ESG strategy

Sustainability is an integral part of our corporate strategy and it underpins our corporate Purpose: to create a safe and secure world, together.

Over the last year we have progressed our corporate Environment, Social and Governance (ESG) strategy and ensured progress towards our commitments and our five ESG priorities; these provide a framework for integrating sustainability into the business and ensure that we play our part in minimising risk, reducing our environmental footprint, contributing to our communities and transitioning to a more sustainable future for all.

Our ESG priorities

► We will reduce emissions and set science-based targets to get to Net Zero across our estate, assets and operations by 2040
See page 63

► We will integrate environmental sustainability into programme design to minimise waste and optimise resources
See page 66

► We will ensure the safety and wellbeing of all our people
See page 74

► 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 78

► We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges
See page 83

Recognising our key stakeholders' focus on ESG, we extended our materiality assessment to capture the views of some of our key customers and suppliers. We also captured feedback on ESG issues in our annual employee survey and ensured that our internal communications included examples from across the business of where and how we are taking action on material topics.

The Executive Committee, with the support from the Corporate ESG Committee continue to guide and govern Group-wide sustainability initiatives, ensure alignment behind the Group ESG strategy and progress towards sustainability targets.

Further to the decision in FY22 to build specific ESG objectives and measures in the FY23 annual bonus, the Remuneration Committee has set ESG related targets relating to reduction in carbon emission and senior management diversity for the 2023 PSP grant. See page 133 Remuneration Committee Report.

We continue to develop our approach to ESG reporting: we completed the Dow Jones Sustainability Index (DJSI) submission in December 2022, we are now compliant with 9 of the 11 TCFD disclosure requirements as per Listing Rule LR9.8.6R and we have disclosed in line with the new 2021 Global Reporting Index (GRI) framework. We work proactively with ratings agencies to enhance, where possible, the level of transparency and provide further insight into a range of economic, social and governance topics. We are appropriately represented on trade bodies and collaborate to raise ESG standards and demonstrate the positive impact of the Defence sector to our stakeholders.

Progress against our ESG priorities

► Reducing emissions and setting science-based targets to get to Net Zero

- We are working collaboratively with our customers and suppliers to take action to combat climate change and its catastrophic impacts by decarbonising our business and its value chain

- Following industry best practice, we committed to an interim Science Based Target in line with a 1.5-degree pathway in April 2023 which requires a 4.2% annual carbon reduction against our 2019 baseline and sets us on a course for decarbonising our estate, assets and operations to reach our overarching goal of Net Zero emissions by 2040

- We conducted a quantitative strategic climate-related risk assessment with the support of a third-party (KPMG) to assess the financial impact of material risk themes and this has been considered by the business as an input to the five-year strategic planning process and FY24 budgeting process

► Integrating environmental sustainability into programme design

- We are working to embed low carbon principles into the design, planning and operational delivery of our products and services with the use of Life Cycle Assessment tools and Circular Economy principle

- Over the past year we invested significant efforts to further our understanding of our nature-related impacts, risks and opportunities. We are exploring new legislative requirements to disclose nature-related risks and impacts, in line with the Taskforce on Nature-related Financial Disclosures (TNFD). A key area of focus for Babcock is engagement with our stakeholders and experts in the nature arena to understand opportunities to collaborate, knowledge share and partner. Babcock has become a member of the UK Business and Biodiversity Forum

- We have developed a new Group e-training package 'Curious about Climate' to help us learn more about what climate change is and the actions we can take individually and collectively to reduce our impact

► *Ensuring the safety and wellbeing of our people*

- We continue to focus on making Babcock a more efficient, agile, inclusive and people-focused business

- Ensuring the safety, health and wellbeing of all our people and those affected by our activities is our priority

- We continue to collaborate and learn, across the enterprise, to ensure our products and services achieve the quality and safety standards required of our customers and regulators. Our Engaged Safety Culture framework forms the foundations of the safety behaviours being developed across Babcock

- Our updated approach to Inclusion and Diversity (I&D) has enabled us to create the right foundations to deliver gender balance and greater diversity more broadly through our organisation

- Our female population has reduced in this reporting year due both to divestments and natural attrition but we are actively focused on attracting talent to grow our pipeline for the future and deliver equal representation

- Our work to reduce inequalities between male and female employees has resulted in year-on-year progress since we started reporting in 2017. This year we are pleased to report that the median pay gap has continued to reduce narrowing from 11.8% to 9.6%

► *Making a positive impact on the communities in which we operate*

- We are making a positive difference to the communities in which we operate by promoting sustained, inclusive and quality jobs. This is evidenced by the independent report carried out by Oxford Economics highlighting amongst other things, how we support levelling up across the UK, our focus on wellbeing and environmental initiatives we are progressing

- With a global presence, Babcock recognises the importance of engaging and supporting indigenous people in the countries in which we operate

- Our charitable sponsorship and community investment approach allows sectors and regions to manage their respective donations and sponsorship, which means that our support goes where it can serve the greatest need. This includes Veterans with dogs in the UK, Yalari in Australia and Laus Deo Primary School in South Africa

► *Being a collaborative, trusted partner across the supply chain*

- As an organisation we aim to be a collaborative and trusted partner and 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

- One of our governance initiatives was for Babcock to launch its first global and Company-wide Shadow Executive Committee inviting applications from non-executive employees from across the business, in order to provide a varied perspective to key decision-making, by offering fresh ideas and viewpoints on strategic initiatives as well as being an opportunity to expand the diversity of thought in our business

- We have launched a new Group Sustainability policy which outlines the corporate strategy and governance for sustainability across Babcock Group and applies to all employees. The policy was shared with the Corporate ESG Committee, launched on the Group Sustainability pages and uploaded to the Global Business Management system

- We ensure that our value chain is effective and engage its support to deliver our ESG strategy. This year Procurement have adopted a spend-based calculation methodology for mapping our upstream value chain emissions to provide a baseline for further developing Babcock's carbon strategy

Our focus for FY24 is to...

- Scale the development of Carbon Reduction Plans and implement renewable energy initiatives

- Work to develop Babcock's Climate Transition Plan in line with requirements of the Transition Plan Taskforce

- Work with our partners to investigate, assess and deliver low carbon opportunities

- Broaden our inclusion strategy and improve employee engagement

- Evaluate and improve our procurement practices in alignment with ISO20400

Progress vs ESG commitments and targets

Commitment and targets	Commentary
Progress Plan Zero 40 and minimise the impact on the environment	
Progress Plan Zero 40	We have continued to develop and enhance our decarbonisation strategy to ensure delivery of our carbon reduction targets. During 2022 we reduced our emissions by 8.6%, and we have reduced our absolute footprint by 12.9% against our adjusted baseline. To date we have delivered a range of initiatives such as estate rationalisation, energy efficiency improvements, awareness raising and training, EV vehicle roll-out and energy management improvements
Preparing waste management plans across all significant sites by 2024	We have identified 'significant' sites based on multiple selection criteria associated with waste types and quantity generated. We are working to develop waste management plans across the significant sites by 2024
Zero controlled waste to landfill by 2025	We are investigating a range of initiatives and working with our partners to identify opportunities to reduce our waste to landfill by 2025
Eliminate the use of avoidable single-use plastic by 2027	Within our developing waste management plans, we are working to identify initiatives and map the transition away from single-use plastics by 2027
Prepare water management plans across all significant sites by 2024	We have identified 'significant' sites across our operations based on multiple selection criteria associated with location, water consumption and water extraction/discharges. We are working to develop water management plans across the significant sites by 2024
Maintaining and enhancing biodiverse ecosystems	
Conduct biodiversity assessments across all significant sites by 2024	We have identified 15 sites across the organisation where our interaction with and impact on local ecosystems has been considered to potentially be significant and are working to conduct biodiversity assessments across all these sites and are on track to complete this by 2024
Deliver a 10% biodiversity increase across the estate by 2030	The biodiversity assessments will allow Babcock to understand our baseline, against which we can develop the initiatives and roadmaps to achieve our medium-term objective of 10% biodiversity increase across our estate
TCFD metrics and targets	
Develop a baseline for Scope 1 and 2 emissions by the end 2023	During FY23, we developed ten 'Pathfinder' carbon reduction plans which capture 75% of Babcock's estate related Scope 1 and 2 emissions. We are now working to scale the carbon reduction plans across our remaining estate and assets by the end of 2023
Submit science-based targets for Scope 3 by Apr-23	In April we submitted our interim and Net Zero carbon reduction plans to the Science Based Targets initiative (SBTi) and are currently awaiting verification of our plans
Complete an assessment of climate-related risk of all critical Babcock infrastructure by Dec-24	During 2022 we conducted high-level risk assessments across our operations. We are now working to conduct detailed climate-related risk assessments across our critical infrastructure by the end of 2024
Complete a review of climate-related changes to working conditions covering all employees who are exposed at geographical locations by April 2023	Completed
Climate-related impacts to be considered in all business bid/no bid decisions and associated contract negotiations/KPIs	Completed
100% of electricity for Babcock facilities to be sourced from renewable supplies by 2030	In 2022 approximately 32% of Babcock's electricity was from renewable energy sources, this is an increase from 26% in 2021
Complete an assessment of all our critical suppliers' climate-related risks and associated impact by Sept 2022	Completed
Creating a people-centred business where everyone is included	
30% women within senior leadership teams by 2025	We have seen an improvement of female representation within our senior leadership team from 21% to 23%.
30% female representation at all levels by 2030	Our female population has reduced by 1pt to 18% this year due to divestments and natural attrition but we remain committed to reaching our gender balance target
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	We are designing an Inclusion Roadmap which will help us to further develop our approach on ethnicity and disability
Reduce inequalities through a thorough review of our recruitment practices and how we support progression once in employment	We are taking a range of actions including new policies and ways of working; refreshed recruitment processes and supporting leadership development programmes amongst others
Underpinned by conducting business with honesty, transparency and integrity	

Materiality assessment

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

In FY22 we based our materiality assessment on feedback from employees and investors. For FY23 we have updated our assessment in relation to these stakeholders and also expanded our assessment to include the views of some of our key customers and suppliers. This process ensures we are addressing and managing the material issues that matter most to our stakeholders via our Group sustainability strategy.

Following this year's strategic climate risk assessment, the Executive Committee has categorised Climate as a principal risk see page 101.

For customers we captured topics that were most commonly raised in key customer meetings and views from customer engagement surveys. The top three material topics cited by customers were:

- Climate change: We are facing a global climate crisis and we need to work collaboratively with our customers to play our part in averting this

- Employee inclusion and increased diversity: We need to play our part in supporting levelling up by investing and supporting employment in the most deprived areas. We also need to help tackle economic inequality and improve equality of opportunity. We need jointly recognised definitions, measures and metrics in place and data to drive action and decision

- Governance, accountability and culture: To achieve our sustainability ambitions we need to be true to our purpose, culture and strategy demonstrating the benefits from the new operating model and fully integrate ESG in the business

To capture views of the topics of most concern to our suppliers, we captured views from our key suppliers. The top three material topics they cited were:

- Health safety and wellbeing: High health and safety standards are a fundamental condition and responsibility we must meet to protect the wellbeing of all who interact with Babcock and ensure everyone gets home safely every day

- Climate change: We are facing a global climate crisis which has the potential to cause catastrophic impacts. We understand the risks posed by climate change and are committed to play our part in addressing the global crisis

- Collaboration: Collaboration is required to achieve a shared goal, foster innovation and create lasting relationships for sustainable long-term business success

From investor engagement, the following three topics were highlighted as being of most interest in relation to ESG:

- Governance, accountability and culture: These are key to optimise operational performance and fully integrate ESG in the business to achieve our sustainability ambitions

- Employee inclusion and increased diversity: By accessing the broad range of talent and experiences within our workforce, we will achieve greater employee satisfaction and improved delivery for our customers

- 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. We are creating an employment structure that supports development and progression opportunities across the Group

This year's Group-wide employee survey indicated that views of employees have not changed markedly from last year.

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

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

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

We have ensured that action plans are in place to address the sustainability-related issues highlighted and we plan to include more detailed questions on sustainability in forthcoming surveys.

ESG and our shareholders

Over the year we have progressed our ESG strategy and ensured progress on our corporate commitments while furthering our disclosure on key sustainability interests in line with best practice and regulation. This year we have continued to develop our approach to ESG reporting and enhanced the level of transparency providing further insight into a range of economic, social and environmental impacts.

In April 2023, we submitted our interim Net Zero carbon reduction plans to SBTi and we conducted a strategic climate-related risk assessment for our five-year planning process. We're also continuing to integrate environmental sustainability into programme design to optimise resources. Our emissions target is also linked to our KPIs and remuneration. Read more on page 133.

The health, safety and wellbeing of our employees, customers and the community comes first. The independent report carried out by Oxford Economics shows how we have made a positive difference to the communities in which we operate by promoting sustained, inclusive and quality jobs. Senior management diversity has also now been added to remuneration targets. See pages 131 to 133.

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 106) and our Audit Committee Chair's report (page 124). Our approach to risk management is discussed on page 87.

Defence and nuclear

Following the completion of the portfolio alignment programme, the Group today is over two thirds defence focused. We recognise that our business is therefore of increasing relevance to investors investigating through an ESG lens: most notably that we operate in defence and civil nuclear markets. We have a critical role in global defence and national security with operations in UK, Australia, New Zealand, Canada, and France. We also design and manufacture equipment and systems for several other nations including the US and South Korea. As global instability and political turmoil increases, we support the view that democracies need to be able to defend themselves from aggressors to ensure democracy.

Nuclear deterrents and nuclear power are both crucial to our customers and a democratically elected mandate. 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 customers, both with their defence agenda and their commitment to generate low-emission power from nuclear energy.

Certain ESG agencies and investment funds have identified internal screening policies to minimise their portfolio's exposure to controversial weapons activities. To enable compliance with their requirements, we disclose key ESG metrics to measure our exposure to these activities as percentage of revenue.

Below we describe our involvement in these areas. As we have concluded our portfolio alignment programme, we compare our exposure against FY23 revenue excluding divested businesses (pro forma) to provide a fairer, ongoing baseline.

- We do not design, manufacture, or sell nuclear weapons or controversial weapons or their components.
- We deliver support, decommissioning and infrastructure projects for our Atomic Weapons Establishment customer in support of their programmes, representing 0.4% of FY23 pro forma revenue.
- We provide in-service and through-life support for the UK Royal Navy's ballistic nuclear submarines (SSBNs), the Continuous At Sea Deterrent. Submarine support is part of our wider FMSP contract to deliver all dockside and fleet time support, base maintenance and deep maintenance periods for both classes of non-nuclear armed (SSN) and SSBN submarines, including naval base management. We estimate the split of SSBN related support work to be around 2% of FY23 pro forma revenue.
- We design and manufacture the non-nuclear weapons handling systems for the future Dreadnought Class SSBNs and manufacture the missile tube assemblies for the joint US/UK common missile compartment for integration into the future US and UK SSBNs. This work represents less than c.2% of FY23 pro forma revenue.
- 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. This work represents around 4% of FY23 pro forma revenue.

We continue to develop our approach to ESG reporting and work proactively with ratings agencies to enhance, where possible, the level of transparency and provide further insight into a range of economic, social and governance topics.

ESG disclosure and external ratings

GRI/SASB coverage	Reporting with reference to GRI Standards 2021 and SASB Standards for the period April 2022 to March 2023. See external website for further details
TCFD disclosure vs Listing Rule LR9.8.6R	We are now compliant with 9 of the 11 TCFD disclosure requirements with limited disclosures on Metrics and Targets A and B. For further details see TCFD section, page 67-73
DJSI Score FY22	Completed DJSI submission in December 2022 and achieved score of 47, which was 1 point lower than last year
FTSE Russell	Submitted in February 2023 and achieved ESG rating of 3.0 in line with prior year
MSCI Rating	ESG rating is A in line with prior year
ISS Rating	ESG rating is C- in line with prior year

Environment

► *Reducing emissions and setting science-based targets to get to Net Zero*

At Babcock we understand our responsibilities to the environment. We have set ambitious targets and are taking action to reduce our impacts. Since the launch of Plan Zero 40 in 2021, we have committed significant resources to address our environmental risks and unlock opportunities, and we are working to influence our wider value chain. Over the past year we have made significant progress on our journey. The following are a few of our highlights:

• Submission of Interim and Net Zero carbon reduction targets to the Science Based Targets initiative (SBTi)

• Gained accreditation to the Carbon Trust's new Route to Net Zero Standard - Taking Action

• Prepared detailed Carbon Reduction Plans across ten pathfinder sites and commenced the roll out across remaining global operations

• Development of low-carbon product and service capabilities

• Supported our customers on their journeys to Net Zero

• Launched Group-wide environmental minimum standards

Babcock Group energy consumption and emissions

		Dec-19	Dec-20	Dec-21	Dec-22
UK					
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	37,847	29,316	38,804	27,611
Scope 2: Indirect emissions from the use of electricity and steam	tCO_2e	58,445	46,458	43,818	42,448
Scope 3: Emissions – business travel, electric transmission and distribution	tCO_2e	11,231	5,484	5,806	5,754
Total emissions	**tCO_2e**	**107,522**	**81,258**	**88,428**	**75,813**
Underlying energy consumption used to calculate emissions	**kWh**	**422,144,618**	**351,936,201**	**396,229,990**	**343,074,206**
Global (excluding UK)					
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	91,357	103,416	102,748	99,556
Scope 2: Indirect emissions from the use of electricity and steam	tCO_2e	6,364	4,724	4,747	3,666
Scope 3: Emissions – business travel, electric transmission and distribution	tCO_2e	351	168	126	126
Total emissions	**tCO_2e**	**98,072**	**108,307**	**107,622**	**103,348**
Underlying energy consumption used to calculate emissions	**kWh**	**383,872,012**	**433,823,941**	**429,298,199**	**408,269,655**
Babcock Group total (UK and global)					
Scope 1: Direct emissions from owned/controlled operations	tCO_2e	129,203	132,732	141,552	127,167
Scope 2: Indirect emissions from the use of electricity and steam	tCO_2e	64,809	51,182	48,565	46,114
Scope 3: Emissions – business travel, electric transmission and distribution	tCO_2e	11,582	5,652	5,932	5,880
Total emissions	**tCO_2e**	**205,594**	**189,566**	**196,050**	**179,161**
Underlying energy consumption used to calculate emissions	**kWh**	**806,016,629**	**785,760,142**	**825,528,188**	**751,343,861**
Underlying energy consumption	**GJ**	**2,901,660**	**2,828,737**	**2,971,901**	**2,704,838**
Revenue (adjusted in line with emissions baseline)*	**£m**	**4,042.5**	**3,842.7**	**3,867.8**	**4,438.6**
Intensity ratio**	**tCO_2e/£1m Revenue**	**50.9**	**49.3**	**50.7**	**40.4**

Our emissions data is reported in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard under the 'Operational Control' approach. Our reporting is in line with the requirements of the Streamlined Energy and Carbon Reporting (SECR) requirements. The reporting period for our energy consumption and carbon emissions is the calendar year (01 January to 31 December). 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 (tCO_2e per £m). Recent organisational changes have cumulatively exceeded our materiality threshold (5% emission variance) and accordingly we have assessed and revised our carbon baseline. Emissions data for prior years have been adjusted in line with the organisational changes and to include data unavailable last year. Emission figures for this year include an element of estimated data and 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 a range of initiatives and activities resulted in a year-on-year reduction in carbon emissions, including estate rationalisation, strategic divestments, 'low-hanging fruit' energy conservation measures, reduced use of diesel, reduced aviation operations and improvements to our energy management practices. We do not have the data maturity to report quantitative reductions generated through energy efficiency measures for the current or previous years. We are progressing well on our journey to Net Zero and aim to accelerate our carbon reduction over the coming years. * The revenue figures detailed are for the corresponding fiscal year and have been adjusted so as to align with the adjusted emissions baseline. ** The Intensity Ratio is based on the adjusted emissions baseline and the adjusted revenue.

Plan Zero 40 pathway and implementation plan

Plan Zero 40

In 2021 we launched our decarbonisation strategy, Plan Zero 40, where we committed to delivering Net Zero across our own operations (Scope 1 and 2) by 2040 and the delivery of a 2030 Science Based Target in line with a 1.5-degree pathway. During FY23, we have continued to build upon the progress made in FY22 and progressed on our journey to Net Zero. In April 2023 we submitted our Interim and Net Zero carbon reduction targets to the Science Based Targets initiative (SBTi) and are currently awaiting verification of our plans.

Under Plan Zero 40 we have segmented our investigations and delivery of decarbonisation initiatives into four strands: Estate and Assets, Transport, Products and Services, and Value Chain.

Estate and assets

Babcock's estate is vast and complex, and we operate in a variety of regions across the globe, which means we do not have a one-size-fits-all approach to decarbonisation. To address the complexity and variance, we have opted for a comprehensive approach and are working to prepare specific Carbon Reduction Plans across all our global operations. Within the Carbon Reduction Plans we are firstly ensuring there is an accurate and complete GHG inventory, secondly conducting hotspot analysis, desktop assessments and site energy audits, before finally preparing a techno-economic analysis which models and analyses the economic and carbon performance of a range of low carbon technologies (solar PV panels, wind turbines, ground source heat pump, district heating etc) so as to assess the most effective pathway to deliver Net Zero.

The plans are supported by robust business cases and are developed in line with our estate strategies and business plans to ensure full alignment and integration into our business as usual. During FY23, we developed ten 'Pathfinder' Carbon Reduction Plans, which captures c.75% of Babcock's estate related Scope 1 and 2 emissions.

Whilst resource intensive, this comprehensive approach is giving us great insight and allowing us to understand true cost and impact of Net Zero on our estate and assets, which enables us to effectively plan our journey to Net Zero. We are on track to meet our commitment to have developed Carbon Reduction Plans across our operations by 2024.

Over the past year we have continued investigations to unlock renewable energy generation opportunities across the estate.

We currently have several renewable energy projects with cumulative installed capacity in excess of 25MW which are progressing through the stages of development. At a local level, we are assessing our energy performance as part of our planned maintenance and specifying low carbon products into asset life cycle replacements. We remain committed to delivering high-quality development within our construction and refurbishment programmes. Our development at Bristol Technology Centre recently reached practical completion and achieved a BREEAM excellent rating.

Transport

Decarbonisation of our transport, as detailed within our developing Sustainable Transport Strategy, is being addressed under four pillars: fleet, business travel, employee commuting and transportation and distribution (upstream and downstream). Under Plan Zero 40 we have committed to transition to 100% Ultra Low Emission Vehicles by 2030, and we are progressing well towards this target, roughly 15% of our fleet are ULEV and the majority of our new vehicle orders are ULEV. In June 2022, we announced the launch of Babcock's EV Salary Sacrifice scheme, which has been positively received with large interest and uptake from across our workforce. Over the coming year we are working to develop Workplace Travel Plans across key sites and reviewing business travel to unlock and promote sustainable travel options for our employees and visitors. We are also working with our partners to reduce our logistics emissions.
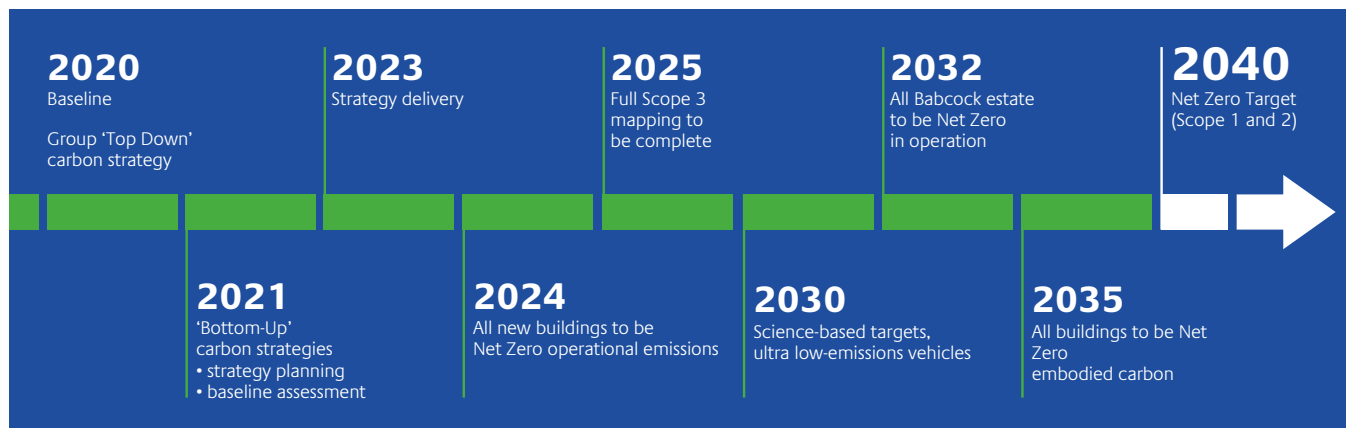
Products and services

We have been working to unlock the low carbon opportunities presented by the low carbon economy and aim to become a leader in low carbon enablement. In creating a safe and secure world, we strive to support our customers on their journeys to Net Zero and have been working with a variety of customers across our operations to identify decarbonisation opportunities. Recently we supported several customers to seek funding from the UK Government's Low Carbon Skills Fund. Our Training and Technology and Innovation teams are investigating a range of innovative low carbon opportunities, and we are working to ensure we have the right capabilities to deliver. Over the last 12 months, we have also been working to develop our own climate e-training package, Curious about Climate, which will support to raise awareness of climate-related risks and opportunities.

Utilising a hybrid spend and revenue-based approach, we have commenced work to calculate our Scope 3 downstream footprint. Based on the work to date, we understand that emissions from Use of Sold Products, Category 11 is one of the largest contributors to our footprint. Due to the early stages of our investigations and the limitations to the methodology utilised, we have not reported our full Scope 3 footprint within our annual figures whilst we refine the calculation methodology. We recognise the importance of the Scope 3 footprint on our own footprint, but also that of our customers.

To reduce the impacts of our Products and Services, across our operations we are working to embed low carbon principles into the design, planning and operational delivery of our products and services with the use of Life Cycle Assessment tools and Circular Economy principles. Over the coming 18 months we have committed to conducting detailed carbon assessments of our products and services and developing Net Zero roadmaps.

Our Net Zero journey

2020
Baseline

Group 'Top Down' carbon strategy

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

Value chain

We understand our responsibility to lead by example, to encourage and influence the supply chain to transition to the low carbon economy. Babcock has a strong sustainable procurement policy to underpin and ensure we deliver our operations in a sustainable manner. Utilising the Environmentally Extended Input Output (EEIO) approach, we are working to calculate our Scope 3 upstream emissions. We recognise the limitations of the EEIO approach, and we are working collaboratively with our partners and participating in a range of industry working groups to mature the approach to emission calculations. Our teams continue to work with our partners to investigate, assess and deliver low carbon opportunities, such as our recent transition to Hydrotreated Vegetable Oil (HVO) fuel.

Further information

Find out more about our Net Zero journey by scanning this QR code

Climate management instruments

We acknowledge that the delivery of our Net Zero targets will be challenging and requires immediate action. To support, influence and encourage the delivery of our ambitious targets, we are working to investigate and implement a range of climate management instruments. Executive Remuneration linked to the carbon performance of the organisation, and Internal Carbon Pricing are two instruments being reviewed for implementation in FY24. Alongside this, the performance of our Sectors and Direct Reporting Countries (DRCs) are being assessed against a range of non-financial metrics and targets.

Priorities for the year ahead

For the year ahead we will be building on the existing processes, procedures and programmes established to deliver Plan Zero 40. We have also commenced work to develop Babcock's Climate Transition Plan in line with requirements of the Transition Plan Taskforce, which we aim to prepare over the coming 18 months. We will also continue to scale the development of Carbon Reduction Plans and implement renewable energy initiatives.

Tree planting at Wembury Barton Farm

A team from Devonport's safety engineering group used their volunteering day to plant trees at Wembury Barton Farm. The new woodland will be part of the Plymouth and South Devon Community Forest where there will be a mix of native species planted, including sessile oak, fruit trees, and hazel.

> ► *Integrating environmental sustainability into programme design*

Natural environment

Throughout our global operations we interact with a range of complex natural ecosystems. Maintaining and enhancing the biodiversity of these ecosystems is a priority as we strive to protect and enhance the environment and adapt to the impacts of Climate Change. Over the past year we invested significant efforts to further our understanding of our nature-related impacts, risks and opportunities. We have identified fifteen sites across the organisation where our interaction with and impact on local ecosystems has been considered to be potentially significant. We are now working to conduct biodiversity assessments across all these sites and are on track to complete this work by the end of 2023. The bio-diversity assessments will allow Babcock to understand our baseline, against which we can develop the initiatives and roadmaps to achieve our medium-term objective of 10% biodiversity increase across our estate. Our approach is establishing a solid foundation for our broader natural environment programme which will be launched over 2024.

Babcock has also become a member of the UK Business and Biodiversity Forum and we are working to explore new legislative requirements emerging from COP15 to disclose nature-related risks and impacts, in line with the Taskforce on Nature-related Financial Disclosures (TNFD). Over the coming year we are working to conduct a pilot TNFD assessment, setting the pathway for integration of nature considerations in our business as usual.

Taking action on our commitments

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. Last year we announced a range of additional commitments (over and above those stated within Plan Zero 40 and our TCFD disclosures):

- Prepare Carbon Reduction Plans across all operations by 2024
- Prepare Water Management Plans across all significant sites by 2024
- Prepare Waste Management Plans across all significant sites by 2024
- Conduct biodiversity assessments across all significant sites by 2024
- All operations to be captured within an Environmental Management System by 2024
- Zero controlled waste to landfill by 2025
- Eliminate the use of avoidable single-use plastics by 2027
- Deliver 10% biodiversity increase across the estate by 2030

In line with our 'Top-down, Bottom-up' approach, our Sectors and DRCs have identified significant sites and are working hard to develop 'Bottom-up' plans and programmes to deliver on our commitments. Significant sites have been identified based on area, consumption and emissions. Whilst there is a significant amount of work still to do, we are on track to meet our commitments.

Following a detailed review of Babcock's position and performance relating to environmental protection, during 2022 we developed and launched an enhanced suite of Group-wide Environmental Minimum Standards. The new minimum standards will further ensure the impacts of our operations are minimised and the highest standards of environmental protection are upheld.

Data management

Data is a key enabler to our environmental strategy and is used across the organisation to inform our decisions. Whilst access to accurate and complete data is still considered one of our key challenges, over the past 12 months we have continued to improve our data sets. We have conducted a review of our operating procedures and governance structures and are working to implement a range of improvements. We have enhanced our capacity and capability with our dedicated team of data specialists, who have implemented rigorous internal audit processes, and we have matured our investigations into the development of our Group-wide Environmental Data Management System, which we aim to implement throughout 2023. We have developed a clear data improvement roadmap which will ensure compliance with the increasing regulatory reporting requirements.

Awareness raising and engagement

We understand the importance of awareness raising and engagement in embedding sustainability into our culture and 'business as usual'. As part of our engagement and communications strategy, every year we deliver a number of environmental campaigns to raise awareness and engage with our workforce and wider value chain. During June 2022, we held 'Environmental Action Month', where local environmental working groups from across the organisation coordinated environmental engagement and volunteering activities within their regions, such as beach litter picks, river cleans by kayaks, tree planting and environmental coffee mornings. Continuing from our COP26 campaign, in October 2022, supported by public figure climate change advocates and industry experts, we delivered a successful COP27 engagement campaign. Over the coming year we are planning to continue the great work with further campaigns.

Task Force on Climate-related Financial Disclosures

Building on last year's qualitative assessment, 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 are now consistent with 9 of the 11 TCFD requirements, with limited disclosures on Metrics and Targets A and B having not yet set an internal carbon price, nor fully embedded cross-industry climate-related metric categories into our targets, nor reported our full scope 3 emissions across the full value chain due to the early stages of our investigations and the limitations to the methodology utilised. Over the coming 18 months we have committed to conducting detailed carbon assessments of our products and services and developing Net Zero roadmaps.

Last year, we set governance with respect to climate change, integrated risk management and scenario planning in our strategic planning cycles and had set some initial targets. This year, we conducted a strategic climate-related risk assessment to assess the financial impact of the key risk themes on the organisation's business strategy and financial planning. In line with TCFD recommendations, we have made the following disclosures:

- Governance (all recommended disclosures)
- Strategy (all recommended disclosures)
- Risk management (all recommended disclosures)
- Metrics and targets (limited disclosures for A and B)

We are committed to achieving Net Zero and our Plan Zero 40 and climate strategy workstreams are aligned. We intend to develop one holistic transition plan, which includes Plan Zero 40 workstreams and climate-related risks in line with final recommendations of the Transition Plan Taskforce.

For further details see FY24 priority table, pages 72-73. Additional climate-related disclosures can be found in the Risk Management 101 and Governance sections 133.

Governance

Board oversight of climate-related risks and opportunities

Our Board ensures oversight on climate-related issues and discusses Group-wide ESG matters as an integral part of Board strategic discussions. In FY23, the Board requested two progress reviews on Group-led sustainability workstreams including implementation of Plan Zero 40 and TCFD through updates from the Group Director of Sustainability and the Group Head of Environment.

At the September 2022 and February 2023 Board meetings, the Board noted the progress vs objectives, including baselining, development of Pathfinder carbon reduction plans, indicative capital profile to deliver Net Zero target, and noted that carbon reduction plans need to be strategically integrated into business plans. They also noted the intention to submit carbon reduction targets to the Science Based Targets Initiative (SBTi), insights from the climate-related risk assessment and the plan to develop a climate transition plan in line with the TPT recommendations. The Board also discussed plans to set ESG targets relating to emissions reduction through the remuneration committee as part of the FY24 long-term incentive plan.

See page 110 for further details on our governance framework.

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 Director 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 was reported to this Committee quarterly, and any actions/activities required to further climate-related risk management activities were agreed by the Committee.

Executive Committee members who are members of the Corporate ESG Committee are indicated on page 110.

Climate-related risks and opportunities have been reported to the Executive Committee on a six-monthly basis. Our newly formed Risk Committee, which sits as a direct management committee into our Group Executive, will provide executive leadership and oversight of the Group's risk management framework, which includes climate-related risks under the categorisation of Principal Risk and Uncertainty.

In September 2022, the Chief Financial Officer agreed to appoint KPMG to undertake quantified scenario analysis to model exposure to physical and transition risks and help inform our strategic direction and financial impacts, inform strategy and planning decisions. The core project team was led by the Group Director of Sustainability, supported by the Group Head of Environment, Group Head of Reporting & Financial Control and included sector and regional contacts who had the seniority and authority and best understood the risks within their respective sectors and regions.

Interviews with sector and regional contacts were a key input to the scenario analysis and provided the wider business context behind identified risks and opportunities.

A Steering Group was set up, which included the Chief Financial Officer and Director of Group Finance, to ensure governance and oversight of the engagement.

The Group Director of Sustainability and KPMG reported the insights from the climate-related risk assessment with sector and regional Financial Directors and presented to both the December 2022 Executive Committee and the February 2023 Board.

Plan Zero 40 is led by the Group Head of Environment, with sectors and regions accountable for developing their bottom-up carbon reduction plans.

For further details on decarbonisation, see page 63.

Strategy

Building on our climate-related risk management process from last year, which considered the following time horizons: short (present to 2030), medium (2030 to 2040), and long-term horizons (2040 to 2100), sectors and regions considered the insight and recommendations from the KPMG climate-related risk assessment report and identified the immediate actions required in their five-year strategic plans to support corporate commitments including Net Zero, wider environmental targets, and to address key climate-related risks and opportunities.

Approach to scenario analysis

Advancing our climate maturity, we have undertaken quantified scenario analysis of our shortlisted climate-related risks and opportunities to assess our organisational resilience. Two potential future climate scenarios were selected which use economic constraints associated with the International Panel on Climate Change's (IPCC) Shared Socioeconomic Pathway 2 (SSP2) middle of the road scenario: a Paris-aligned 1.5°C for the best-case scenario and a business-as-usual 4°C scenario for the baseline scenario. These align with TCFD recommendations.

The baseline scenario considers how the global economy could look in the absence of new climate policies beyond those in place today. The 1.5°C counterfactual simulates a potential future pathway of the world economy assuming a successful introduction of climate policies. The 4°C baseline, utilised and agreed by climate modelling experts within the UN IPCC Change, assumes the scenario in which no further intervention on climate change is taken, leading to a global-mean temperature rise of 4°C above pre-industrial levels by 2100.

A desktop analysis of physical risk exposure considering asset location, insured value, machinery and contents, and stock was undertaken for 15 key sites.

These sites represent centres of operations, significant revenues, large asset values, and wide coverage of geographies in which we operate, therefore capturing physical risk across the Group.

Physical risk was assessed against eight climate hazards. Acute physical risks were considered, which are event-driven, including increased frequency and severity of extreme weather events:

- Riverine flooding
- Forest fire
- Extreme wind
- Soil subsidence
- Surface water flooding
- Freeze thaw

Two chronic physical risks were also considered which refer to longer-term shifts in climate patterns: extreme heat and coastal inundation.

Babcock operates assets with long life; therefore, we consider long-term risks up to 2100.

We have undertaken quantified scenario analysis of our shortlisted climate-related risks and opportunities to assess our organisational resilience. Based on the results of this initial analysis, the impact of climate change on the Group's financial performance and position is not expected to be material, after considering the potential risk management and mitigation strategies available to the Group.

An economic analysis was used to assess transition risks. The global economic model analysed the potential carbon emissions of economic activities and the consequential impact on macroeconomics of constraining these emissions, in order to achieve the target global-mean temperature at 2100. The economic model disaggregated these economic considerations to a market level, producing price and volume impacts on commodities and sectors across the global economy, against which our supply chain cost structure was assessed.

The model achieves the scenario's emissions constraints through carbon pricing. Trajectories for GDP of countries, output of industry sectors and global carbon intensity of industry sectors are used as inputs to the model among others.

Risks

Third-party analysis has calculated the potential revenue and business interruption impact of shortlisted risks up to 2050 and critically identified the short-term (<5 years) and long-term (5 years+) actions that should be taken now and in the future by our business. These have been considered in our five-year strategic planning.

In last year's report, we had identified dockyard disruption due to coastal flooding as the most significant risk. This year's quantification analysis suggested that coastal inundation could still pose a risk after 2050 due to sea level rise being a lagging impact of climate change, however with respect to lost revenue and asset value, the risk of dockyard disruption has been assessed as less likely than expected. Site-specific physical risk assessments are now taking place to consider local characteristics and to verify this finding. The impact of future possible risk scenarios related to climate for 2030 and 2040 is also being factoring into periodic reviews at Devonport and is informing the design work of major infrastructure projects at our sites.

This year, we have identified a risk to Bristol Ashton Vale site in the 4°C scenario due to its location on a flood plain. Our Environmental, Health and Safety leads at Ashton have arranged for this risk to be considered within future business continuity planning. For three additional sites based outside the UK, we have identified extreme heat and forest fire as the key risks. For all of these sites, Group Occupational Health has completed preliminary assessments of the mitigations which are in place to manage these potential scenarios.

For transition risk, the most significant is labour cost, which is expected to rise under both scenarios, but significantly in the 1.5°C scenario. However, this is likely to materialise in the medium and long term and affect UK operations the most. We also recognise the need to keep pace with decarbonisation related technological change as a measure to mitigate risk. Details of all climate-related physical and transition risks, proximity, impact, and control measures introduced can be seen in the table on page 72-73.

Climate mitigation strategies

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. For further details of carbon emissions reporting and mitigations, see the Environment section on page 63.

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 ecoFGSS-FLEX® ammonia fuel gas supply system with an aim of bringing this to market in FY23/24. LGE also see an increasing demand for the bulk marine transportation of hydrogen, in the form of ammonia (rather than pure liquid hydrogen) and are supporting several opportunities for dedicated ammonia-carrying ships based on existing technologies. LGE continues to see a growing demand for the capture, transportation, and storage of CO_2 from current emitters and are working closely with several project developers, shipyards and shipowners to develop the end-to-end solution for liquefied CO_2 carriers.

The quantitative results suggest that Liquid Natural Gas (LNG) demand could rise in a 4°C scenario, presenting an opportunity if the world does not rapidly transition. But in the 1.5°C scenario with an increasing impact of carbon prices, LNG demand could fall. Through expanding our LGE business to handle other liquefied gasses, we are increasing our resilience against potential falling LNG demand. Conversely, demand for civil nuclear services could fall in the 4°C scenario in favour of cheaper fossil fuels, whereas demand could increase in the 1.5°C scenario as nuclear becomes attractive over competing energy sources that are carbon taxed. We expect revenue for our civil nuclear services to initially fall in the 1.5°C, due to the decommissioning of existing UK fleet, before increasing again with renewed nuclear power demand and the opportunity for growth.

Within Marine, we have commenced planning consultations for installation of renewable energy at Rosyth. The initial phase is expected to be operational in FY25.

We are continuing to develop Marine R&D programmes to capitalise on potential new markets, especially green propulsion. Focused on Fuel Cell – Battery Hybrid-Ship, we are prioritising challenges in hydrogen production and supply volumes and safe integration and storage on-board. We have undertaken virtual fuel cell testing to identify the most effective power-energy management profile for storage solution and have also undertaken physical fuel cell testing, evaluating the technology under a range of conditions. Other R&D projects include electrical systems, catalytic reduction systems, waste heat recovery, energy management systems, alternative or dual fuels, and others. We are an active member of MarRI-UK and benefit from Innovate UK and other funding sources.

In Land's PHOENIX II contract, we manage in excess of 15,000 White Fleet vehicles and worked with the customer to deliver the UK Government's 2022 'Road to Zero' target that requires 25% of the M1 Classified Fleet (predominantly cars) to be ULEV. In parallel with the procurement of c. 400 ULEVs, we developed a model which utilises telematics data to assist the MoD in identifying suitable locations and required quantities for the ULEVs.

The team are now working to achieve the 2027 milestone which requires the entire car and van fleet to be zero emission. Whilst the majority of these vehicles are likely to be Battery Electric Vehicles (BEVs), Babcock in collaboration with the customer and original equipment manufacturers, is also exploring other technologies such as hydrogen fuel cells and synthetic fuels.

We've produced the first battery-powered pumping appliance in partnership with London Fire Brigade (LFB), which is known as the Zero Emission Pumping Appliance (ZEPA) and it can be used with any UK-based Fire and Rescue Service (FRS). This was put on the frontline during FY23 at one of LFB's busiest stations. They are designed to meet all demanding operational requirements but are capable of zero emissions. In future, we plan to introduce 10 appliances by 2025/26 with the ZEPA2 project phase and then repower all LFB's heavy fleet by 2030 with ZEPA3.

For Aviation, Babcock has been selected by the RAF's Rapid Capability Office to lead a consortium of UK-based SMEs to explore emerging technologies which could minimise the environmental impact of light aircraft flying training. R&D funding from the customer will facilitate the delivery of a net carbon zero solution through development of new, synthetic fuel, as well as reducing overall emissions from an improved efficiency engine with the possibility of an electric hybrid drive. The project will also assess recycling techniques for carbon fibre structures. This year our UK Onshore entity has proposed customer options for initial Sustainable Aviation Fuel (SAF) trials and continues to explore more permanent sustainable fuel options with key suppliers including transition targets anticipated for 2027 and 2030.

At Babcock sites leased through our customers, such as Bovington, the Land sector this year went through upskilling programmes to assist with Net-Zero baselining activity and have also generated infrastructure improvement plans that would allow the sites to meet the Group decarbonisation plan (2040). Customer engagement on this site has recently supported improvements including LED lighting upgrades and has provided the future opportunity to install available photovoltaic (PV) roof panelling if required. Our team has also engaged with the Ministry of Defence on the Babcock-led application for SALIX funding to further decarbonise public and private operations at Bovington.

Financial impact

Given the level of maturity of our analysis, we have not included full climate-related financial disclosures within this TCFD statement.

We have included the potential climate impact and resilience within our goodwill impairment assessment as a sensitivity to the Group's Five-Year plan, noting that any impairment is recorded first against tangible assets before goodwill. No impairment has been recorded to any of the Group's assets as a result of this assessment

Risk management

Aligning with our quantitative scenario analysis, we updated our risk management framework during FY23 to consider the two scenarios (1.5°C and 4°C) for climate-related risks.

As last year, in our risk register, the horizons against which the climate-related risks are assessed are as follows:

• Short term (present to 2030)

• Medium term (2030 to 2040)

• Long term (2040 to 2100)

Individual owners from each Sector and DRC have been delegated a climate-related risk register by our TCFD sponsors. Quarterly reviews are completed by reviewing the risks with these individual owners to consider current control measures, proposed control measures, date for completion, and monitoring systems of check. Sectors and DCR also identify and document all risks and opportunities on their risk register.

On an annual basis, owners are required to reassess the initial risk rating of each item, and therefore the effectiveness of their control measures. Target ratings are then set where further control improvements are required, so there is consistency in process.

Climate has been defined as a principal risk at the February Executive Committee. See Principal Risk section page 101.

Our risk management hierarchy ensures management at the most appropriate level in the organisation. Climate risks are integrated into the Babcock Enterprise Risk Management Framework for reporting, escalation and corporate oversight.
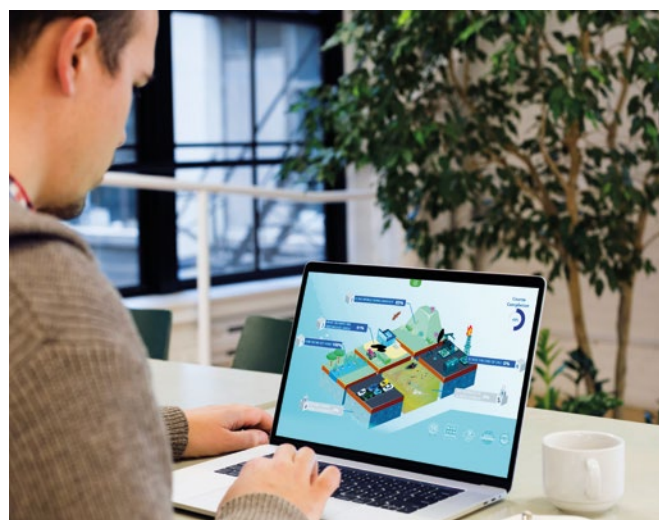
Curious about Climate

We've developed a new tool to help us better understand how we can reduce our impact on the environment and play our part in tackling climate crisis, together.

It includes animations, games, and quizzes and can be shared with family and friends – the more people we get involved, the bigger difference we can make.

Along with the top 10 items for Group review and action from each Sector and DRC, climate risks are reviewed quarterly by the Risk Committee and Executive Committee, as well as being reported into the Audit Committee quarterly and the Board annually.

Metrics and targets

Last year, Babcock developed metrics, with associated targets and timescales, to measure our progress towards reducing our exposure to climate-related risk. This year, we have been focused on completing the initial targets we set in AR22:

• We established baseline and submitted carbon reduction targets to the Science Based Targets initiative in April 2023

• Given the maturity of our Scope 3 calculations across our value chain, we are not reporting the figures within our emissions table, however we are working to investigate and calculate our Scope 3 footprint using a range of methodologies such as EEIO. Based on our hotspot analysis investigations to date, we understand that categories 1 and 11 are the two largest contributors to our footprint. For further details, see Environment Section, page 63

• We completed a desktop analysis of our top 15 sites. An assessment of climate-related risk of all critical Babcock infrastructure will be completed by December 2024

• Group Occupational Health has led a review of climate-related risk to physical working conditions for four sites to identify mitigation and control measures

• Climate-related impacts are considered in new business bid/no bid decisions and associated contract negotiations/KPIs

• In 2022, approximately 32% of Babcock's electricity was from renewable energy sources, this is an increase from 26% in 2021. We are working to identify opportunities to transition the organisation to 100% renewable electricity, where feasible, by 2030

• Employing a climate change, scenario-based methodology, in 2022 we completed an analysis across over 300 of Babcock's critical suppliers which mapped the possible trajectories of six key physical hazards and socioeconomic risks. With no immediate significant impact identified in this analysis, in 2023 and further on, this Representative Concentration Pathway (RCP) analysis will be extended to the wider supply base, identifying new risks which have emerged since the 2022 report, embedding further sustainable procurement practices across our Group-wide supply chains, and validating our future adaption techniques and buying decisions

• We have also commenced work to develop Babcock's Climate Transition Plan in line with requirements of the Transition Plan Taskforce, which we aim to prepare over the coming 18 months

• We have not yet embedded cross-industry climate related metric categories into our targets. Nor have we set an internal carbon price; however this is under consideration, and we are aiming to do so by 2025

In addition to our published metrics and targets, we are reviewing a range of climate management instruments including internal carbon prices and Executive Remuneration linked to ESG performance. Over the coming year, our Sectors and DRCs will also be working to develop Climate Transition Plans in line with the requirements of the Transition Plan Taskforce.

Please see our emissions table on page 63 for additional information.

TCFD progress vs priorities

	FY23 progress	FY24 priorities
Governance	• ESG updates to the Board included climate action • The Remuneration Committee set ESG related targets relating to reduction in carbon emissions for the 2023 PSP grant. See page 133 Remuneration Committee Report	• Board to continue the discussion on the topic of sustainability • Board to ensure progress on Plan Zero 40
Strategy	• Completed quantitative scenario analysis to assess organisational resilience • Aligned ESG workstreams and financial planning process to understand FY24 Sector priorities and actions in support of climate-related risks and opportunities • Defined financial implications of climate-related risks and opportunities and included mitigation steps in strategic planning • Included climate-related impacts in all material new business decisions and associated contract negotiations/KPIs	• Align Plan Zero 40 and Climate strategy workstreams to create a Babcock climate transition plan aligned with TPT requirements
Risk management	• Risk management policy and climate-related risk registers updated to accommodate updated climate scenarios • Completed a review of climate-related changes to working conditions for four sites with the most significant occupational risks • Assessment and report delivery for all of our critical suppliers' climate-related risks and associated impact on Babcock in Autumn 2022	• Assess progression of climate-related risk registers and ongoing management • Complete physical inspection across all sites by end of 2024 • Climate risk to be scheduled annually for Risk Committee review • Embed sustainable procurement checkpoints, inclusive of climate-related onboarding requirements for new suppliers and sub-contractors
Metrics and targets	• We established baseline and submitted carbon reduction targets to the Science Based Targets initiative in April 2023	• Progress against SBTi emissions reduction target of 4.2% year on year • Progress on Plan Zero 40 by scaling across the rest of the organisation by December 2023 • Delivery of energy efficiency and renewable energy projects

Scenario details	1.5ºC warning	4ºC warning
Economic Constraints	Moderate global population growth which levels off in the second half of the century. GDP growth in line with historical growth	
Policy Expectations	Global climate policies align with emissions to 1.5ºC pathway	No further climate policy intervention
Physical Impacts	Reduced likelihood of severe climate-related weather events	Likely increased severity of climate-related weather events

Climate-related risks and opportunities

Climate Risk	Description	Affected Sectors & Regions	Scenario with Greatest Financial Impact			Impact Type & Quantification Methodology
			Horizon[2]	1.5°C	4°C	
People welfare (Physical Risk) Disruption to operations due to working conditions	Disruption to staff and operations due to weather conditions with difficult/unsafe working conditions	All (Global)	<5 years			**Business Interruption** Difference between the current and future potential financial loss (1.5°C used due to greater impact)
			5 years+	● (orange)		
Cost of business (Transition Risk) 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	All (Global)	<5 years			**Costs** Difference between 4°C and 1.5°C
			5 years+	● (red)		
Business delivery & continuity (Physical Risk) Dockyard disruptions due to sea level rises	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	Marine Nuclear (UK & Australasia)	<5 years 5 years+		● (grey)	**Business Interruption and Damage[1]** Difference between the current and future potential financial loss (4°C used due to greater impact)
Future services (Transition Risk) Demand for LGE and Civil Nuclear services	Demand impact to LGE and Civil Nuclear services due to carbon prices	Marine Nuclear (UK)	<5 years			**Revenue** Difference between 4°C and 1.5°C
			5 years+	● (orange)		
Demand for low carbon solutions for aircraft	Regulatory pressures and low carbon requirements could cause changes to customer contracts and business models, leading to demand reduction for Babcock services and existing technology unable to meet requirements	Aviation (UK, France, Canada & Australasia)	<5 years			**Lost Market Share** Difference between 4°C and 1.5°C
			5 years+	● (yellow)		
Shifting energy generation markets (Africa)	Shifting energy generation markets result in disruption to customer base and demand for Babcock SA services Customers change business models because of regulatory/physical impacts on operations and demand reduces for Babcock services/product	Africa	<5 years			**Revenue** Difference between 4°C and 1.5°C
			5 years+	● (orange)		
Technology adaptation	Babcock may need to increase its spend on R&D and new technology activities to adapt to climate change	Marine (Global)	<5 years			**Lost Market Share** Difference between 4°C and 1.5°C
			5 years+	● (orange)		
Failure to decarbonise Devonport	Shift from Scope 1 combustion to Scope 2 electrical activities will require abatement technology to deliver Net Zero targets Opportunity to assist neighbouring Energy from Waste plant (our source of electricity until at least 2040) in their transition to new technologies when the plant reaches end of life	Marine Nuclear (UK)	<5 years			**Costs** Difference between 4°C and 1.5°C
			<5 years	● (yellow)		

1. Business interruption does not consider penalty costs from customers or clients that may be incurred because of down time following a physical hazard event
2. Time horizon of < 5 years and > 5 years considers the potential future impact of climate-related risks and opportunities in line with our five-year strategic planning process

Impact

● Insignificant   ● Moderate   ● Major   ● Severe

Analysis Findings	Control Measures
Site disruptions due to physical risks are dominated by flooding at Bristol Ashton Vale and forest fires in Manitoba. The likelihood of extreme heat increases at other sites, but the disruption is not financially material. Although physical hazards represent a greater percentage of revenue in the 4°C scenario, we could experience greater overall growth in the 1.5°C scenario. Therefore, physical hazards could still result in high levels of lost revenue in both scenarios.	At our three sites exposed to extreme heat risk, occupational health assessments have identified those working in higher risk scenarios such as field service mechanics and confined space maintenance operatives. Training, hazard notices, and health guidance are installed at these sites to recognise early signs of temperature-related health conditions, such as heat stroke. These sites comply with and adhere to climate-related, public instruction and guidance, with Bristol currently reviewing local instruction for flooding through business continuity planning process.
Labour cost changes drive the risk within Babcock's supply chain. Direct carbon costs also increase significantly as a result of government pressure on decarbonisation. Variations in other costs are seen to be less significant up to 2050. Cost increases could be greater in the 1.5°C scenario because of larger labour and carbon cost increases as well as greater growth overall. Supply chain disruption because of the transition to a Net Zero economy is therefore considered a significant risk.	To manage climate change risks, our future supplier selection criteria will assess carbon footprint and the profundity of transparent carbon reduction plans, conduct annual supply chain mapping to identify vulnerabilities, collaborate with suppliers and perform regular risk assessments through due diligence, performance management and audits. These measures will enable us to proactively manage climate change risks and contribute to our sustainability goals.
Dockyard disruption due to coastal flooding has not been identified as a significant physical risk in terms of business interruption or value at risk. However, the scope of this desktop assessment does not consider all aspects of dockyard construction and further on-site analysis for key sites is recommended. Similar to the dynamics of People Welfare, sea level rise is greater in the 4°C scenario. However, potential greater demand for services in the 1.5°C scenario could result in higher levels of lost revenue from a coastal inundation event. Therefore, in both scenarios coastal inundation could cause similar levels of financial impact.	Natural external hazards assessments at our sites consider the impact of low probability risks, such as extreme weather events. Devonport mandates these assessments onsite as part of our requirement to ensure full through life management of our nuclear facilities and to meet established nuclear safety standards, subject to both Defence and Civil Nuclear regulation. To then appraise the best environmental options for infrastructure designs, Devonport works with industry leads, our customers, and local authority to conduct DREAM assessments and BAT reviews where applicable.
Demand for LGE's services in the 4°C scenario could see strong growth but significant reduction in the demand for gas in the 1.5°C scenario could result in reduced revenue. Demand for civil nuclear could fall in the 4°C scenario and grow in 1.5°C because of changes to the competitiveness of nuclear power. The transition to low carbon fuels in the 1.5°C scenario may limit the global demand for gas, potentially reducing demand for LGE's services. Higher carbon taxes may also impact the competitiveness of nuclear power, increasing demand for civil nuclear services. In 2050, the combined impact of these changes in demand results in a significant difference between scenarios.	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 and increasing business resilience against carbon pricing and its potential result of falling LNG demand.
Under both scenarios the air transport sector may grow, albeit at different rates. Falling carbon intensity of the air transport sector occurs under both scenarios with the greatest decarbonisation in the 1.5°C. Failure to decarbonise in line with the increased rate and extent of decarbonisation within the aviation sector in the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario.	Investment and regulatory compliance within new sustainable fuel and platform contracts, such as Project MONET, currently mobilised to investigate synthetic fuel application within Defence, specifically light aircraft for elementary flight training. Babcock Aviation is also continuing to work with industry leaders such as Vertical Aerospace, to look at the applications of eVTOL aircraft within our current and future capabilities.
In Africa, electricity generating technologies may vary between the 1.5°C and 4°C scenarios. Babcock's established support services with steam-based energy generators is seen to be constrained in the 1.5°C scenario. The potential shift from thermal electrical generation to renewables in the 1.5°C scenario may result in reduced revenues for Babcock's South Africa engineering services when compared with the 4°C scenario.	We currently undertake emissions abatement projects such as an enhancement strategy to maximise all opportunities within NOx, SOx and PM, and are working with technological partners to identify further abatement projects where we can support. Possible further opportunities are now being assessed eg conversion of Fossil Fuel boilers to 'Clean Coal Technologies' over the next 10–20 years, re-purposing of current coal fired stations, and the next steps to evaluate the nuclear energy market regarding our entry levels and required qualifications.
Under both scenarios the water transport sector may grow. However, growth will be greater under a 4°C scenario. Nonetheless, decarbonisation occurs under both scenarios with greater decarbonisation in the 1.5°C. Failure to decarbonise in line with the increased rate and extent of decarbonisation across the economy in the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario.	Through projects such as CMDC Neptune, Babcock Marine is building our market awareness of new marine-based technologies available. Our newly formed Clean Maritime SME group is the knowledge focal point in marine engineering for new green technologies and low-emission fuels. The combination of our high-level engineering skill, with LGE and the Nuclear expertise provides Babcock the opportunity of being at the forefront on the green technology race with potential capitalisation in IP and skills.
The Devonport site experiences significant cost increases under a 1.5°C due to the impact of direct carbon prices. Energy and gas costs would increase, most notably following the expiry of the Energy from Waste contract in 2040 and a switch to the market mix. The introduction and increase in carbon taxes in the 1.5°C scenario could result in higher costs to Babcock when compared with the 4°C scenario.	Commitments across Nuclear to Plan Zero 40 this year has allowed this sector to reduce our risk probability ranking from very likely to possible.

Social

▶ Ensuring the safety and wellbeing of our people

Safety, Health and Environmental Protection is core to everything that we do at Babcock and we are committed to ensure our workers, customers and stakeholders go home safe every day. We are committed to creating an inclusive and supportive workplace where individuals can flourish and contribute to the shared success of the business.

This year we have strengthened the foundations of our health and safety management as well as integrated through collaboration with functions across Babcock to build an engaged safety culture across the globe.

Governance and engagement

As we build upon our established corporate safety standards and move to a Global Business Management System, collaboration across the Sectors and Direct Reporting Countries, as well as across the Functions, has been key. We have formed specialist groups of operators and safety professionals to develop procedures across Babcock enabling them to share lessons and consider the use of technology to mitigate our risks, including addressing working at height and lifting operations. In addition, we continue to collaborate and learn, across the business, to ensure our products and services achieve the quality and safety standards required by our customers and regulators.

Procedures and documents have their place in managing safety, but it is people that make the biggest difference, so we have focused on making safety personal through our 'Safety starts with me' programme. We have delivered safety leadership training to our senior and frontline leaders to enable them to plan and control work more safely. We have also grown the competency across the health and safety function through structured continuous professional development.

We established an Engaged Safety Culture framework with building blocks of reporting, learning, questioning, just & fair and flexible that align to our principles. These formed the foundations of the safety behaviours being developed across Babcock. The annual Safety Conference was replaced by the Safety Summit, an interactive workshop conducted at 14 sites in six countries and additional virtual sessions. The annual Safety Stand-down followed shortly afterwards and facilitated discussions in the workplace about the hazards in that area. More than 500 team pledges were made to improve their local risk controls addressing topics from office safety and welding in confined spaces to tackling mental health. In addition to these two wide-spread events, we have also introduced a global CEO Safety Forum and a Trade Union Safety Committee to provide channels for engagement on health and safety within the organisation.
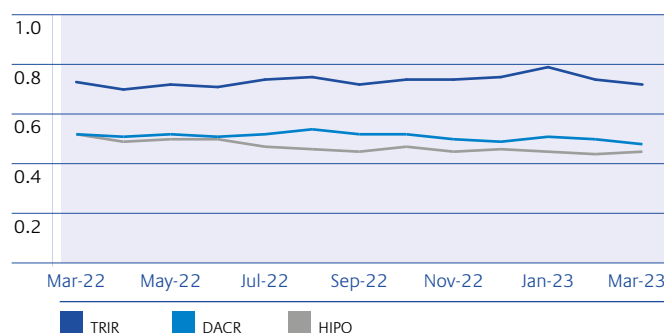
Performance and Improvements

We have implemented consistent investigation training across Babcock using TOPSET methodology to improve our ability to identify the root causes of issues and build as a learning organisation. Identifying and addressing a number of the underlying and root causes has led to a reduction in serious accidents that lead to days away from work and a reduction in the number of High Potential Occurrences where a serious accident may have occurred. However, conducting challenging activities in difficult conditions do present safety risks and unfortunately there was a fatal aircraft accident during a fire-fighting mission in Italy in October 2022 and sadly both crew members lost their lives.

We have continued to expand the use of Synergi Life as the Safety, Health and Environmental Protection information management system across Babcock and introduced additional capability to enable reporting of events and safety observations by our whole workforce. We have made it easier to raise reports on the system and our ongoing communications campaign reiterated the benefits of learning from very minor events or near miss reports. This has improved our reporting culture with an increase in the number of proactive reports that provide opportunities to learn and correct the situation before someone is seriously harmed.
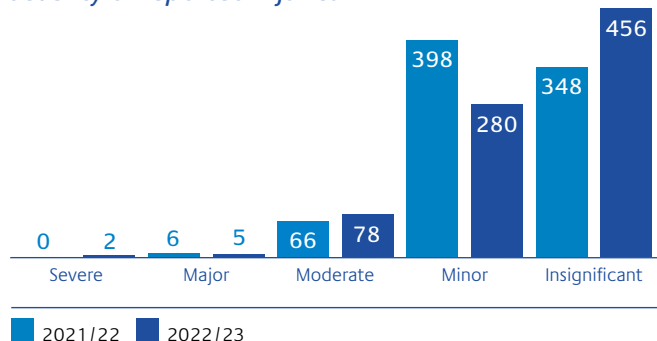
The Total Recordable Injury Rate (TRIR) relates to injuries that required medical treatment beyond first aid and whilst we saw a significant reduction from 2021, the rate overall has remained broadly static across the year; whereas we have seen a decrease in our Days Away Case Rate (DACR[1]) and High Potential Occurrence Rate (HIPO[2]) indicating that fewer serious events have occurred during the year. The post-COVID return to the workplace combined with the increase in proportion of heavy industrial activities across our dockyards globally have resulted in reported workplace injuries with the vast majority of these minor. We continue to work hard to tackle the causes of accidents and are determined to ensure that our personnel go home safe every day, notwithstanding the challenging aspects of heavy industry.

1. DACR – A Days Away from Work Case (DAWC) is a situation in which an employee suffers an accident at the workplace and, as a result of the injuries sustained, must stay at home for one day or more. The count of days away from work begins on the day after the day that the injury was sustained. Rate is per 200,000 worked hours.
2. HIPO – A High Potential Occurrence is an occurrence that has the potential to cause harm to people; damage to assets; or damage to the environment where the loss potential is assessed to be high regardless of the level of actual impact that occurred. Rate is per 200,000 worked hours.

TRIR, DACR and HIPO Rates

Severity of reported injuries

	Severe	Major	Moderate	Minor	Insignificant
2021/22	0	6	66	398	348
2022/23	2	5	78	280	456

■ 2021/22   ■ 2022/23

The Babcock Safety Improvement Plan has focused on consolidating the foundations for continuous improvement of safety performance with global and local initiatives across the organisation. We have developed our safety leadership training for our frontline leaders and increased the awareness of the hazards within our workplaces to improve the controls in place that mitigate the health and safety risks. We have responded to identification of areas for improvement by sharing good practices across our dockyards, our workshops and between our aviation and nuclear businesses. Building upon these foundations we will continue our global and local improvement initiatives through development of people, processes and tools to ensure that our people work in a safe environment, with the right tools and standardised processes to enable us to create a safe and secure world, together.

## Deepening inclusion, increasing 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. We are committed to creating and maintaining a working environment that is inclusive, diverse and supportive, which provides opportunities for all our colleagues.

As a defence company, we operate in a sector that continues to be male dominated and our challenge remains primarily an issue of representation. For us, having more women across the Group, and particularly in senior leadership roles, is key to our long-term strategy.

Our work to improve our gender representation has seen us reduce our gender pay gap each year since we started reporting in 2017. This year we are pleased to report that the median pay gap has come down once again, from 11.8% to 9.6%.

This means that we are trending at 5.3 percentage points less than the UK average pay gap of 14.9%. Whilst this is positive, we recognise there is still more to do.

Gender pay gap (2017–2022)

■ ONS UK   ■ Babcock Mean   ■ Babcock Median
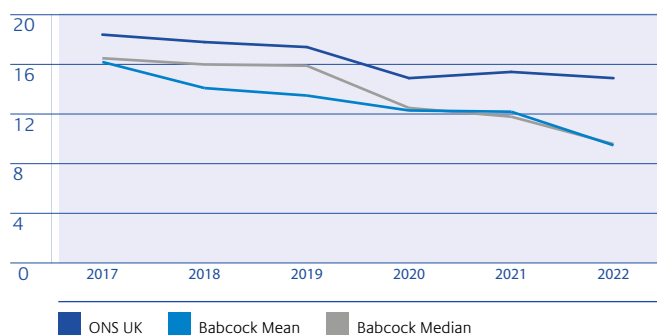
FY23 Gender split

Our workforce in Babcock is representative of the Defence Sector with females making up 18% of the workforce in FY23, with a higher proportion in entry level roles. We recognise the reduction in our female population in this reporting year, this is due to both divestments during the last year but also to natural attrition. In response we have put several interventions in place to understand more about why this has happened. This includes targeted data and modelling as part of our gender balance action plan and undertaking 1-1 interviews with women leaving the business with less than 3 years' service to understand where we could target actions to retain.

Our ambitions are bold as we drive to have a minimum 30% women in the business by 2030. To accelerate progress we have looked again at our strategic approach to inclusion and diversity and are taking a number of actions including: rolling out new policies and ways of working, refreshed recruitment processes, improved leadership development, enhanced mentoring programmes and career returners schemes along with training.

Agile, effective and inclusive

We remain committed to reaching our gender balance targets with our renewed focus on understanding and enhancing our people data. Through enhanced data collection, we will be in a strong position to monitor our progress in both gender balance and diversity more broadly.

Building on historic activity across Babcock International Group, we adopted a new strategic and evidence led approach to inclusion and diversity in 2022. Captured within this we have deepened relationships with internal and external stakeholders, including our Gender Balance network, to help drive our programme of culture change and embed positive actions that inspire and support women.

An important aspect of this approach is feedback from our people. During our 2022 Global People Survey, over 73% of our people indicated that they 'felt part of a team' and inclusion was very important to them. Following the survey, leaders from across the business have reviewed their survey results and set themselves (and their teams) positive actions to deepen inclusion within teams and identify actions that can support this.

Our Global Inclusion and Diversity strategy aligns with our Global People Strategy and embeds local people plans to deliver a collaborative, pragmatic approach.

Developing and evolving in 2023 and beyond

As an award-winning signatory to the Women in Defence Charter we have met all our commitments, including:

• Setting and publishing targets
• Appointing an Executive Committee member to be accountable for gender balance and I&D
• Linking executive objectives to the achievement of gender diversity targets from FY24

Gender balance Action Plan

Central to our focus on creating greater gender balance, and in embedding a culture where women can progress their careers and develop into senior roles, we launched our Gender balance Action Plan (GAP). This acts as the blueprint for Inclusion and Diversity, informed by data and insight, and is supported by our Senior I&D ExCo Sponsor.

Our GAP focuses on the employee life cycle working across the Group to create a coherent and consistent approach to attraction, recruitment, progression, and retention. The key elements of the GAP include:

• redefining our ways of working to support Babcock women

• designing interventions and policies to enable women to thrive at Babcock and

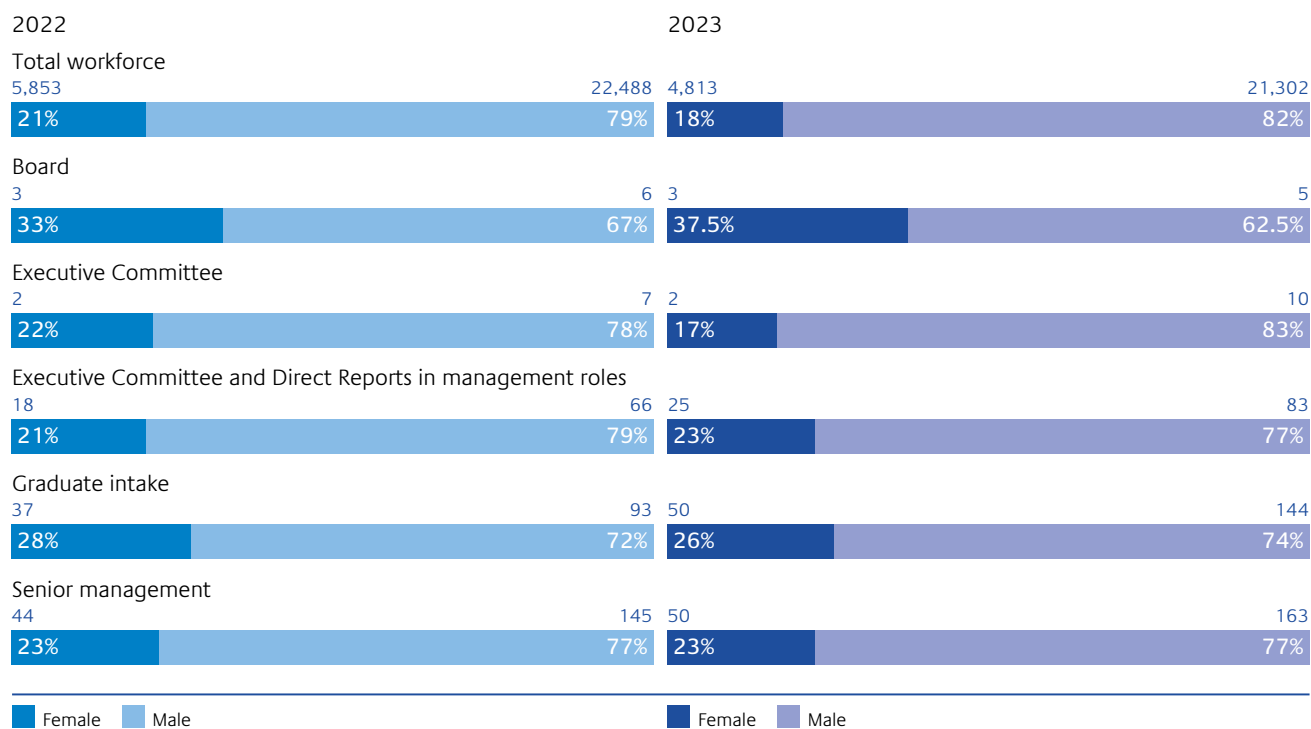• a coordinated education and communications programme to engage our people

Driving business-led change, creating success

We are continuing to develop our Employee Networks and Peer Support Group model, as they play a key role in achieving a more inclusive business. In 2023, we will establish three new networks focused on carers, disability and veterans which will sit alongside our current networks for ethnicity, faith, gender balance, LGBTQ+ and Neurodiversity.

Developing our global network groups will support the drive for greater diversity across the Group at a working level and support a robust, dynamic, and inclusive workplace. Our Board and Executive team are championing this move to a more inclusive business and are committed to creating a great place to work, which is agile, effective and inclusive.

Gender diversity

2022

Total workforce

5,853	22,488
21%	79%

Board

3	6
33%	67%

Executive Committee

2	7
22%	78%

Executive Committee and Direct Reports in management roles

18	66
21%	79%

Graduate intake

37	93
28%	72%

Senior management

44	145
23%	77%

■ Female ■ Male

2023

Total workforce

4,813	21,302
18%	82%

Board

3	5
37.5%	62.5%

Executive Committee

2	10
17%	83%

Executive Committee and Direct Reports in management roles

25	83
23%	77%

Graduate intake

50	144
26%	74%

Senior management

50	163
23%	77%

■ Female ■ Male

1. Our total workforce is 26,480 which includes 21,302 men, 4,813 women,10 individuals identifying as non-binary, 290 who 'did not specify' and 65 who chose 'prefer not to say'.
2. Executive Committee total is 12. This figure excludes Executive Committee members on the Board.
3. Executive Committee and direct reports in management roles totals at 108. This excludes Executive Committee members on the Board.
4. Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing and 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).
5. Senior management role total is 213.
6. Graduate intake is 194 (154 UK, 40 Australasia).

Broadening our inclusion strategy

To become a more inclusive and diverse organisation, we need to set clear and measurable objectives that:

1. Act as the catalyst for driving our longer-term disability, ethnicity and gender balance goals
2. Help to prioritise activity that attracts, develops, and retains diverse talent
3. Increase our social impact through social inclusion activity

It is critical this is both business-led and fit for purpose across Group. To do so we need to be courageous, agreeing a clear evidence-based and action-oriented roadmap to achieve relevant and realistic targets.

Bringing it back to the business

Adopting global stated commitments to inclusion, we are designing our Inclusion Roadmap across three distinct areas:

1. Insight and awareness – embedding an enhanced evidence-led inclusion approach
2. Customised action planning – collaborating across Group we will design and implement bespoke inclusion action plans
3. Changing the face of Babcock – transforming our inclusion narrative internally and externally to attract and retain more diverse talent

To support delivery of our Inclusion Roadmap we will work with our Global Inclusion Steering Committee and Action Groups to:

• Undertake research into barriers to inclusion across Group

• Develop our internal learning across all DRCs to identify and adopt ways of working that drive change

• Maximise our membership of 'The Valuable 500' and in-country opportunities on disability including the 'UK Disability Confident' scheme

• Develop our approach on ethnicity including being a 'Race at Work Charter' signatory

About Me campaign

In March, we launched a pilot 'About Me' campaign in the UK to collect information on the profiles of our workforce so we can:

• give a clearer picture of our workforce as a key government supplier and UK publicly listed company, meeting our legal and good governance obligations

• retain and win new business by demonstrating our social value and economic impact in bid submissions and contract reviews

• improve our people experience by better understanding who our people are, their diversity and local needs, so we can design, plan and invest in the right level of support

The campaign had a total disclosure rate of 21% and our disability figure increased to 10%. The data also indicted that we have 456 disabled people working in the business and 1,456 with caring responsibilities.

Building a Babcock for the future

We want to be an agile, people-centred business, where everyone is included, supported, and empowered to develop their talents to the full. We have simplified our structure so we can share capability, talent and best practice coupled with embedding diversity, collaboration, and innovation globally.

Our plans, driven initially by our Gender Action Plan, aim to create greater inclusivity and to support our long-term strategy to deliver equal representation. They are based around three key themes:

1. Enabling employees to fulfil their potential within Babcock

- Flexible working: We have embedded our Agile Working Framework to encourage work-life balance, support family commitments, and improve health and wellbeing. This has been well received by our workforce and our Global People Survey confirmed that having an agile approach does enable our people to balance their work and home lives that promotes inclusion

- Culture change: As part of an ongoing cultural change programme, we have reinforced our zero-tolerance position to any form of discrimination, and we are working to ensure all policies and processes reflect our approach to inclusion and diversity

2. Growing new talent pipeline for the long term

- STEM Hubs have been formed in Bristol and Scotland with the objective of raising awareness, engagement, and aspiration in STEM related subjects

- By 2024 we aim to have introduced more 'Teacher Insight Sessions' along with more STEM work experience programmes to raise awareness of STEM careers in Babcock

- Returners: By FY24 we will increase the pool of female talent by establishing a UK pilot to hire women back into a career in STEM and Defence

3. Attracting the best female talent

- Lifecycle analytics: We continue to collect and monitor recruitment data to identify if bias is occurring. Additionally, we have introduced exit interviews with women leaving the business to understand their experiences and identify any emerging themes

- 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

- Our Global Networks, supported by Peer Support Groups specific to their membership, play a key role in supporting inclusion across Babcock to drive changes that will create a better place to work

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

We are 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.

Our Global People Survey

During 2022, we established a global engagement platform and in October 2022 we concluded the first Group-wide survey of employees for more than 10 years across the business to get an informed view of how our employees feel about working here.

The survey created a consistent approach to understanding and measuring engagement allowing us take action to drive meaningful change so we could measure improvement over time.

Over 79% (18,548) of employees participated globally in the survey, leaving 105,895 comments which has given us rich insight into what is important to our people about working in Babcock and how engaged they are feeling in their roles. The survey told us our people have a clear understanding of their role and responsibilities and what it takes to be successful. Our people believe we are truly committed to health and safety and they know our Purpose and Principles and believe their managers care about their wellbeing.

The survey also helped us identify areas where we could improve and confirmed that whilst employees know and believe in our Principles, they do not think we demonstrate them all on a day-to-day basis. As a business our people thought we need to 'be courageous' and do not feel that the right people are fairly rewarded, recognised and compensated at Babcock. The survey also highlighted that we have work to do to improve confidence in our 'Senior Leadership' and make sure that we continue to demonstrate action following the survey that puts people at the centre of everything we do.

These are critical areas we are already targeting in the coming year through the roll out of the Babcock Role Framework and training for our leaders.

Outside of the survey, we continue to engage in two-way communications with employees across the business. On a global level, employees are encouraged to use 'Ask David' as a direct channel to the CEO to share ideas, suggestions and comments, alongside the weekly vlogs that continue to be a popular way to connect with the CEO. More locally, we conduct focus groups, in-depth interviews and face to face engagement sessions on a range of topics which provide dynamic and targeted employee feedback, helping us to better understand and take action on the things which matter most to our people.

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

We support our local communities through STEM outreach programmes, providing early careers routes into work, specific bursary opportunities and indigenous programmes in South Africa, Canada and Australasia. Our open recruitment practices and Armed Forces Covenant help us to reach a broader social mix and support ex services personnel. Our charitable outreach activities are demonstrated through our Group-wide policies for donations, sponsorship and volunteering.

Oxford Economics assessment

Oxford Economics independent assessment highlights how we are supporting levelling up across the UK by investing and supporting employment in the most deprived areas, actions we are taking to tackle economic inequality and improve equality of opportunity, our focus on wellbeing and environmental initiatives we are progressing to reduce emissions and support the fight against climate change.
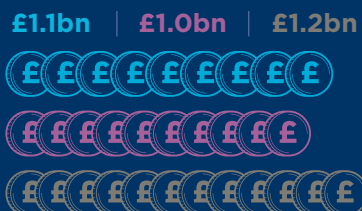
**Oxford Economics Impact Assessment
Published in November 2022**

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
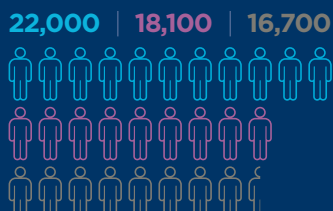
£770m
Total UK tax revenues

£210m | £220m | £340m

BUSINESS AREA ECONOMIC IMPACT

Naval engineering, support and systems
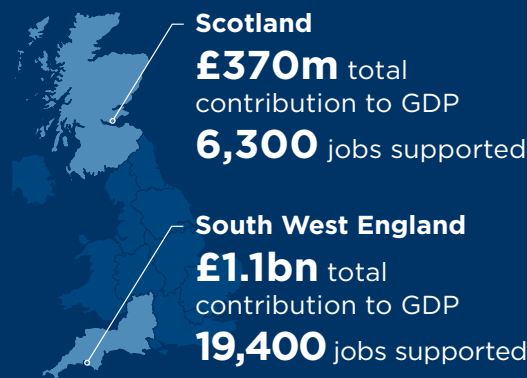
£2bn contribution to GDP
35,200 jobs supported

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.

Indigenous peoples

With a global presence, Babcock recognises the importance of engaging and supporting indigenous people in the countries in which we operate.

In Canada, Babcock transitioned from Phase II to Phase III of the Canadian Council for Aboriginal Business' (CCAB) Progressive Aboriginal Relations (PAR) programme. Phase III centres around ensuring that indigenous employment and business partnership targets are in place, and strategies for meeting those targets have buy-in across the organisation.

As well, we continue to engage indigenous communities and businesses on an ongoing basis to provide information about Babcock's operations across Canada. From the Songhees Nation and the Métis Nation of Greater Victoria in British Columbia, the Métis Nation – Saskatchewan and the First Nations of the Fort Qu'Appelle Tribal Council in Saskatchewan, to the Manitoba Métis Federation and the Southern Chief's Organization in Manitoba, Babcock's investment in relationship building leads to discussions centred around meaningful, value-added business partnerships. Babcock Canada also added several indigenous businesses to its supply chain this year, including Mobile Resources Group, Abitibi River Logistics, Dreamcatcher Promotions, and Northern Lights Petroleum.

Finally, Babcock Canada laid the groundwork for significant, multi-year investments in indigenous skills development and training-to-employment, which will see employment 'pipelines' established beginning with engaging Indigenous youth on STEM and Babcock career awareness, to investing in bursaries and summer co-op terms for high achieving students, to internships and apprenticeships on graduation.

In Australia, we partner with Supply Nation to expand our supply chain to include Aboriginal and Torres Strait Islander owned businesses across the region. In New Zealand, we work within the Amotai Initiative, to expand our supply chain and commitment to Māori and Pasifika owned businesses in New Zealand.

Babcock continues to actively support First Nation students to increase their career opportunities. A partnership is in place with a Māori organisation for identification of interns and graduates. Through sponsorship to Engineering Aid and Yalari in Australia, encouraging curiosity about STEM subjects in younger children in New Zealand and through employee volunteering at local schools Babcock continues to actively support indigenous students to increase their career opportunities. Babcock Sponsors the Excellence in Māori & Pasifika Advancement Award and Women in Technology Award at the Auckland University of Technology.

Volunteering

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.

In December 2022, we launched our first global volunteering policy called 'Be Kind Day'. Be Kind Day gives Babcock employees one day (or equivalent hours) each year to play an active part in helping others to thrive.

Many of our employees already volunteer for various charities and community groups globally in their own time. These include:

- Carrying out renovations at Bokantsho Primary School in Viljoensdrift, Free State, South Africa
- Volunteering at Goatacre Animal Sanctuary, UK
- Supporting native tree planning in New Zealand
- Helping Bude Surf Veterans charity deliver surf experiences to Blesma, The Limbless Veterans in the UK
- Volunteering at Foodbank South Australia & Central Australia in Pooraka to help sort through donated fruit and vegetables

Charities

We are committed to supporting the communities in which we operate and the broader interests of the customers we serve. Through charity and sponsorship we want to make a genuine difference in these areas. To that end, and aligning with our corporate Purpose 'to create and safe and secure world, together', our criteria are based on supporting military charities and events whilst also protecting communities around the world by focusing on local charities where we have our sites or attract our employees from.

A selection of the charities we have donated to or sponsored over the last year includes:

- Veterans with dogs – a UK charity that supports veterans with PTSD with provision of a mental health support dog
- Yalari – an organisation that provides support to young Indigenous Australians engaged in secondary school education
- Laus Deo Primary School – a school in South Africa where we sponsored the installation of a water bore hole reticulation system

STEM

The STEM Teams continued to develop our offering and build presence within communities across the UK. The impact of their delivery has seen an increase in engagement to 885 schools: 534 primary schools, 231 secondary schools, 39 further education and 81 other events. Guided by our commitment to reach diverse communities, our engagement demographics demonstrate that 25% of our engagement was with females, 80% were under 35 and 7% with ethnic minority.

Throughout 2022 our delivery shifted from a virtual offering to more face to face as we increased our presence by hosting and supporting more in-person events. This approach worked exceptionally well and helped us to meet one of our strategic objectives of raising awareness and increasing engagement of STEM to young people.

The team delivered several events and activities including working with secondary schools to deliver 'Babcock's STEM In a Box of Fun' which provides schools with a STEM resource that they could teach pupils without the need of a STEM ambassador being present. The Team also supported students with mock assessment centres and interviews as well as developing and promoting STEM competitions.

Internally, development continued with building our Bristol STEM Hub which is made up of volunteer STEM Ambassadors who are based across Bristol and who work within different Babcock sectors.

The STEM Teams supported the virtual Neuro Diverse Work Experience Programme at Devonport for a second year. Focus has remained on raising awareness of STEM subjects and our early careers development programmes. Alongside this, the STEM Teams supported the wider Early Careers Team with the delivery of the accredited Industrial Cadets virtual work experience weeks which took place across the UK.

The Devonport STEM Coordination team were also proud winners of both the 2022 Regional STEM Hub Inspirational STEM Employer award and the 2022 National STEM Employer Award.

In May, we welcomed more than 300 local school children to the Festival of Engineering at our Rosyth facility. Over two days, alongside our partners, customers and colleagues, we inspired the next generation with various exciting STEM-based activities as we explored the hi-tech world of engineering, eco-friendly green shipbuilding, robotics, virtual reality, chocolate welding and mini boat building using recycled materials. As one of the largest employers in the area we want to make a difference. That is why it is important to us that we support our local communities. This Festival was a great way for us to engage the next generation in STEM-based activities and encourage more young people to consider a career in engineering.

Support for Armed Forces, veterans and reserves in the UK

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

We signed the Armed Forces Covenant in 2013 and have reached a 10-year milestone of our commitment to the Total Support Force concept, helping our Armed Forces to deliver flexible solutions around the world.

As part of our continued commitment to the Armed Forces Covenant, Babcock supports 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.

We are a major employer of service leavers and reservists through our active recruitment approach and because of this we have held the Gold Award in the MOD's Armed Forces Covenant Employer Recognition Scheme since 2015. The scheme recognises employers who actively support Defence while encouraging other organisations to adopt the same behaviours in their workplace.

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 offer 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 high volumes of service leavers, veterans, reservists and uniformed cadet instructors. We support the UK's Armed Forces and reservists and continue to actively back our reservist employees. 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.

As we widen our inclusion focus in support of all Babcock people, we are establishing three new network groups in 2023. These include carers, disability and a Forces Community Network (FCN) which will provide support to all our people who have served in any capacity (past or present) as well as their families and allies.

Talent and development

Attracting top talent remains a critical objective for our organisation, as we strive to maintain our position as a leader in our market. We recognise that attracting and retaining the best minds is essential for driving innovation, meeting customer expectations, and ensuring long-term growth.

In an increasingly competitive landscape, we are developing a comprehensive talent attraction and retention strategy focused on our culture and the opportunities we offer to make it as straightforward as possible for candidates to join Babcock.

We have cultivated a company culture that promotes inclusivity, collaboration, and continuous learning. By fostering an environment where diverse perspectives are valued, we have created an atmosphere conducive to innovation and excellence. By bringing to life our commitment to cutting-edge technology, ethical practices, and employee development, we look to promote our attractiveness as an employer in the communities where we live and work.

Through targeted recruitment campaigns, participation in industry events, and strategic partnerships with academic institutions, we have amplified our presence and attracted top talent from as broad a talent pool as possible. Additionally, we have implemented robust talent acquisition processes that focus on identifying individuals who possess not only the necessary technical skills but also the passion, drive, and adaptability required to thrive in our dynamic industry.

Our talent acquisition team continuously explores innovative approaches, leveraging technology and data-driven insights to identify and engage with potential candidates efficiently.

Leadership

To address the depth and breadth of challenges our leaders face globally we have built on the work undertaken in 2022 to develop a global leadership framework.

The framework enables leaders of all levels to address their personal needs by developing learning pathways to suit their level of experience, business needs and our organisational drivers.

During 2022–23 we have successfully piloted a number of learning interventions and workshops aimed at offline and online leaders. Each intervention addresses our unique challenges, is under-pinned by our Principles, and monitored for business impact.

Babcock's leaders continue to inspire, motivate and empower their teams. Delivering on our contractual and operational commitments through our investment in identifying, developing and supporting our leaders will ensure that together we build a stronger and more sustainable Babcock. Through 2023–24 we will continue to focus on developing the capability of our leaders, with targeted programmes aimed at our most Senior Leaders that will be cascaded through the organisation based on responding to the comments raised in the Global People survey.
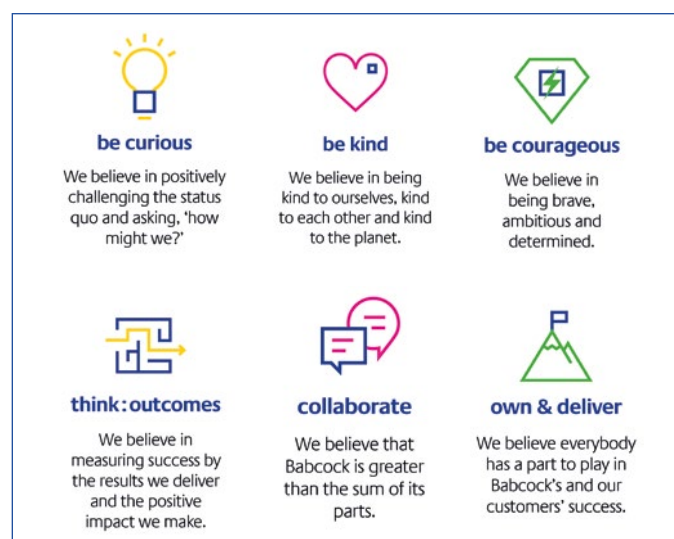
Early careers

Our early careers programme continued to grow through 2022 with 1,509 apprentices and graduates currently on programmes across the Group. We also expanded our apprenticeship offer and introduced our first L2 Industrial Coatings Apprenticeship in Devonport along with piloting our first ever T-Levels in Digital, Design and Production in Bristol and introducing Graduate Apprenticeships in Scotland.

We launched our UK-wide Apprentice Behavioural Development programme which helped our apprentices focus on their health and wellbeing. This is the first time we have delivered a UK Group-wide behavioural programme and it's been very well received.

A Production Support Operative (PSO) Programme was established at Rosyth to address the challenges of availability within skilled tradespersons (e.g., welders). It supports capability development as well as acting as an alternative recruitment pipeline, mitigating the types of roles we require by thinking differently in the 'way we do'. The PSO role is purposefully skilled in nature (trained in the specific skills we need them to have), allowing flexibility for both the employee and the business. In April 2022, the first of three cohorts of PSOs began at Rosyth (41), with multiple stakeholders ensuring its success. As a result, additional cohorts began in October 2022, with regular intakes planned throughout 2023, with the need to recruit approximately 250 PSO positions by December 2023.

Our early careers programme has continued to see external accolades and recognition over the year which included: 2022 Apprenticeship Development of the Year and 'Best Integrated Marketing Campaign' for our Graduate programme at 'The Firm Awards 2022'.

Our Principles

be curious
We believe in positively challenging the status quo and asking, 'how might we?'

be kind
We believe in being kind to ourselves, kind to each other and kind to the planet.

be courageous
We believe in being brave, ambitious and determined.

think: outcomes
We believe in measuring success by the results we deliver and the positive impact we make.

collaborate
We believe that Babcock is greater than the sum of its parts.

own & deliver
We believe everybody has a part to play in Babcock's and our customers' success.

Our Principles were launched in 2022 and express what is most important to us and how we expect our people to show up across the business. They act as a guide for how we do things; how we make decisions, how we treat each other and how we behave. Our Principles are for everyone in Babcock, whatever their role, wherever they are in their career. To be successful at Babcock, we all need to demonstrate them.

Taking on board the feedback from our people, we need to consistently demonstrate our Principles and embed them by using them to guide how we operate every day. We therefore reviewed and simplified the language of each Principle, evolved them into 'leadership expectations' to help employees at all levels understand what is expected. Over the coming year we will continue to identify ways in which we can embed these principles into all our people processes, policies and use them as a guide to support capability development programmes, communications, and every aspect of the employment lifecycle from recruitment, onboarding and performance management through to talent and succession.

Governance

► Being a collaborative, trusted partner across the supply chain

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 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 85) 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.

Cyber Security Awareness Training	93%
Acceptable Use Policy	93%
Data Protection Training	95%
Anti-Bribery Training	95%
Trade Controls Awareness	97%

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.

Diverse and robust supply chain

The Babcock Procurement and Supply Chain organisation are committed to creating a world-class supply chain that prioritises responsible sourcing, sustainability, and supply chain governance. We achieve this by acknowledging the importance of minimising supply chain disruptions, lowering costs, and improving our social and environmental impact.

To accomplish our goals, we work collaboratively with our suppliers, customers, and internal stakeholders to establish a culture of transparency, trust, and continuous improvement. We believe that this approach helps us to build a resilient, sustainable, and world-class supply chain that delivers value to all parties involved. We hold ourselves to the highest standards of honesty, transparency, and integrity in all our business dealings. We believe that a diverse and robust supply chain is essential to provide quality and timely delivery of products and services to our customers.

To achieve this, we work with a portfolio of 12,000 suppliers, ranging from large multinational OEMs to small and mid-size enterprises (SMEs). Of these suppliers, approximately 1,100 are key in our ability to deliver continuous improvement and innovative quality outputs. Building strong relationships with our suppliers is essential to achieving our sustainability goals. By working collaboratively, we can identify opportunities for innovation, create value for all parties involved, and promote responsible business practices throughout our supply chain.

We understand the critical role that supply chain risk management plays in creating a resilient and sustainable business. As such, we conduct annual due diligence on our business-critical suppliers to ensure compliance, identify any risks in their supply chain, and ensure that our key suppliers are reputable, responsible, and competitive. Our AI risk resilience solution maps our supply chain ecosystem (over 300,000 suppliers through our sub-tier ecosystem), monitors activities, and receives alerts when hidden risks are exposed in our sub-tier supply chain. We have reviewed and assessed a significant number of incidents, allowing us to mitigate risk to Babcock's supply chain while enabling us to continuously improve our risk management processes and ensure the sustainability of our operations.

The success of our business relies heavily on the strength of our relationships with our suppliers. To this end, we have implemented a more collaborative approach to procurement by improving upfront supply chain involvement in bid processes. By engaging with potential suppliers earlier in the process, we create an environment where our suppliers can actively support both the design and implementation stages of our work with innovative solutions.

ESG strategy (continued)

This approach has resulted in enhanced productivity and increased quality in the goods and services that we deliver to our customers. We recognise that sustainability is critical, and we have taken steps to prioritise it. We have expanded our Category Management teams and processes throughout the organisation to provide strategic focus on sustainability topics. This investment is aimed at delivering a higher performing supply chain in this area, which aligns with our commitment to responsible and sustainable business practices.

Our risk solution also allows us to proactively assess the risk of all potential new suppliers immediately. We consider reputational and operational risks, supply chain transparency, financial position, and ESG risk to build a more resilient and sustainable supply chain that benefits everyone involved.

We recognise the critical importance of having a strong and effective procurement and supply chain strategy. As we advance execution of our Group Procurement & Supply Chain strategy, we remain committed to our sustainability goals and our cost saving objectives. However, we also recognise the importance of cost avoidance and reallocating resources to high-priority supplier and category management activities, which will aid in mitigating the impact of inflation while still advancing towards our sustainability objectives.

We have made significant progress in this area, particularly with the implementation of our Group Procurement and Supply Chain operating model and the standardisation of our key business processes.

Our overarching goal is to create a unified and integrated procurement and supply chain team that is fully aligned with our business strategy and objectives. By doing so, we aim to achieve consistent, long-term value creation for all our stakeholders by continually enhancing our supply chain to deliver best-in-class and sustainable products, goods and services.

Sustainable sourcing

In today's global economy, responsible sourcing and sustainability are key considerations for creating an ethical, transparent, and resilient supply chain. At Babcock, we are committed to maintaining strong and sustainable supply chains, which requires collaboration with our suppliers and sub-tier suppliers to adopt sustainable practices. Our goal is to reduce the environmental footprint of our supply chain while meeting our business objectives and benefiting society.

To demonstrate our commitment to sustainability and responsible business practices, we have published our Sustainable Procurement Policy and Supplier Guide. These documents encourage our suppliers to adopt sustainable practices in their operations, reducing the environmental impact of the supply chain, promoting social responsibility, and supporting the development of more sustainable products and services. By promoting good labour practices, reducing carbon emissions, and conserving natural resources, we strive to create long-term value for our stakeholders. We are committed to aligning our Procurement and Supply Chain processes and standards with ISO20400 by the end of 2023. We have developed a strategic roadmap that provides the framework required to integrate sustainability into our procurement and supply chain activities, enabling us to deliver sustainable outcomes through our supply chain.

Scope 3 carbon emissions mapping

To better understand and reduce our carbon footprint, we have adopted a spend-based calculation methodology for mapping our upstream value chain emissions. These findings will serve as a baseline for further developing Babcock's carbon strategy, allowing us to continually identify opportunities for emissions reduction enabling targeted action plans to achieve our sustainability goals. By taking a proactive approach to measuring and reducing our carbon emissions, we are demonstrating our commitment to sustainability and taking responsibility for our impact on the environment.

Working with SMEs

Babcock Procurement and Supply Chain recognise that small and medium enterprises (SMEs) are essential in building a sustainable and resilient supply chain in the UK, playing a vital role in the country's economy as a key source of innovation, employment, and economic growth. As part of our commitment to supporting SMEs, we ensure that a significant portion of our procurement spend is allocated to SMEs, with 24% of our total spend in FY23 being with SMEs.

As part of our sustainable procurement strategy and business processes, we are committed to enabling the growth of our SME supplier population. We monitor our percentage of spend with SMEs and take necessary actions to support the growth of our SME supplier population. Furthermore, we actively engage with smaller and local suppliers, especially those that help inclusion of under-represented groups, to contribute to economic prosperity and societal integration.

Our SME supplier base is continuously monitored using our risk resilience tool for any key risk factors, including cyber security threats, human rights, and financial health alerts. By prioritising our SME suppliers and supporting their growth, we aim to build a more sustainable and inclusive supply chain, benefitting both our business and the broader economy.

Payment to suppliers

At Babcock, we prioritise prompt payment to our suppliers and believe it is crucial to building strong and sustainable relationships with them. We adhere to the payment practices and performance regulations and are committed to the prompt payment code. Furthermore, we encourage our suppliers to adopt this code and promote its adoption throughout their own supply chains.

In FY23, we achieved an average payment term of 21.4 days to our suppliers versus 24.6 days in the six months preceding March 2022. We recognise that predictable and timely payments are essential for maintaining strong supplier relationships and helping our suppliers to manage their cash flow. As such, we are committed to continuously improving our payment processes to ensure that we pay our suppliers on time and in accordance with agreed-upon terms.

Human rights

Babcock respects all international treaties including the United Nations Declaration on Human Rights. 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. We believe that by working together with our suppliers, we can create a more ethical and sustainable supply chain that benefits everyone.

To this end, we have developed a supplier code of conduct that sets out the human rights standards and expectations that our suppliers must meet to do business with us. This includes:

- Treating workers equally and without discrimination
- Ensuring work is performed on a voluntary basis
- Providing reasonable working hours
- Ensuring workers are of an appropriate age
- Paying workers fair wages
- Protecting workers' health and safety in the workplace
- Providing access to fair procedures and remedies
- Respecting freedom of association and collective bargaining

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

The human rights risk assessment process is embedded into our core processes including supplier onboarding, audits, assessments, and performance management. We conduct regular audits and assessments to monitor compliance and identify any areas for improvement. Where issues are identified, we work collaboratively with our suppliers to address them and provide support for remediation.

The supplier audit programme is currently under review and will be updated to ensure the inclusion of human rights issues in the standard audit content. These changes are set to be implemented by the end of 2023 in conjunction with extending the supplier quality and development audit program to encompass a wider section of our supply chain. To ensure consistency, audit checklists will be standardised across all business units, enabling us to verify the presence of sufficient human rights controls demonstrated by the supplier during the audit process. Additionally, our audit process also includes formal actions to address any identified risks proactively.

The introduction and rollout of our strategic Risk Resilience tool allows us to track human rights risks through live monitoring within our extended supply chain. Visible indicators include compensation and employee satisfaction; diversity and workforce rights; training, safety, and morale; prohibiting child or compulsory labour; fair treatment of people throughout the supply chain and ensuring fair and equitable treatment of local communities affected by operations. This approach uncovers hidden risk and serves as an early warning system should events or changes occur in our supply chain with live alerts being communicated to the Procurement & Supply Chain team.

Modern slavery

At Babcock, we are dedicated to upholding human rights and preventing modern slavery in all of our operations and supply chains. We firmly believe in the importance of conducting all business with integrity and support the elimination of modern slavery in all its forms. Our publicly available Group modern slavery transparency statement outlines our commitment to responsible sourcing and supply chain transparency, including our due diligence processes, supplier engagement approach, training and initiatives to promote responsible sourcing. Our due diligence processes, including supplier onboarding, supplier audits, and technology solutions, monitor any potential modern slavery risks in our supply chain.

We recognise that preventing modern slavery requires collaboration from all stakeholders, and we expect our suppliers and extended supply base to share our commitment to responsible sourcing and supply chain transparency.

More details are available in our Modern Slavery Transparency Statement which is available on our website.

Fair operating practices

As part of our supplier selection process, we conduct thorough assessments to ensure our suppliers are capable of meeting our financial, commercial, safety, governance, technical, health, and security requirements. We periodically review and revalidate these standards to ensure continued compliance throughout the supplier engagement lifecycle. In the UK, we use the Joint Supply Chain Accreditation Register due diligence tool, which is a shared industry-wide management system for defence contractors that collects pre-qualification and compliance information about individual suppliers across the UK supply chain.

To enhance the security and protection of our customers' information and physical assets, we have developed exacting security compliance standards for certain types of supply. We also place a strong emphasis on maintaining high standards of commercial confidentiality.

Our commitment to ethical and responsible business practices is underpinned by our supplier's code of conduct. It serves as a fundamental component that provides a clear framework for our suppliers to align with Babcock's values, policies, and legal requirements. By ensuring that our supply chain operates with integrity and transparency, we are able to maintain a high standard of accountability and sustainability throughout our operations.

Cyber security

Babcock recognises the threat of cyber attack and the potential consequences including operational disruption, unlawful access or theft of information and resultant reputational damage. Babcock works hard to mitigate such risks and holds an Information Security Committee which meets quarterly to provide governance, direction and assurance that the Babcock security posture is appropriate and effective.

Babcock applies all required international and government security standards for secure installation and operation of information systems. Security operations are deployed to establish threats and to protectively monitor for risks to information, systems and networks.

Core IT services are certified to ISO27001 (Information Security) and ISO22301 (Business Continuity) standards as well as Cyber Essential Plus, a requirement for UK government working.

Babcock is a member of the joint UK Ministry of Defence and industry Defence Cyber Protection Partnership (DCPP) which seek to ensure the defence supply chain understand the cyber threat and is appropriately protected against attack. Babcock is represented on all the working groups and the DCPP Executive committee.

Babcock continues to invest in cyber resilience and provides cyber security education and training to raise cyber awareness across the workforce.

Non-financial and sustainability 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.

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

Further information: Read our Modern Slavery Transparency Statements by scanning this QR code