



Sustainability Policy

1. Purpose

- 1.1. Sustainability is an integral part of Babcock's corporate strategy and how we do business. It underpins our corporate Purpose: **"creating a safe and secure world, together"**. This purpose is delivered through our principles which are designed to inspire our thinking, guide our actions and encourage us to each support each other in achieving our goals.
- 1.2. Our aspiration is to reduce our impact on the planet and better protect, support and engage with our communities. We will continue to strive to achieve and maintain the highest standards of management and protection and that Environment, Social and Governance (ESG) principles are considered in all aspects of our operations assuring delivery against our targets. We will do this by designing policies, activities and solutions that enable Babcock to be a more inclusive and sustainable business and embedding sustainability principles from design through to end-of-life in all products and services. Support for this vision is held by Babcock's Chair, Board and Chief Executive Officer.
- 1.3. Our commitment to delivering value to society also drives the action we are taking to fight climate change, tackle economic inequality, support the recovery from Covid-19, improve equality of opportunity and increase wellbeing.
- 1.4. Babcock has set a number of short, medium and long term targets across our social and environmental pillars. A complete list of our current sustainability targets as of 2022 is available to view on our corporate website.

2. Scope

This policy explains the corporate strategy and governance for sustainability / ESG across Babcock Group and applies to all employees of Babcock Group.

3. Policy

3.1. Babcock's interpretation of sustainability

- 3.1.1. Babcock considers sustainability to be a broad topic covering issues as diverse as climate change and biodiversity through to equality and human rights as well as anti-bribery and cyber protection. This can also be referred to Environment, Social and Governance or ESG for short.
- 3.1.2. Our ESG strategy has five clear priorities:
 1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations
 2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources
 3. We will ensure the safety and wellbeing of all our people
 4. 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
 5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges

A visual representation of how these interact with our principles and charter can be found in the appendix to this policy.

- 3.1.3. The ESG sustainability strategy is supported by six pillars. These are shown in our Sustainability Charter along with an explanation of each pillar as described below.

ENVIRONMENT

- **Clean inputs** – We use innovative solutions to reduce our energy needs, while focusing on cleaner energy and other natural resources
- **Responsible consumption** – We integrate environmental sustainability into our programme design, optimise use of resources and minimise waste through increased re-use and recycling

SOCIAL

- **Community engagement** – We play an active part in our local communities to enhance development and inspire the next generation
- **People and potential** – The safety and wellbeing of our people is our priority. We encourage a diverse and inclusive employee base where each person feels respected and able to fulfil their potential

GOVERNANCE

- **Diverse and robust supply chains** – We partner with our supply chains to identify innovative solutions and ensure timely delivery of quality products and services
- **Commercial Integrity** - We believe that ethical behaviour underpins our sustainability activities. We have robust processes and controls to identify opportunities and manage corporate risks

3.1.3. A visual representation of this charter, often called Babcock's sustainability wheel, is available on our corporate website.

3.1.4. We also identify the material sustainability issues that matter most to our stakeholders and keep them under review. The latest results were shared within our 2022 annual report. A fuller explanation of what these topics entail can be found in the appendix to this policy.

3.2. Governance

3.2.1. The sustainability strategy within Babcock is overseen at a Group level by the Corporate ESG Committee (the Committee). This body is accountable to, and acts primarily as an advisory body to, the Executive Committee. Its main objective is to provide the Executive Committee, and ultimately the Board, with an overview of the delivery of the Group's sustainability initiatives and support Babcock to improve its ESG performance.

3.2.2. Meeting quarterly, the Committee is comprised of the Chief Human Resources Officer, Group General Counsel, Group Head of Sustainability, Group Director of Communications, senior representatives from Sectors and is chaired by the Chief Corporate Affairs Officer.

3.2.3. The Committee guides and governs group-wide sustainability initiatives, taking action on other matters relating to sustainability management which may be delegated by the CEO or Executive Committee.

3.2.4. Specific responsibilities of the Corporate ESG Committee include:

- Ensure alignment behind group wide ESG strategy
- Oversee the implementation of the group's carbon strategy and progress towards Net Zero
- Ensure delivery of the group's climate resilience strategy and disclosures relating to Task Force for Climate-Related Financial Disclosure (TCFD)
- Set community sponsorships and donations. Assess reputational impact on the Group for any material decisions on social/community projects

- Oversee and monitor mechanisms for building engagement with customers, suppliers, local communities and other key stakeholders in respect of the ESG strategy
 - Set and monitor performance against key ESG targets (e.g., Inclusion and Diversity (I&D), emissions etc)
 - Review performance in respect of the ESG strategy against external frameworks and ensure strategies and action plans are in place to address gaps
 - Review the quality and integrity of internal and external reporting of ESG matters and performance
 - Ensure that policies relating to ESG are fit-for-purpose and that practices are in place to ensure its compliance with regulatory requirements, industry standards and guidelines
- 3.2.5. Review the results of any reviews or independent audits of the group's performance in regard to ESG matters, review strategies and action plans developed by management in response to issues raised
- 3.2.6. Subsequent ESG related Working Groups are expected to feed upwards into the Committee for sign off on initiatives and policies. Examples of these groups include the Sustainability Steering Group, Plan Zero 40 working groups and the Inclusion and Diversity (I&D) working group amongst others.
- 3.2.7. The Group Sustainability team has an overarching view across E, S and G so it can act as a centre of expertise to help ensure Babcock fulfil all regulatory and reporting requirements and Babcock's ESG principles are considered in all aspects of our operations, this assists delivery of Babcock's sustainability targets.
- 3.2.8. Group functional leads enable delivery of the Group ESG strategy. They develop ESG strategies and commitments for their respective functions and ensure resource and budget to deliver. Though not an exclusive list, key functions associated with the formation of, and day to day responsibility for, sustainability policy and initiatives across the Group are:

ENVIRONMENT

- **Group Environment** – Led by the Group Head of Environment who is responsible for setting policy and initiatives on Waste, Water, Biodiversity and Energy reduction amongst other issues
- **Group Safety, Health and Environmental Protection** – Led by the Group SHEP Director and act as champions to improve the understanding of Occupational health and environmental Protection across Babcock and their effect on performance

SOCIAL

- **Group HR** – Led by the Chief Human Resources Officer and responsible for social issues such as STEM outreach, I&D, Employee Wellbeing and communities amongst other issues
- **Group Safety, Health and Environmental protection** – Led by the Group SHEP Director and responsible for defining standards, policies and frameworks that will stand across Babcock as well as working with Exco to shape the organisations understanding and approach to safety risk management

GOVERNANCE

- **Company Secretary's Office** – Led by the Group General Counsel and Head of Secretariat and responsible for governance policies such as anti-bribery and

corruption and whistleblowing as well as for the responsible running of the company

- **Group Procurement** – Led by Chief Procurement Officer and responsible for the ethical supply and purchase of goods and manpower as well as the respectful treatment of workers throughout our supply chain
- **Group Innovation and Technology** – Led by the Chief Technology Officer and responsible for our overarching technology strategy including the development of our digital and data capabilities, supporting our sustainability and decarbonisation plans and designed to make us a future-fit business

3.2.9. It is the responsibility of sectors and direct reporting countries to develop local sustainability strategies to support the overarching Group ESG strategy. This includes devising and implementing procedures appropriate to their specific business and locations that are in line with both this overarching Group Policy and any relevant legislation. They retain responsibility for ensuring that sufficient and appropriate resource is available to implement and manage the required sustainability initiatives, policies and processes.

3.2.10. Each function, sector or direct reporting country should have a representative accountable for oversight and supporting the progress of all sustainability activities across their area of influence and who can act as the main point of contact for all relevant sustainability questions. The representative should share the views of their area with the Group Sustainability team or assign alternative contacts as appropriate.

3.2.11. Social value looks beyond price and refers to the wider value that can be created by organisations to the benefit of communities and the environment. Within the UK the Government has developed a model for social value which they apply to all contracts over £5m. This model has five main areas for focus

- Covid recovery
- Tackling economic inequality
- Fighting climate change
- Equal opportunity
- Wellbeing

3.2.12. The social value model covers both Environmental and Social issues and therefore falls under the purview of sustainability. Babcock manages social value on a contract-by-contract basis so the communities where our operations occur gain the benefit of the activities. To learn more about our social value activities please speak to your Sector or regional bid lead in the first instance or visit our social value SharePoint. You can also read our simple introduction to social value at Babcock guide.

3.3. Commitments

3.3.1. Babcock Group and its entities will conduct its business to the highest standards of honesty and integrity and will comply with the law in the conduct of our business. (see Babcock Code of conduct).

3.3.2. We will respect the dignity and rights of our employees and place the highest priority on ensuring the safety of each other at work and the safety of others who might be affected by our activities and require the same from our supply chain (see our Group sustainable procurement policy and associated supplier guide.)

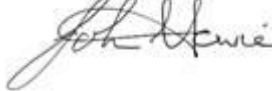
3.3.3. We are committed to the communities in which we operate and the broader interests of the customers we serve. As good corporate citizens, we want to make a genuine

difference by supporting our communities and helping them rebuild following COVID-19.

- 3.3.4. Babcock will strive to achieve and maintain the highest standards in the management of environmental matters. We recognise the impact our operations may have on the environment and seek to minimise or eliminate adverse effects (see our environmental policy).
- 3.3.5. We are committed to providing greater transparency about our policies, standards and governance approach through independent assessment by key global reporting frameworks. These include:
- Global Reporting Initiative (GRI)
 - Sustainable Accounting Standards Board (SASB)
 - the Dow Jones Sustainability Indices (DJSI)
 - Task force for climate-related financial disclosure (TCFD)
- 3.3.6. Further details on our reporting are available to view on our corporate website. We will continue to review the various frameworks we work with to ensure they are the most relevant organisations for our stakeholders.
- 3.3.7. All ideas for opportunities to improve our performance in relation to ESG are encouraged. There are numerous channels for employees to share their ideas, suggestions and comments including BIG ideas, through site or specialist working groups or via the Group Sustainability email.
- 3.3.8. We will celebrate our successes and innovations, developing and sharing them through communicating stories and case studies so best practice and ideas can spread across the organisation in line with our principle to collaborate.

3.4. Material Issues

ESG	Material issue	Why this matters to us
E	Biodiversity and Ecological Impact	Biodiverse ecosystems are fundamental to healthy and quality lives. Maintaining and enhancing the environment in which we operate is at the core of Babcock's principles.
E	Climate Change	We are facing a global climate crisis which has the potential to cause catastrophic impacts. We understand the risks posed by climate change and are committed to play our part in addressing the global crisis.
E	Waste	Global production and consumption patterns generate unconscionable amounts of waste, depleting finite resources and causing irreparable damage to the global biosphere. We are committed to driving material and resource efficiency, adopting circular economy principles and reducing our impacts.
E	Water Consumption	The global hydrosphere supports all life on earth and current consumption and production patterns place significant pressure on our finite water resources. We understand the importance of this precious resource and commit to managing our consumption responsibly.
S	Community Engagement	Our community engagement approach aims to ensure we are good neighbours by supporting the communities who live alongside and work with us whilst positively contributing to society's progress overall.
S	Health, Safety and Wellbeing	High health and safety standards are a fundamental condition and responsibility we must meet to protect the wellbeing of all who interact with Babcock and ensure everyone gets home safely every day.
S	Talent and Development	Recruiting, maintaining and developing the best talent through a robust talent pipeline is key to ensuring that we maintain a competent workforce with the capacity to meet current and future needs.
S	Local Economic Contribution	We recognise the jobs we provide have a large socio-economic impact, especially at major sites where we are often a leading employer in that area.
S	Employee Diversity and Inclusion	Diversity and inclusion in recruitment and in all our people processes is critical to ensuring we create a workplace culture where individuals can flourish and contribute to the shared success of the business.
G	Business Ethics and Integrity	Reputation is a key business asset – in order to thrive, we as an organisation have to be trusted by all our stakeholders.
G	Data and Cyber Security	We recognise the very real risk of malicious cyber breach and work hard to ensure both our customers' and our information assets remain protected. (See risk section on page 84.)
G	Governance, Accountability and Culture	Babcock's culture is the glue that binds strategy and operating model. Governance is the way in which we make sure that Babcock is true to its purpose, culture and strategy.
G	Sustainable Supply Chains	We manage our local and global impact through considerate purchasing, taking into account products' entire lifecycles, whilst safeguarding our supply chains from the risk of unacceptable labour practice issues.
G	Innovation and Technology	Innovation, including the application of novel or transferable technologies, is important in creating efficient and sustainable outcomes. (See Innovation and technology section on page 24.)
G	Collaboration	Collaboration unifies and empowers others to achieve a shared goal, fosters innovation and creates lasting relationships for sustainable long-term business success. (See people strategy on page 22.)

John Howie	Chief Corporate Affairs Officer	Signature 	Date 18 January 2023
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