

▶ 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

- 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 ensuring a positive impact on the communities in which we operate
- We are committed to supporting the communities in which we operate and to ensuring that our operations are sustainable and socially responsible

ESG a ( )

*Progress vs ESG commitments and targets*

## 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 Air Force's nuclear deterrent.

## 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
<b>UK</b>					
Scope 1: Direct emissions from owned/controlled operations	tCO <sub>2</sub> e	37,847	29,316	38,804	27,611
Scope 2: Indirect emissions from the use of electricity and steam	tCO <sub>2</sub> e	58,445	46,458	43,818	42,448
Scope 3: Emissions – business travel, electric transmission and distribution	tCO <sub>2</sub> e	11,231	5,484	5,806	5,754
<b>Total emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>107,522</b>	<b>81,258</b>	<b>88,428</b>	<b>75,813</b>
<b>Underlying energy consumption used to calculate emissions</b>	<b>kWh</b>				

## 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. We are committed to have developed a comprehensive -15 (l)-ge of low cd ( )tTd (Under Pnresmavng)low cdve opted for a comprehensive

### 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.





▶ *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

## 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

*B a a - a a*

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.

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## 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.

### A a a a a

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.

For further details see the scenario table on page 71.

### R

## C a a a

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.

## O

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<sub>2</sub> from current emitters and are working closely with several project developers, shipyards and shipowners to develop the end-to-end solution for liquefied CO<sub>2</sub> 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

## 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.

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

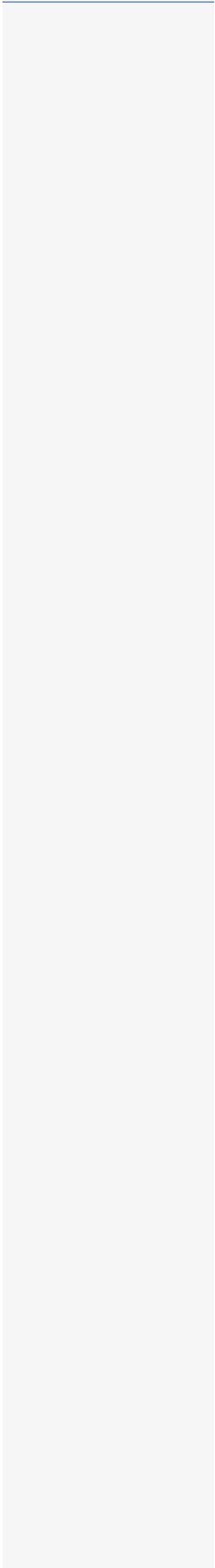
Last year, Babcock developed metrics, with associated targets and timescales, to measure our progress towards reducing our exposure to climate-related risk. This year, we have been focused on completing the initial targets we set in AR22:

- 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
-

## TCFD progress vs priorities

	FY23 progress	FY24 priorities
<b>Governance</b>	<ul style="list-style-type: none"><li>• ESG updates to the Board included climate action</li><li>• The Remuneration Committee set ESG related targets relating to reduction in carbon emissions for the 2023</li></ul>	

*Climate-related risks and opportunities*







## 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.

#### G a a a

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.

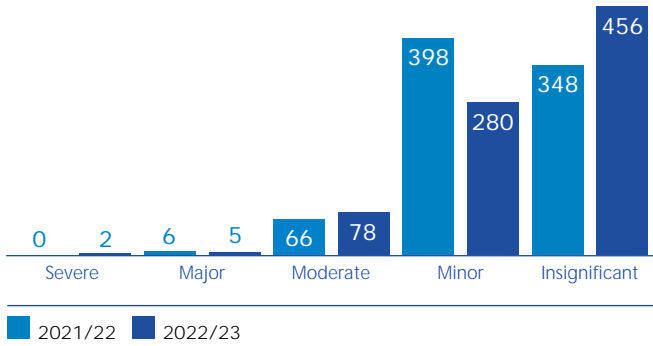
We established an Engaged Safety Culture framework with building blocks of reporting, learning, questioning, just & fair and flexible that align to our principles. These formed the foundations of the safety behaviours being developed across Babcock. The annual Safety Conference was replaced by the Safety 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.

#### P a a l

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 re8 beyon.9 ( )JJO 505.96owen., conducted ourng activitiesTJO -1.sation.24med.



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 processes to enable us to create spon7Sito O67 T7v OfMc3a ion ansedevelPdnsedevelPdnsedevel

2023

Total workforce

22,488 4,813  
79% 18%

21,302  
82%

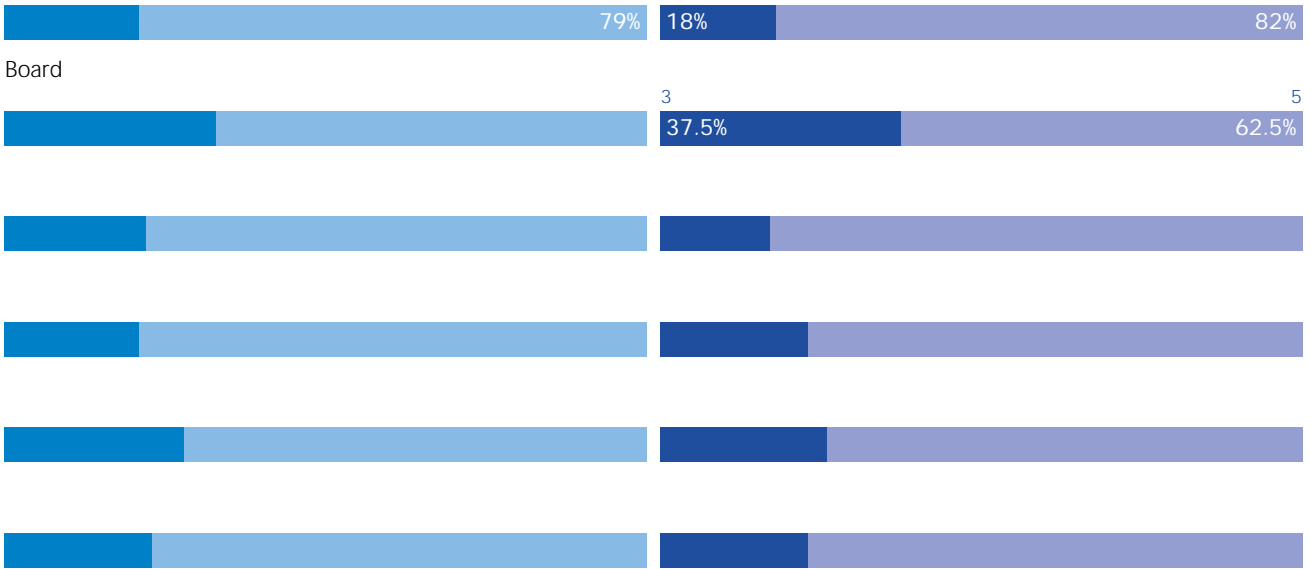
Board

3

37.5%

5

62.5%



**B a a**

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.

**B ba b**

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

**Ab M a a**

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 indicated that we have 456 disabled people working in the business and 1,456 with caring responsibilities.

ESG a ( )

*Building a Babcock for the future*



## 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

## **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 csaro-. Support Force



## 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

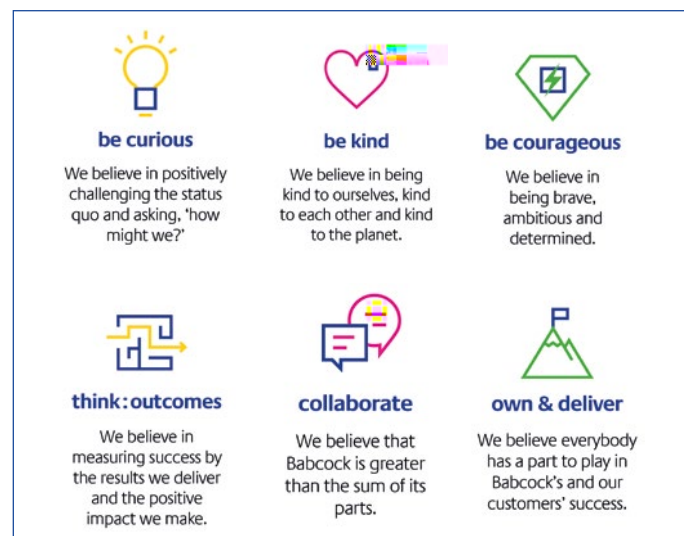
Our early careers programme continued to grow through 2022 with 1,509 apprentices and graduates currently on programmes across the Group. We also expanded our apprenticeship offer and introduced our first L2 Industrial Coatings Apprenticeship in Devonport along with piloting our first ever T-Levels in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



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.

### ► 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.

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

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

