OXFORD ECONOMICS

babcock™

THE CONTRIBUTION OF BABCOCK TO THE UK ECONOMY

AN INDEPENDENT REPORT BY OXFORD ECONOMICS

MARCH 2025

Babcock's General Logistics Vehicle in front of Smeaton's Tower in Plymouth.

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FOREWORD

I am very proud of the work Babcock has been doing to deliver growth in the UK. This independent report shows that we contributed £4.3 billion to UK GDP in FY24, an increase of £1 billion since we last reported. There can be no doubt that investing in defence not only supports national security but drives economic growth.

Our commitment to our customers and continuous investment in our people has driven significant improvements in the business. Babcock now supports one in every 550 jobs in the UK through our workforce, supply chain, and wider impact. We directly employ over 25,000 workers across over 100 sites spanning the length and breadth of the UK. We also actively seek to support smaller and medium sized enterprises within our local supply chains and during FY24 spent £550 million with more than 3,800 suppliers across the UK.

We make the most significant difference outside London and the South East, making us as a key player in the regional economic landscapes of the UK. In particular, this report shows the major impact we have in our two largest areas of operation, the South West and Scotland.

In the South West, our investments in local infrastructure and workforce development have spurred economic growth and fostered a vibrant business ecosystem, supporting 21,500 jobs, spending £290 million with suppliers, and contributing £1.3 billion to the region's GDP. In Scotland, we contributed £510 million; leveraging local talent and resources to create jobs and increase productivity has helped to secure Scotland's place as a regional defence powerhouse.

Babcock is all about people, and our success is tied to the communities we work in. We're committed to continuing to make a positive impact and to creating a safe and secure world, together.

David Lockwood OBE, Chief Executive Officer, Babcock International Group

On behalf of the Board, I am delighted to see the findings in this report, which underscore not only the profound impact Babcock makes to the UK from an economic perspective, but also from a socioeconomic one, demonstrating the tangible effect businesses can have across communities.

Our focus on workforce development is evident through our extensive apprenticeship and graduate placement programmes. We are delighted to employ nearly 2,000 early careers individuals, ensuring a steady influx of skilled talent into the industry to drive innovation and excellence for decades to come.

Additionally, our equality and diversity initiatives help to foster an inclusive workplace, where all employees are empowered to thrive, enhancing our ability to serve our customers and communities effectively. As Industry Patron of the Women in Defence Charter, I am proud that our median gender pay gap is 6.7%, less than half the UK average of 14.3%, and is continuing to fall.

As we move forward, we remain steadfast in our mission to create lasting socioeconomic value across the UK. We are proud of the achievements of the Babcock workforce and are excited about the future of the company. Now more than ever, what we do matters.

Dame Ruth Cairnie DBE, Chair, Babcock International Group

EXECUTIVE SUMMARY

67,000

jobs supported in the UK in FY2024

£4.3 bn

Total contribution to UK GDP in FY2024

Babcock is a large UK-headquartered international defence company, with 70% of its £4.4 billion revenue generated in the UK in the 2024 financial year (FY2024). It operates across over 100 sites throughout the UK, with its largest employing more than 8,000 workers. It provides engineering, support, and critical systems to both defence and civil markets in the UK, Australasia, Canada, France, and South Africa, as well as across further export markets.

This report quantifies the economic impact that Babcock's operations had within the UK economy in FY2024, in terms of GDP, employment, and tax revenues. This is done for the impact of the company as a whole and its individual business units on the UK economy, as well as a focus on Scotland and the South West of England. The report also looks at the wider socioeconomic impact that Babcock has within the UK in areas such as reducing economic inequality and promoting equal opportunities.

CONTRIBUTION TO THE UK ECONOMY

In FY2024, Babcock supported 67,000 jobs across the UK economy, equivalent to one in every 550 jobs in the country. Of this total, Babcock directly employed just over 25,400 workers, and a further 22,000 jobs were supported by its supply chain spending, known as the indirect impact. Lastly, 19,600 jobs were sustained through the spending of wages by the company's workers and those in its supply chain, known as the induced impact. This implies a multiplier of 2.6, meaning that for every 100 workers employed by Babcock in the UK, a further 160 jobs were supported across the rest of the economy through indirect and induced effects.

In the same year, Babcock supported a total contribution of £4.3 billion to UK GDP, or one in every £630 across the economy as a whole that year. Of this total, £1.4 billion was generated by Babcock through its profits and wage payments, £1.3 billion was supported by its supply chain spending, and the remaining £1.5 billion was due to the induced impact. This indicates a GDP multiplier of 3.1, meaning that for every £100 of GDP that Babcock directly supported through its own operations, a further £210 was supported across to the UK economy through the indirect and induced channels of impact. We also estimate the Babcock supported a total tax contribution of £1.1 billion for the UK Exchequer, across the direct, indirect and induced channels.

The Contribution of Babcock to the UK Economy
OXFORD ECONOMICS

ECONOMIC CONTRIBUTION BY BUSINESS AREA

In addition to Babcock's overall economic impact in the UK, we modelled the impacts of its three constituent business units separately: Nuclear, Marine, and Land and Aviation.

Of Babcock's total economic impact in FY2024, a £1.9 billion contribution to UK GDP (45% of total) was supported by the company's Nuclear business unit, along with 30,200 jobs, through the three channels of impact. Its Marine business accounted for a further £1.3 billion (31%) of the company's GDP impact and 20,400 jobs across the country. The remaining £1.1 billion (25%) of Babcock's UK GDP impact, and 16,400 jobs, were supported by its Land and Aviation business unit.

ECONOMIC CONTRIBUTION IN SOUTH WEST ENGLAND AND IN SCOTLAND

Whilst Babcock supports economic activity across the UK, its impacts are most concentrated in those areas in which it has a more significant presence; the South West of England and Scotland, where the company employs a combined 17,400 staff.

In the South West, Babcock employed just over 12,000 staff in FY2024, paying £540 million in staff costs in the region, and spending £290 million with suppliers. We estimate that Babcock supported a total contribution of £1.3 billion to the South West region's GDP in the same year, either directly or through supply chain and worker-spending impacts. In total we estimate that Babcock sustained nearly 21,500 jobs in the South West through these same channels of impact.

In FY2024, Babcock employed 5,400 workers in Scotland. The company spent over £150 million with suppliers in Scotland, paying workers in Scotland just under £260 million in staff costs. In total we estimate that the company contributed £510 million to Scotland's GDP and supported 9,500 jobs, either directly or through supply chain and worker-spending effects.

SOCIOECONOMIC CONTRIBUTION

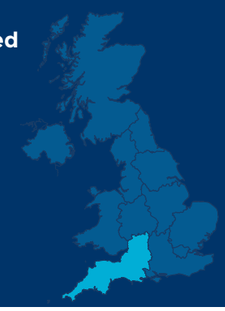
Babcock makes a significant contribution to the UK economy. However, the company's socioeconomic impact extends further, as it creates wider societal benefits through opportunities it creates for individuals and businesses in the areas of the UK that need them the most.

£210

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

21,500

Jobs supported in the South West of England in FY2024



9,500

Jobs supported in Scotland in FY2024

1,800

Participation in Babcock's graduate and apprenticeship schemes in FY2024

5,100

Staff employed in high priority areas for regeneration

£550m

Spent with UK SMEs in FY2024

By investing in staff training, Babcock supports skills development in the UK. In FY2024, there were over 500 graduates participating in Babcock's graduate training scheme, which was expanded from around 260 in 2021. The company also had nearly 1,300 apprentices in FY2024, providing valuable skills which are of benefit for both the company and the UK economy more widely.

Babcock's employment and supply chain spending creates opportunities in more deprived areas, supporting the regional growth agenda and improving local economic and social conditions. We find that Babcock spent £420 million with suppliers, and employed more than 5,100 staff, in local authorities that were classed as high priority for regeneration.

Babcock also aims to support small and medium-sized enterprises (SMEs) across the country with its procurement spending, and actively monitors the share of its overall spend that goes to these firms. In FY2024, the company spent £550 million with more than 3,800 suppliers across the UK.

Babcock is committed to reducing its impact on climate change, undertaking many initiatives which seek to reduce its environmental footprint. In 2021, Babcock launched its Plan Zero 40 decarbonisation strategy, which commits to the delivery of a 2030 science-based target in line with a 1.5°C pathway and achieving 90% emissions reduction across its estate, assets and operations (Scope 1 and 2) by 2040, and net-zero across the full value chain (Scope 3) by 2050. This is being achieved through a wide range of energy saving measures, the use of sustainable transport, and a focus on effectively tracking the company's environmental impact as fully as possible.

Babcock has many initiatives in place to ensure the equal opportunity, wellbeing, and safety of its employees. The company continues to promote gender equality—in particular, by being a founding member of the Women in Defence Charter and a Critical Mass Partner to Women in Defence UK, which works to drive gender equity across the defence sector. In FY2024, the company's median gender pay gap was 6.7%, which is less than half of the UK average of 14.3%, and is continuing to fall.

The company has also committed to achieving at least 30% female representation in its workforce by 2030. This level of equality of opportunity is sought throughout its business, supported by a 40% female board in FY2024.

THE CONTRIBUTION OF BABCOCK TO THE UK ECONOMY

ECONOMIC IMPACT

Direct | Indirect | Induced

£4.3bn
Total UK GDP contribution
£1.4bn | £1.3bn | £1.5bn

67,000
Total UK jobs supported
25,400 | 22,000 | 19,600

£1.1bn
Total UK tax revenues
£330m | £320m | £430m

IMPACT IN SOUTH WEST ENGLAND AND SCOTLAND

Scotland
£510m total contribution to GDP
9,500 jobs supported

South West England
£1.3bn total contribution to GDP
21,500 jobs supported

BUSINESS AREA ECONOMIC IMPACT

Nuclear
£1.9bn contribution to GDP
30,200 jobs supported

Marine
£1.3bn contribution to GDP
20,400 jobs supported

Land and Aviation
£1.1bn contribution to GDP
16,400 jobs supported

SOCIOECONOMIC IMPACT

503 graduates and **1,273** apprentices in training schemes.

£420m spent with suppliers in local authorities classed as high priority for regeneration.

£550m spent with **3,800** SME suppliers.

3,000 people directly employed and **£350m** spent with suppliers in the 20% most deprived local authority areas in the UK.

Results relate to the 2023 financial year which ran from 1 April 2023 to 31 March 2024.

Two Production Support Operatives on shift at Babcock's Rosyth facility.

1. INTRODUCTION

Headquartered in the UK, Babcock International Group—referred to as "Babcock" hereafter—is a global defence company, ranked as one of the top 40 largest defence companies worldwide. The company earned £4.4 billion in global revenues in FY2024, of which 70% came from the UK market, with just under three-quarters originating from its defence business.[1,2]

This report quantifies the economic footprint of Babcock's operations within the UK economy in the financial year 2023/24 (FY2024) in terms of gross domestic product (GDP), employment, and tax revenues the company supported through three channels of impact:

- **Direct impact:** refers to activity conducted directly by the company in the UK at its operational sites, of which 38 host more than 100 employees.
- **Indirect impact:** consists of activity supported by the company's procurement of goods and services from UK suppliers. It includes not only activity among the company's suppliers, but also among suppliers' suppliers, and so on right down the UK supply chain.
- **Induced impact:** reflects the activity supported by the spending of wage income by direct and indirect employees.

In addition to that of its overall operations, this report breaks down Babcock's economic impact into the individual contribution of its three business units, which are:

Nuclear, which undertakes or provides:

- complex engineering support to the entire UK nuclear submarine fleet across all lifecycle stages;
- through-life management of critical national infrastructure;
- end-to-end engineering integration across nuclear asset lifecycles;
- partnership for Atomic Weapons Establishment deterrent production; and
- UK civil nuclear new build, generation support and decommissioning projects.

Marine, which undertakes or provides:

- design, build, and through-life support of warships and submarines;
- weapons handling, and launch systems for warships and submarines;
- design, build, and support of secure military communications systems; and
- commercial liquid gas equipment systems.

Land and Aviation, which undertakes or provides:

- systems integration and manufacturing of military vehicles;
- strategic asset management and through-life engineering support for military equipment;
- engineering services in power generation and transport networks, and through-life support of mining equipment;
- training services for customers with critical missions;
- military training for the Royal Air Force and French Air and Space Force;
- through-life support of operational military aircraft; and
- critical air operations for governments.

[1] Babcock International was ranked 34th in Defense News' "Top 100 for 2024" list, based on 2023 defence revenue.

[2] Babcock International Group Annual Report and Financial Statements 2024.

The remainder of the report is structured as follows:

1. **Chapter 2** presents estimates of the employment that Babcock's operations supported across the UK national economy in FY2024.
2. **Chapter 3** presents estimates of gross domestic product (GDP) and tax revenues that the company supported in that year.
3. **Chapter 4** breaks down Babcock's overall FY2024 UK economic impact into its three constituent business units: Nuclear, Marine, and Land and Aviation.
4. **Chapter 5** presents estimates of Babcock's economic impact in FY2024 at the sub-national level, for two geographies: the South West of England and Scotland.
5. **Chapter 6** discusses the wider socioeconomic contribution that Babcock makes to the UK by examining its efforts with regard to increasing the skills of its staff, tackling economic inequality, fighting climate change, and promoting equal opportunity and wellbeing.
6. **Chapter 7** provides a short methodological appendix to the study.

Babcock crew undertaking the maintenance of a Challenger 2 Main Battle Tank in Bovington.

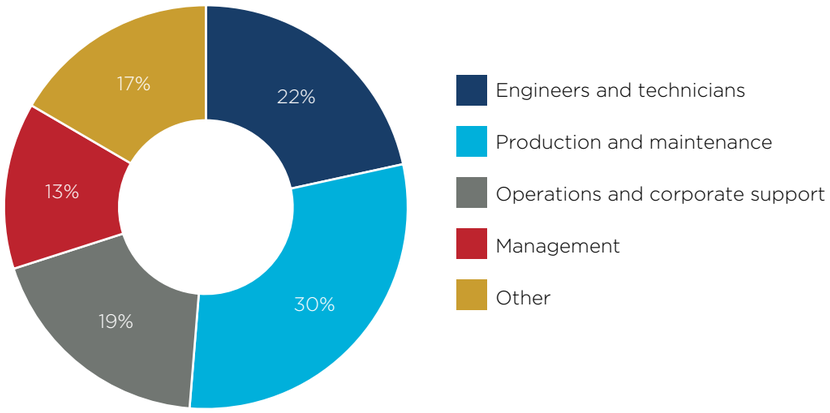
2. CONTRIBUTION TO EMPLOYMENT IN THE UK

2.1 DIRECT EMPLOYMENT

In FY2024, Babcock directly employed 25,400 workers in the UK. More than half of the company's direct workforce were employed in technical roles, with 22% working as engineers or technicians and a further 30% in production and maintenance, reflecting the technical nature of Babcock's operations. The remainder of Babcock's workforce was split primarily across management and operations and corporate support (including roles in human resources, finance, and procurement).

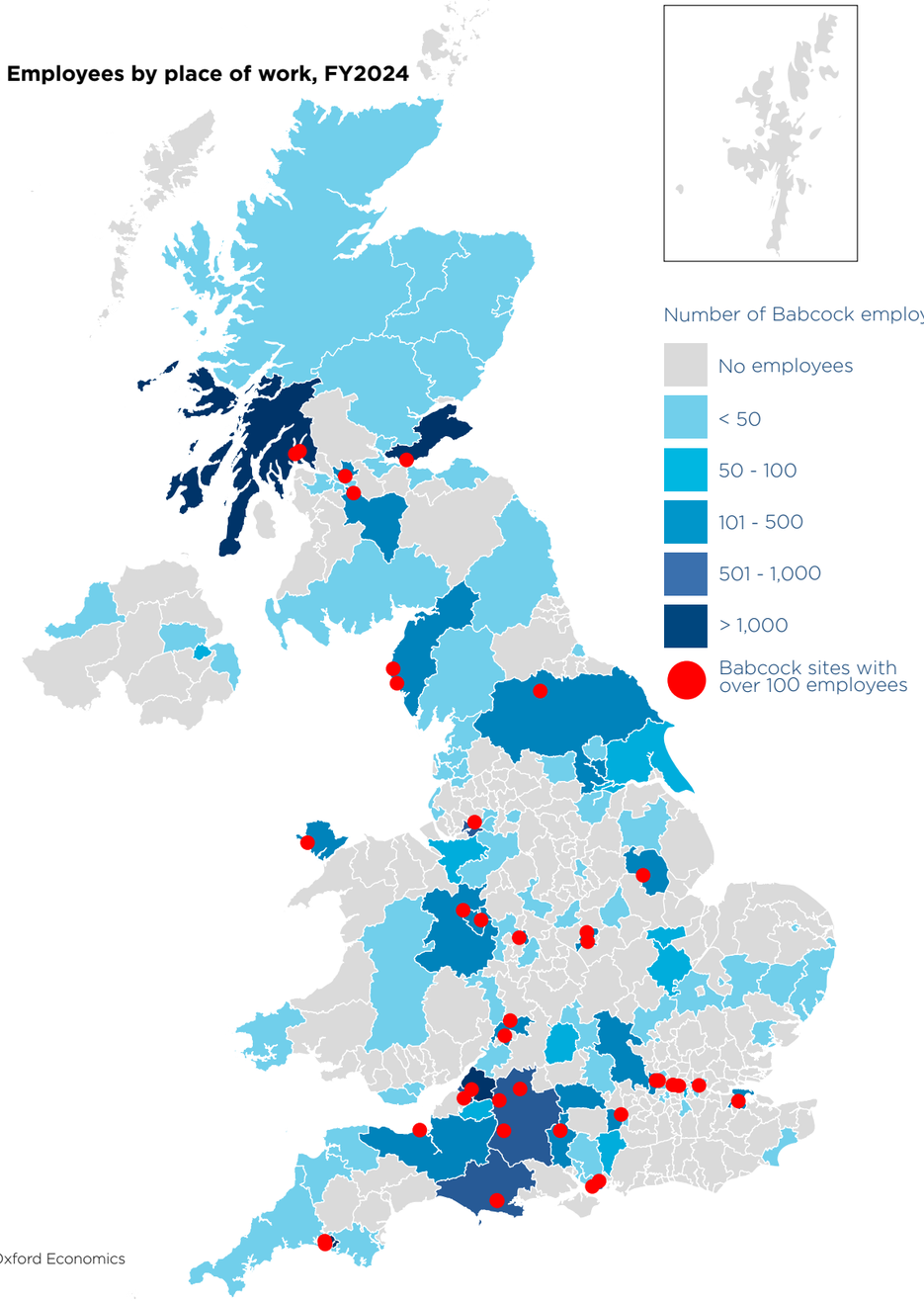
Babcock employs workers across all regions and nations of the UK, although the greatest concentration of workers is in the South West of England and Scotland. In particular, around 8,300 workers were employed by Babcock at Devonport Royal Dockyard in Plymouth in FY2024, and more than 2,500 were employed at Rosyth Dockyard in Fife.

Fig. 1. Share of employment by job function at Babcock, FY2024



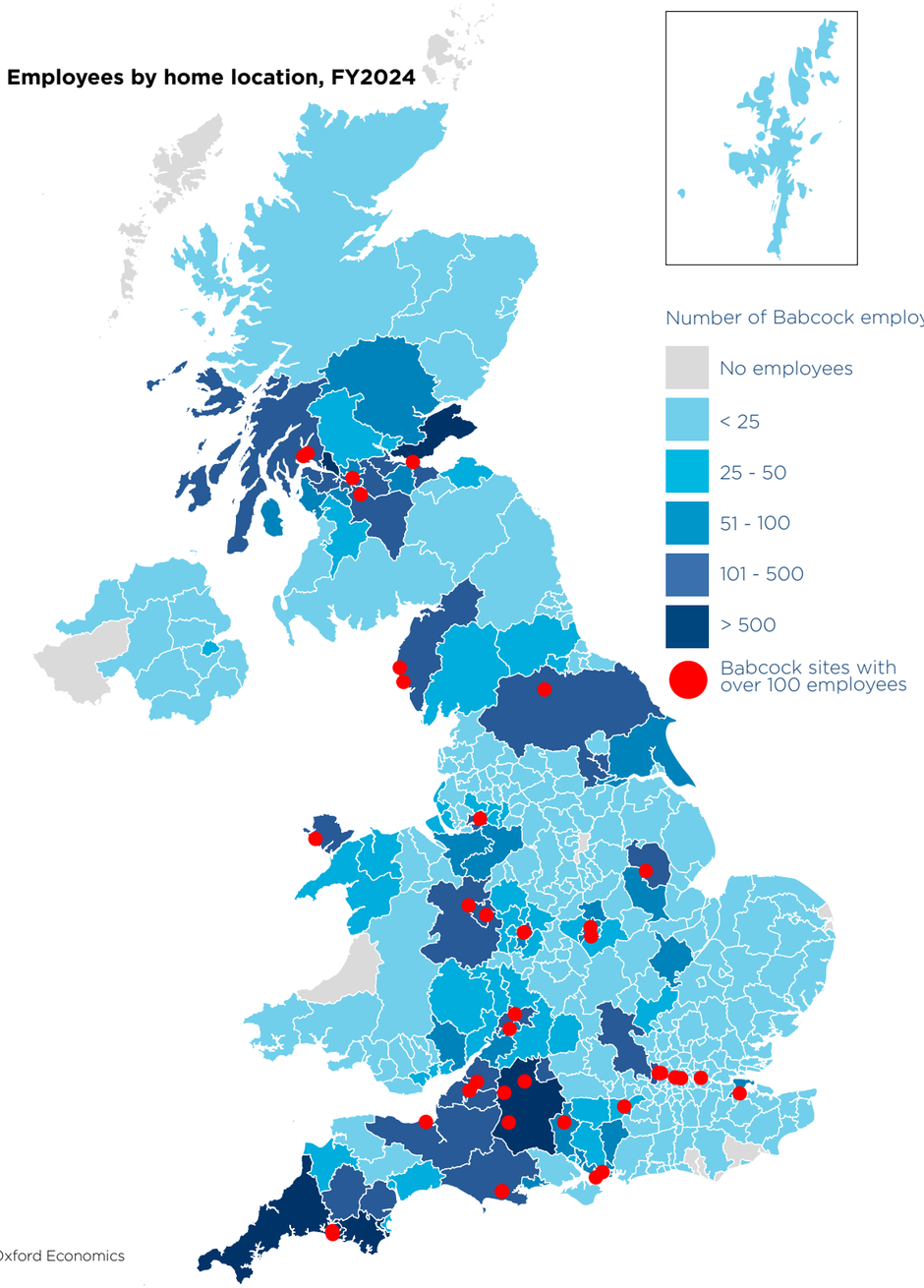
Source: Oxford Economics analysis of Babcock data
Note: may not sum to 100% due to rounding

Fig. 2. Employees by place of work, FY2024



Source: Oxford Economics

Fig. 3. Employees by home location, FY2024



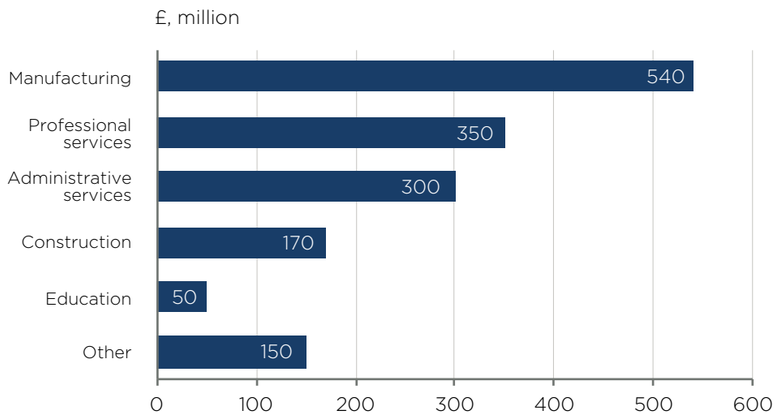
Source: Oxford Economics

2.2 SUPPLY CHAIN CONTRIBUTION TO EMPLOYMENT

In FY2024, Babcock spent £1.6 billion with around 5,700 UK suppliers. Just over one-third of this total was spent with firms in the manufacturing sector, which accounted for £540 million of the company's spend in that year. Babcock also spent £350 million (22% of the total) with the professional services sector, which includes accounting and legal services, as well as consultancy and specialist engineering services. The administrative services sector was the third largest recipient of the company's spending, at £300 million (19% of the total). This sector includes firms that provide services to buildings and offices, employment agencies, and companies which lease equipment.

This spending supported employment in companies along the supply chain as suppliers employed staff to produce the goods and services purchased by Babcock. These suppliers in turn spent with their suppliers and so on, supporting further economic activity. This is known as Babcock's indirect employment impact.

Fig. 4. Babcock's procurement spending by sector, FY2024

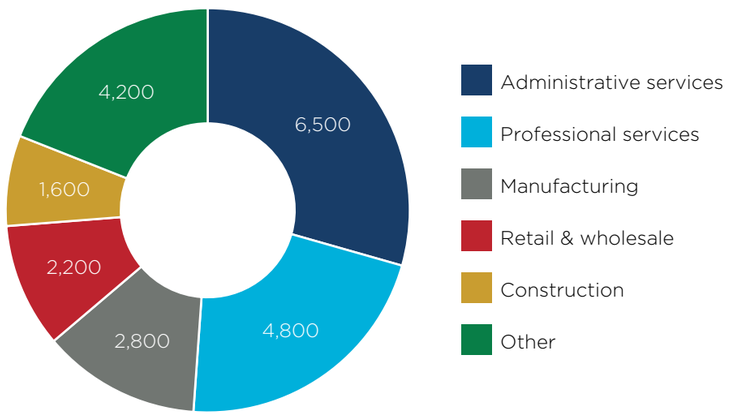


Source: Oxford Economics
Note: may not sum to 100% due to rounding

We estimate that in FY2024 Babcock supported 22,000 jobs in the UK through its supply chain spending. The impact of this spending was felt across a wide range of sectors of the UK economy. The largest indirect employment impact occurred in the administrative services sector, where we estimate that Babcock's supply chain spending supported around 6,500 jobs, or 29% of the total. Some 4,800 jobs were supported in professional services (22% of total), and a further 2,800 jobs in the manufacturing sector (13% of total).

Fig. 5. Indirect employment by industry, FY2024

Employment (headcount)



Source: Oxford Economics

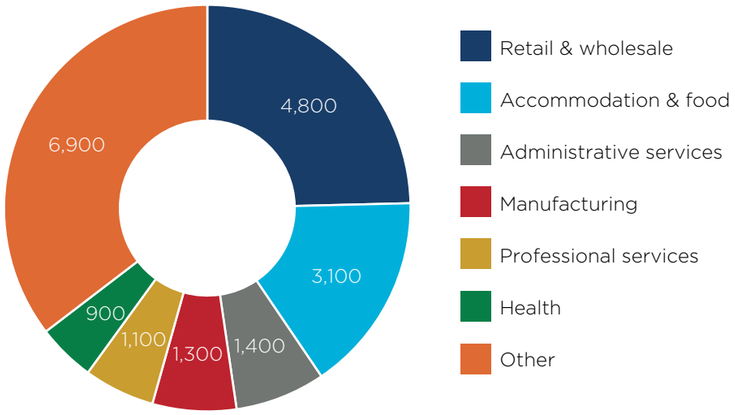
2.3 EMPLOYMENT SUPPORTED BY WORKER SPENDING

Babcock and firms in its supply chain pay wages to UK staff, stimulating household spending in consumer-facing businesses such as entertainment, transport and food. This spending sustains employment in these sectors and in their respective supply chains, which is known as Babcock's induced employment impact.

We estimate that in FY2024 this induced impact sustained 19,600 jobs in the UK. The largest impact occurred in the retail and wholesale sector, where around 4,800 jobs were supported (24% of the total). A further 3,100 jobs were in the accommodation and food sector (16% of the total).

Fig. 6. Induced employment by industry, FY2024

Employment (headcount)



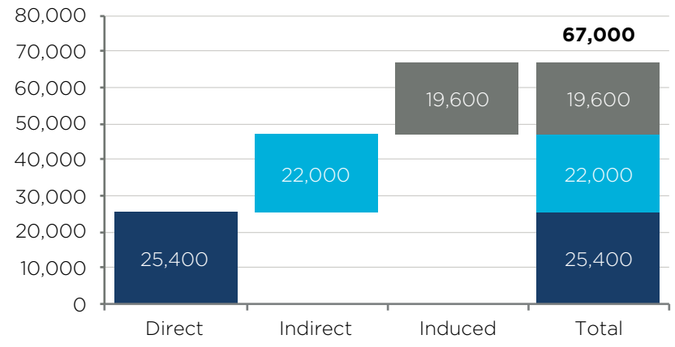
Source: Oxford Economics

2.4 TOTAL EMPLOYMENT CONTRIBUTION

Babcock's total contribution to UK employment is the combination of its direct, indirect, and induced employment impacts. We estimate that in FY2024, Babcock supported a total of 67,000 jobs in the UK economy, representing 0.2% of total UK employment, or one in every 550 jobs in the country. This suggests that for every 100 workers employed directly by Babcock, a further 160 jobs were supported throughout the UK economy.

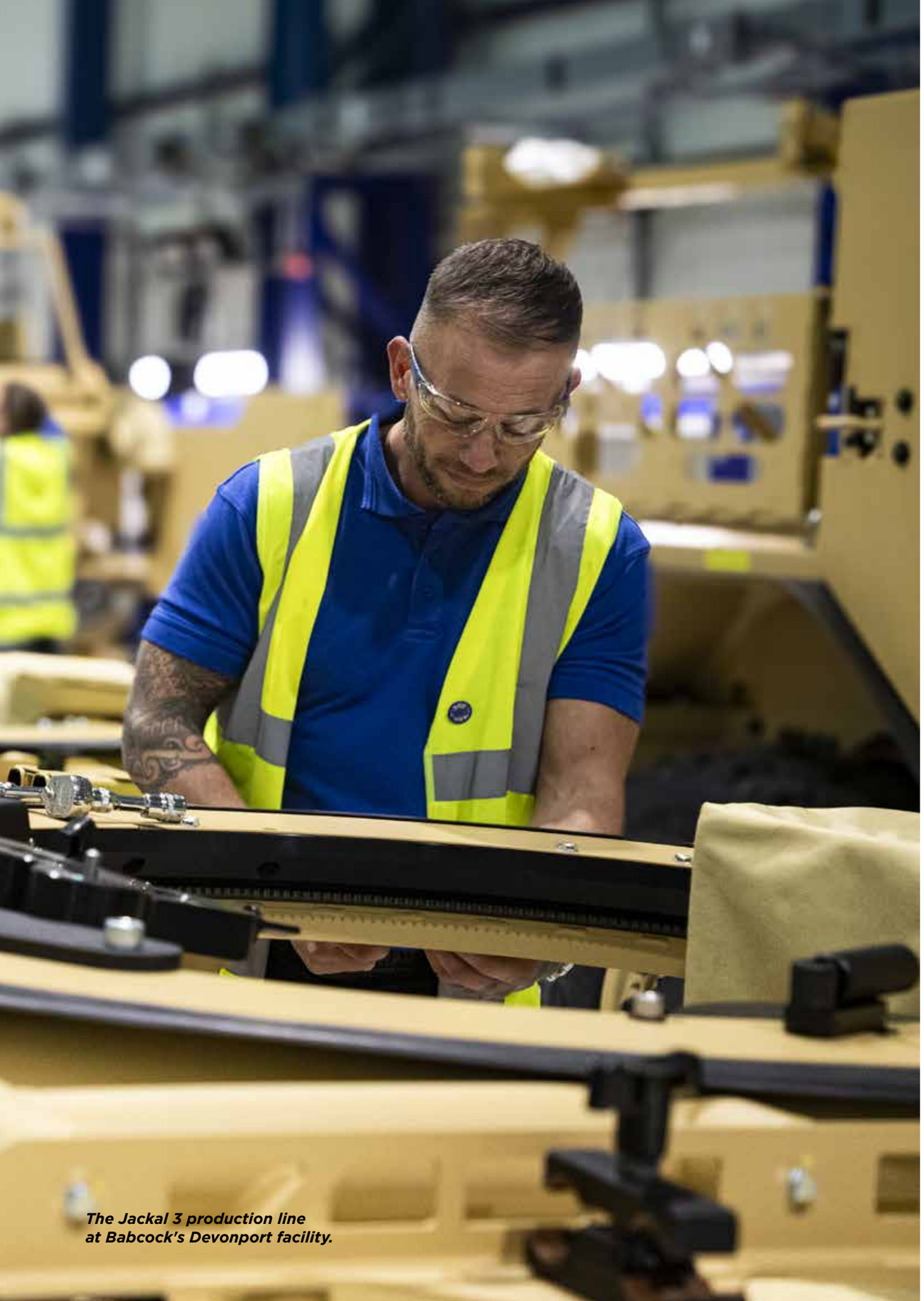
Fig. 7. Total contribution to UK employment, FY2024

Employment (headcount)



Source: Oxford Economics

HMS Victorious departing from HMNB Clyde in Scotland.



The Jackal 3 production line at Babcock's Devonport facility.

3. CONTRIBUTION TO UK GDP AND TAX REVENUES

3.1 DIRECT CONTRIBUTION TO GDP

In FY2024, Babcock earned £3.4 billion in revenue in the UK. From this revenue, we estimate that Babcock made a direct gross value added contribution to UK GDP of £1.4 billion.

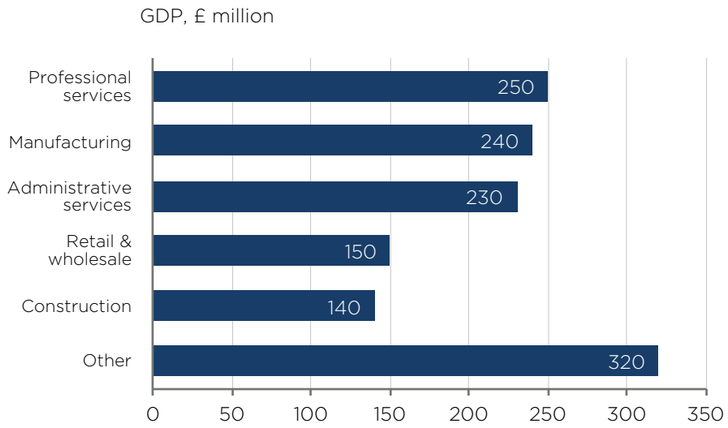
This figure is estimated using the "income approach" which sums together wage and benefit payments to employees, the income accruing to shareholders (measured as EBITDA),[3] and taxes on production such as UK business rates.

3.2 SUPPLY CHAIN CONTRIBUTION TO GDP

Through its £1.6 billion in spending with its UK suppliers, we estimate that Babcock supported an indirect gross value added contribution to UK GDP of £1.3 billion in FY2024. The largest impact occurred in the professional services sector, where Babcock supported £250 million in gross value added (19% of total). This was followed by an impact of £240 million in the manufacturing sector (18% of total) and £230 million in the administrative services sector (18% of total).

This ordering differs from the indirect employment impact due to higher productivities: workers in the professional services and manufacturing sectors produce more GDP per head than those in the administrative services sector, for instance.

Fig. 8. Indirect GDP contribution by sector, FY2024



Source: Oxford Economics

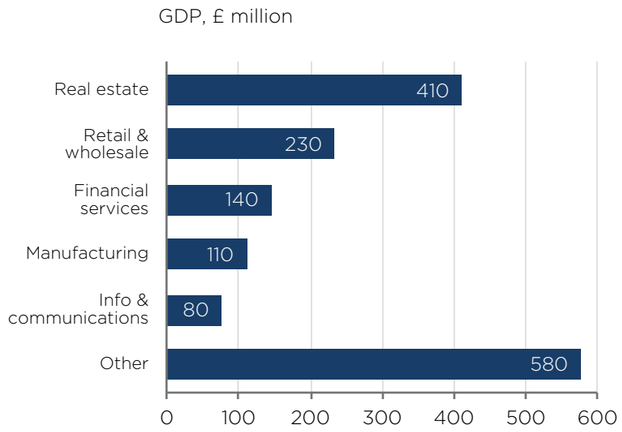
[3] EBITDA stands for earnings before interest, tax, depreciation, and amortisation.

3.3 GDP SUPPORTED BY WORKERS' SPENDING

We estimate that wage spending in the consumer economy by Babcock employees and workers in its supply chain stimulated a £1.5 billion induced gross value added contribution to UK GDP in FY2024.

The largest impacts of this wage spending were felt in the real estate and retail and wholesale sectors, which benefitted from gross value added impacts of £410 million and £230 million, respectively. This reflects the typical sectoral patterns of household spending in the UK—for instance, the large real estate sector impact represents household spending on rent and mortgages.

Fig. 9. Induced GDP contribution by sector, FY2024

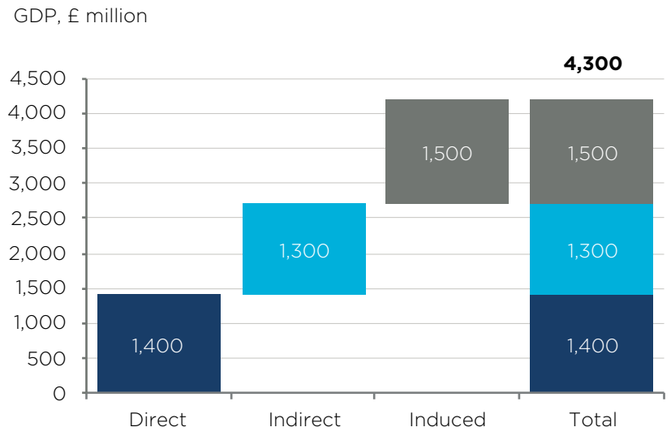


Source: Oxford Economics

3.4 TOTAL GDP CONTRIBUTION

Combining the direct, indirect, and induced impacts outlined above, we estimate that in FY2024, Babcock supported a total gross value added contribution of £4.3 billion to UK GDP, equivalent to 0.2% of total UK GDP in FY2024, or one in every £630. This implies a GDP multiplier of 3.1, meaning that for every £100 of GDP that Babcock directly generated through its own operations, a further £210 was supported across the rest of the UK economy through indirect and induced effects.

Fig. 10. Total contribution to UK GDP, FY2024



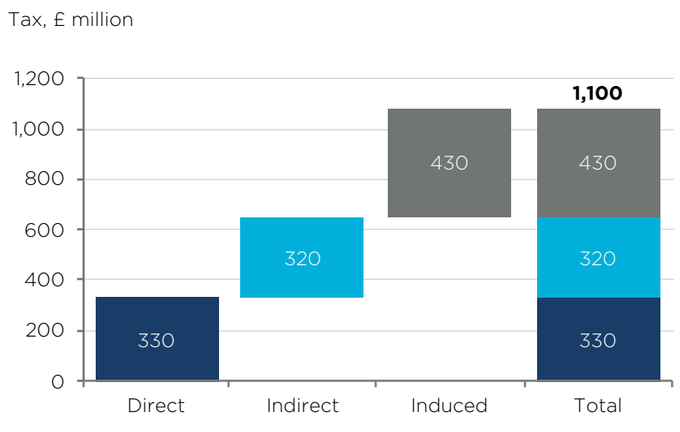
Source: Oxford Economics
Note: totals may not sum due to rounding

3.5 CONTRIBUTION TO TAX REVENUES

Babcock and its employees directly generated tax revenues for the UK Exchequer, including corporation tax, income tax, and National Insurance contributions. On top of this, the company's spending supported an indirect tax contribution along its supply chain. Finally, the consumer spending of Babcock's employees and those in its supply chain stimulated further economic activity and tax revenues.

Summing up these three channels of impact, we estimate that in FY2024, Babcock supported a total contribution to UK tax revenues of £1.1 billion. Of this, £330 million (30% of total) was contributed directly by Babcock, £320 million (30% of total) was supported through its supply chain spending, and £430 million (40% of total) was supported by the wage spending of Babcock employees and those in its supply chain.

Fig. 11. Total contribution to UK tax revenues, FY2024



Source: Oxford Economics
Note: totals may not sum due to rounding

Babcock welder working on a Type 31 Frigate at Rosyth.

4. ECONOMIC IMPACT BY AREA OF ACTIVITY

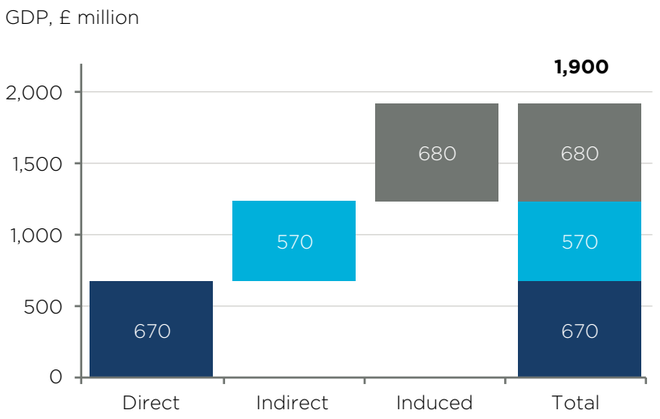
4.1 NUCLEAR BUSINESS UNIT

Babcock's Nuclear business unit represents the UK's largest civil and defence nuclear services provider and is involved in the operation of, and support for, nuclear assets across the country.[4]

Babcock's Nuclear business unit generated £1.5 billion in revenue in FY2024, 88% of which was related to defence. This includes providing complex engineering support for the entire UK nuclear submarine fleet and its supporting infrastructure, as well as acting as an engineering partner for the UK's Atomic Weapons Establishment (AWE), which maintains the country's nuclear deterrent.

The civil nuclear business is involved in the decommissioning of nuclear assets such as the Sellafield power plant site; the delivery of new reactor capacity at the Hinkley Point C and Sizewell C facilities; and is also involved in supporting two small modular reactor (SMR) vendors as part of the UK government's SMR competition, which aims to position the UK as a leader in cutting-edge nuclear power technologies.[5]

Fig. 12. Total GDP supported by the Nuclear business, FY2024



Source: Oxford Economics Note: totals may not sum due to rounding

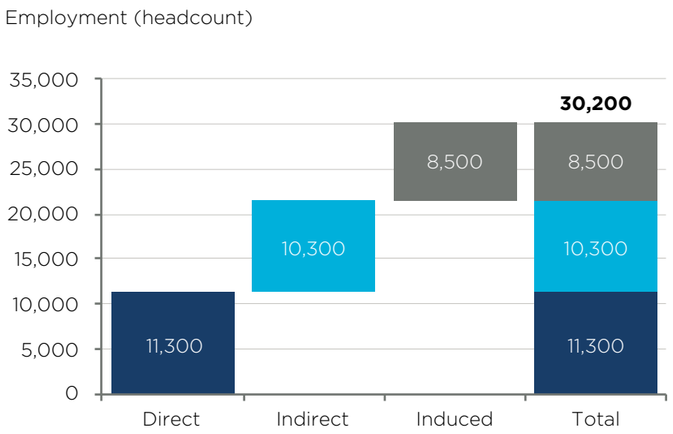
[4] Babcock International Group, Babcock Capital Markets Day presentation video - Nuclear.

[5] Department for Energy Security and Net Zero, "Six companies through to next stage of nuclear technology competition", October 2023, accessed January 2025.

We estimate that the Nuclear business unit supported a total gross value added contribution to UK GDP of £1.9 billion in FY2024. Just over one-third of this, or £670 million, reflected the direct impact of Babcock operations in this space. The Nuclear business unit spent £660 million with UK suppliers in FY2024, supporting a further £570 million indirect contribution to UK GDP. Finally, wage spending by Babcock workers in the Nuclear business, together with that of supply chain workers, supported a £680 million induced contribution to UK GDP.

Some 11,300 workers were directly employed in Babcock's Nuclear business in FY2024. The business unit's supply chain spending supported 10,300 jobs across the country in the same year, and the spending of wages by its employees and those in its supply chain stimulated a further 8,500 jobs in the UK. This means that in total, Babcock's Nuclear business unit supported 30,200 jobs across the country.

Fig. 13. Total employment supported by the Nuclear business, FY2024



Source: Oxford Economics
Note: totals may not sum due to rounding

HMS Audacious arriving in Plymouth.

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REVOLUTIONISING SUBMARINE DISMANTLING: BABCOCK'S GROUNDBREAKING PROJECT AT ROSYTH

At Babcock's Rosyth site in Fife, Scotland, the Submarine Dismantling Project is setting new standards in environmental protection and efficiency. This pioneering initiative has successfully removed Low Level Radioactive Waste (LLRW) from four submarines, showcasing a unique and innovative methodology that prioritises environmental safety.

Over the past seven years, the project has not only proven its concept but also achieved remarkable milestones. By significantly reducing the risk of pollution and contamination, the team has realised an impressive 10% efficiency savings per vessel. This success has paved the way for the removal of Intermediate Level Waste (ILW) and set the stage for the first complete disposal of a UK nuclear submarine by the end of 2026.

The journey began in 2016 when Rosyth received environmental agency approval to start LLRW removal. The first submarine, Swiftsure, marked the commencement of this ambitious endeavour. Utilising a specialised in-dock installation facility, the team meticulously removed reactor compartment system equipment. Active waste was processed and dispatched to the accumulation facility, while metallic waste was sent to a specialist contractor for recycling or disposal. Remarkably, about one-third of the waste from the reactor compartment was non-radioactive and could be recycled without further processing.

Building on this success, the team has progressively removed increasing amounts of LLRW from three additional submarines. An annual environmental management plan ensures continuous improvement and prioritises environmental protection.

The Submarine Dismantling Project has grown from a team of 50 in 2016 to around 200 dedicated professionals today. Their commitment to efficiency, innovation, and environmental responsibility is unwavering. Swiftsure, now a demonstrator project for dismantling, was docked at Rosyth on July 27, 2023, for final dismantling and recycling. The project remains on track for completion in 2026.

Babcock's Rosyth site is not just dismantling submarines; it's revolutionising the process, setting a benchmark for environmental stewardship and operational excellence.

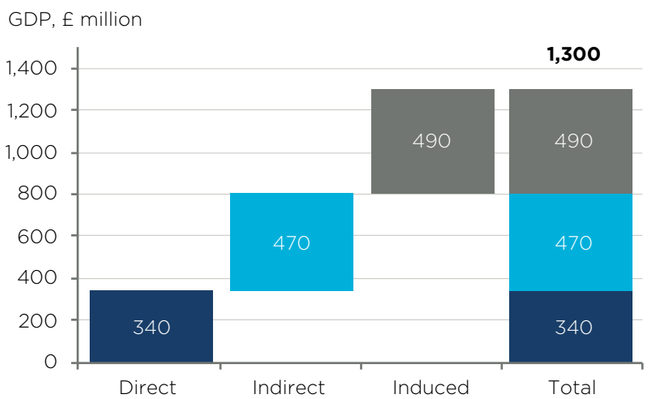
HMS Swiftsure enters 2 dock at Babcock's Rosyth facility.

4.2 MARINE BUSINESS UNIT

Babcock's Marine business unit focuses on designing, manufacturing, and integrating specialist systems and equipment in the marine sector, both within the UK and internationally. The defence side of the business is involved in a wide range of activities, which includes the design and build of warships such as the next generation Type 31 Inspiration Class Frigates currently being produced for the Royal Navy, life-extension programmes for older Royal Navy Ships at Devonport, and delivering major systems modules for submarines. The business also operates the UK's military satellite communications capability, known as "SKYNET".[6] Its civil business includes maintenance and support for scientific research vessels, as well as designing and building cargo handling systems for marine transport.

We estimate that in FY2024, Babcock's Marine business unit supported a total contribution to UK GDP of £1.3 billion. Of this total, Babcock directly contributed £340 million through its operations in this space. The Marine business unit spent £600 million with UK suppliers in FY2024, which supported a further £470 million contribution to UK GDP. Finally, wage spending by workers in the Marine business and those in the supply chain stimulated a £490 million induced contribution to UK GDP.

Fig. 14. Total GDP supported by the Marine business, FY2024

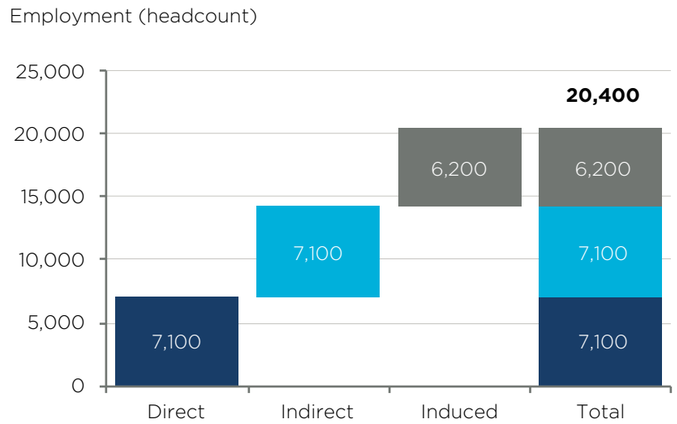


Source: Oxford Economics
Note: totals may not sum due to rounding

[6] Babcock international Annual Report and Financial Statements 2024

Babcock's Marine business unit directly employed some 7,100 workers in FY2024. In the same year, its supply chain spending indirectly supported a further 7,100 jobs and the spending of wages by its workers and those in its supply chain stimulated 6,200 jobs. In total, summing these three channels of impact, Babcock's Marine business supported a total of 20,400 UK jobs in FY2024.

Fig. 15. Total employment supported by the Marine business, FY2024



Source: Oxford Economics
Note: totals may not sum due to rounding

OPERATING SKYNET: THE UK MILITARY COMMUNICATION NETWORK

In early 2024, Babcock started operating the UK Ministry of Defence's military satellite programme, known as Skynet. This is used for secure communication by the country's armed forces, some UK government departments, and some of the nation's allies around the world. Skynet's development began in the 1960s as the need for secure communications grew, with the first generation launched in 1969. Skynet became the first military satellite communication network under the UK's sovereign control, with the current generation launched between 2007 and 2012, and launch scheduled for the first satellites of the sixth generation in 2025.

Skynet provides close to global coverage and can transmit large volumes of data at high speed, with high levels of encryption designed to withstand cyber security threats. This helps the UK armed forces with coordination, strategy decision-making, and real-time communication, even when operations are spread around the world. It also enables UK participation in multinational alliances and international collaboration by providing secure communication channels between forces.

Over the years, technological advancements have led to improvements in the quality, speed, and accuracy of satellite communication. The sixth generation of SKYNET will utilise more of the radio frequency spectrum and the latest digital processing technologies, which are expected to provide enough bandwidth and functionality for the UK armed forces for the next 20 years.

As part of the £400 million, six-year contract to operate Skynet, Babcock has partnered with SES, GovSat, and Intelsat to manage the satellites and ground stations. Across all partners, the contract is estimated to sustain up to 400 engineering, science, and administrative jobs in the South West locations of Corsham, Bristol, and Plymouth. Babcock itself added around 250 space and satellite communications experts to its Missions Systems team to support the contract, with the main office in Wiltshire.

British Army personnel operating military communications satellites.

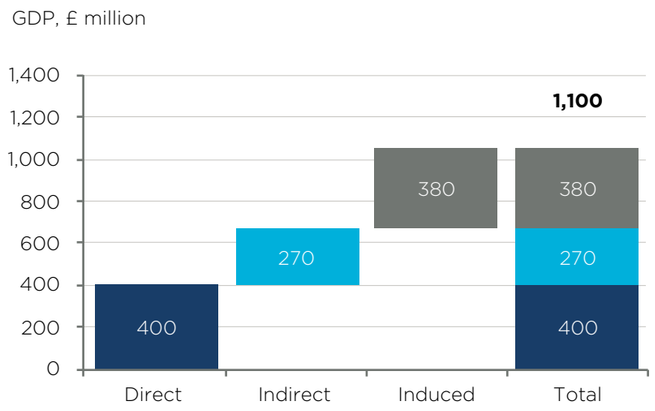
4.3 LAND AND AVIATION BUSINESS UNIT

The Land and Aviation business unit is involved in manufacturing and providing support and training for both land vehicles and aircraft, including both civilian and military armoured vehicles. Babcock is the largest training supplier to the British Army, and also delivers pilot training for both the Royal Air Force and the French Air and Space Force.[7]

We estimate that the Land and Aviation business supported a total contribution to UK GDP of £1.1 billion in FY2024. The business unit made a direct contribution of £400 million through its earning of profits and paying of wages to its staff. The Land and Aviation business unit spent £300 million with UK suppliers, supporting a £270 million indirect contribution to UK GDP. In addition to this, a further £380 million contribution to UK GDP was stimulated by the consumer spending made by Babcock's workers and those in its supply chain.

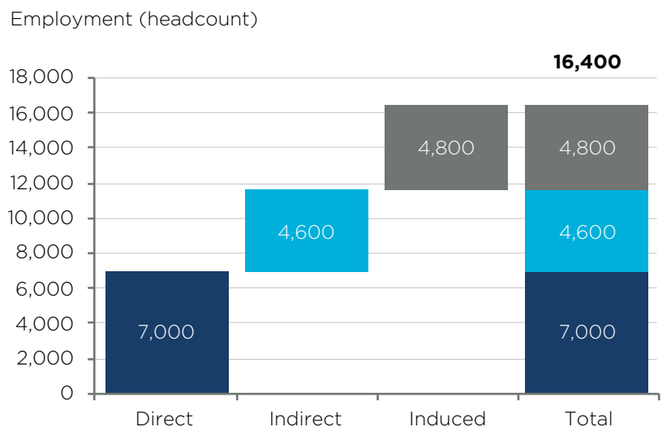
Babcock's Land and Aviation business unit directly employed some 7,000 workers in FY2024. In the same year, its supply chain spending indirectly supported 4,600 jobs and the spending of wages by its workers and those in its supply chain stimulated a further 4,800 jobs. This means that in total, Babcock's Land and Aviation business unit supported a total of 16,400 UK jobs in FY2024.

Fig. 16. Total GDP supported by the Land and Aviation business, FY2024



Source: Oxford Economics.
Note: figures may not sum due to rounding

Fig. 17. Total employment supported by the Land and Aviation business, FY2024



Source: Oxford Economics.
Note: figures may not sum due to rounding

[7] Babcock Annual Report and Financial Statements 2024.

CASE STUDY: ROYAL BRITISH LEGION INDUSTRIES

Babcock's Royal School of Military Engineering (RSME) Medway site has established an important relationship with the Royal British Legion Industries (RBLI) in Aylesford, Kent. The organisation's on-site Social Enterprise Factory has been onboarded as a preferred signage supplier for Brompton Barracks. This initial partnership now means that RBLI can be used as a supplier across Babcock, integrating their products into Babcock's broader operations.

Additionally, last year, colleagues from RSME Medway dedicated their annual 'Be Kind Day' to assist the RBLI in the refurbishment of a veteran's house, ensuring it was ready for a fresh start. Working together with the RBLI works services team, they meticulously cleared out the house, removing flooring, carpets, rubbish, fixtures, fittings, and the kitchen, all in preparation for redecoration. The team also took part in a Veterans coffee afternoon at Queen Elizabeth Court, an assisted living facility for homeless veterans. This event provided a much-needed sense of community and support for those who have served our country.

In a touching gesture of gratitude, the team received a thank you sign crafted by veterans and individuals with disabilities.

This case study box was provided by:

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The Babcock General Logistics Vehicle (GLV).

5. REGIONAL CONTRIBUTION

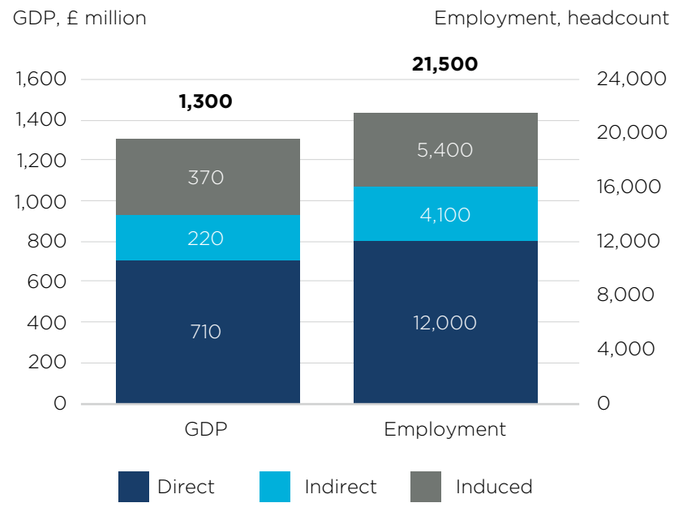
5.1 SOUTH WEST OF ENGLAND

In FY2024, Babcock directly employed 12,000 workers in the South West of England, which is equivalent to 47% of its total UK workforce. These workers are based across the region, including at seven sites that employed more than 100 people each. Two-thirds of Babcock's total workforce in the South West were employed at its site in Plymouth, known as Devonport Royal Dockyard. The facility is co-located with His Majesty's Naval Base (HMNB) Devonport, the largest naval base in Western Europe,[8] which houses the Royal Navy's submarines, warships, and training facilities.

Through profits earned and payment of wages to staff in FY2024, Babcock's operations in the South West directly contributed £710 million to GDP in the region. Through its supply chain spending in the UK, of which £290 million was made with suppliers in the South West, the company supported a further £220 million contribution to GDP in the region, as well as 4,100 jobs.

In the same year, Babcock spent just under £540 million on compensation of employees in the South West. Consumer spending by these employees, those within the company's wider operations, and those in its supply chain, supported an induced GDP contribution of £370 million. Combining these three channels, Babcock contributed a total of £1.3 billion to GDP in the South West in FY2024. It also sustained 21,500 jobs in total in the region.

Fig. 18. Total economic contribution in the South West of England, FY2024



Source: Oxford Economics, Babcock.
Note: figures may not sum due to rounding

[8] Royal Navy, HMNB Devonport

CASE STUDY: ARGYLE COMMUNITY TRUST

Babcock has a significant partnership with the Argyle Community Trust, particularly through their sponsorship of the Brickfields Community Hub development. This collaboration aims to support the local community in various ways.

Babcock sponsors two multi-use rooms and an E-sport lounge at the Hub. These facilities are used to deliver STEM (Science, Technology, Engineering, and Mathematics) lessons to local primary school students, helping to inspire the next generation of engineers and innovators. The E-sport lounge also provides young people with opportunities to develop digital skills and engage in innovative activities.

Additionally, Babcock's involvement includes organising the annual Babcock Community Cup, which brings together hundreds of school children from across Devon and Cornwall for a day of sports and community engagement. This event, along with other initiatives like donating Christmas hampers to fight food poverty, highlights Babcock's commitment to the well-being of the local community.

Overall, Babcock's partnership with the Argyle Community Trust demonstrates their dedication to supporting education, fostering community spirit, and promoting sustainable development in the region.

This case study box was provided by:

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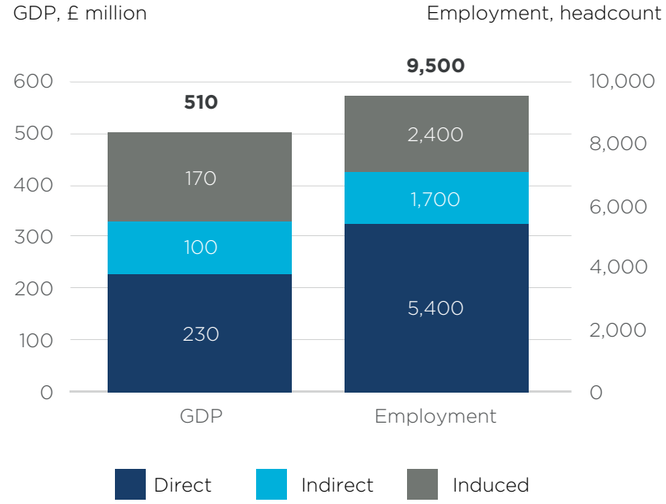
5.2 SCOTLAND

In FY2024, Babcock directly employed 5,400 workers in Scotland. These employees are concentrated in the company's second and third largest sites in the UK, at Rosyth Dockyard and HMNB Clyde. Over 2,500 workers are employed in Rosyth Dockyard in Fife, and over 1,800 in HMNB Clyde in Argyll and Bute. The company also has staff at large sites in Bishopbriggs, East Dunbartonshire, and Blantyre in South Lanarkshire.

Through its profits earned and wage payments to staff in FY2024, Babcock's operations in Scotland directly contributed £230 million to GDP in the country. Through its UK supply chain spending, of which £150 million was made with suppliers in the Scotland, Babcock supported a further indirect contribution to GDP of £100 million in the nation.

In the same year, the company spent just under £260 million on compensation of employees in Scotland. The consumer spending this supported, as well as that of its wider UK staff and that of workers in its supply chain, stimulated an induced contribution of £170 million to GDP in Scotland. Across these three channels, Babcock supported a total contribution of £510 million to the nation's GDP in FY2024. In the same year, the company's total employment impact in Scotland across the three channels of impact was 9,500 jobs.

Fig. 19. Total economic contribution in Scotland, FY2024



Source: Oxford Economics, Babcock.
Note: figures may not sum due to rounding

BABCOCK OFFERS A NEW TRAINING SCHEME TO ADDRESS SKILLS SHORTAGES

The shipbuilding industry in the UK faces skills shortages, with the UK Shipbuilding Skills Taskforce noting that the demand for skilled labour in activities such as steelwork and electrical and mechanical engineering is greater than the supply.[9]

To address these issues, Babcock launched a new role at its manufacturing and shipbuilding facility in Rosyth in early 2022, known as the Production Supportive Operative (PSO). This will help plug the skills gap by immediately providing each new joiner with a significant amount of training to bring them up to the skill level required.

The PSO programme offers three to five weeks of training for every cohort, including general health and safety training and specific skills such as grinding and welding, followed by learning on the job from skilled tradespeople. A planned extension of the scheme will allow PSOs to enrol in trade apprenticeships leading to NVQ3 qualifications equivalent to A levels.

Babcock developed the role in partnership with trade unions and local community partners and has been recruiting people from diverse backgrounds and experiences, including those currently not in employment or education. About 240 PSOs from diverse backgrounds have been successfully trained and deployed since the launch of the programme, and further cohorts have been planned.

Babcock's PSO programme won the Social Value Award at the Ministry of Defence (MOD) Sanctuary Awards in 2024. The award recognises the programme's contribution to constructing the next generation of warships for the Royal Navy while providing equal opportunities and tackling economic inequality. The PSO programme increases social mobility and reduces barriers to employment by actively targeting recruitment in areas of higher deprivation, offering opportunities to people not actively in work and removing minimum education level requirements. It also provides additional support to neurodiverse workers and to female PSOs.

The programme is also expected to be rolled out more widely across Babcock's other operations around the UK following this positive reception, bringing these social mobility benefits to other areas of the UK.

[8] UK Shipbuilding Skills Taskforce, "A Step Change in UK Shipbuilding Skills", September 2023, accessed January 2025.

Production Support Operative at Babcock's Rosyth facility.

Ukrainian fighter pilots trained by Babcock.

6. SOCIOECONOMIC CONTRIBUTION

Previous chapters in this report have focused on the economic value that Babcock supports in the UK through its operations and spending in terms of GDP, employment, and tax revenues. However, the impact of the company extends beyond these metrics into the wider socioeconomic benefits that it creates. While these may be less easy to quantify, they do represent an important component of Babcock's contribution to the UK.

This chapter will cover several aspects of the socioeconomic impact that Babcock makes in the UK:

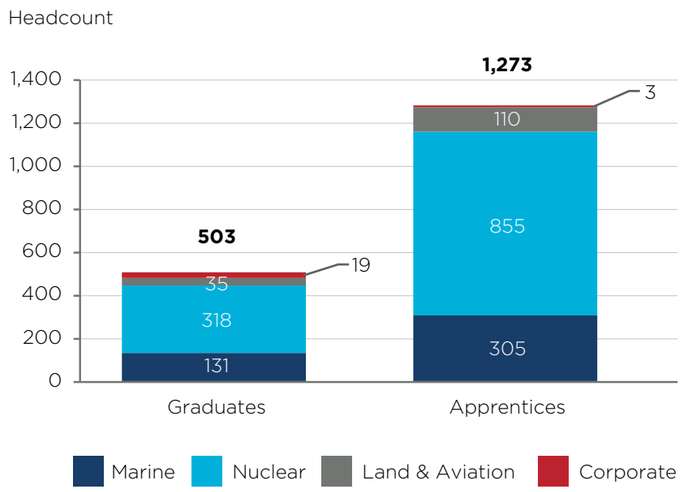
1. We start with an overview of the company's training initiatives and how these positively contribute to the skills base in the UK.
2. We then cover the steps Babcock is taking to support economic equality and address climate change.
3. We then consider the company's initiatives around promoting equality of opportunity and employee wellbeing.

6.1 SKILLS AND TRAINING

Babcock invests in developing skills amongst its workforce, focusing particularly on younger and less experienced employees. The company's training programmes operate across the business, in areas such as engineering, science, business management, and project management.[10] These schemes offer young workers opportunities to gain skills, knowledge, and experience to enhance their careers, and ultimately boost the UK's skills base. These schemes are significant in size, with graduate training programmes and apprenticeship employees accounting for a combined 7% of the company's employees in FY2024.

In FY2024, just over 500 graduates participated in Babcock's graduate training scheme, of whom approximately 270 were in the first year, 180 in the second year, and 40 in the third year. This scheme has grown significantly in size in recent years, up from around 260 graduates in 2021. Babcock is also a major provider of apprenticeships: in FY2024, over 1,200 employees in Babcock's workforce were apprentices. The majority of graduates and apprentices were based in Babcock's Nuclear business unit, followed by Marine, and then Land and Aviation.

Fig. 20. Participants in Babcock training schemes by business area, FY2024



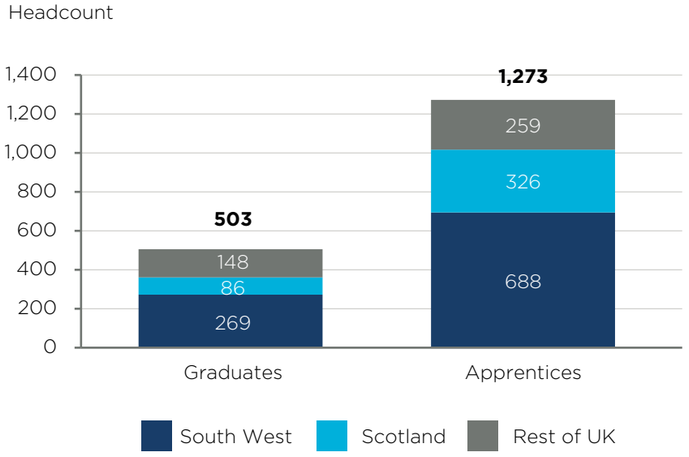
Source: Babcock

[10] Babcock Early Careers, Graduate Programmes.

As is the case with its wider business, Babcock's graduates and apprentices are concentrated in the South West of England, where just over half of them are based. Scotland represented the second largest regional base for training scheme participants, hosting 17% of graduates, and just over a quarter of the company's apprentices.

In addition to the training that Babcock's workers benefit from, the company also works in its local communities to raise awareness of the skills and opportunities available in science, technology, engineering, or mathematics (STEM) career paths, through hosting events and providing careers advice. For example, at its Rosyth site, Babcock hosts an annual Festival of Engineering. Over a two-day period, around 300 local primary school pupils have the chance to explore the fields of engineering, robotics, advanced manufacturing, and virtual reality, in an event supported by a range of organisations including the Royal Navy, Scottish Engineering, and Fife College. In order to make the most significant impact, this event prioritises drawing attendees from schools located in areas of deprivation and provides transport to ensure that this does not represent a barrier to attendance.

Fig. 21. Regional distribution of Babcock training scheme participants, FY2024



Source: Babcock

CASE STUDY: WEST COLLEGE SCOTLAND AND BABCOCK COLLABORATION

West College Scotland has partnered with Babcock to offer S5/6 pupils in West Dunbartonshire and Inverclyde a pioneering pre-apprenticeship programme in Engineering. This initiative allows students to complete their National Progression Award (NPA) in Engineering while engaging directly with Babcock, a global leader in engineering support.

The programme equips students with practical skills and academic knowledge, preparing them for careers in engineering. Successful participants are fast-tracked through the application process for Babcock's Modern Apprenticeship programme at Faslane and Coulport. In its first year, 90% of participants secured places in the Modern Apprenticeship programme. The second year saw participation more than double, with 23 pupils enrolled at the Clydebank and Greenock campuses.

By blending academic learning with practical experience, the programme is equipping the next generation with the skills, confidence, and pathways to thrive in a competitive industry. This initiative also supports social mobility and diversity by creating new opportunities for more people to kick off a successful long-term career in engineering and defence, with the unique opportunities and skilled technical training that comes with this.

Both West College Scotland and Babcock are dedicated to fostering local talent and providing young people with the necessary skills and opportunities to succeed in this dynamic industry.

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6.2 TACKLING ECONOMIC INEQUALITY

Through employing staff and spending money with UK businesses, Babcock supports economic activity, jobs, livelihoods, and skills across the country, benefitting all of the UK's regions. However, these economic benefits take on increased significance in more deprived areas of the country, where opportunities may be harder to come by for both people and smaller businesses. In this section, we examine the extent to which Babcock's operations interact with areas of higher deprivation, in support of the UK's regeneration agenda of promoting economic growth and opportunity in geographies which have been left behind.[11]

Supporting deprived areas

For the purposes of this study, Babcock provided detailed geographical data on its procurement spending and where its employees were based in FY2024. Using these, we were able to identify how much of the company's spending and employment was in local authority districts (LADs) which ranked in the bottom 20% in terms of the Government's indices of deprivation in each of England, Scotland, and Wales.[12]

In FY2024, we found that in the 20% most deprived LADs in the above three nations, Babcock directly employed just over 3,000 people. The company also spent more than £350 million with suppliers in these areas, or 23% of its total UK spend in the same year. In Scotland, the analysis highlighted a particularly significant impact, where 27% of the company's employees were located in the 20% most deprived local authorities, highlighting their contribution to spreading prosperity across the country.

If we consider Babcock's staff who were located in LADs considered as highest priority by the government—referred to as category 1 places—we find that this covered just over 5,100 workers in FY2024, demonstrating the significance of the company's contribution to supporting employment in these areas.[13] These highest priority areas also benefitted from £420 million of the company's procurement spending in the same year, or 27% of its total UK spend.

Supporting SMEs and new suppliers

As well as supporting economic activity in deprived areas, Babcock's supply chain spending is also an important source of revenue for small UK businesses. Babcock actively monitors which of their suppliers are small and medium-sized enterprises (SMEs), which allows the company to track the share of its spending SMEs represent.

In FY2024, around £550 million of Babcock's UK spending was made with just over 3,800 suppliers classed as SMEs, which equates to just over a third of its total spend that year. Of this spending 21%, or £116 million, went to SMEs located in the 20% most deprived LADs.

Through its purchases, Babcock is also building relationships with suppliers it has not worked with previously, strengthening the UK supply chain and providing new opportunities for growth in these firms. In FY2024, Babcock spent £135 million with just over 2,400 new suppliers, of which around 500 were located in the 20% most deprived LADs.

[11] Ministry of Housing, Communities and Local Government, "New levelling up and community investments", March 2021, accessed January 2025.

[12] Excludes Northern Ireland.

[13] Category 1 areas are those local authorities that were classified as highest priority for the UK government's levelling up fund in 2021.

CASE STUDY: SKILLS-BASED SUPPORT FOR THE 3ENGINEERS

This case study box was provided by:

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Since 2021, we have proudly supported The 3Engineers, creators of "The Adventures of Scout" book series, which promotes STEM learning and environmental awareness among children. This collaboration aligns with the UK curriculum and aims to educate young minds about environmental degradation.

Over the past three years, our support has included sponsorship, purchasing approximately 3,000 books for local schools, and skills-based volunteering to assist the team. We have also coordinated STEM events where these books were distributed to schools, enhancing their educational impact.

In 2023-24, the third book in "The Adventures of Scout" series was released. Additionally, Nick from The 3Engineers sought our expertise in developing a business and marketing plan to elevate their venture. Our team provided valuable insights and strategic guidance to help them reach new heights.

This partnership exemplifies our commitment to fostering education and environmental stewardship. By supporting The 3Engineers, we contribute to the development of future generations who are informed and passionate about STEM and environmental issues.

6.3 FIGHTING CLIMATE CHANGE

Reducing the company's environmental footprint is a key component of Babcock's environmental and social governance (ESG) strategy. This includes reducing carbon dioxide emissions in line with shorter-term interim goals, as well as long-term Net Zero targets, and integrating environmental sustainability into programme design to minimise waste.

An important element of Babcock's environmental strategy is its Plan Zero 40, under which the business aims to achieve scope 1 and 2 net zero emissions by 2040 and full value chain by 2050. Starting in 2023 and continuing in 2024, Babcock has had its net zero targets and decarbonisation plans validated by the Science Based Targets initiative (SBTi), meaning the company's targets and transition plans have been independently verified as robust.[14]

In FY2024, progress has been made in the four main strands of the Plan Zero 40 strategy. Across its estate and assets, Babcock has implemented various energy conservation and "low-hanging fruit" measures, which have reduced energy leakage, improved energy efficiency, and cut costs. These include LED lighting replacements, boiler replacements, and Building Management Systems improvements. The firm has also continued investigations into renewable energy opportunities across its sites, with potential opportunity exceeding 40MW. Recently Babcock has installed over 100kW of solar photovoltaics and gained planning permission for a 6MW solar development.

In the transport strand of the plan, Babcock has made progress in its transition to a 100% ultra-low emission vehicles (ULEV) fleet by 2030, with ULEVs already comprising 28% of Babcock's fleet in July 2024. Additionally, employees have the opportunity to make use of the company's electric vehicle salary sacrifice scheme.

The use of Babcock's products and services is a significant component of the company's "Scope 3" emissions, and recognising this, the business has worked with customers and partners to explore low-carbon opportunities. This includes projects such as supporting the RAF with experiments on synthetic fuels and hybrid electric aircraft, as well as supporting the British Army with electric conversion of Land Rovers.[15]

Lastly, in the value chain strand of Plan Zero 40, Babcock is a co-signatory to the Defence Aviation Net Zero Charter, which aims to embed sustainability across aviation in defence.

Progress on other environmental initiatives under the Plan Zero 40 strategy include linking executive remuneration to the company's carbon emissions reductions targets and investigating the use of an internal carbon pricing mechanism, which would enable a more accurate account of the true cost of the firm's environmental impact.

Outside of emissions targets, Babcock has commenced the delivery of biodiversity assessments across the organisation as part of its Climate and Nature Transition Plan. The company aims to deliver a 10% biodiversity increase across its estate by 2030, acknowledging that Babcock's global operations interact with a wide range of natural ecosystems. The business is also taking steps to make a positive impact across its sites. This includes volunteering work and donations, such as a Cavendish Nuclear site investment in Eden Greenspace, which resulted in over two tonnes of marine plastic being removed from Cornwall, over 8km^2 of Welsh wildflower meadow being planted, and around 2km^2 of peatland restored.

Babcock is also investigating a range of initiatives and working with partners to eliminate its waste to landfill by 2025 and the use of avoidable single-use plastic by 2027, as well as preparing waste and water management plans across all significant sites.

[14] Science Based Targets Initiative

[15] Babcock Annual Report 2024, ESG Strategy section, p.70

6.4 EQUAL OPPORTUNITY AND WELLBEING

Babcock has many initiatives in place to promote the equal opportunity, wellbeing, and safety of its employees. This includes a wide range of networks and communities across the business, which promote an inclusive culture within the firm and ensure access to support and opportunities regardless of personal circumstances and backgrounds. In FY2024 alone, Babcock established three new networks in response to employee feedback: Carers, Disability, and Forces.

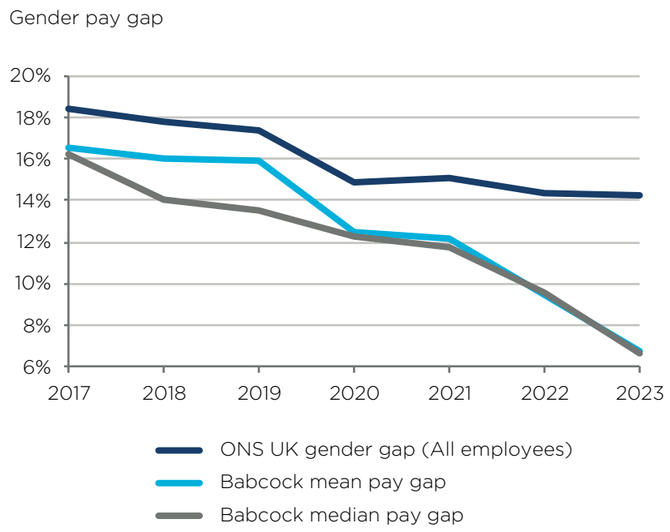
Other approaches include providing health assessments, developing the Mental Health First Aiders Network, and launching an Employee Assistance Programme. The firm has also launched a wellbeing hub, bringing together wellbeing resources and benefits to make it easier for employees to access support. In FY24, Babcock became a signatory to the Race at Work Charter and revitalised its B4ME network. With these schemes in place, 83% of the company's workforce felt that Babcock was committed to ensuring the health and safety of its employees, according to the latest annual Global People Survey.

6.4.1 Gender equality

Babcock works to promote gender equality and has committed to achieving at least 30% female representation in its workforce by 2030. As of July 2024, women constituted 19% of the total workforce, and the proportion of women at the senior management level is 23%. At the Board level, in FY2024 there was an increase in female representation to 40% from 37.5% the year previously. Babcock is also a founding member of the Women in Defence Charter and is a Critical Mass Partner to Women in Defence UK, which works to drive gender equity across the defence sector.

Babcock's mean gender pay gap has been consistently below the UK average and narrowing every year since 2017, as shown in Fig. 20. In FY2024, the company's median gender pay gap was 6.7%, which is less than half of the UK average of 14.3%.

Fig. 22. Gender pay gap in Babcock and across the UK



Source: Babcock Gender Pay Gap Report, 2023

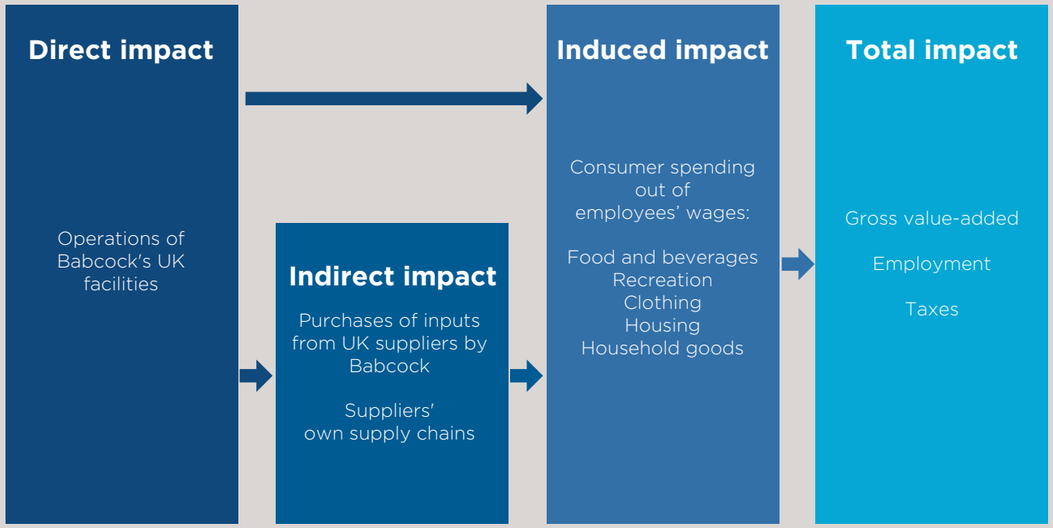
7. APPENDIX: ECONOMIC IMPACT METHODOLOGY

ECONOMIC IMPACT MODELLING

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

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

Fig. 23. Direct, indirect, induced, and total economic impacts



Source: Oxford Economics

Direct impacts

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

Indirect and induced impacts

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

An input-output model uses a matrix representation of a nation's interconnected economy to calculate the effect of changes by consumers, by an industry, or by others, on other industries and therefore on the economy as a whole. These input-output tables ultimately measure the "multiplier effects" of an industry by tracing the effects of its inter-industry transactions—that is, the value of goods and services that are needed (inputs) to produce each pound of output for the individual sector being studied. These models can be used to measure the relationship between an economic change or "shock", and the final outcome across the whole of the economy.

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

Oxford Economics used the input-output table for the UK for 2019, published by the ONS in 2022, for this analysis. This was the most recent UK input-output table available at the time of writing.

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

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

Industry breakdowns

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

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

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Babcock manufacturing team holding the first three Type 31 ships' crests.

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