

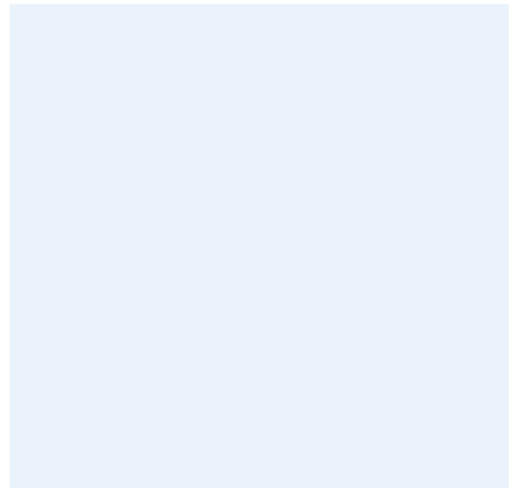
Remuneration at a glance

This section provides an overview of the Company's performance over FY22 and the remuneration received by our Executive Directors. You can find full details in the Annual report on remuneration on pages 125 to 133.

FY22 remuneration outcomes

Annual bonus

The Committee based the FY22 bonus on a mix of financial and non-financial measures, the performance targets for which (and actual performance against these) are set out below:



2019 PSP

The current Executive Directors were not participants in the 2019 PSP as the award predated their joining Babcock. In any event, based on performance, the 2019 PSP award lapsed in full.

Implementation of the Remuneration policy in FY23 continued

Element of remuneration	Annual bonus and Deferred Bonus Plan (DBP)	Element of remuneration	PSP
Implementation for FY23	<p>The bonus structure is consistent with that used for FY22, with awards of up to 150% of salary based on the achievement of financial targets, PBT and OCF, (each a 40% weighting) and non-financial measures (20% weighting).</p> <p>The Committee has returned to its normal practice of paying 60% of any bonus earned in cash, with the remaining 40% deferred in shares for three years. For more detail, please see page 129.</p>	Implementation for FY23	PSP awards of 200% of salary with vesting based on measures the Committee believes are most appropriate: free cash flow and relative TSR, equally weighted.

Alignment of the Remuneration policy

The Committee believes that the policy complies with the pillars set out in paragraph 40 of the 2018 Corporate Governance Code:

Clarity	The Committee believes that the disclosure of the remuneration arrangements is transparent, with clear rationale provided on its maintenance and any changes to policy. The Committee remains committed to consulting with shareholders on the policy and its implementation.
Simplicity	The policy and the Committee's approach to its implementation are simple and well understood. The performance measures used in the PSP, along with those in the annual bonus, align to Babcock's strategy.
Risk	The Committee has aligned the performance measures used in the annual bonus and PSP to the risk-taking by setting targets which are stretching, but achievable, with discretion to adjust formulaic annual bonus and PSP outcomes.
Predictability and proportionality	The pe outcomes.

Compliance statement

This report has been prepared in compliance with all relevant remuneration reporting regulations in force at the time and in respect of the financial year under review.

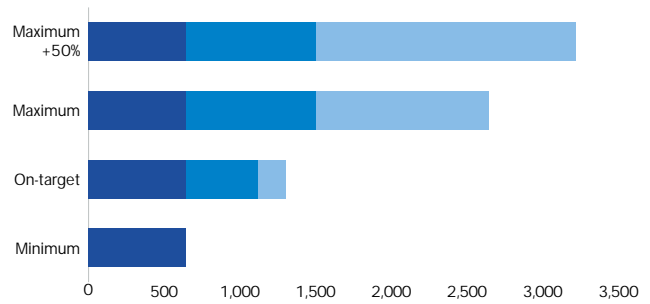
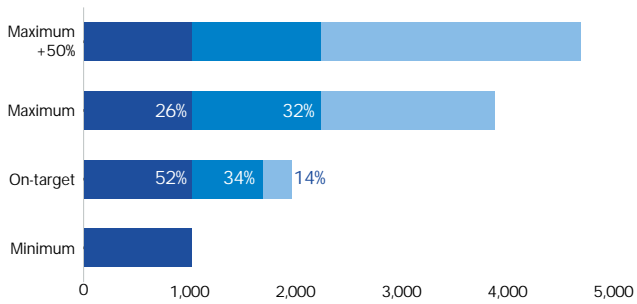
This report contains both auditable and non-auditable information. The information subject to audit is so marked.

Performance Share Plan (PSP)

Purpose and link to strategy	<p>To incentivise delivery of top-quartile shareholder returns and earnings growth over the longer term.</p> <p>Long-term measures guard against the Company taking short-term steps to maximise annual rewards at the expense of future performance.</p>
Operation	<p>The Committee has the ability to grant nil-cost options or conditional share awards under the PSP.</p> <p>The Committee reviews award levels and performance conditions, on which vesting depends, from time to time to ensure they remain appropriate.</p> <p>Participants will receive cash or shares equal to the value of any dividends that they would have received over the vesting period on awards that vest.</p> <p>The Committee has the ability to exercise discretion to override the PSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles.</p> <p>An additional two-year holding period will apply to Executive Directors' vested PSP awards before the Company releases them.</p> <p>Malus and clawback provisions apply to PSP awards: if there is a misstatement of the Group's financial results for any period; if the Committee subsequently comes to a view that performance was materially worse than originally believed; in the event of gross misconduct; or if the award holder leaves employment in circumstances in which the award did not lapse and facts emerge which, if known at the time, would have led the Committee to exercise discretion to claw back or add to the award.</p>

Potential reward opportunities are based on the Company's Remuneration policy and implementation in FY23, as outlined in the Committee Chair's statement and later in the Annual report on remuneration, applied to base salaries as at 1 April 2022. Note that the projected values exclude the impact of any share price movements except in the 'Maximum+50%' scenario.

Chief Executive
David Lockwood (£'000)



The latest written terms of appointment are available for inspection at the Company's registered office and at the Company's Annual General Meeting. The expected time commitment of Non-Executive Directors is set out in their current written terms of appointment.

Details of the Non-Executive Directors' terms of appointment are shown in the table. The appointment and re-appointment, and the remuneration, of Non-Executive Directors are matters reserved for the Nominations Committee and Executive Directors, respectively.

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans and do not receive any pension contributions.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance measures
To attract and retain high-calibre Non-Executive Directors with commercial and other experience relevant to the Company	<p>Fee levels are reviewed against market practice from time to time (by the Chair and the Executive Directors in the case of Non-Executive Director fees and by the Committee in respect of fees payable to the Chair), with any adjustments normally being made on 1 April in the review year. Additional fees are payable for additional responsibilities such as acting as Senior Independent Director, Chair of the Audit Committee, and Chair of the Remuneration Committee.</p> <p>Non-Executive Directors do not participate in any incentive schemes, nor do they receive any pension or benefits (other than the cost of travel and accommodation expenses).</p> <p>The Company reviews fee levels by reference to FTSE listed companies of similar size and complexity. It takes into account time commitment, level of involvement required and responsibility when it reviews fee levels. This may result in higher fee levels for overseas Directors.</p>	<p>Non-Executive Director fee increases are applied in line with the outcome of the periodic fee review.</p> <p>Any increases to the Non-Executive Director fee will typically be in line with general movements in market levels of Non-Executive Director fees.</p> <p>In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.</p>	None

Consideration of employee views

When reviewing Executive Directors' remuneration, the Committee is aware of the proposals for remuneration of all employees. When considering executive pay, the Committee takes into account the experience of employees and their pay. The Committee considers these matters when it conducts its annual review of executive remuneration.

The Company seeks to promote and maintain good relationships with employee representative bodies as part of its employee engagement strategy and consults on matters affecting employees and business performance as required. The Committee engages with employees through the Babcock Employee Forum, which representatives from across the Group's business operations attend. The Forum has the opportunity to engage with senior management including the CEO and the Chief Human Resources Officer on the Committee's policy and how it aligns with the wider Company pay policy. The Committee takes any feedback it receives into account in its decision-making on executive remuneration.

Consideration of shareholder views

When determining remuneration, the Committee takes into account views of leading shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee welcomes feedback from shareholders on the Remuneration policy and arrangements. It commits to consulting with leading shareholders in advance of any significant changes to the Remuneration policy. In developing the policy set out in this report, we consulted with shareholders representing c.60% of our issued share capital, as well as shareholder representative bodies. We had a high level of engagement and are pleased to report that virtually all investors who provided feedback indicated support for the approach initially proposed.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director.

	David Lockwood		David Mellors	
	FY22 £'000	FY21 ⁸ £'000	FY22 £'000	FY21 ⁸ £'000
Fixed remuneration				
Salary ¹	808	438	566	188
Benefits in kind and cash ²	119	65	15	6
Pension ³	81	44	57	19
Annual variable remuneration				
Annual bonus (cash) ⁴	580	n/a	401	n/a
DBP (deferred annual bonus) ⁵	387	n/a	268	n/a
Long-term incentives				
PSP ⁶	n/a	n/a	n/a	n/a
Dividends ⁷	n/a	n/a	n/a	n/a
Total (of which)	1,975	547	1,307	213
025 / bc9025 / bc9				

GOVERNANCE STATEMENT: Remuneration continued

The table below details the historical CEO pay over a 10-year period.

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Peter Rogers¹										
Single figure (£'000)	2,731	3,809	4,448	2,491	1,091					
Bonus vesting (% max)	99%	93%	78%	60%	66%					
DBMP matching shares vesting (% max)	n/a	n/a	88.4%	57.8%	17.0%					
PSP/CSOP vesting (% max)	58.8%	94.7%	83.5%	37.3%	26.5%					
Archie Bethel^{2,3}										
Single figure (£'000)					1,012	2,079	1,969	1,385	334	
Bonus vesting (% max)					66%	61%	58%	14%	0%	
DBMP matching shares vesting (% max)					17.0%	20.0%	n/a	n/a	n/a	
PSP vesting (% max)					26.5%	23.9%	15.1%	0%	0%	
David Lockwood⁴										
Single figure (£'000)									547	1,975
Bonus vesting (% max)									0%	80%
PSP vesting (% max)									n/a	n/a

1. Until retirement on 31 August 2016.

2. Excludes remuneration received whilst undertaking the role of Chief Operating Officer until August 2016.

3.

