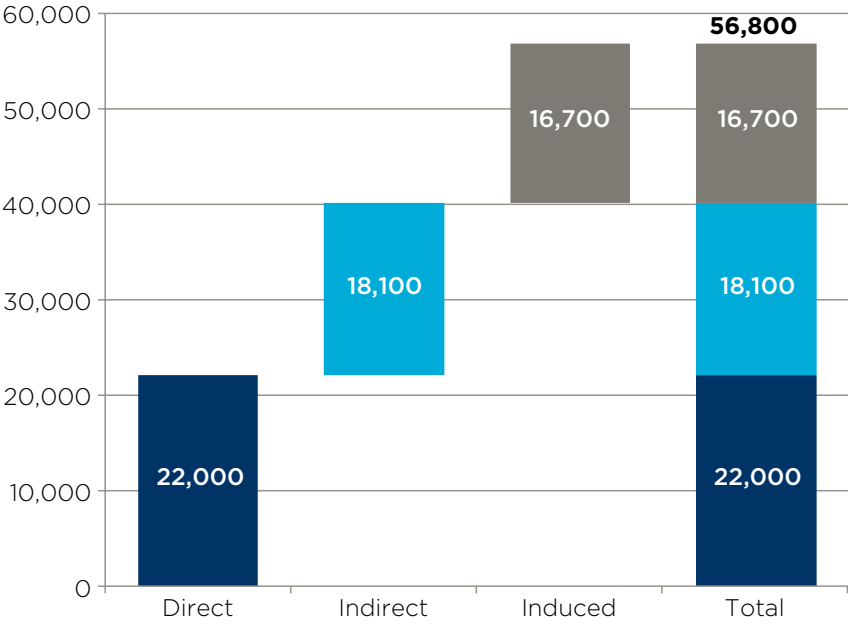
Source: Oxford Economics

2.4 TOTAL EMPLOYMENT CONTRIBUTION

By bringing together jobs supported by Babcock own operations with our estimates of employment supported in the supply chain and through workers' spending we can estimate the company's total contribution to UK employment. We estimate this was 56,800 in FY2022. This means that for every 100 workers employed directly by Babcock, a further 158 jobs were supported throughout the UK.

Fig. 5: Contribution to UK employment, FY2022

Employment (headcount)



Source: Oxford Economics

Figures may not sum due to rounding

[6] The main sectors represented in "Other" include health, education, and other services like those furnished by membership organisations or repair services of computers, personal or household goods.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3. CONTRIBUTION TO UK GDP AND TAX REVENUES

3.1 DIRECT CONTRIBUTION TO GDP

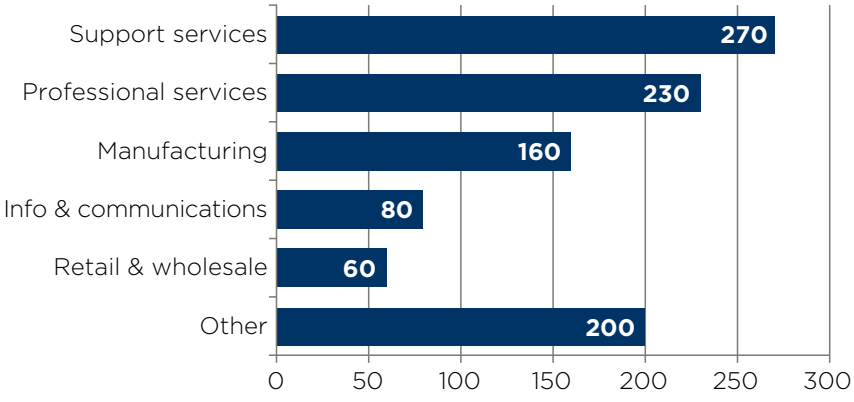
In FY2022 Babcock earned nearly £2.6 billion in revenue in the UK. From this revenue, we estimate that Babcock directly contributed £1.1 billion to UK GDP through its own operations.

This figure was estimated using the "income approach" which adds together the income earned by employees (measured in terms of employee compensation) and the income accruing to shareholders (in the form of EBITDA).[7]

3.2 SUPPLY CHAIN CONTRIBUTION TO GDP

We estimate that Babcock supply chain spending contributed £1 billion to UK GDP in FY2022. Similar to the pattern observed for employment, the industries to benefit most from this spending were support services and professional services.

Fig. 6: Indirect GDP contribution by sector, FY2022

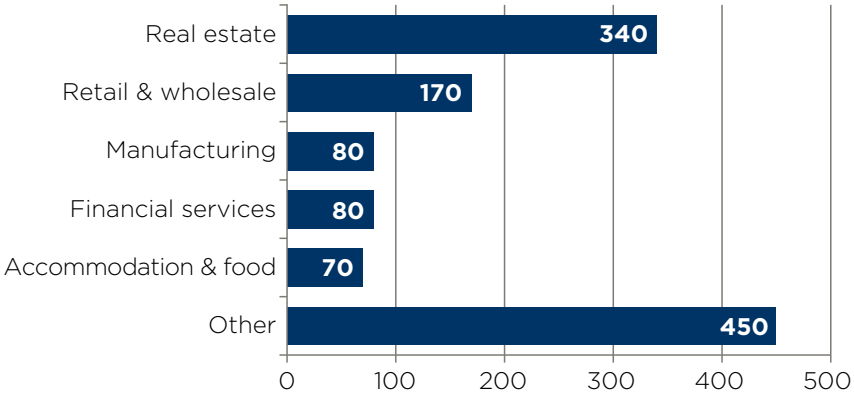


Source: Oxford Economics

3.3 GDP SUPPORTED BY WORKERS' SPENDING

Wage spending by Babcock employees and workers in its supply chain supported a further £1.2 billion contribution to UK GDP. Reflecting average patterns of consumer spending, the largest impacts were felt in the real estate and retail and wholesale sectors.

Fig. 7: Induced contribution to UK GDP, FY2022



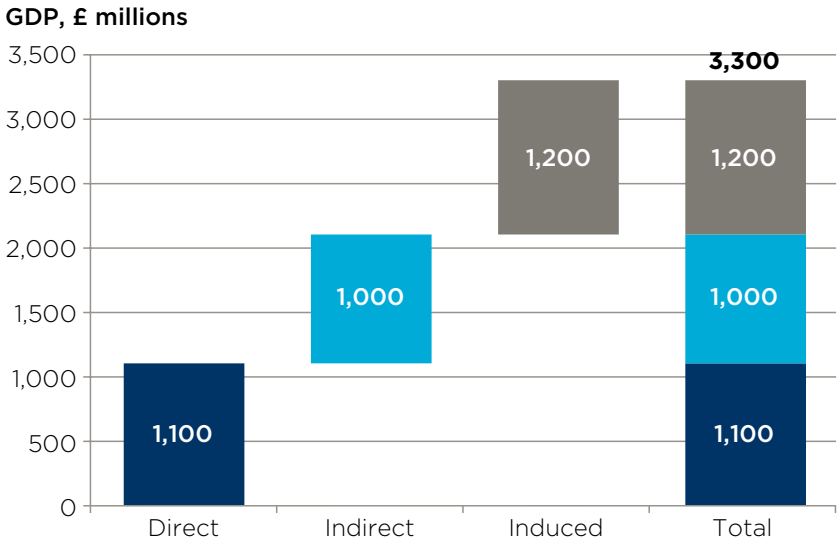
Source: Oxford Economics

[7] EBITDA stands for earnings before interest, tax, depreciation, and amortisation.

3.4 TOTAL GDP CONTRIBUTION

Bringing together the direct, supply chain, and worker spending impacts outlined above, we estimate that Babcock contributed a total of £3.3 billion to UK GDP in FY 2022. This implies that for every £100 of GDP that Babcock directly supported through its own operations, a further £198 was contributed through indirect and induced effects.

Fig. 8: Contribution to UK GDP, FY2022

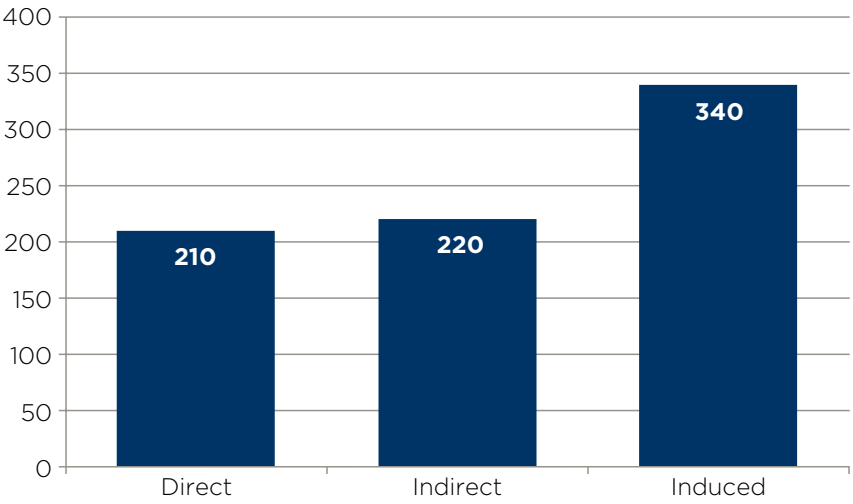


Source: Oxford Economics

3.5 CONTRIBUTION TO TAX REVENUES

Babcock and its employees pay taxes of various forms to the UK Exchequer. These include corporation tax, taxes on products and production, income tax, and national insurance contributions. Alongside the company's direct tax contribution, its procurement spending supports an indirect tax contribution as its suppliers and their workers pay their own taxes. Finally, workers employed by Babcock and its supply chain spend their wages with various consumer-facing industries, supporting a further induced tax contribution.

Fig. 9: Contribution to UK tax revenues, FY2022



Source: Oxford Economics

We estimate that Babcock supported a total contribution to UK tax revenues of £770 million in FY2022. This includes £210 million directly contributed by Babcock, £220 million supported by its supply chain spending, and £340 million supported by workers of Babcock and its supply chain spending their wages.


Frigate Support Centre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4. ECONOMIC IMPACT BY AREA OF ACTIVITY

Babcock International Group's 2022 annual report presented the company's strategic priorities based on two areas of activity: its naval business and critical services.[8] In this chapter we analyse the economic contribution of each of these parts of the business in turn.

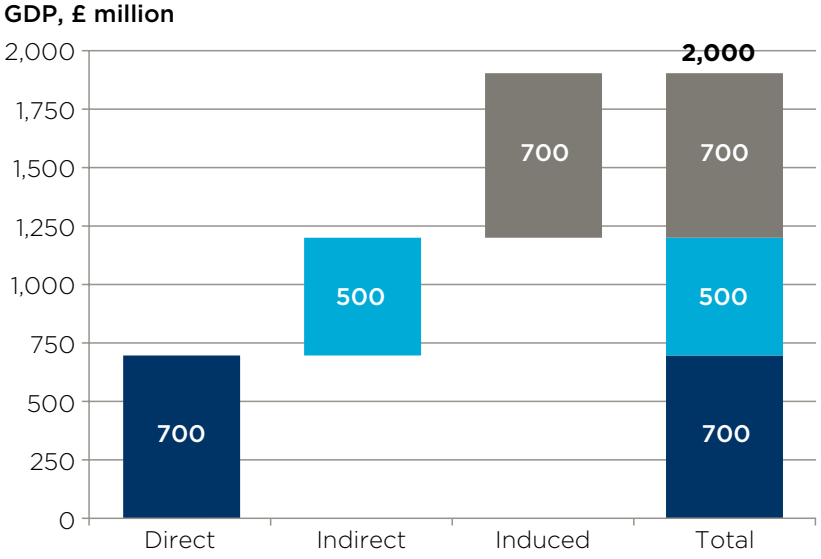
4.1 NAVAL BUSINESS

The naval business provides technical and engineering support to warships and submarines operated by the Royal Navy, as well as other navies. The business also owns and supports major naval infrastructure; manufactures naval equipment; and offers digital services such as cyber intelligence and security.

We estimate that the naval business contributed £2 billion to UK GDP in FY2022. Slightly over one third of this sum reflects the direct impact of Babcock operations in this space. This part of the business spent some £600 million with UK suppliers in FY2022, and this supported a further £500million contribution to GDP. Finally, workers in the naval business earned £590 million in wages. Spending from these wages, together with those of supply chain workers, supported a £700 million induced GDP contribution.

Some 14,700 people were employed in the naval business in FY2022. Including jobs in the supply chain and resulting from workers' spending, the naval business supported a total of 35,200 UK jobs.

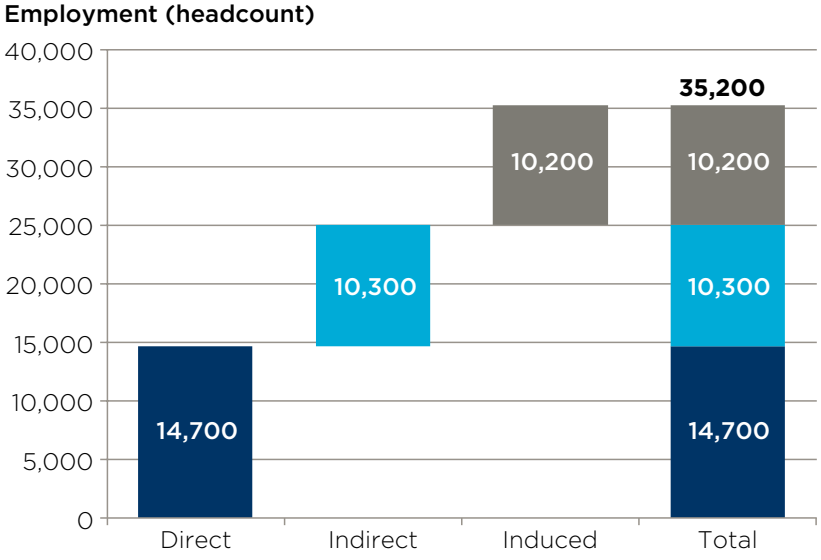
Fig. 10: Naval business' contribution to UK GDP, FY2022



Source: Oxford Economics

Figures may not sum due to rounding

Fig. 11: Total employment supported by the naval business, FY2022



Source: Oxford Economics

Figures may not sum due to rounding

[8] These two areas together account for the entirety of Babcock's operations.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4.2 CRITICAL SERVICES

Critical services encompasses all the engineering and support services provided by Babcock outside of naval. This includes the following activities:

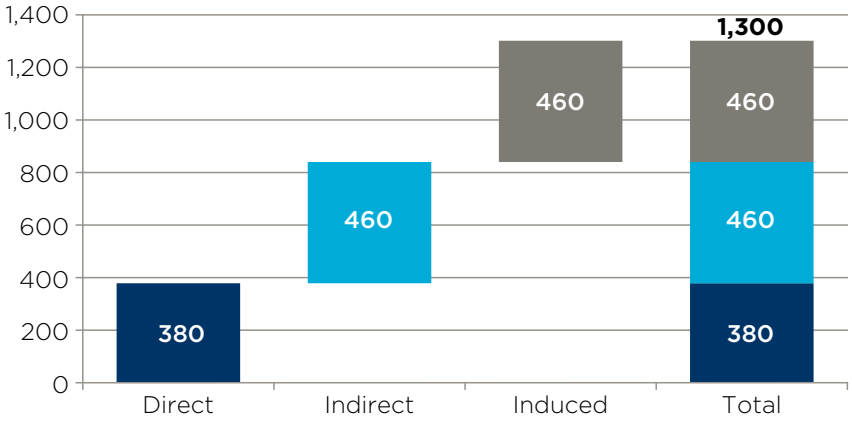
- The supply and maintenance of equipment in the land defence sector. This includes work for the British Army to maintain, upgrade and provide other support to its vehicle fleet and equipment.
- The provision of engineering services to the aviation defence sector.
- Civil nuclear projects, including the construction, operation, and decommissioning of nuclear power stations.
- Operating civil emergency services, such as air ambulances, and providing support services to police services and fire brigades.
- Technical training in the defence, security, and civil emergency services sectors.
- Customising specialist vehicles for military and civil use.
- Services to the rail industry, including projects related to track renewals and engineering, signalling, and telecommunications, as well as associated consultancy and training.

In FY2022, critical services contributed £1.3 billion to UK GDP, including a direct contribution of £380 million. This part of Babcock spent £490 million with UK suppliers, supporting a further £460 million in GDP. A similar amount again was supported by the spending of the business' workers and those in its supply chain.

Alongside its GDP contribution, critical services directly employed 7,400 workers. Including supply chain and worker spending impacts, its total employment footprint was 21,600 jobs.

Fig. 12: Critical services' contribution to UK GDP, FY2022

GDP, £ million

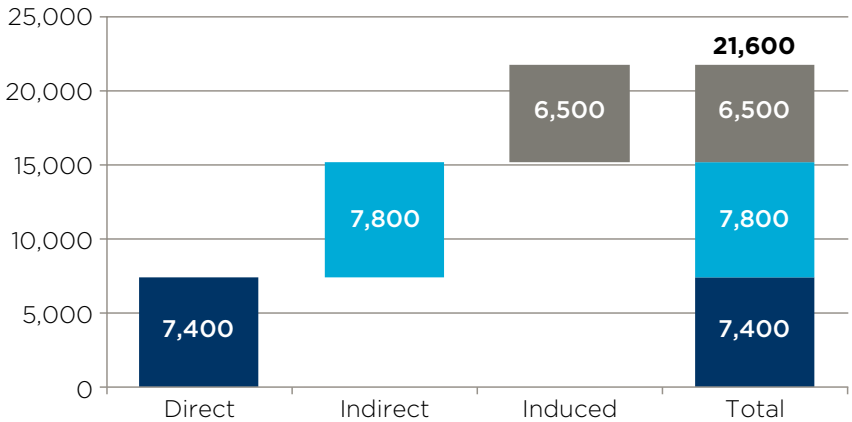


Source: Oxford Economics

Figures may not sum due to rounding

Fig. 13: Total employment supported by critical services, FY2022

Employment (headcount)



Source: Oxford Economics

Figures may not sum due to rounding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POLICE

5. REGIONAL CONTRIBUTION

5.1 SOUTH WEST ENGLAND

Babcock directly employs 10,400 workers in the South West of England, which is equivalent to 47% of its total UK workforce. These workers are based at 61 sites, eight of which employ more than 100 people each. By far the greatest concentration of Babcock workers is at Devonport Royal Dockyard, the facility supporting HMNB Devonport, the largest naval base in Western Europe[9] which houses submarines, warships, and training facilities.

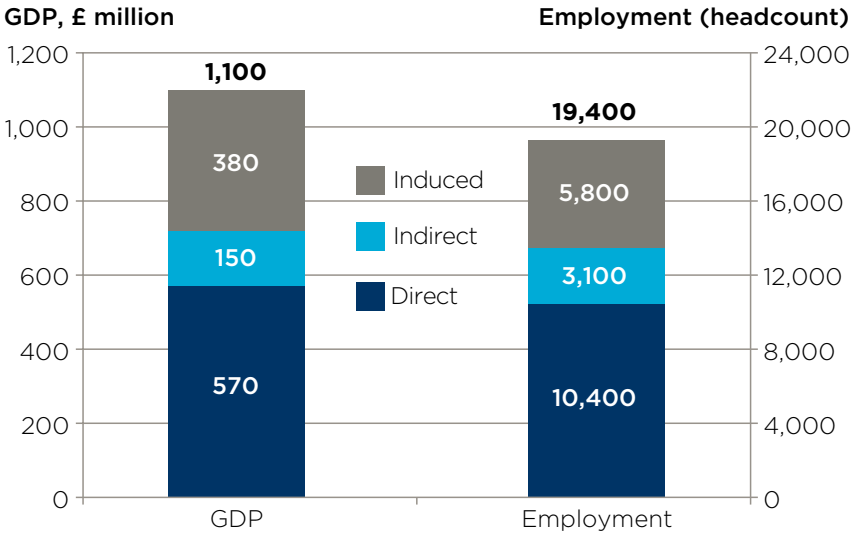
At Lyneham, Wiltshire, Babcock conducts training for the UK MOD in the Defence School of Electronic and Mechanical Engineering. The objective is to support trainees from all three Service arms to develop the technical capabilities needed to manage the Armed Forces' equipment.

The majority of Babcock apprentices and graduate trainees are based in the South West of England. As of 2022, there were more than 300 graduates and 620 apprentices based in the region.

In FY2022, Babcock spent more than £140 million with suppliers in the South West.[10] Babcock also paid £460 million in wages to its employees in the South West. As Babcock workers and the workers supported by its supply chain spend their wages, they support a further induced impact on employment and GDP.

The company's economic activity in the region directly contributed £570 million to UK GDP in FY2022. Its supply chain spending supported a further £150 million while workers' spending supported a £380 million contribution. Considering these three channels together, Babcock contributed a total of £1.1 billion to the South West region's GDP in FY2022. It also sustained some 19,400 jobs.

Fig. 14: Total economic contribution in the South West of England



Source: Oxford Economics

[9] Royal Navy, "HMNB Devonport"
[10] These are purchases by all of Babcock's UK operations and not just purchases by sites located within the South West region.

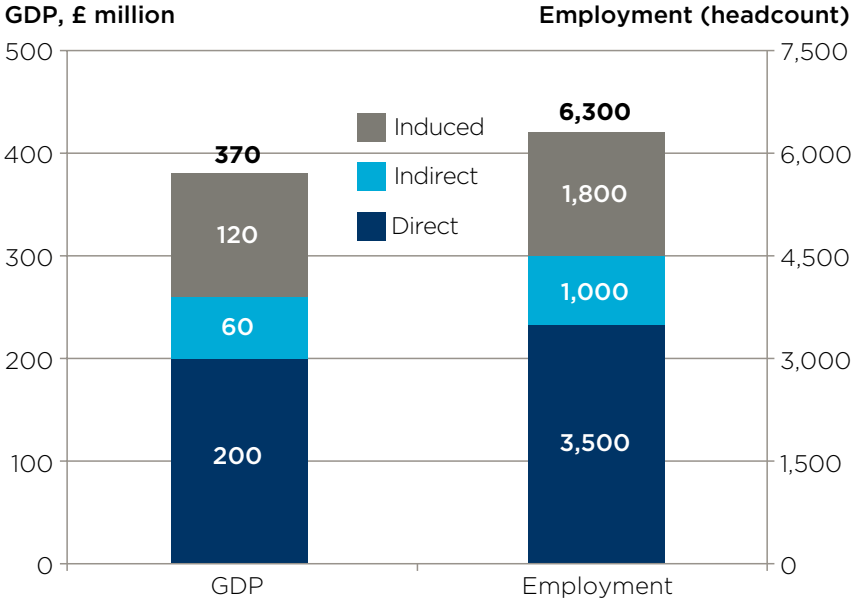
5.2 SCOTLAND

Babcock directly employs more than 3,500 workers in Scotland, the majority of which are in the company's second and third largest sites: Rosyth Dockyard and HMNB Clyde. In total, the company operates across 29 sites in Scotland, of which four have more than 100 employees.

There are over 1,700 workers in Rosyth Dockyard in Fife, and nearly 1,400 people at HMNB Clyde in Argyll and Bute. Rosyth has one of the largest manufacturing and repair facilities in the UK. It is spread over 300 acres and houses 25 covered manufacturing bays.[11] At HMNB Clyde Babcock has partnered with the Ministry of Defence to manage infrastructure, nuclear facilities, and support the maintenance of the Royal Navy's vessels.[12]

In FY2022, Babcock spent nearly £50 million with suppliers in Scotland and paid workers based in Scotland more than £150 million in wages. As a result, the company contributed £200 million to UK GDP and a further £180 million through supply chain and worker spending effects. The company's total employment footprint in Scotland was 6,300 jobs across the direct, indirect, and induced channels.

Fig. 15: Total economic contribution in Scotland



Source: Oxford Economics

ARROL GIBB INNOVATION CAMPUS: A COLLABORATIVE INITIATIVE IN ROSYTH

The Arrol Gibb Innovation Campus (AGIC) is a collaboration between Babcock and five academic and public sector stakeholders to transform Rosyth from a marine manufacturing and maintenance location into a global hub for large scale advanced manufacturing. The initiative is based on a large-scale manufacturing facility with digital capabilities based around Babcock's site in Rosyth. Babcock contributes its expertise and funding in areas including industrial design and build and safety management.

The first part of AGIC's campus was opened in May 2022 by the UK Government Minister for Scotland, Malcolm Offord. AGIC has also established a centre for testing composite materials and has invested in a ship assembly hall. Its current work includes projects in the fields of large-scale manufacturing, composite structures, robotics, and digital manufacturing.

[11] https://www.babcockinternational.com/case-study/rosyth/
[12] https://www.babcockinternational.com/case-study/clyde/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6. SOCIO-ECONOMIC CONTRIBUTION

In the preceding chapters we have outlined the economic impact of Babcock, in terms of the company's contribution to GDP and employment. Alongside this, however, Babcock operations and activities create wider benefits for society. These are often harder to quantify, but nonetheless represent an important element of the company's contribution to the UK.

In this chapter we review the company's socio-economic impact. We start by considering the company's training initiatives that enhance the UK's skills base. And then we go on to review the company's contribution across the five areas identified in the Governments' Social Value Model.[13] These include actions to address climate change and company activities that tackle economic inequality and support the recovery from Covid-19. We also consider initiatives supporting equality of opportunity and wellbeing for Babcock current and potential employees.

6.1 SKILLS AND TRAINING

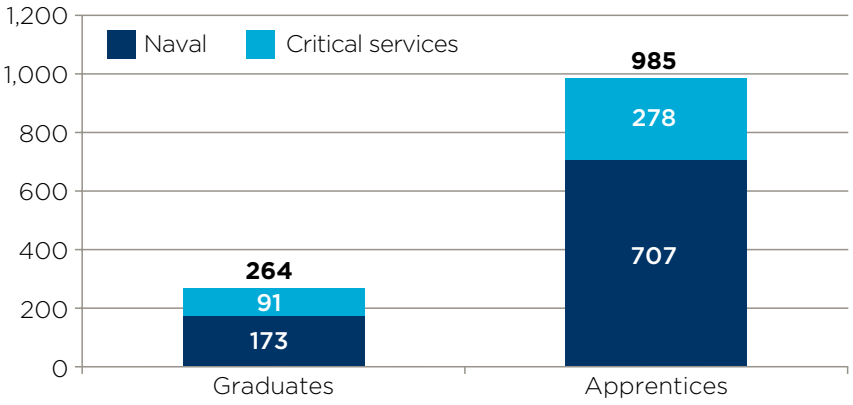
Babcock operates various schemes to train its workforce, and particularly younger and less experienced workers. Some 264 graduates participated in the company's graduate training scheme in 2021, of which 150 were in the first year and 114 were in the second year of the scheme. Babcock is also a major provider of apprenticeships: in 2021 the company's workforce included nearly 1,000 apprentices. The majority of the graduates and apprentices were based in naval engineering, support and systems.

As shown in the figure below, the majority of Babcock's graduates and apprentices are based in the South West of England.

For more experienced staff the company offers executive development opportunities through an accredited MBA programme with Strathclyde University. By 2020, 50 Babcock employees had completed the MBA programme.

Fig. 16: Participants in Babcock training schemes by business area, 2022

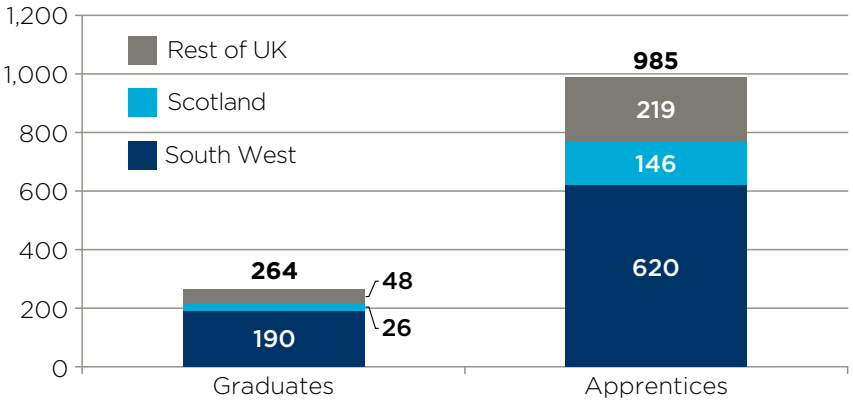
Headcount



Source: Oxford Economics

Fig. 17: Geographical distribution of Babcock training schemes' participants, 2022

Headcount



Source: Oxford Economics

[13] UK Government Commercial Function, 'The Social Value Model', December 2020.

6.2 COVID-19 RECOVERY

During the pandemic, Babcock engaged in efforts to enable the continuity of its own business and supported national efforts to develop ventilators.

Alongside this, Babcock operational and capital expenditures support economies in parts of the country which have been particularly impacted by the pandemic. To analyse this, we compared the geographical distribution of Babcock procurement expenditure to the distribution of infection rates.[14] This revealed that in 2021-22, some £220 million, or 20% of total procurement spending, was placed with more than 1,050 suppliers in the 20% of the worst-affected parts of the country. Babcock also directly employs nearly 1,050 people in these areas, which is 5% of its workforce.

In some parts of the country unemployment has increased markedly since the beginning of the pandemic.[15] Our analysis suggests that Babcock directly employs 3,400 workers in these areas, which is 15% of its workforce.

RAPID AND INNOVATIVE SOLUTIONS DURING THE GLOBAL PANDEMIC

Specialist teams at Babcock collaborated to design various solutions that enabled air ambulances to continue flying during the Covid-19 pandemic.

After Devon Air Ambulance (DAA) Trust decided to ground its helicopter fleet in April 2020 because of the risk to its crew, teams of Babcock engineers in Devonport, Plymouth, and Staverton, Gloucestershire, sprang into action to design and deliver solutions to get them airborne.

The team set up production and quickly printed and delivered an initial order of face shields to the DAA before developing an injection moulded face shield process capable of efficiently manufacturing over 5,000 shields a week.

Babcock engineers across the UK and Spain collaborated to design and develop a new screen that could be fitted between a helicopter's cockpit and cabin to control airflow between the pilot and patient areas and worked with their customers to install them on their international fleet of air ambulance helicopters. Installation began in April and by 1 May the entire fleet of 27 helicopters had been modified.

Working with air ambulance experts across Europe, the company created a new framework system, allowing certain UK air ambulances to fly with specialist patient isolation pods. This involved fitting the pods in the air ambulances while allowing for sufficient clearance from the cabin walls and passenger seats and ensuring that the pods were seamlessly connected to the on-board medical systems.

These modifications allowed the Babcock fleet to complete over 9,000 helicopter emergency medical service missions, with over 5,300 flying hours between April 2020 and March 2021 and more than 10,700 missions and 6,200 flying hours from April 2021 to March 2022.

Babcock work for the DAA was recognised in December 2020 with a special award for its Covid-19 response from the Institute of Collaborative Working.[16]

[14] We looked at local authority districts' Covid-19 cases per 100,000 population since the pandemic started in 2020 until 2021 and considered those in the highest 20% as the "worst-affected parts of the country" for our analysis.
[15] Our analysis looked at the 20% of local authority districts with the largest increase in their unemployment rate from 2020 to 2021.
[16] https://www.instituteforcollaborativeworking.com/ICW-Awards/2020

6.3 TACKLING ECONOMIC INEQUALITY

Babcock operations support businesses, jobs, and skills right across the country. Some of the company's expenditure and employment help to support economic activity in more deprived areas. In this section we review a number of indicators to investigate the degree to which Babcock operations align with the UK Government's "levelling up" agenda which identifies a need to spread economic benefits more evenly across the UK.

Supporting deprived areas

To analyse Babcock impact in deprived areas we identified local authorities that appear in the bottom fifth of the Government's Indices of Deprivation for each of England, Scotland, and Wales.

Our analysis revealed that in FY2022 Babcock directly employed nearly 1,660 workers in the 20% of the most deprived local authority areas in the UK. In addition to providing employment, Babcock spent over £230 million with 1,070 suppliers in these areas in the last financial year. Of this amount, £64 million was spent in England's 10 most deprived local authority districts (LADs).

An alternative approach to identifying less prosperous areas is to look at those identified as "high priority" for the purposes of the Governments' Levelling Up Fund.[17] We estimate that £290 million of Babcock spending, or 27% of its total procurement spending in the UK, was placed with suppliers based in areas which are classified as a high priority. The company also directly employed more than 1,620 direct workers in these same areas.

Babcock also participates in specific local initiatives to support regeneration in areas undergoing economic challenges. For example, Cavendish Nuclear, Babcock's civil nuclear business, contributed an experienced project manager to the regeneration of Wick Harbour on the east coast of Caithness in the Scottish Highlands. The project, a collaboration with the local energy company and SMEs, is seeking to reverse the fortunes of the harbour which has experienced a decline in its traditional activities of fishing and nuclear research.

Another example is Babcock sponsorship of "Building Plymouth", a council-led partnership which seeks to connect local job seekers with construction employers. The aim of the project is to ensure a better functioning local labour market to support construction-led economic recovery in the area.

Babcock is supporting the Plymouth and South Devon Freeport which aims to leverage Plymouth's manufacturing capacity in marine and defence to work towards innovative clean growth initiatives.[18] Babcock is also supporting Rosyth's bid to obtain Green Freeport status in a consortium led by Forth Ports. This aims to support Scotland's net zero agenda through various initiatives relating to green technologies and renewable energy manufacturing.[19]

[17] The Government has prioritised the nation's local authorities into one of three priority levels based on an assessment of their need for regeneration and economic recovery.
[18] https://new.plymouth.gov.uk/plymouth-and-south-devon-freeport
[19] https://forthgreenfreeport.com/

WIDENING OPPORTUNITIES TO WORK ON THE TYPE-31 FRIGATE PROGRAMME

Babcock has launched a programme to recruit and train 150 lower- and semi-skilled workers —including some currently not in education, employment, or training (NEET)— to join the teams building five Type 31 frigates at its Rosyth facility.

They will make up 30% of a total of 500 new roles that the company is creating to deliver the warships to the Ministry of Defence and Royal Navy.

Babcock designed the Production Service Operative (PSO) recruitment programme to fill these 150 positions, starting in April 2022 with new hires spread over the coming two years to match the project's needs.

The first cohort of 42 successful applicants, including seven NEETS, started work in April 2022 in Rosyth with four weeks of training at Fife College. They were then coached and mentored by Babcock, undertaking tasks to support qualified workers, and becoming valued team members.

The skills and experience the new workers acquire will enable them to take on more tasks on their own, and to undertake wider supporting roles. For example, they will prepare working areas and tooling, and test, inspect, and operate equipment.

The new workers come mainly from communities local to Rosyth with job openings advertised in Fife Council's employment portal, offering opportunities to people who might previously have found it hard to secure locally-based jobs.

The scheme will have long-term benefits as successful candidates can progress to a skilled PSO position which entails health and safety training, IT skills, plant operations, operations which require lifting heavy objects, and trade support skill development. They will also be able to enrol for a trade apprenticeship leading to a NVQ3 qualification.

Supporting SMEs and new suppliers

The supply chain of Babcock includes more than 2,220 **small and medium-sized enterprises (SMEs)**. In the last financial year Babcock spent £337 million with these suppliers. Of this total, more than £62 million (or 18%) was spent with 368 SMEs located in the 20% of the most deprived local authority areas in the UK (based on the Government's Indices of Deprivation).

In a joint initiative with Heart of the South West LEP and Devon & Plymouth Chamber of Commerce, Babcock Nuclear and Marine sectors ran a three-month Peer Network programme for SMEs with the aim of achieving operational improvements in Babcock SME supply base. Eleven SMEs in the Babcock supply chain were involved in the programme, which involved six virtual sessions and 3.5 hours of additional one-to-one interactions with Babcock subject matter experts in areas such as skills, digitalisation, and the environment.

As well as its procurement from SMEs, Babcock spent £256 million with nearly 2,200 **new suppliers** in FY2022. Of these amounts, almost £62 million was spent with 334 new suppliers in Britain's most deprived local authorities.

6.4 FIGHTING CLIMATE CHANGE

Babcock has recognised the importance of reducing its environmental footprint through its Plan Zero 40 strategy, under which it is aiming to achieve net zero emissions by 2040.[20] The company is working with sustainability experts, including from the Energy Systems Catapult, to develop its plans in this area. Delivery of the Plan Zero 40 will commence in 2023 based on four strands of decarbonisation:

- Improved energy efficiency in Babcock's estate and assets which will be driven by a series of carbon reduction plans. The company has already conducted a renewable energy feasibility study across its UK estate to support this aim. It is also developing carbon modelling and business case tools for its operations.
- Development of a sustainable transport framework which covers the company's vehicle fleet and transportation between its hubs. As part of this framework, Babcock is assessing current and future demands for Electric Vehicle (EV) charging infrastructure and launched an EV salary sacrifice scheme in June 2022.
- Supporting customers using Babcock products and services with their decarbonisation journey. Babcock is participating in a range of industry events and customer working groups, including the Defence Supplier Forum and the Cabinet Office's Sustainability Round Table.
- Driving through changes in the value chain by implementing a supplier sustainability policy which includes engaging and educating suppliers. This policy and guidance was published in November 2021.[21]

[20] https://www.babcockinternational.com/news/babcock-pledges-to-reduce-emissions-to-net-zero-by-2040/
[21] https://www.babcockinternational.com/wp-content/uploads/2021/11/Babcock-Sustainable-Procurement-Policy_Nov21.pdf

EXAMPLES OF SUSTAINABILITY INITIATIVES ACROSS THE BABCOCK BUSINESS

Reusing royal navy rubber materials and avoiding harmful emissions

Rubber materials are used for a wide variety of purposes on ships and submarines. They provide damping from noise and vibration caused by machinery, and their flexibility is an important feature for naval vessels where equipment moves due to ship motions or a shock event.

Every year, Babcock replaces more than 20 tonnes of rubber material from Royal Navy vessels. Prior to 2018 the material was destroyed via high temperature incineration and the resulting waste was sent to landfill.

In 2018, Babcock worked with a local supplier to introduce a new process for managing this waste. The process separates useful rubber material from metals to produce rubber pellets. Separated metals are recycled and the rubber pellets may be reused or manufactured into other rubber products.

This regenerative approach has resulted in a range of potential options for reusing the material rather than disposal at the end of its original life. Rubber pellets are supplied free of charge to equestrian centres in the region or manufactured into different types of rubber mats for use in a variety of functions.

In addition to the reuse benefits, there is a saving in reduced disposal costs.

Image courtesy of Tiflex

Improving waste recycling processes

Babcock waste recycling processes at its Devonport facility were highly commended in the MOD's Sanctuary Awards 2021 under the "Net Zero Carbon and Resource Efficiency" category. The commended project addressed the issue of waste created by a mechanical cleaning process known as "shot blasting". The cleaning waste is transported to specially equipped sites which can repurpose the waste for re-use in various applications such as the manufacture of asphalt and industrial flooring. In addition, the vehicles picking up the waste after the shot blasting process are the same ones that delivered the material required to conduct the cleaning. This ensures that the vehicles transporting the cleaning material and the waste only travel when they are loaded, avoiding unnecessary mileage and reducing fuel consumption.

MoD recognition for the Ascent programme

The company's environmental practices have also been recognised in its delivery of the "Ascent Flight Training" programme with partners Lockheed Martin. Babcock constructed infrastructure for the programme and refurbished two hangars that were used as training facilities. These were subsequently assessed as Very Good and Excellent on the MoD's "DREAM" environmental assessment tool for staff and suppliers.[22]

[22] Defence Related Environmental Assessment Methodology.

6.5 EQUAL OPPORTUNITY AND WELLBEING

Babcock has engaged in a number of initiatives to ensure its current and potential future workforce can access the full range of opportunities the company provides, irrespective of their personal background and circumstances. These initiatives seek to tackle workforce inequality; to reduce the disability employment gap; and to provide various channels of support and resources for current employees.

Internal networks covering a diverse range of interests and issues are already operational across Babcock. These include Pride in Babcock, a disability support network, and a neurodiversity network (see below). These groups provide a forum for interested employees to join together, obtain and share information, and to support colleagues in similar positions.

These networks are complemented by a range of programmes aimed at educating the workforce on diversity and equality issues, and bridging existing imbalances. For example, Inclusion Works is a 13-week programme launched in 2020.

To date, over 8,000 employees have taken part, participating in guided interactive sessions where they share their personal reflections on inclusion and work on applying what they learn from each other to real-life situations.

Women in Defence Mentoring is a nine-month programme which ran until May 2022 and was designed to improve gender balance, diversity, and inclusion. This involved a series of learning and networking events and its pilot was joined by 35 Babcock mentors and 35 Babcock mentees.

Babcock has also run a reverse mentoring scheme which involves senior leaders being mentored by colleagues from a minority group, for example, LGBTQ+, female, BAME and disabled colleagues. This initiative has also been rolled out to include new graduates and apprentices.

SCHOOLS OUTREACH PROGRAMME BRIDGES STEM SKILLS GAP

A shortage of science, technology, engineering, and mathematics (STEM) skills in the workforce has been identified as a key economic challenge.[23] This skills gap has also been recognised within Babcock. To raise awareness of STEM and to encourage more young people to become engaged with STEM subjects, Babcock runs an outreach programme through which employees visit schools and attend events to deliver a range of activities to inform students, teachers, parents, and carers.

These STEM "ambassadors" talk to students about the benefits of a STEM career and deliver workshops with practical activities to familiarise students with basic concepts, and to stimulate interest in STEM subjects and how they are applied in Babcock's operations.

For example, one of the activities involves demonstrating how submarines work using a tank of water to show students the principles of floatation and submersion.

In FY2022 Babcock added 160 STEM ambassadors, taking the total to over 738 across the business, 437 of which are in the UK. These individuals engaged with 30,000 school pupils through STEM outreach activities in FY2022.

They also responded to Covid-19 restrictions by creating video challenges specifically for a younger audience. These were designed to entertain and make science and engineering enjoyable. Examples of challenges included a competition to design and build a ship of the future; a print-at-home activity book; and a video and audio podcast for children inspired by HMS Portland.

Babcock is seeking to increase its recruitment into STEM roles from groups that have, historically, tended to be under-represented. For example, the company is actively targeting schools with larger proportions of female students and increasing female support at STEM events. The STEM outreach strategy also takes into account the share of students receiving free school meals to target efforts on schools with more children from poorer backgrounds.

[23] See, for example, Committee of Public Accounts, "Delivering STEM skills for the economy", House of Commons, 2018

SUPPORTING NEURODIVERSE EMPLOYEES IN THE WORKPLACE

Neurodiversity refers to the different ways in which the human brain can work and interpret information. While most people's brains function in line with society's expectations, making them "neurotypical", around one in seven people in the UK are neurodivergent meaning that they process information in a way that is not considered typical.[24] Creating an appropriate, inclusive workplace environment which enables neurodivergent individuals to thrive alongside their neurotypical colleagues can lead to benefits for the neurodivergent individuals and their employers alike.

Research has shown the benefits of employing neurodiverse people in areas such as information processing,[25] productivity and work quality,[26] and talent retention.[27] Babcock is working to support neurodiverse employees and to nurture the talent that they bring to the workforce.

Babcock has created an internal Neurodiversity Network that has introduced improvements in the company's recruitment process, encouraging people to disclose additional support needs during the selection and interview process, and educating hiring teams on how to best support neurodiverse candidates.

The network promotes inclusive leadership, raises awareness within the business, and provides guidance for neurodivergent employees, their managers, and leaders across the company. It supports and helps neurodiverse employees through the process of initial screening and longer-term medical diagnosis. Babcock is working to formalise these processes by transforming them from activities led by the Neurodiversity Network to corporate policies.

The network supports individuals and HR professionals where there may be case work—such as disciplinary proceedings or grievances—that can be resolved through better understanding of people's neurodiverse patterns. Babcock makes software and hardware tools available to support neuro-diverse employees and works closely with Microsoft who provide support in their software to help neurodiverse Babcock employees.

The Neurodiversity Network currently has 255 active members benefitting from its support which also covers employees with relatives or children who are neurodiverse. Employees with undiagnosed conditions, or with diagnosed conditions for which they have not received support, can go through an assessment, managed by the network, which can help them by providing access to the appropriate resources and government funding. More than 90 employees have started this process, and 45 of these have completed it.

The Babcock Neurodiversity Network was the joint winner of the 2022 Inclusion Project of the Year award from Genius Within. The network was also shortlisted for the 2022 British Dyslexia Association's Organisation Award.

[24] British Dyslexia Association, "New Guidance: Neurodiversity in the Workplace", 20 March 2019
[25] Wellcome Trust, "People with autism possess greater ability to process information, study suggests", ScienceDaily, 22 March 2022
[26] Patti Waldmeir, "Overlooked workers gain appeal in challenging times", The Financial Times, 17 March 2020
[27] Marcia Scheiner, "Corporate Neurodiversity Hiring Programs: Scratching the Surface?", Autism Spectrum News, 1 January 2020

Babcock is a signatory to three charters that promote gender equality: Women in Aviation and Aerospace; Women in Defence; and Women in Nuclear. Women in Defence has led to a target that 30% of senior leadership positions across the Babcock Group should be held by women by 2025 and an overall target of 30% of posts across the Group being held by women by 2030.

Babcock has hired more women into its senior leadership team, increasing representation to 23% in 2022 compared to 21% in the previous year. The company's mean pay gender gap has been consistently below the UK average and has narrowed every year since 2017, as illustrated in the graph below.

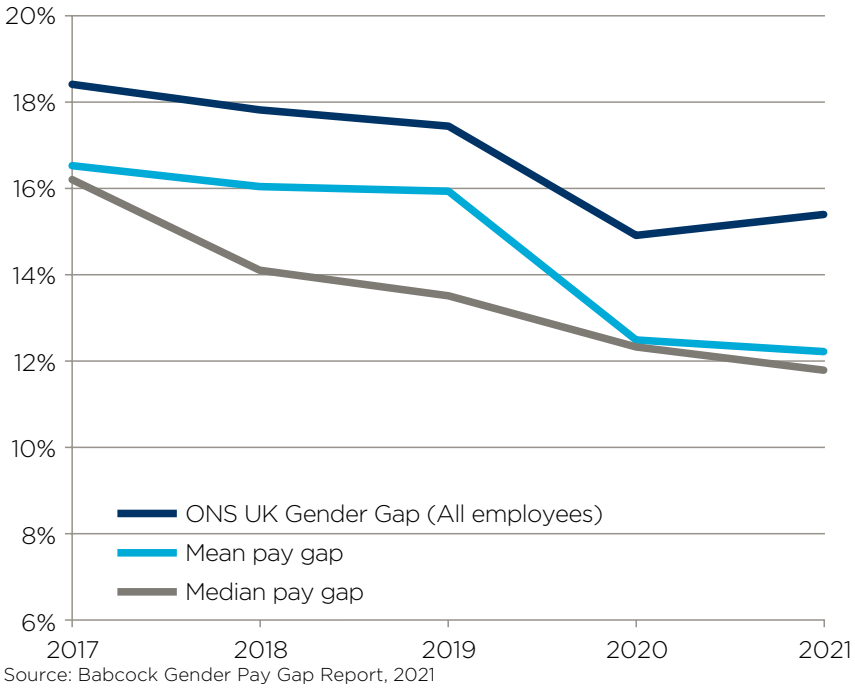
As signatories of the Armed Forces Covenant since 2013, Babcock has committed to help the UK's armed forces to deliver flexible solutions around the world. For example, the Babcock reserve forces policy provides employees paid time off when required for military training. In addition, Babcock supports members of the Armed Forces Community by guaranteeing an interview if minimum requirements for the role are met. This arrangement is available to Service Leavers, Veterans, or Reservists.

Babcock contributes to the wellbeing of both its own employees, and those in the communities where it is based through internal and external initiatives.

The company's charity and sponsorship policy provides a corporate framework for financial donations or sponsorships to support local community efforts. In addition, Babcock employees have been involved in local schools or youth clubs and STEM outreach activities.

Babcock has introduced a variety of support resources that its staff can access to improve or address concerns about their wellbeing. These include diversity and inclusion groups (see section 4.2.4) an employee assistance programme, agile working arrangements, and mental health first aiders.

Fig. 18: Gender pay gap in Babcock and across the UK



Source: Babcock Gender Pay Gap Report, 2021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APPENDIX: ECONOMIC IMPACT METHODOLOGY

ECONOMIC IMPACT MODELLING

Economic impact modelling is a standard tool used to quantify the economic contribution of an investment or an organisation. Impact analysis traces the economic contributions through three separate channels:

- **Direct impact:** refers to activity conducted directly by the company in the UK.
- **Indirect impact:** consists of activity supported by the company's procurement of goods and services from UK suppliers. It includes not only activity amongst the company's suppliers, but also amongst suppliers' suppliers, and so on right down the UK supply chain.
- **Induced impact:** reflects activity supported by the spending of wage income by direct and indirect employees.

Direct impacts

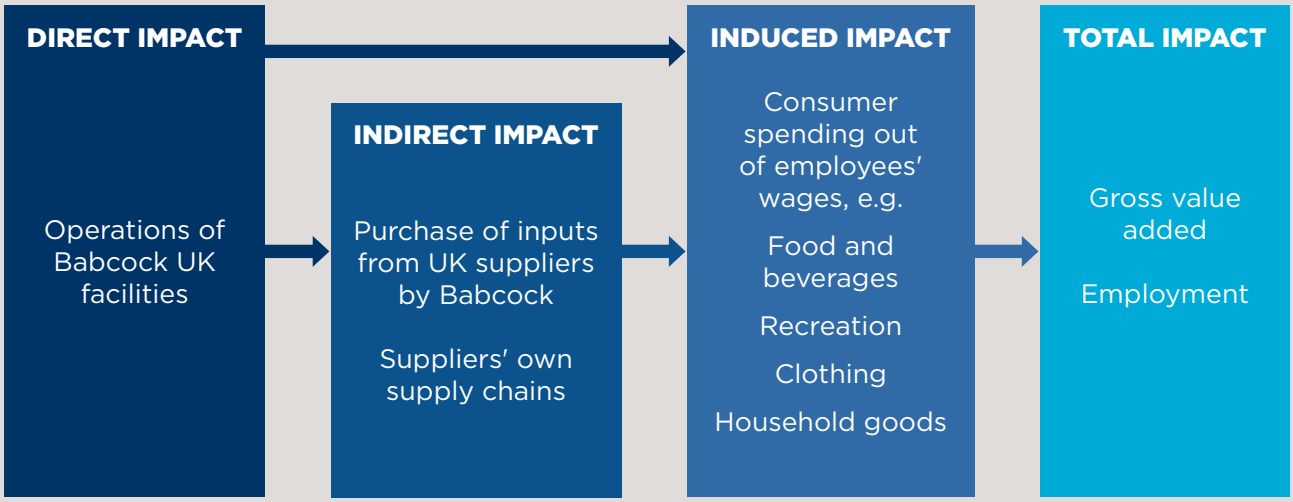
The direct value added of Babcock is calculated using the "income approach". This means that we sum compensation of employees (including employer pension and national insurance contributions); profits (measured in terms of EBITDA); and taxes on production (largely business property rates).

Indirect and induced impacts

Indirect and induced impacts are estimated using an "input-output" model. An input-output model gives a snapshot of an economy at any point in time. The model shows the major spending flows from "final demand" (i.e., consumer spending, government spending investment, and exports to the rest of the world); intermediate spending patterns (i.e., what each sector buys from every other sector—or in other words, the supply chain); how much of that spending stays within the economy; and the distribution of income between employment and other forms such as corporate profits. As these models measure activity within an economy, the direct impact figures will often not match company annual accounts, which follow accounting standards and rules.

An input-output model uses a matrix representation of a nation's interconnected economy to calculate the effect of changes by consumers, by an industry, or by others, on other industries and therefore on the economy as a whole. These input-output tables ultimately measure

Fig. 19: Direct, indirect, induced, and total economic impacts



the "multiplier effects" of an industry by tracing the effects of its inter-industry transactions—that is, the value of goods and services that are needed (inputs) to produce each pound of output for the individual sector being studied. These models can be used to measure the relationship between an economic change or "shock," and the final outcome across the whole of the economy.

In summary, an input-output model is a table which shows who buys what, from whom, in the economy.

Oxford Economics used the input-output table for the UK for 2017, published by the ONS in 2021, for this analysis. This was the most recent UK input-output table available at the time of writing.

Direct, indirect, and induced employment figures in this report have been rounded to the nearest 10 jobs.

Direct jobs are presented including the contingent labour (i.e., external contractors) that Babcock hires. The number of these workers and the total amount paid to agencies for contractors were obtained from the company. We assumed that 7% of contractors' wages was retained by employment agencies.

GDP and tax figures have been rounded to three significant figures and presented as millions or billions if above £1 million/billion. Figures in millions or billions are be shown to one decimal place, if rounding provides a decimal point.

We present employment impact estimates using the following rounding principles:

- under 100 is rounded to the nearest 5 jobs (but not down to zero)
- under 10,000 is be rounded to the nearest 10 jobs
- under 100,000 is rounded to the nearest 100 jobs

Industry breakdowns

The UK 2017 input-output table is divided into 105 different industry sectors, and the table shows how each sector interacts with the 104 other sectors. For purposes of illustration, to show value added and employment supported across different sectors, the 105 different industries have been pooled into broad industry categories. For example, the professional services industry amalgamates the following sectors:

- Legal services
- Accounting, bookkeeping, and auditing services; tax consulting services
- Services of head offices; management consulting services
- Architectural and engineering services; technical testing and analysis services
- Scientific research and development services
- Advertising and market research services
- Other professional, scientific, and technical services

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