

Our ESG strategy

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

Our five corporate Environmental, Social and Governance (ESG) priorities provide the framework for how we incorporate sustainability into our business, by minimising risk, reducing our environmental footprint, contributing to our communities and transitioning to a more sustainable future for all.

We continue to progress our corporate ESG strategy, ensuring progress towards our commitments and five priorities. Our continued progress against this strategy is evidenced by our ongoing success in reducing our gender pay gap year on year (see page 81) and our award-winning Production Support Operative (PSO) programme (see our sustainability pages on our corporate website). We have also gained approval for our science-based near and long-term emissions reduction targets and verification of our Net Zero target by 2050 from the Science Based Targets initiative (SBTi) (see page 68).

Our ESG priorities				
Environment		Social		Governance
We will reduce emissions in line with our short-term science-based targets and long-term Net Zero targets	We will integrate environmental sustainability into programme design to minimise waste and optimise resources	We will ensure the safety and wellbeing of all our people	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	We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges

Being a responsible citizen matters to Babcock. Our annual Global People Survey (GPS) showed a 5% improvement on our engagement score against the question “Babcock really demonstrates its commitment to our Purpose – creating a safe and secure world, together”. We have also captured the views of some of our stakeholders for our materiality assessment which shows those areas of most importance to them. More detail on this is available on the sustainability pages of our corporate website.

Our commitment to the safety of our staff and anyone on our sites remains a key area of focus for us, with 83% of our people believing Babcock is committed to the health and safety of employees (2023 annual GPS). Our TRIR has increased during 2023 as we undertake more complex activities but we expect our increased supervision levels and the growth of experienced workers to result in this rate reducing going forward. Our Global Safety Director also co-chairs the UK Defence Industry Safety Forum where we collaborate with industry partners and the UK MOD to share good practice.

During the past year our Chief Executive Officer, David Lockwood, was appointed the president of ADS Group and Babcock became a founding signatory of the ADS ESG Charter. We have also signed the Defence Aviation Net Zero Charter and we are a Pankhurst Partner for Women in Defence UK, co-designing its first critical mass summit which was held in the summer last year.

We continue to engage with ratings agencies, enhancing, where possible, our level of transparency to provide further insight into a range of environmental, social and governance topics. Our main ESG disclosures and external ratings are listed on page 65 and our GRI and SASB report is available to view on the sustainability pages of our corporate website.

Following the UK Government’s ‘Sustainability Disclosure Requirements Implementation Update’ in May 2024, we are awaiting the release of the UK Sustainability Reporting Standards, which are due in Q1 2025. Following their release we will undertake the necessary preparations to ensure we comply with these standards. As the UK Government referred to in their Implementation Update, we do not expect these standards to come into force before 2026 at the earliest.

To aid our ongoing efforts to increase transparency, we have consolidated a list of our publicly available policies and codes of conduct on our corporate website. We have also started to produce a series of fact sheets on topics, such as Information Security and Health and Safety, to provide insight on our approach.

[▶ ESG policies and statements](#)



Progress against our ESG priorities

Priorities	Highlights from FY24
We will reduce emissions in line with our short-term science-based targets and long-term Net Zero targets	<ul style="list-style-type: none"> • Validation of our science-based targets by the SBTi • 28% of Babcock fleet now made up of Ultra Low Emission Vehicles (ULEV) • Enhanced accuracy and completeness in Babcock's Scope 3 footprint <p>See page 68</p>
We will integrate environmental sustainability into programme design to minimise waste and optimise resources	<ul style="list-style-type: none"> • Conducted biodiversity assessments and drafted Babcock's Nature Positive Roadmap • Commenced delivery of renewable energy installations • Development of Babcock's Environmental Data Management System <p>See page 70</p>
We will ensure the safety and wellbeing of all our people	<ul style="list-style-type: none"> • 83% of employees believe that Babcock is truly committed to the health and safety of employees according to our Global People Survey, up from 81% in 2022's survey • Our gender pay gap continued to narrow from 9.6% to 6.7% • We launched our Group-wide Project Management graduate programme <p>See page 80</p>
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	<ul style="list-style-type: none"> • We established a dedicated External Engagement team to engage with the local Devonport community, raise awareness of STEM and enhance students' employability skills • Our 582 active STEM Ambassadors visited 708 schools nationwide over the year • We have completed the three Commitment Phases of the Progressive Aboriginal Relations (PAR) programme offered by the Canadian Council for Aboriginal Business (CCAB) <p>See page 84</p>
We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges	<ul style="list-style-type: none"> • We published our updated Supplier Code of Conduct, which aligns with the principles of ISO 20400, underscoring our dedication to human rights, fair practices and environmental responsibility • 27.7% of our total spend was with our SME supplier base compared to 24% in FY23 • Our average payment term was 16.3 days to our suppliers versus 21.4 days in FY23 <p>See page 86</p>

Our focus for FY25

<ul style="list-style-type: none"> • Continue development and delivery of Carbon Reduction Plans • Deliver renewable energy installations • Enhance environmental and Net Zero support capabilities
<ul style="list-style-type: none"> • Build upon the Safety Starts with Me behaviour programme to reinforce our Home Safe Every Day promise • Continue to focus on closing our gender pay gap • Significantly increase communication and employee participation in our Be Kind volunteering programme to enhance uptake, community engagement and social impact • Seek further ways to improve our wellbeing provisions to ensure they continue to respond to the needs of our people
<ul style="list-style-type: none"> • Introduce our Supplier Assurance manual to transparently communicate our collaboration expectations to our supply base • Implement carbon emissions tracking software to reduce our supply chain carbon footprint • Establish ESG ratings to reinforce our commitment to responsible practices

Progress vs ESG commitments and targets

Commitment and targets

Commentary

Progress Plan Zero 40 and minimise the impact on the environment

Progress Plan Zero 40	<ul style="list-style-type: none"> We have reduced our Scope 1 and 2 emissions by 7.6% against our 2021 baseline Our Scope 3 emissions have increased by 2.4% against our 2021 baseline
Preparing waste management plans across all significant sites by 2024	<ul style="list-style-type: none"> Following initial pilots to establish the approach, we have now completed assessments across 42% of our significant sites We are working to complete the outstanding plans by the end of the year
Zero controlled waste to landfill by 2025	<ul style="list-style-type: none"> We are investigating a range of initiatives and working with our partners to identify opportunities to eliminate our waste to landfill by 2025
Eliminate the use of avoidable single-use plastic by 2027	<ul style="list-style-type: none"> Our waste working group is investigating a range of initiatives to support delivery of our target
Prepare water management plans across all significant sites by 2024	<ul style="list-style-type: none"> Following initial pilots to establish the approach, we have now completed assessments across 38% of our significant sites We are working to complete the outstanding plans by the end of the year

Maintaining and enhancing biodiverse ecosystems

Conduct biodiversity assessments across all significant sites by 2024	<ul style="list-style-type: none"> Following initial pilot assessments to establish the approach, we have now completed assessments across 31% of our significant sites
Deliver a 10% biodiversity increase across the estate by 2030	<ul style="list-style-type: none"> We have conducted a biodiversity Net Gain pilot study and drafted a Nature Positive Roadmap which we are incorporating into our Climate and Nature Transition Plan

TCFD metrics and targets

Develop a baseline for Scope 1 and 2 emissions by end of 2023	<ul style="list-style-type: none"> Complete. We have developed Carbon Reduction Plans covering 95% of our UK operations and are satisfied this has established our emissions reduction pathway baseline We are working to develop the plans across the remaining international sites over the coming year
Complete an assessment of climate-related risk of all critical Babcock infrastructure by end of 2024	<ul style="list-style-type: none"> We are working to conduct detailed climate-related risk assessments across our critical infrastructure by the end of 2024
100% of electricity for Babcock facilities to be sourced from renewable supplies by 2030	<ul style="list-style-type: none"> In 2023 approximately 29% of Babcock's electricity was from renewable energy sources, an increase from 25%* in 2022
Complete a review of climate-related changes to working conditions covering all employees who are exposed at geographical locations by April 2023	<ul style="list-style-type: none"> Complete
Make a science-based targets submission by April 2023	<ul style="list-style-type: none"> Complete

Underpinned by conducting business with honesty, transparency and integrity

* In the 2023 Annual Report and Financial Statements we reported our percentage of energy from renewable sources for 2022 at 32%. During 2023 we have improved the coverage of our data sets (particularly across international sites) and we therefore restate the 2022 figure at 25%.

Progress vs ESG commitments and targets continued

Commitment and targets

Commentary

Creating a people-centred business where everyone is included

30% women within senior leadership teams by 2025

- Female representation in senior leadership teams remains consistent at 23%

30% female representation at all levels by 2030

- Our female population has increased to 19% this year and we remain committed to reaching our gender-balance target

Setting clear and measurable objectives that act as the catalyst for driving our longer-term inclusion and diversity goals

- In 2023 we undertook a discovery project across the Group exploring culture, behaviours and leadership through the lens of inclusion and our people’s day-to-day experience
- In response we have further developed our approach to inclusion that includes adopting Global Stated Commitments focused on internal and external priorities; the release of a Group Inclusion Roadmap to address consistently emerging themes from the discovery work; and the completion of the transition to a centrally led and business-owned inclusion model that is bespoke to each area of our business

Reduce inequalities through a thorough review of our recruitment practices and how we support progression once in employment

- We are taking a range of actions including new policies and ways of working, such as refreshed recruitment processes and supporting leadership development programmes amongst others

Underpinned by conducting business with honesty, transparency and integrity

ESG disclosure and external ratings

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

GRI Standards and SASB Standards	Reporting with reference to GRI Standards 2021 and SASB Standards (updated in January 2024) for the period April 2023 to March 2024. The report is available on the external website
DJSI score for FY23	Completed DJSI submission in November 2023 and achieved a score of 45/100, which was two points lower than last year
FTSE Russell	Submitted in April 2024 and received an increased score of 3.5, up from 3.0 in 2023
ISS ESG Corporate Rating	Rating is C- in line with prior year
MSCI ESG Rating	Rating is unchanged at 'A'

 [GRI and SASB Report](#)



ESG and our shareholders

Over the year we have progressed our ESG strategy and ensured progress on our corporate commitments and five ESG priorities 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 environmental, social and governance impacts against GRI, SASB and TCFD standards and disclosures.

Environmental: During the year we were proud to be one of the first international defence companies to have gained approval for our science-based near and long-term emissions reduction targets and verification of our Net Zero target by 2050 from the Science Based Targets initiative (SBTi). During the year we were also able to enhance our accuracy and completeness of Scope 3 emissions in line with the Greenhouse Gas Protocol. Read more on page 67.

Social: The health, safety and wellbeing of our employees, customers and the community comes first. Our Global Safety Director co-chairs the Defence Industry Safety Forum where we collaborate with industry partners and the UK MOD to share good practice. During the year, David Lockwood was appointed the president of ADS Group and Babcock became a founding signatory of the ADS ESG Charter. Our gender pay gap continued to narrow this year and we have become a Pankhurst Partner for Women in Defence UK, co-designing its first critical mass summit which was held in the summer last year. Senior management gender diversity is also one of our remuneration targets. See page 150.

Governance: We have continued to support the Company's turnaround by making improvements to the governance of the Group. As covered in our Chair's report (page 110) and our Audit Committee Chair's report (page 128), we have developed our controls enhancement programme and dedicated Group Risk function, enhanced internal capability and a risk framework that considers management of risk at all levels throughout the Group. Our approach to risk management is discussed on page 89. During the year we also published our updated Supplier Code of Conduct, which aligns with the principles of ISO 20400, underscoring our dedication to human rights, fair practices and environmental responsibility.

Defence and civil nuclear

The Group today is over 74% defence focused, reflecting our growth strategy and portfolio alignment programme which started in FY21 when our defence exposure was 56%. We recognise that our business is therefore of increasing relevance to investors assessing stocks 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 the 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 and political instability increases, we support the view that democracies need to be able to defend themselves from aggressors.

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.

“Investing in defence companies contributes to our national security, defends the civil liberties we all enjoy, while delivering long-term returns for pensions funds and retail investors. That is why the UK's world leading investment management industry supports our defence sector, with the Investment Association's members having invested £35 billion in UK defence companies. Investing in good, high-quality, well-run defence companies is compatible with ESG considerations as long-term sustainable investment is about helping all sectors and all companies in the economy succeed.”

Joint statement from the UK Government (HM Treasury) and the Investment Association, 23 April 2024

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 specific defence and civil nuclear activities. To enable compliance with their requirements, we disclose key ESG metrics to measure our exposure to these activities as a percentage of revenue. Below we describe our involvement in these areas:

- We do not design, manufacture or sell nuclear weapons or controversial weapons or their components.
- We provide support for our Atomic Weapons Establishment customer's programmes. This work represents less than 2% of FY24 revenue.
- We provide in-service support and through-life maintenance for the entirety of the UK Royal Navy's nuclear powered submarine fleet which includes non-nuclear armed ship-submersible nuclear (SSN) submarines and the nuclear armed ship-submersible ballistic nuclear (SSBN) submarines delivering the Continuous-At-Sea Deterrent. FMSP is our contract to deliver all dockside and fleet time support, base maintenance and deep maintenance periods, including infrastructure and naval base management for both SSNs and SSBNs. We estimate the split of SSBN related support work to be around 2% of FY24 revenue.
- We design and manufacture the non-nuclear weapons handling systems for the UK's future Dreadnought Class SSBNs and manufacture the missile tube assemblies for the joint US/UK common missile compartment for integration into future US and UK SSBNs. This work represents less than 2% of FY24 revenue.
- Nuclear power provides a reliable source of low-carbon electricity and is a critical component of countries' national energy strategies as they move towards net zero carbon. Our civil nuclear business is involved in new build, power generation support, fuel route management and decommissioning. This work represents around 4% of FY24 revenue.

Environment



Babcock is an environmentally conscious organisation and we are working hard to ensure our operations have the least possible impacts. Our environmental and Net Zero strategies strive to ensure sustainability is at the core of our operations as part of our commitment to implement sustainable practices. Over the past year we have continued to make good progress on our sustainable transition.

Babcock Group energy consumption and emissions

		Dec-20	Dec-21	Dec-22	Dec-23
UK					
Scope 1: Direct emissions from owned/controlled operations ¹	tCO ₂ e	43,795	47,836	35,602	32,458
Scope 2 location-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	49,853	41,425	38,945	41,607
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	57,142	62,901	70,166	73,779
Total Scope 1 and 2 emissions market-based	tCO₂e	100,937	110,737	105,768	106,237
Underlying energy consumption²	kWh	426,100,863	422,100,145	373,636,265	356,948,259

Global (excluding UK)

Scope 1: Direct emissions from owned/controlled operations ¹	tCO ₂ e	32,361	29,251	22,785	21,676
Scope 2 location-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	4,485	4,626	3,725	5,585
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	4,479	4,627	3,718	5,700
Total Scope 1 and 2 emissions market-based	tCO₂e	36,840	33,878	26,503	27,376
Underlying energy consumption²	kWh	139,234,549	128,027,641	100,726,110	98,725,583

Babcock Group total (UK and global)

Scope 1: Direct emissions from owned/controlled operations ¹	tCO ₂ e	76,156	77,087	58,387	54,134
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	61,621	67,528	73,884	79,479
Total Scope 1 and 2 emissions	tCO₂e	137,777	144,615	132,271	133,613
Total Scope 3 emissions (excluding pensions)³	tCO₂e	n/a	2,285,752	2,067,540	2,339,896
Total value chain emissions (excluding pensions)³	tCO₂e	n/a	2,430,367	2,199,811	2,473,509
Adjusted revenue⁴	£m	n/a	3,278	3,875	4,390
Intensity ratio⁵	tCO₂e/£1m Revenue	n/a	741.4	567.7	563.4

Our emissions data is reported in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard under the 'Operational Control' approach. The reporting period for our energy consumption and carbon emissions is the calendar year (1 January to 31 December) due to availability of data to meet annual reporting timescales. This year we have changed our base year to 2021; this aligns to our approved science-based targets and is due to 2021 being the most recent year with a full emissions inventory across all scopes. Our reporting exceeds the Streamlined Energy and Carbon Reporting (SECR) requirements, including a full Scope 3 footprint for the first time this year, backdated to 2021. Scope 3 emissions have been calculated in line with the GHG Protocol Corporate Value Chain (Scope 3) Standard and include elements of future emissions from sold products. This year we have switched to reporting progress against market-based Scope 2 emissions, in line with our improved data granularity. Our market-based Scope 2 emissions are higher than location-based due to significant energy being provided by the energy from waste plant at Devonport (Plymouth) with a high emission intensity. Figures for UK operations follow conversion factors published by BEIS, except the supplier-provided energy from waste factors. Non-UK operations utilise emission factors applicable to the fuel source and location. Appropriate conversion factors have been used to calculate the underlying energy consumption figures. Total Scope 1, 2 and 3 emissions have been divided by annual revenue (adjusted in line with emission boundary) to provide the intensity ratio (tCO₂e per £1m). Organisational changes including the sale of our European aviation business have cumulatively exceeded our materiality threshold (5% emission variance). Accordingly, emissions data for prior years have been adjusted in line with the organisational changes and to include additional data unavailable last year. Emission figures include an element of estimated data, at 7% for 2020, 8% for 2021, 5% for 2022 and 0.03% for 2023. Certain data, estimated to be immaterial to the Group's emissions, has been omitted as it has not been practical to obtain (including operations in Japan and the USA). Metering and monitoring improvements are being implemented to capture these data streams. During the reporting period we delivered a number of improvement initiatives including 'low-hanging fruit' energy conservation measures, reduced use of diesel, reduced aviation operations and improvements to our energy management practices. In previous periods we implemented a range of energy conservation measures such as LED lighting, boiler replacements, metering improvements and solar panel investigations. We do not have the data maturity to report quantitative reductions generated through energy efficiency measures for the current or previous years.

- Scope 1 emissions include biogenic emissions from combustion of biofuels. In 2023 this equated to 7,261 tCO₂e.
- Underlying energy consumption figures include an element of Scope 3 business travel in line with SECR requirements.
- A full Scope 3 footprint (excluding emissions associated with category 15 pensions investments) has been calculated for 2023, 2022 and our 2021 base year. A breakdown of emissions by GHG protocol category is provided on our website. Scope 3 emissions reported in 2020 are only those associated with business travel and fuel and energy-related emissions not reported in Scope 1 or 2.
- The revenue figures detailed have been adjusted for disposals and acquisitions so as to align with the adjusted emissions baseline.
- The intensity ratio is based on the adjusted emissions baseline and adjusted revenue.

Plan Zero 40

Science Based Targets initiative (SBTi) validation

We are delighted to announce that Babcock's Net Zero targets and decarbonisation plans have been validated by the SBTi. Achieving the SBTi validation is a significant milestone on our journey to Net Zero and validates that our targets and plans to transition Babcock to Net Zero are robust and evidence-based.

Over the past 12 months we have continued our efforts to decarbonise the organisation. Under our Plan Zero 40 decarbonisation strategy we are approaching decarbonisation through four strands: Estate and Assets, Transport, Products and Services, and Value Chain.

Estate and Assets

Following the successful completion of our Pathfinder Carbon Reduction Plans, we have been working to scale the plans across our global operations. The Carbon Reduction Plans completed to date capture 95% of our Estate and Assets-related carbon emissions. *You can find out more about our Carbon Reduction Plans on the environmental pages of our website.*

Through the year, we have implemented a range of energy conservation and 'low-hanging fruit' measures across the organisation, such as LED lighting replacements, boiler replacements and Building Management System (BMS) improvements. These measures have reduced energy leakage, improved energy efficiency and reduced costs. We continued investigations into renewable energy opportunities across the estate and during FY24 we commenced the installation of over 100kW of solar photovoltaics. We also gained planning permission for over 6MW of installed solar photovoltaics and we have a further 40MW of solar opportunity being investigated, or the equivalent of powering 15,000 homes for a year.

Focus for FY25:

- Continued development and delivery of Carbon Reduction Plans
- Delivery of renewable energy installations
- Low-hanging fruit energy conservation measures
- Conduct physical climate risk assessments across critical sites

Estate and Assets carbon emissions

Baseline emissions	129,764 tCO ₂ e
2023	128,701 tCO ₂ e



Our Net Zero journey

Bottom-up carbon strategies

- strategy planning
- base-year emissions

All new buildings to be

Net Zero operational emissions

2020

2021

2023

2024

2025

Strategy delivery

Full Scope 3 mapping to be complete

Clarifying Babcock’s emissions reduction targets

We previously committed to Net Zero (Scope 1 and 2 emissions) by 2040, and Net Zero across the value chain (Scope 1, 2 and 3) by 2050. Our targets have remained the same, however to comply with our SBTi validation criteria, we are required to use the SBTi’s technically accurate and consistent terminology and communicate in adherence with the SBTi guidance. Our Net Zero targets are stated as our ‘Long-Term Targets’, as follows:

Long-Term targets:

- Reduce absolute Scope 1 and 2 GHG emissions 90% by 2040 from a 2021 base year.*
- Reduce absolute Scope 3 GHG emissions 90% by 2050 from a 2021 base year.

* The target boundary includes land-related emissions and removals from bioenergy feedstocks

Overall Net Zero target:

- Net Zero greenhouse gas emissions across the value chain by 2050.

Delivery of our Net Zero targets includes:

- reducing emissions to zero or to a residual level that is consistent with reaching Net Zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways; and
- neutralising any residual emissions at the Net Zero target date and any GHG emissions released into the atmosphere thereafter.

Transport

Sustainable transport is a key component of the transition to Net Zero. We have been working to develop our low-carbon and people-focused Sustainable Transport Strategy which will drive decarbonisation across four key areas: Vehicle Fleet, Business Travel, Homeworking and Commuting, and Logistics.

Whilst we fine tune our strategy, over the past 12 months we have continued to make good progress with our transition to 100% Ultra Low Emission Vehicles (ULEV) fleet by 2030, with ULEV now making up 28% of our fleet. In addition to this, our Electric Vehicle (EV) salary sacrifice scheme has continued to support our sustainable transition and we now have over 140 EV vehicles on the scheme. Alongside this, we have progressed investigations into a range of low-carbon transport opportunities across our operations. Dec-23 transport emissions are higher due to increased business travel post COVID-19, and an increase in logistics spend in the year.

Focus for FY25:

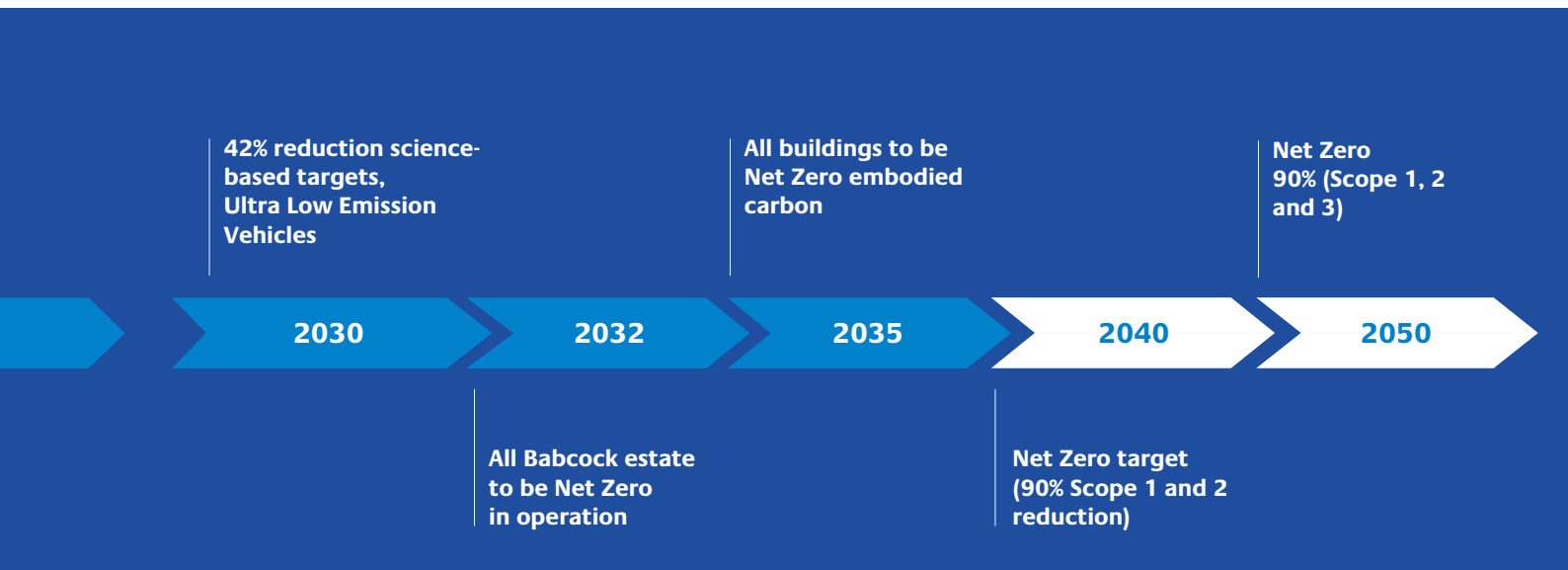
- Continued ULEV roll-out and deployment of EV charging infrastructure
- Enhanced engagement with logistics and distribution supply chain

Transport carbon emissions

Baseline emissions	88,870 tCO ₂ e
2023	120,300 tCO ₂ e

In focus: Electric assisted cargo bike gets green light at Devonport

After a successful trial, Devonport Dockyard approved the permanent use of Electric Assisted Vehicle (EAV) cargo bikes for on-site deliveries. Compared with diesel van alternatives, the EAV cargo bike is cheaper to operate, reduces transportation times and has a significantly lower environmental footprint.



Products and Services

During FY24 we have continued to mature our Scope 3 footprint and calculation methodologies, and we have now developed a good understanding of our emissions and hot spots. Products and services equate to a large percentage of our carbon footprint and reducing our associated impacts is a priority. Further work is planned to develop the maturity of our calculations and our teams are working to investigate opportunities to integrate Net Zero and environmental considerations into all aspects of delivery.

In creating a safe and secure world, we strive to support our customers on their journeys to Net Zero and become a leader in low-carbon enablement. Across the organisation we are already exploring innovative technologies and low-carbon opportunities with our partners and customers:

- Partnered with Vertical Aerospace on electrified aircraft with potential to replace helicopter operations
- Supported the Shetland Islands on decarbonisation of small boats
- Announced contracts to support the British Army with electric conversion of Land Rovers
- Support the Royal Air Force with experiments on synthetic fuels and hybrid electric aircraft

Focus for FY25:

- Unlock further low-carbon commercial opportunities
- Enhance environmental and Net Zero support capabilities
- Preparation of product and service decarbonisation plans
- Improved maturity of Scope 3 calculations

Products and Services carbon emissions

Baseline emissions	1,618,573 tCO ₂ e
2023	1,593,457 tCO ₂ e

Find out more about our Scope 3 footprint and calculation methodologies



In focus: Small Modular Reactors

Funded by the UK Government's Department for Energy Security and Net Zero's Future Nuclear Enabling Fund, Cavendish Nuclear is collaborating as part of an experienced industry team to support the deployment of Small Modular Reactors in the UK. This will contribute towards delivering the UK Government's commitment to reach Net Zero carbon emissions by 2050.

Value Chain

At Babcock we understand our responsibility to support the sustainable transition across our value chain. The impacts from our Value Chain strand equate to 25.5% of our footprint. We have continued to utilise the Environmentally Extended Input Output (EEIO) methodology to calculate our footprint and we are working with our peers, customers and supply chain partners to improve the accuracy of this approach. Decarbonisation of the supply chain is a crucial part of the sustainable transition and we are working to collaborate, influence and support the transition across the Defence value chain.

Focus for FY25:

- Enhanced supply chain engagement
- Implementation of JOSCAR Zero (a supplier management tool which provides visibility of supply chain carbon emissions)
- Improved maturity of Scope 3 calculations

Value chain carbon emissions

Baseline emissions	593,160 tCO ₂ e
2023	631,051 tCO ₂ e



In focus: Defence Aviation Net Zero Charter

Babcock is a co-signatory to the Defence Aviation Net Zero Charter, which seeks to embed sustainability across Defence Aviation. Signing the Charter demonstrates both Babcock's commitment to sustainability in its own operations and to collaborating with its customers and peers in achieving common goals.

Climate management instruments

To reinforce our dedication to climate action, we have linked executive remuneration to our carbon emissions reduction targets. This approach ensures that our Group CEO and CFO are incentivised to make sustainable choices, prioritise carbon reduction strategies, and drive the integration of environmental considerations into our business operations. By aligning executive rewards with our climate goals, we foster a culture of sustainability and accountability. The remuneration is aligned to delivery of the Carbon Reduction Plans covering our Estate and Assets strand of decarbonisation. Further information can be found on page 152.

As part of our commitment to mitigating carbon emissions, we are investigating the use of an internal carbon pricing mechanism. This tool could allow us to assign a financial value to carbon emissions, enabling us to account for the true cost of our environmental impact.



In focus: Climate and Nature Transition Plan

Over the past 12 months we have made good progress in developing Babcock's Climate and Nature Transition Plan. Our transformational plan will enhance our Plan Zero 40 strategy, and ensure climate and nature considerations are fully embedded and integrated into Babcock's operations. Our plan will ensure we have an effective approach to managing climate-related risks and reducing greenhouse gas emissions and allow us to seize opportunities presented by the transition to a low-carbon economy. This proactive approach will allow the Company to assess the physical and transition risks it faces, ensuring that it can adapt and thrive in a changing business landscape. Embedding the plan will build resilience by integrating climate considerations into our decision-making processes, future-proofing our operations, and enabling long-term, sustainable growth.

Data management

Data is central to Babcock's environmental strategy and enables evidence-based decisions. During FY24, we conducted an audit of our data management systems which identified a number of gaps, which we are working to address. We are continuing to mature our data management systems and enhance our processes to improve the accuracy and completeness of our data sets.

Following extensive investigations, we have decided to transition to a new data management platform which will deliver significant benefits to the organisation and be a key enabler to delivering our sustainable transition. We will be working to implement the new system over the coming year.

Natural environment

Throughout our global operations we interact with a range of natural ecosystems. Maintaining and enhancing the biodiversity of these ecosystems is a priority as we strive to protect and enhance the environment and create a safe and secure world. Babcock is taking a strategic approach to assess and align natural environment considerations into our business strategies. Over 2023, we developed our first Nature Positive Roadmap which will be integrated into our developing Climate and Nature Transition Plan. As part of our Roadmap development, we have commenced the delivery of biodiversity assessments across our organisation.

During FY24 we conducted a Taskforce for Nature-related Financial Disclosures (TNFD) gap analysis across part of our organisation. We generally achieved a basic level of maturity, with some progress in five of the 14 disclosure recommendations. Feedback from the analysis has supported development of the Nature Positive Roadmap which includes planned improvements to: governance and risk management frameworks; biodiversity assessment/calculation methodologies; and approach to target-setting and improvement planning.

[Find out more about our Nature Positive Roadmap and biodiversity assessments on our corporate website](#)



Task Force on Climate-related Financial Disclosures

Climate-related financial disclosures

We are committed to decarbonising the organisation, addressing climate-related risks and unlocking climate-related opportunities. We have continued to work to improve our disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements.

During the prior year, we conducted a strategic climate-related risk assessment to assess the financial impact of key risk themes on the organisation's business strategy and financial planning. This year, we have utilised the prior assessment to inform and prioritise areas of focus as part of our Climate and Nature Transition Plan (CNTP) investigations, which is currently under development. We have also made good progress in calculating our Scope 3 footprint (find further details on page 67). We have commenced work to develop our reporting of metrics in line with the TCFD recommended cross-industry metrics. The following are our priorities over the coming year:

- Continue development of our holistic CNTP; for further information on the CNTP please see page 71
- Continue to mature our climate risk identification and assessment processes to ensure that the Group quantifies the specific potential cost or revenue impact of risks and opportunities
- Continue to develop our approach to Metrics and Targets to ensure consistency with all 11 TCFD Recommendations.

As per Listing Rule 9.8.6(8)R we provide disclosure against each of the TCFD's 4 pillars (governance, strategy, risk management and metrics & targets) and confirm that these disclosures are consistent with 9 of the 11 TCFD recommendations and recommended disclosures with the exception of the following matters.

Following our Scope 3 footprint works we are now consistent with Metrics and Targets part b. We do not yet provide sufficient disclosures to be fully consistent with Metrics and Targets part a, as we haven't yet established intended metrics associated with internal carbon prices, transition risks, physical risks or climate-related opportunities. We also do not yet provide potential quantification of each key climate risk presented on specific financial performance metrics (revenues, costs), and therefore are not fully consistent with Strategy part b.

Our climate-related financial disclosures comply with requirements (a-h) of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

We are working to ensure our Plan Zero 40 and climate risk workstreams are aligned through our holistic CNTP. The CNTP is being developed to capture and manage all aspects of environmental sustainability across Babcock's global operations.

Additional climate-related disclosures can be found in the Risk management, Governance and Financial sections see pages 103, 111 and 187.

Governance

Board oversight of climate-related risks and opportunities

The Board has ultimate responsibility for the Company's strategy and risk management. Our Board oversees climate-related risks and opportunities and discusses Group-wide ESG matters as an integral part of Board strategic discussions. In FY24, the Board conducted a strategy and risk management review. Climate and environmental sustainability is one of Babcock Group's principal risks (for more information please refer to page 103) and therefore climate-related risks are appropriately reviewed and considered when reviewing strategy and the annual budget and five-year plan. The Board had two reviews on Group-led sustainability workstreams including updates on the Plan Zero 40 strategy and the development of the Group's CNTP: covering the Group's externally committed targets to address climate and nature impacts of the Company's operations. To ensure effectiveness and continual improvement, our climate governance framework is being reviewed as part of the CNTP.

See page 114 for further details on our organisational governance framework.

Management's role in assessing and managing climate-related risks and opportunities

Babcock's Corporate ESG Committee is a Principal Management Committee which reports into the Group Executive Committee. The ESG Committee is responsible for Group-wide ESG initiatives, the management of climate-related issues and driving the wider sustainability agenda. Babcock's executive sponsor for ESG is the Land Chief Executive Officer, appointed in September 2023. The ESG Committee meets on a quarterly basis and includes representatives from the Executive Committee.

Board leadership and company purpose outlines the remit and key membership of the Corporate ESG Committee, the Group Executive Committee and the Group Risk Committee (see page 114).

Progress on TCFD compliance, CNTP and our environmental targets is reported to the ESG Committee and the Board. Actions required to further climate-related risk management activities are overseen by the ESG Committee.

Climate and environmental sustainability is one of Babcock Group's principal risks and, as part of our Enterprise Risk Management approach, the risk and its management is reviewed by both the Group Executive Committee and the Group Risk Committee.

Through our CNTP, we are working to develop the policies, processes and procedures to ensure climate risk assessment and management is integrated into all operational decision-making processes, supported by planned investment in environmental data management systems. Over the coming year we are integrating TCFD compliance activities into our CNTP to align with our wider climate and environmental sustainability workstreams and reporting.

Strategy

How the Company is responding to short, medium and long term risks and opportunities

We identify and model climate risks over the following horizons: short term (present to 2030), medium term (2030 to 2040) and long term (2040 to 2100). The horizons are aligned with our short-term 2030 science-based targets, medium-term 2040 decarbonisation targets and our longer-term 2050 Net Zero targets. Modelling risks over a long term horizon allows us to identify and assess impacts which may materialise up to the end of the century, depending on the global climatic conditions.

Babcock continues to operate a top-down, bottom-up approach to climate risk management, with the policy and strategy set at Group level, and responsibility for delivery within the sectors and direct reporting countries (DRCs). Sectors and regions consider the insight and outputs from the climate-related risk assessments, and identify the actions required to deliver corporate climate impact reduction commitments. Such risks and actions are considered in forecasts including in the annual budget and five-year strategic plan.

In addition, consideration has been given to the climate risks and opportunities register as potential areas of material financial reporting impact on critical accounting judgements or key sources of estimation uncertainty, with no current perceived material impact on such judgements or estimates. While climate-related matters are not considered to have a material impact on the Group's critical accounting judgements or key sources of estimation uncertainty, the Group has implemented an effective approach to identify, assess and respond to climate risks appropriately to ensure the continuing resilience of the business model. The climate risk identification and assessment approach is to be matured in the coming year to ensure that the Group quantifies the specific potential cost or revenue impact of risks and opportunities.

Scenario analysis that the Company considers to assess risks and inform strategy

In line with the prior year, the Company considers two potential future climate scenarios which use economic constraints associated with the International Panel on Climate Change's (IPCC's) Shared Socioeconomic Pathway 2 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.

The 1.5°C scenario simulates a potential future pathway of the world economy assuming a successful introduction of climate policies, thereby reducing the likelihood of severe climate-related weather events. The 4°C baseline, utilised and agreed by climate modelling experts within the IPCC, 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 and an associated increased likelihood of climate-change related weather events.

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

As outlined in the climate risks and opportunities on page 76, we have assessed the impact of physical and transition climate change risks on the relevant parts of the business, and outlined how identified climate-related issues are considered in our business decisions and how these may shape future strategy. On page 74 we outline near term or existing opportunities that we are exploring to capitalise on climate-related opportunities.

We have an effective process for identifying and assessing climate change risks and opportunities and responding appropriately to ensure resilience of the overall business strategy. A summary of our perceived exposure to climate risk and opportunities against the above scenarios is outlined on page 76 and details of the control measures are also provided.

Risk management

Identification, assessment and management of climate-related risks

We have assessed the maturity of our approach to climate risk management; currently this is low and improving our approach is a focus for FY25. Climate risk identification and assessment is integrated into our Enterprise Risk Management Framework for reporting, escalation and corporate oversight. On a quarterly basis, climate-related risks and opportunities are reported and reviewed by Group Risk and Group Environmental teams to monitor individual and thematic risks and opportunities across the Group. Quarterly reporting and review includes proposed control measures, and updates against prior control measures.

Specific sector and country identified climate risks are reviewed quarterly by the Group Risk Committee, as well as being reported into the Audit Committee quarterly and the Board annually. We are continuing to mature our climate change risk identification and quantification process, so that we can comply with specific climate risk and opportunity quantification disclosure requirements as they become applicable. Our Enterprise Risk Management Framework provides a consistent basis for assessing the severity of risks against different classes of risk impact such as those relating to financial or people impacts. For more information on our Enterprise Risk Management Framework please refer to page 131.

Climate risks are assessed from physical and transition perspectives and are assessed over two scenarios (1.5°C and 4°C).

Physical risks: assessed against eight climate hazards. Acute physical risks were considered, which are event-driven, including increased frequency and severity of extreme weather events including: river flooding, forest fires, extreme wind, soil subsidence, surface water flooding and freeze-thaw effects. Two chronic physical risks were also considered which refer to longer-term shifts in climate patterns: extreme heat and coastal inundation.

Transition risks: our assessment disaggregates 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. Our approach has not changed since our previous assessment, however our Climate Risk Working Group is planning to review and mature our approach over the year.

We have recently established a Climate Risk Working Group which is tasked with reviewing and improving our climate risk assessment and quantification approach.

Metrics and targets

Metrics and targets used to assess climate-related risks and opportunities

We have reviewed the TCFD guidance on Metrics and Targets and the cross-industry metric categories. We monitor and report against the following cross-industry metrics:

Greenhouse gas emissions are reported externally in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Throughout the year we have matured the understanding of our Scope 3 footprint and we now have a detailed view of our entire value chain footprint. We are continuing to develop the maturity of our Scope 3 footprint calculations. For Scope 1, 2 and 3 greenhouse gas emissions and details on calculation methodology, please refer to page 67. Progress against the commitment is included on page 64.

Electricity from renewable sources is an externally reported metric. Find details on page 64.

Executive remuneration is linked to the greenhouse emission performance of the organisation. The Remuneration Committee set ESG-related targets relating to reduction in carbon emissions for the PSP grant. For further details on remuneration linked to ESG-related targets, please refer to page 152.

Capital deployment metric used internally to assess progress against our Carbon Reduction Plans.

In addition, Babcock's Net Zero targets and decarbonisation plans have now been validated by the SBTi.

Our recently formed Climate Risk Working Group is working to develop metrics and associated reporting for the below categories. These include the remaining TCFD guidance cross-industry metric categories.

- **Internal carbon price** Opportunity to implement a shadow carbon pricing metric to standardise the approach to assessment of the GHG emission impact of business and investment opportunities, and use in ongoing review of business performance
- **Supply chain resilience** to transition and physical risk for use in supplier due diligence and ongoing monitoring
- **Occupational health review outcomes** to monitor exposure of sites and employees to adverse weather events
- **Physical risk to key facilities** including flood (river and surface) and coastal fire risks
- **Climate-related opportunities** Proportion of revenue, assets or other business activities aligned with climate-related opportunities
- **Transition risks** Amount and extent of assets or business activities vulnerable to transition risks.

Climate-related opportunities

This year we have pushed to capitalise on opportunities which will support the development of a greener economy.

Babcock's LGE business has won a milestone contract from a ship owner in South Korea to deliver its first cutting-edge ecoCO2® cargo handling system for two 22,000m³ liquefied CO₂ (LCO₂) carriers. In an exciting development for the business, the ecoCO2® cargo handling system is the world's first cargo handling and reliquification system for a low-pressure cargo tank design. LGE is also investigating bulk marine transportation of hydrogen, in the form of ammonia (rather than pure liquid hydrogen), and the capture, transportation and storage of CO₂ from current emitters (ie end-to-end solution for liquefied CO₂ carriers).

Across our UK operations we have identified energy and cost saving opportunities as part of our Energy Saving Opportunity Scheme (ESOS) Phase 3 compliance works. Over the coming year our Energy Action Plan will be published as part of our ESOS compliance.

We are continuing to develop Marine R&D programmes to capitalise on potential new markets, and our PHD student is conducting studies to identify sustainable maritime opportunities.

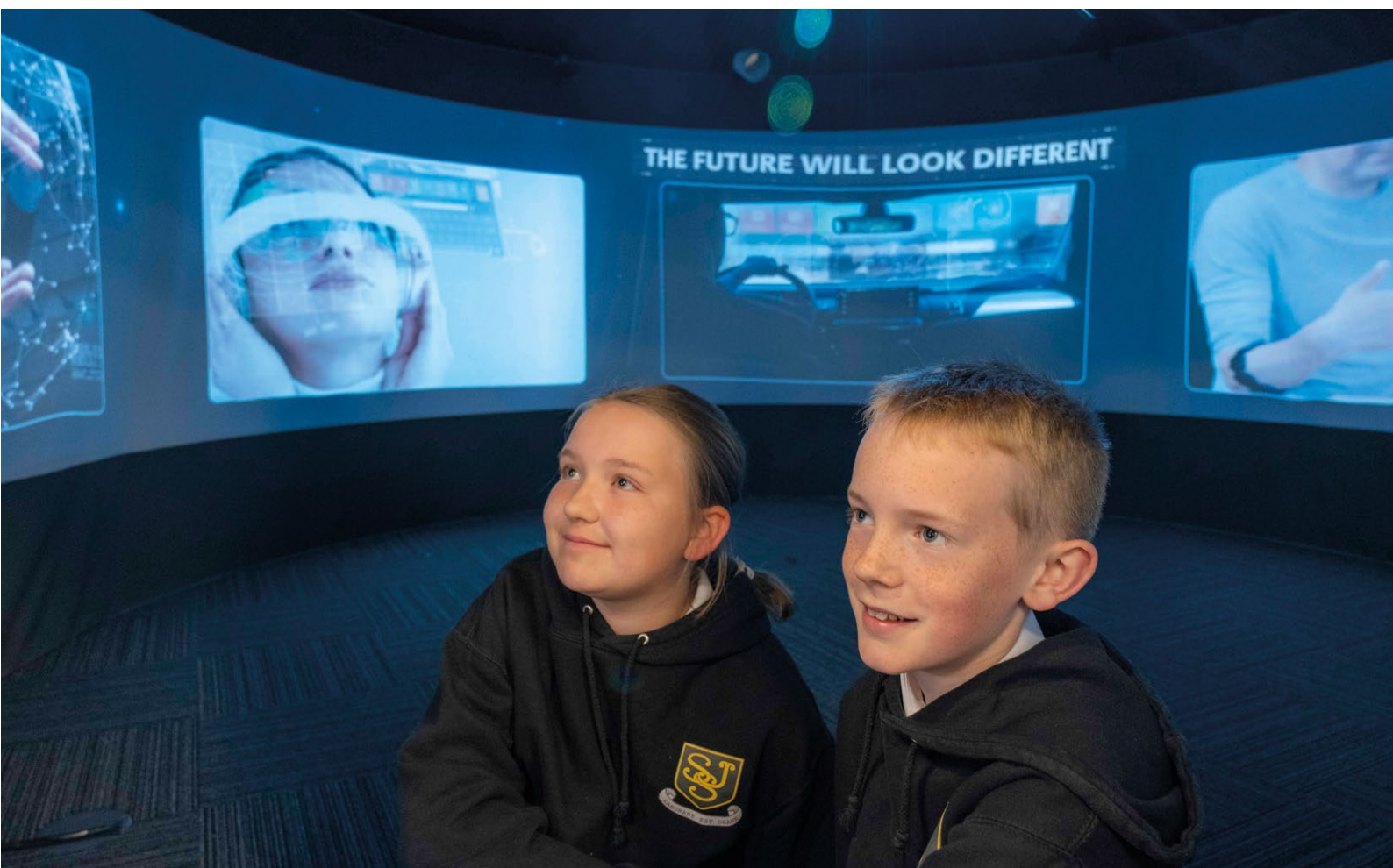
Within our Aviation business, Project MONET is on track to deliver a flying testbed aircraft for the RAF that will demonstrate how new technologies to minimise the environmental impact of flying training can be certified for wider use.

Significant milestones have been maturing the aircraft design, production of the net carbon zero synthetic fuel that will power it and completion of a Life Cycle Assessment of the environmental impact of producing light training aircraft. Early concept work on a hybrid powertrain has produced better than expected results, prompting the RAF to request further information on how this may be developed.

Babcock's helicopter emergency services business is to explore a joint trial with an engine OEM on the use and environmental impact of Sustainable Aviation Fuel with an air ambulance charity.

Babcock UK Aviation is working with the Ministry of Defence to evaluate how to develop materials circularity in a circular economy model. Together with a UK SME, it is aiming to demonstrate and assess the scalability of extracting critical materials from composite materials from defence equipment across sea, land and air. This will provide resilient material supply chains and reduce the environmental impact of current disposal methods.

Across the organisation we continue to work with a variety of customers to support their decarbonisation journeys which present commercial opportunities for Babcock which, due to sensitivities, we are unable to disclose further information.



TCFD progress vs priorities

	FY24 progress	FY25 priorities
Governance	<ul style="list-style-type: none"> • ESG updates to the Board included climate action and progress on initiatives • FY24 Remuneration Committee considerations included specific ESG objectives and measures 	<ul style="list-style-type: none"> • Review and enhancement of Babcock’s climate governance framework in line with the Climate and Nature Transition Plan works
Strategy	<ul style="list-style-type: none"> • Aligned Plan Zero 40 and climate risk workstreams to create a Babcock CNTP aligned with Transition Plan Taskforce (TPT) requirements 	<ul style="list-style-type: none"> • Integration of the Climate and Nature Transition Plan requirements into Babcock’s business-as-usual operations • Embedding climate and nature into all aspects of Babcock’s operations
Risk management	<ul style="list-style-type: none"> • Risk management policy and climate-related Risk Registers updated to fully embed climate risks into our Enterprise Risk Management Framework • Delivery of expanded report into critical suppliers’ climate-related risks and associated impact, embedding sustainable procurement checkpoints and on-boarding requirements for new suppliers and sub-contracts 	<ul style="list-style-type: none"> • Climate Risk Working Group to review and refine Babcock’s approach to climate risk management • Conduct physical climate risk assessments across critical infrastructure
Metrics and targets	<ul style="list-style-type: none"> • SBTi submission and gained validation of targets • Scaled Carbon Reduction Plans across the UK estate and progressed investigations into energy efficiency and renewable energy projects 	<ul style="list-style-type: none"> • Make progress against Babcock’s corporate ESG commitments and targets • Development of further metrics in line with TCFD recommendations

Climate-related risks and opportunities

Climate risk	Description	Affected sectors and regions	Impact horizon
People welfare (Physical risk) Disruption to operations	Disruption to staff and operations due to weather conditions and challenging or unsafe working conditions.	All (Global)	Short/medium
Cost of business (Transition risk) Supply chain disruption	Increased climate-related regulation, such as taxes on fossil fuels, may affect Babcock's supply chain cost base or viability of supply chain companies.	All (Global)	Short/medium
Business delivery and continuity (Physical risk) Asset damage and operational disruptions	Dockyards owned/operated by Babcock may be flooded due to an increase in sea level and higher frequency of extreme weather, resulting in storm surges.	Marine and Nuclear (UK and Australasia)	Medium/long
Future services (Transition risk) Global energy mix changes	Demand impact to Liquid Gas Equipment (LGE) and civil nuclear services.	Marine Nuclear (Global)	Medium/long

Analysis findings

Risk of site disruptions due to physical risks is dominated by potential flooding at our Bristol Ashton Vale facility. There are also three sites identified with potential extreme heat increases impacting operations.

Physical risks are more acute under a 4°C increase scenario but under a 1.5°C scenario, such physical risks could still result in high levels of lost revenue.

Labour cost changes drive the risk within Babcock's supply chain. Direct carbon costs also increase significantly as a result of government pressure on decarbonisation. Variations in other costs are seen to be less significant up to 2050.

Cost increases could be greater in the 1.5°C scenario because of larger labour and carbon cost increases.

Dockyard disruption due to coastal flooding has not been identified as a significant physical risk in terms of business interruption or value at risk. However, the scope of this assessment does not consider all aspects of dockyard construction and further on-site analysis for key sites is planned.

Projected sea level rise is greater in the 4°C scenario but under a 1.5°C scenario, such coastal inundation could still result in high levels of lost revenue or asset damage.

Demand for LGE's services in the 4°C scenario could see strong growth, but significant reduction in the demand for gas in the 1.5°C scenario could result in reduced revenue. Under a 1.5°C scenario there is potential for growth in the medium term civil nuclear market with other competing power sources exposed to higher carbon taxes.

The transition to low-carbon fuels in the 1.5°C scenario may limit the global demand for gas, potentially reducing demand for LGE's services. Higher carbon taxes may also impact the competitiveness of nuclear power, increasing demand for civil nuclear services. In 2050, the combined impact of these changes in demand results in a significant difference between scenarios.

In the medium term, there will likely be an increased demand for emergency services, search and rescue, and emergency firefighting activity in Canada due to extreme weather. Similarly, South Africa has also identified the long-term opportunity to enter the firefighting sector due to extreme weather.

As a further result of extreme weather, Australia has identified the opportunity to provide Emergency Medical Support and aid to new geographies in Australia, whilst Canada has identified the opportunities associated with infrastructure development, resource extraction and marine access due to the melting ice.

Control measures

At our three sites exposed to potential extreme heat risk, occupational health assessments have identified those working in higher risk scenarios, such as field service mechanics and confined space maintenance operatives. Training, hazard notices and health guidance are installed at these sites to recognise early signs of temperature-related health conditions, such as heat stroke.

In FY24, we broadened our analysis to encompass 1,000 of Babcock's key suppliers, a significant increase from the 300 suppliers analysed during FY23. This comprehensive analysis allowed us to map the trajectories of six critical physical hazards and socioeconomic risks. Following the extensive nature of our study, we did not identify any immediate significant impacts. To enhance our risk resilience, we have updated our tool to map our supply chain against vital climate change indicators. This proactive approach enables us to identify and address vulnerabilities effectively.

In our continuous effort to improve our operations, we have implemented a new spend management and supplier onboarding platform, ensuring a consistent approach to supplier due diligence and monitoring. Furthermore, we have updated our Supplier Code of Conduct to incorporate sustainable practices as a standard requirement; reaffirming our commitment to sustainable and responsible business practices.

Across parts of our operations, we use natural external hazards assessments to consider the impact of low probability risks, such as extreme weather events. Devonport mandates these assessments on-site as part of our requirement to ensure full through-life management of our nuclear facilities and to meet established nuclear safety standards, subject to both defence and civil nuclear regulation. To then appraise the best environmental options for infrastructure designs, Devonport works with industry leads, our customers and the local authority to conduct environmental assessments and Best Available Technique reviews where applicable.

Our control measures are unchanged from the previous year. We aim to continue to develop our ammonia fuel gas supply system, as well as solutions for the transportation and storage of CO₂ in line with customer and legislative requirements. This will ensure that we are optimising efficiency while developing zero-carbon solutions and increasing business resilience against carbon pricing and its potential result of falling LNG demand.

To maximise these opportunities, the given sectors have identified the need to monitor any changes or surges in requirement, the need to conduct careful feasibility planning/assessment, and be able to respond rapidly and agilely to customer requirements, such as the redeployment of assets, in the medium to long term.

Climate-related risks and opportunities

Climate risk	Description	Affected sectors and regions	Impact horizon
Shifting energy generation markets	Shifting energy generation markets result in disruption to customer base and demand for Babcock services.	Africa	Short/medium
Increased weather events	Demand impact to emergency services.	Aviation (Global)	Medium/long
Increased demand for low-carbon solutions	Regulatory pressures and low-carbon stakeholder requirements cause changes to customer requirements leading to demand reduction for existing Babcock services and increased R&D spending to adapt products and services to lower-carbon solutions.	All (Global)	Short/medium
Failure to decarbonise Devonport	Low-carbon electricity will be required to deliver Babcock's decarbonisation targets.	Marine Nuclear (UK)	Medium/long

Analysis findings

In Africa, demand for electricity generating technologies and services may vary between the 1.5°C and 4°C scenarios. Our established support services with steam-based energy generators are potentially constrained under the 1.5°C scenario; but there are also opportunities to support the customer on a lower-carbon transition including renewable energy and energy storage opportunities.

In the medium term, there will likely be an increased demand for emergency services, including search and rescue, and emergency firefighting activity due to extreme weather. This impacts existing parts of the Company offering such services, but may also open and grow markets where there is an exposure to extreme weather including Australasia, Canada and South Africa.

Changes in stakeholder attitudes towards climate change which will likely be coupled with increased regulation; with both most prevalent under the 1.5°C scenario; requiring greater investment to maintain market share for services and products by delivering lower-carbon services and products.

Aviation services offered by the Group, including emergency services, may grow under both scenarios albeit at different rates; however, failure to decarbonise aviation services under the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario.

Marine and Land have both raised potential opportunities and risks in relation to potential increased customer demand for low-carbon products and services.

In the medium term, Africa has identified potential increased demand for construction equipment and plant services for low-carbon energy developments because of changes in power plant regulations, an increase in electricity production requirements and the increase in mining of wider materials. In the medium term, Canada has identified likely new low-carbon fuel opportunities with existing and new clients associated with this transition.

The Devonport site potentially experiences significant cost increases under a 1.5°C due to the impact of direct carbon prices. Energy and gas costs would increase, most notably following the expiry of the Energy from Waste contract in 2040 and a switch to the market mix. The introduction and increase in carbon taxes in the 1.5°C scenario could result in higher costs when compared with the 4°C scenario. In the medium term, not achieving our decarbonisation targets could result in Babcock failing to meet customer expectations.

Control measures

We currently undertake emissions abatement projects such as an enhancement strategy to maximise all opportunities within NOx, SOx and PM, and are working with technological partners to identify further abatement projects where we can support.

Possible further opportunities are now being assessed such as the conversion of fossil fuel boilers to 'clean coal technologies' over the next 10 to 20 years, the repurposing of current coal-fired stations and the next steps to evaluate the nuclear energy market regarding our entry levels and required qualifications.

South Africa's market opportunity in power generation is being investigated through engagement with local initiatives, forums and the creation of a specific Customer Relationship Management system. Exploring the opportunity for energy storage and hydrogen storage is being managed with the early engagement of potential energy technology partners.

Our Australasia, Canada and South Africa teams are engaging constructively with existing and potential customers to understand opportunities.

Delivering alongside the RAF and Swift Aircraft, Project MONET is on track to deliver a flying testbed aircraft that will demonstrate new technologies to minimise the environmental impact of flying training. Significant milestones have been delivered including: maturing the aircraft design, production of the net carbon zero synthetic fuel that will power it and completion of a Life Cycle Assessment of the environmental impact of producing light training aircraft. Early concept work on a hybrid powertrain has produced better than expected results, prompting the RAF to request further information on how this may be developed.

Our helicopter emergency services business is to explore a joint trial with an engine manufacturer on the use and environmental impact of Sustainable Aviation Fuel with an air ambulance charity. We are also continuing to work with industry leaders such as Vertical Aerospace to look at the applications of eVTOL aircraft within our current and future capabilities.

Marine has invested in Engineering Concept and created the Clean Maritime SME Group. Land is pursuing Zero Fuels® and the electrification of emergency service vehicles, including delivery of a pilot project for electrifying Land Rovers, and has developed working relationships with leading electric propulsion technology partners.

South Africa will continue to monitor the offering of new OEM technologies to customers as and when they become available. Canada is monitoring the realistic possibility of Government funding and incentives to capitalise on low-carbon fuel opportunities, whilst the business continues to investigate synthetic fuel application in Defence and eVTOL aircraft.

Through projects such as CMDC Neptune, Babcock Marine is building our market awareness of new marine-based technologies available. Our newly formed Clean Maritime SME Group is the knowledge focal point in marine engineering for new green technologies and low-emission fuels. The combination of our high-level engineering skills with LGE and the nuclear expertise provides Babcock with the opportunity of being at the forefront of the green technology race with potential capitalisation in IP and skills.

Across the organisation we are developing Carbon Reduction Plans, which map out the decarbonisation activities required to deliver our emissions reduction objectives. We have also identified opportunities for the installation of renewable energy assets across various sites which will drive operational efficiency.

Social



Safety, health and environmental protection underpins everything that we do at Babcock. Fundamental to our Purpose to create a safe and secure world together, we work with colleagues to ensure that our products and services are safe and that our workers, customers and stakeholders go home safe every day.

This year we have continued to embed the health and safety management system and implemented improvements by developing our people, processes and tools.

Governance and engagement

Our work across the globe ranges from through-life technical and engineering support, to specialist training and asset management, to the design and manufacture of defence and complex systems. Many of these operations include high-hazard activities conducted in challenging environments, so working to the highest standards and aligning our processes with our customers is our priority.

Babcock’s Global Safety Director co-chairs the UK Defence Industry Safety Forum, where we collaborate with industry partners and the MOD to identify alignment opportunities and share good practices. We have identified common top risks, such as working at height, and published requirements manuals and guidance documents, including a Product Safety Management System manual. These documents define coherent standards and processes to ensure consistency of approach. Working across the disciplines and organisational boundaries ensures an integrated approach, where quality management enables safe products and safe people in all that we do.

We encourage all our people to question and learn through an engaged safety culture that enables continuous improvement. Our ‘Safety Starts with Me’ programme empowers our people to ‘Stop, Think, Act’ and helps our leaders to better understand the impact of their decisions.

We have introduced a Safety Stars recognition scheme, where anyone can nominate a team or individual who has demonstrated positive safety behaviours. Numerous Safety Star nominations are received each month and every nominee is thanked by the Corporate Safety Leadership Team. The nominations confirm that every day our people support the safety of others through living our principles.

Our Safety Summit in November 2023 included interactive workshops across 26 sites globally. Over 3,000 people participated in collaborative activities and facilitated discussions to raise awareness and build knowledge of safety, health and environmental topics. Our Safety Summit was commended at the Safety and Health Excellence Awards 2024. Our annual safety stand-down encouraged people to ‘Speak Up and Challenge’, providing practical advice on how best to intervene when they see something that is unsafe. We continue to engage with our people and in the recent Global People Survey, 83% of employees believe that Babcock is truly committed to the health and safety of employees.

Performance and improvement

As the scale and complexity of our high-hazard activities have increased, we have recruited many new employees and utilised a large number of contingent workers and contractors. Changes to the activities undertaken and the number of inexperienced workers have contributed in some part to the rising Total Recordable Injury Rate¹ and Days Away Case Rate². We are reviewing our safety training and increasing the supervision levels in many of these areas, as well as working across the enterprise to improve the working environment to remove distractions.

Safety starts with Me

You have the authority to stop work if you feel unsafe



be courageous

Stop – if you have a safety concern



think: outcomes

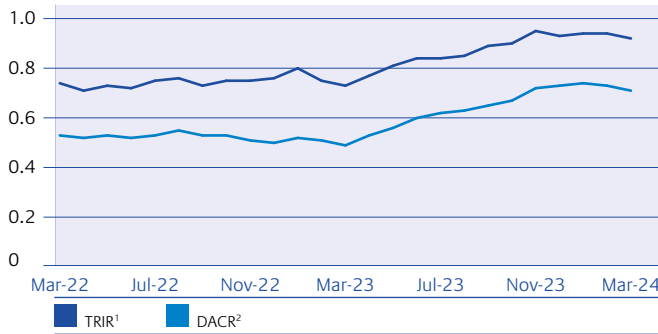
Think – how could this be safer?



own & deliver

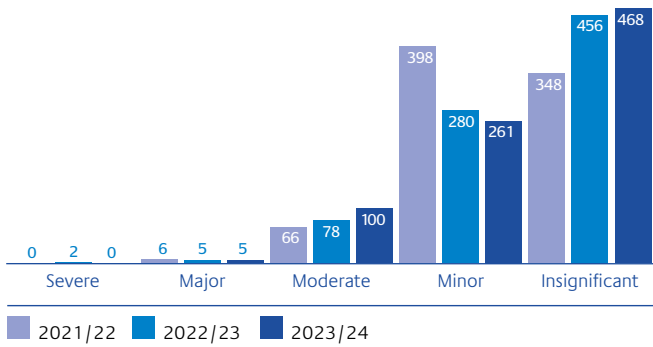
Act – make it safe

Babcock injury rates – Total Recordable Injury and Days Away Case Rates



1. Number of recordable work-related injuries and illnesses multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year)
2. Number of recordable work-related injuries and illnesses resulting in one or more days away from work multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year)

Injury/illness severity



The overall severity of work-related injuries continues to reduce with the majority of reported accidents causing insignificant bumps and scuffs. However, it has been recognised that the number of injuries and the proportion of accidents that result in fractures and time away from work needs to be addressed. Our leaders, at all levels, are committed to visible safety leadership and we are working with our Occupational Health provider to identify health and wellbeing issues and develop action plans before events occur.

As well as continuing to improve our processes, tools and the working environment, we continue our focus on people as they are key to a successful safety culture. Enabling our people to deliver quality products and services safely requires training and continuous engagement. Building upon good practice from across Babcock, we have delivered standardised training for frontline safety leaders, product safety awareness and safe driving with human factors awareness training for all due for roll-out shortly. We have committed to build upon the ‘Safety Starts with Me’ behaviours programme, develop our Senior Leaders Safety and Compliance training, and embed the ‘Home Safe’ commitment that all underpin our promise to ensure people go home safe every day.

An inclusive and diverse company

Our Global People strategy continues to place our people at the heart of our business and define our ambition for the future. It encapsulates our collective aspirations and focuses our work on the critical people areas that will transform Babcock into a more agile, effective, inclusive, sustainable, and people-focused business.

Elements of the work to bring the Strategy to life are outlined below and will ultimately foster an inclusive and diverse company, where our employees truly feel part of a global business.



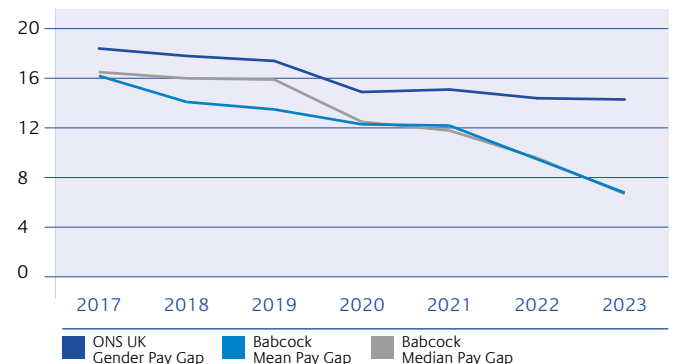
[Read our Gender Pay Gap Report on our website](#)



Gender Gender pay gap

Our challenge is not an equal pay issue, but one of representation as we operate in typically male-dominated sectors. However, our focus remains on enabling a more equal gender balance at all levels of our organisation, and we continue to see year-on-year progress in narrowing our gender pay gap, which this year reduced again from 9.6% to 6.7%.

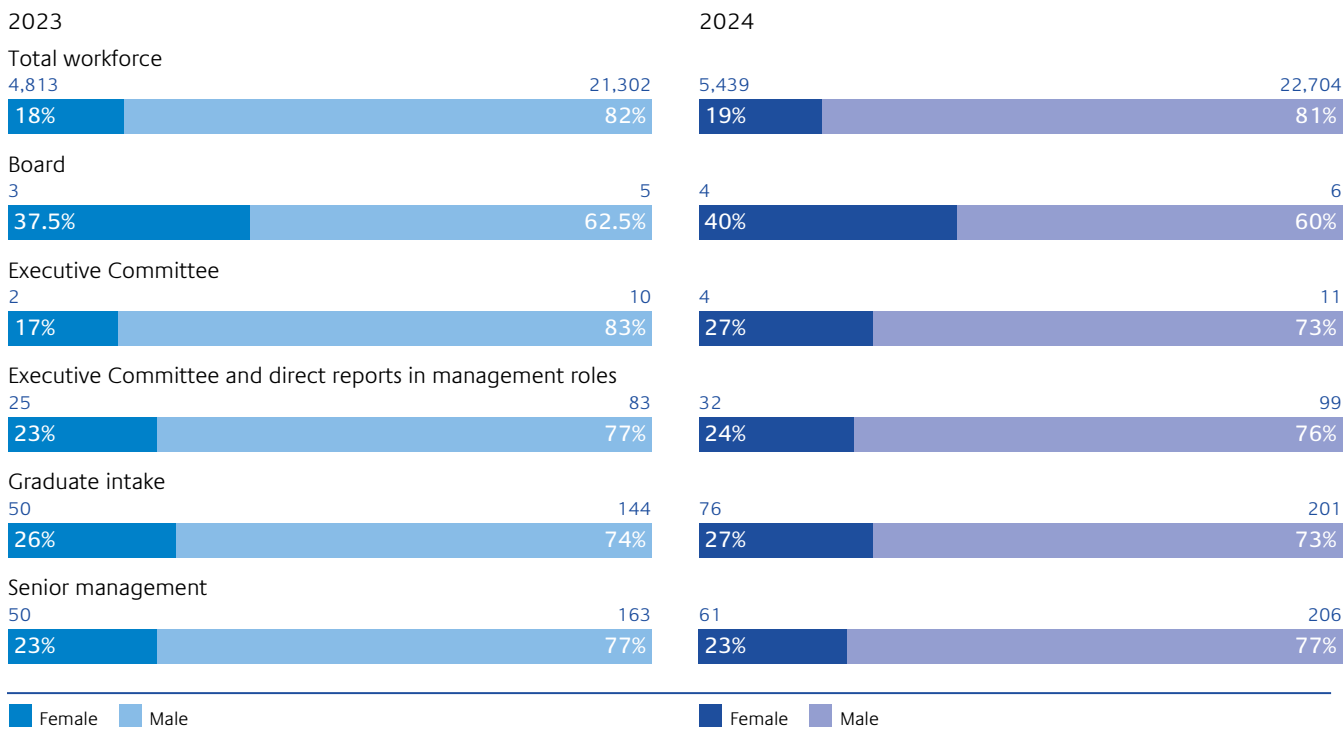
Gender pay gap (%)



Gender balance

Currently, women constitute 19% of our workforce, and we are witnessing an increase in female representation at the Board level, now at 40% (up from 37.5%), while the senior management level remains consistent with the previous year at 23%. We remain steadfast in our commitment to achieving at least 30% female representation in our workforce by 2030.

During the year organisational changes, including the expansion of the Executive Committee (ExCo) and the restructuring of various parts of the business, have influenced the numbers of employees who are identified as senior management. Furthermore, the embedding of the Babcock Role Framework (BRF), which has enabled the categorisation and definition of roles more consistently across the Group, resulted in an increase in this population.



1. Our total workforce is 28,343 which includes 22,704 men, 5,439 women, 18 people identifying as non-binary, 129 who 'did not specify' and 53 who chose 'prefer not to say'.
2. Executive Committee total is 15. This figure excludes Executive Committee members on the Board.
3. Executive Committee and direct reports in management roles total 131. This excludes Executive Committee members on the Board.
4. Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing and controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector/functional leadership teams) and/or who are directors of subsidiary business units (BU leadership).
5. Senior management role total is 267.
6. Graduate intake is 278 (202 UK, 69 Australasia, 7 South Africa).
7. Non-Executive Directors are only included in total headcount and Board figures.

Critical Mass Partner to Women in Defence UK

Our Chair, Ruth Cairnie, is the Patron of the Women in Defence Charter whilst Babcock itself is a founding member of the organisation.

This year we reaffirmed our commitment as a Critical Mass Partner to Women in Defence UK. We support its work to drive gender equity across the defence sector, and this year contributed to the design of the first Women in Defence Critical Mass Summit in summer 2023 and delivered customised workshops. We also incorporated it into our senior leadership team event to drive engagement and awareness.

Ethnicity

We further developed our focus on ethnic diversity by creating our Ethnicity Action Plan. We also became a signatory to the Race at Work Charter and revitalised our B4ME Network.

Our networks

Our networks and communities are important vehicles for promoting an inclusive culture. In FY24, in response to employee feedback, we established three new employee networks: Carers, Disability and Forces. We continue to support our networks and remain committed to helping them flourish. Our Disability Network has continued to grow this year, offering multiple peer support groups and subject matter expertise. This will accelerate progress in building our portfolio of evidence for Disability Confidence Level 2 and maximising engagement with The Valuable 500.

Early careers

We have expanded our early careers programme, welcoming over 600 new early careers employees in the year, comprising over 350 apprentices and over 275 graduates, both within the UK and internationally.

New initiatives included the roll-out of Pre-Apprenticeship Programmes in both Clyde and Rosyth, Scotland and at Devonport, we enhanced our Level 2 apprenticeship programme, further diversifying our offering.

A key highlight was the launch of our Group-wide Project Management graduate programme. This innovative scheme allows graduates to rotate across different sectors within the Group, providing valuable exposure and skill development.

We established a dedicated External Engagement team in Devonport, which will collaborate closely with schools and engage with the local community in the Plymouth 'Travel to Work' area. Its focus will be on raising awareness of STEM and enhancing students' employability skills to continue to build our external engagement portfolio across the UK.

STEM

During FY24, our efforts in science, technology, engineering and maths (STEM) grew, with 582 employees volunteering their time as STEM Ambassadors, supporting us by raising awareness of STEM opportunities to young people. Our engagement spanned 307 primary and 401 secondary schools nationwide, where we provided support in delivering the UK Government's Gatsby Benchmarks.



In May 2024 Babcock welcomed more than 300 local primary school pupils to our annual Festival of Engineering at Rosyth to help them explore the kinds of skills they will need for a career in science, technology, engineering and maths (STEM).

Leadership

Feedback from the 2023 Global People Survey revealed an improvement in the impact and effectiveness of our senior leaders, with growing confidence in their leadership capabilities.

A series of highly impactful virtual workshops tailored for our senior leadership served as a platform for meaningful discussions, knowledge sharing, and collaborative exploration of Babcock's growth and development themes. The workshops preceded our Annual Global Conference.



Ensuring the wellbeing of our people

Using the insights gained from our Global People Survey and in collaboration with colleagues across the organisation, we have developed a wellbeing strategy tailored to the specific needs of our people. This seeks to promote a proactive approach to wellbeing as well as providing support to our people when they need it.

We have made some great progress this year across our four wellbeing pillars (Mental, Social, Financial and Physical), including:

- Launching a new **wellbeing hub**, which brings together all our wellbeing resources, programmes and benefits and makes it easy for colleagues to access support when they need it
- Developing a **wellbeing communication calendar**, which provides a regular drumbeat of messages throughout the year
- Growing and developing our **Mental Health First Aiders Network** to promote and maintain wellbeing through prevention and early intervention
- Launching a new **Employee Assistance Programme**, providing proactive wellbeing resources as well as in-the-moment support and guidance on both work and life issues
- Rolling out **health assessments**, including Stress Risk Assessments, enabling staff and managers to understand and mitigate key risk areas
- Continuing to enhance our **employee benefits provision** with plans to implement our new **inclusive leave** policy across the UK Group to support our people in the moments that matter
- Providing access to **critical incident support** resources to support managers through moments of crisis.

We know we can always do more and so are committed to continuously improving our wellbeing provisions over time. Furthermore, we have expanded the roll-out of workshops offering all managers essential tools and skills.

Progress on the leadership framework continues, with the translation of our principles into observable behaviours. This framework serves to hold our leaders accountable and foster a culture of performance and development. It provides a globally consistent model and tools for effective people management, succession planning and talent acquisition.

Innovative learning solutions were piloted for our senior leadership cohort in Canada and the UK. The programme focused on enhancing business acumen and commercial skills while emphasising the direct correlation between leadership actions and achieved outcomes.

Support for armed forces, veterans and reservists

Given the nature of our work, we have a longstanding history of recruiting and developing ex-services personnel both in the UK and around the globe.

In the UK, we hold a Gold Award from the MOD's Armed Forces Covenant, and through our work with the Careers Transition Partnership, charities such as White Ensign Association and Officers Association, and organisations including British Forces Resettlement Services (BFRS), Forces Families and Pathfinder Magazine, we recruited 890 new ex-services employees in 2023 alone. In fact, we estimate that 16% of our total workforce has some form of connection to the armed forces, whether as a leaver, reservist, or as a member of a forces family.

Babcock has the size and breadth to offer a range of career paths to veterans where their skills and experience are valued.

We are a key sponsor of the Soldiers', Sailors' and Airman's Families Association (SSAFA) and work closely with it to ensure access is open to all of our veterans and forces families.

Broad-Based Black Economic Empowerment

In South Africa, Broad-Based Black Economic Empowerment (BBBEE) targets historical economic disparities by empowering previously disadvantaged groups, especially black South Africans. It emphasises initiatives like ownership, skills development, as well as economic and socio-economic advancement in pursuit of a more inclusive, sustainable economy. Embracing BBBEE principles enhances businesses' access to talent and markets, contributing to a fairer, more prosperous society.

Babcock is deeply committed to uplifting the surrounding communities in which we operate, recognising the link between community sustainability and our business success. We believe we can make a positive impact to local people living in the communities surrounding our operations, providing them with skills and education for a sustainable independent future where they are able to fulfil their needs and improve their living conditions.

Over the years our core focus on sustainable transformation has lain primarily in education. This year, we have upheld our commitment to supporting scholarships that prioritise STEM education. These scholarships aim to provide opportunities for underprivileged children with exceptional potential to pursue studies at private colleges, promoting fairness and nurturing talent development. By extending similar opportunities through our College Programme to children from marginalised backgrounds, we actively foster inclusivity and ensure equitable access to education across all strata of society. Additionally, our internal scholarship initiative for employees' children underscores our dedication to supporting our workforce and their families.

We undertook a programme focusing on the uplifting of women in leadership and women in engineering, through two key programmes: the Intern-Teacher training programme which aims to train teachers in STEM, and the school leadership programme to uplift and better assist principals in managing schools, turning them into reputable institutions of learning. The launch of the Entrepreneurial Development Programme through our Babcock Education and Training division has seen a number of Small, Medium and Micro Enterprises (SMMEs) gain the necessary skills needed to thrive by providing them with the tools and resources needed to establish, sustain and grow entrepreneurial ventures.

Indigenous peoples

Babcock aims to be an inclusive organisation, reflecting the nation we live in and the communities we serve alongside our customers. With a global presence, we acknowledge the importance of engaging and supporting indigenous people in the spaces in which we operate.

In Canada, Babcock has successfully completed the three Commitment Phases of the Canadian Council for Aboriginal Business' (CCAB) Progressive Aboriginal Relations (PAR) programme. We now move into the PAR certification process and will be applying for full certification in the spring of 2025. Babcock Canada has added several indigenous businesses to its supply chain over the last year including: Indigeno Travel LP, Pure Spirit Solutions Inc, Mobile Resources Inc, NCN Thompson Bus & Freight and LaFlesche Inc.

Babcock Canada has also laid the groundwork for significant investment in Indigenous skills training and development. These investments include multiple educational awards targeting indigenous youth enrolled in STEM-related post-secondary education, grants provided to organisations that promote indigenous youth STEM enrolment, and Babcock Canada career awareness through summer co-op terms for high-achieving students, internships and apprenticeships upon graduation.

Babcock Australia is proud of our continued partnership with Engineering Aid Australia and Yalari, a not-for-profit organisation providing educational opportunities to indigenous children in Australia. In addition, we actively support Māori and Pasifika students in increasing their career opportunities through a three-year partnership with TupuToa, a Māori organisation which delivers support for Māori and Pasifika tertiary students, and supports Babcock in identifying interns and graduates to join our Early Careers Programmes.

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

The skills, services and products provided by indigenous-owned businesses across Australasia are important elements of our nation's sovereign capability and help us to fulfil Babcock's Purpose in 'creating a safe and secure world, together'.

Volunteering

Volunteering is an enriching experience that not only benefits the communities in which we work but also provides our employees with the opportunity to make a lasting impact.

Our annual 'Be Kind Day' gives our people one paid day (or equivalent hours) to volunteer and play an active part in helping others to thrive. In FY24, our employees volunteered over 6,000 hours, up from just over 1,100 hours in FY23.



We have joined forces with the Army Benevolent Fund (ABF), the British Army's national charity, to support a number of its key events. Through the multi-year partnership, we will sponsor two of the charity's landmark events – the Cateran Yomp (pictured), a gruelling 24-hour, 54-mile trek across the stunning Scottish Highlands, and Operation Bletchley, a series of codebreaking challenges.

Charity

Our corporate Purpose is 'to create a safe and secure world, together', and our donations and charitable sponsorship policy is designed to support this by broadly focusing on two key criteria.

Firstly, military charities and events. Babcock has always proudly supported our armed services and it remains core to our values. Secondly, we support our communities by focusing on local charities where we have our sites and attract our employees from.

Our sectors and direct reporting countries retain responsibility and management of their donations and sponsorships to ensure their budget goes where it can serve the greatest need and be of most value to those communities, helping us to make a genuine difference.



Since 2019, Babcock Canada has donated to the CFB Esquimalt Military Family Resource Centre, supporting their vital services to military members and their families, including counselling, resources and support, recreation and fitness facilities, events for the community, summer camps and more.



We have donated to RapaID, enabling it to expand the number of taxis in Plymouth carrying its free life-saving emergency pressure bandages which enable bystanders and those first on scene after a serious accident or act of violence to stop critical blood loss in victims.



We are proud to be supporting the Families' Activity Breaks (FAB) charity with a donation that will go towards helping bereaved military families participate in one of the camps. We have also advertised volunteering opportunities with the organisation. FAB offers bereaved military families a week-long holiday to take part in fun and challenging activities, and to meet and socialise with others who have experienced a similar loss.

Governance



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 include our Code of Business Conduct and Ethics policy and our newly established Human Rights policy, which are available on our corporate website.

Our policies 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.

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. Further details are available on our corporate website.

Supply chain governance

Effective supply chain governance, with a focus on ESG, encompasses proactive risk management, transparent practices and collaborative efforts. Beyond safeguarding reputation, it serves as a catalyst for long-term value creation and contributes to a more sustainable future.

Babcock Procurement and Supply Chain is committed to establishing a world-class supply chain that prioritises responsible sourcing, sustainability and governance. By minimising disruptions, reducing costs and enhancing social and environmental impact, we aim to create value for all stakeholders. Collaborating with suppliers, customers and internal stakeholders, we foster transparency, trust and continuous improvement.

Our diverse portfolio of approximately 12,000 suppliers, including both multinational original equipment manufacturers (OEMs) and small and medium enterprises (SMEs), contributes to our ability to deliver quality products and services. Rigorous due diligence ensures compliance and risk management, while our risk resilience AI-driven solution monitors our vast supply chain ecosystem. Through these efforts, Babcock builds a resilient and responsible supply chain.

In the upcoming year we will also introduce ESG ratings for areas of focus in our supply chain. These ratings will play a pivotal role, guiding our commitment to responsible practices. These ratings assess the environmental impact, social responsibility and governance present in our supply chain, influencing decisions that drive sustainability and value creation.

Sustainable sourcing

At Babcock, we recognise the critical importance of responsible sourcing and sustainability in today's global economy. As part of our commitment to ethical and transparent business practices, we maintain strong and sustainable supply chains.

Collaborating closely with our suppliers and sub-tier suppliers, we actively encourage the adoption of sustainable practices.

Our primary goal is to reduce the environmental impact of our supply chain while simultaneously achieving our business objectives. By promoting good labour practices, minimising carbon emissions and conserving natural resources, we aim to create long-term value for all stakeholders.

To reinforce our commitment, we have published our Sustainable Procurement Policy and Supplier Guide as well as our Supplier Code of Conduct. These documents serve as key references for setting expectations with our suppliers regarding ethical and sustainable procurement. Through these guidelines, we encourage suppliers to align with our vision, contribute to social responsibility and support the development of sustainable products and services.

In alignment with the principles of ISO 20400, we have crafted a comprehensive Supplier Code of Conduct that explicitly outlines sustainability expectations, covering environmental protection, fair labour practices and social responsibility. Furthermore, we have integrated sustainability considerations into our supplier processes at sourcing, onboarding and throughout supplier assessments.

In 2024, we will publish a Supplier Assurance manual to enhance transparency for our valued suppliers. This manual will provide insights into our Supplier Assurance processes, including ESG considerations, supplier assessments, audits and development. By sharing this resource, we aim to foster collaboration, responsible practices and sustainable supply chain management.

Scope 3 carbon emissions

We aim to proactively measure and reduce our carbon emissions, underscoring our unwavering commitment to sustainability and acknowledging our environmental impact. To enhance our understanding and mitigate our carbon footprint, we employ a spend-based calculation method to map emissions across our value chain. These insights serve as a foundation for refining Babcock's carbon strategy, enabling us to proactively identify emission reduction opportunities. In FY25, we will introduce our carbon reporting tool (Joscar Zero) to suppliers, focusing on key suppliers and emission hotspots. This tool will assist suppliers in assessing their emissions and developing targeted Carbon Reduction Plans.

[To learn more about our Scope 3 emissions please read our Environment section on page 70.](#)

Working with SMEs

Babcock Procurement and Supply Chain, along with its customers, recognises the vital role that SMEs play in building a sustainable and resilient supply chain in the UK. As part of our sustainable procurement strategy, we are committed to fostering the growth of our SME supplier population. We actively monitor our SME spend percentage and take necessary actions to support their development. Additionally, we engage with smaller and local suppliers, particularly those promoting inclusion of under-represented groups, to contribute to economic prosperity and societal integration. In FY24, 27.7% of our total spend was with our SME supplier base compared to 24% in FY23.

Payment to suppliers

At Babcock, we prioritise prompt payment to our suppliers, recognising its importance in maintaining strong relationships and

supporting their cash flow. We adhere to payment practices and regulations, and are committed to paying suppliers on time and in accordance with agreed-upon terms. Additionally, we encourage our suppliers to adopt the Prompt Payment Code (UK) throughout their supply chains. In FY24, we achieved an average payment term of 16.3 days to our suppliers, versus 21.4 days in FY23.

Human rights

Babcock upholds all international treaties, including the United Nations Declaration on Human Rights. In the UK, we hold our suppliers and extended supply base to the same standards as outlined in the Modern Slavery Act 2015. We also expect our overseas suppliers to fully understand and align with the Act's intent. By collaborating closely with our suppliers, we aim to build an ethical and sustainable supply chain that benefits all stakeholders.

Our consistent commitment to upholding human rights and our opposition to modern slavery are embedded in our Supplier Code of Conduct which can be found on our website. This code serves as a foundation, providing a transparent framework for our suppliers to align with Babcock's core values, adhere to our policies and meet all relevant legal requirements. By ensuring that our supply chain operates with integrity and transparency, we can explicitly define the standards and expectations that our suppliers must adhere to when conducting business with us.

Our Supplier Code of Conduct reflects our commitment to human rights and responsible practices, including:

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

Our commitment to human rights extends throughout our supplier network and their extended supply chains. We prioritise transparency and responsibility, aiming to uncover and address issues collaboratively.

Our publicly available Group Modern Slavery Transparency Statement defines our commitment to responsible sourcing and supply chain transparency, including our due diligence processes, supplier engagement approach, training and initiatives to promote responsible sourcing. Regular reviews help us monitor compliance and identify areas for improvement.

[▶ You can read our Modern Slavery Transparency Statement here](#)



Additionally, our strategic Risk Resilience tool enables real-time monitoring through AI and machine learning technology, tracking and generating alerts for indicators such as compensation, employee satisfaction, diversity, workforce rights, safety, prohibiting child or compulsory labour and fair treatment. This proactive approach helps us mitigate hidden risks and respond swiftly to changes in our supply chain.

Fair operating practices

Our commitment to ethical and responsible business practices is underpinned by our Supplier 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.

As part of our supplier selection process, we conduct thorough assessments to ensure that 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 (JOSCAR) 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.

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Supplier Code of Conduct

Our Babcock Supplier Code of Conduct outlines expectations for suppliers regarding human rights and introduces guidelines for our journey toward Net Zero.

▶
[Read the Supplier Code of Conduct on our website](#)

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 maintains ongoing plans to mitigate such risks and has an Information Security Committee which meets quarterly to provide governance, direction and assurance that the Babcock security posture is appropriate and effective. Additionally, monthly reviews are maintained with Senior Information Risk Owners to ensure governance of information risk across our business.

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

Core IT services are certified to ISO 27001 (Information Security) and ISO 22301 (Business Continuity) standards as well as Cyber Essential Plus, a requirement for UK Government working.

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

Both targeted and global education and training is delivered to staff to help raise cyber awareness across the workforce.

Babcock continues to invest in cyber resilience through improvements in threat intelligence and cyber supply chain security.

Non-financial and sustainability information statement

Reporting on material yet non-financial measures is important in understanding the performance, opportunities and long-term sustainability of the Company and our ability to generate value for all our stakeholders. We disclose non-financial information in the ESG strategy report and throughout the Strategic report. The following summarises where to find further information on each of the key areas of disclosure required by Sections 414CA and 414CB of the Companies Act. This includes the requirement to include Climate Financial Disclosures (CFD) within the Annual Report and Financial Statements. These have been incorporated throughout our TCFD disclosures.

Reporting requirement	Policies and standards	Additional information	Page
Environmental matters	Safety, Health and Environmental Protection policy*	Social	80
	Sustainable Procurement and Supply Chain policy	Sustainable sourcing	86
	TCFD disclosure	Task Force on Climate-related Financial Disclosures	72
CFD disclosures	See TCFD disclosure	Task Force on Climate-related Financial Disclosures	72
Employees	Code of Conduct**	Commercial integrity	86
	Safety, Health and Environmental Protection policy*	Social	80
	Charity and Sponsorship High-Level guidelines**	Charity	85
	Be Kind Day – Global Volunteering policy**	Volunteering	85
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Human rights	Code of Conduct**	Commercial integrity	86
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Social matters	Anti-bribery and Corruption/Ethics policy**	Commercial integrity	86
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	Safety, Health and Environmental Protection policy*	Social	80
Anti-bribery and corruption	Anti-Bribery and Corruption/Ethics policy**	Commercial integrity	86
	Whistleblowing policy**	Commercial integrity	86
	Supplier Code of Conduct**	Fair operating practices	87
Description of principal risks and impact on business activity	Group Risk Management policy*	Principal risks and management controls	89
Business model		Our business model	16
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* Available to employees through the Babcock intranet but not published externally.

** Available on the Babcock website and available to employees through the Babcock intranet.