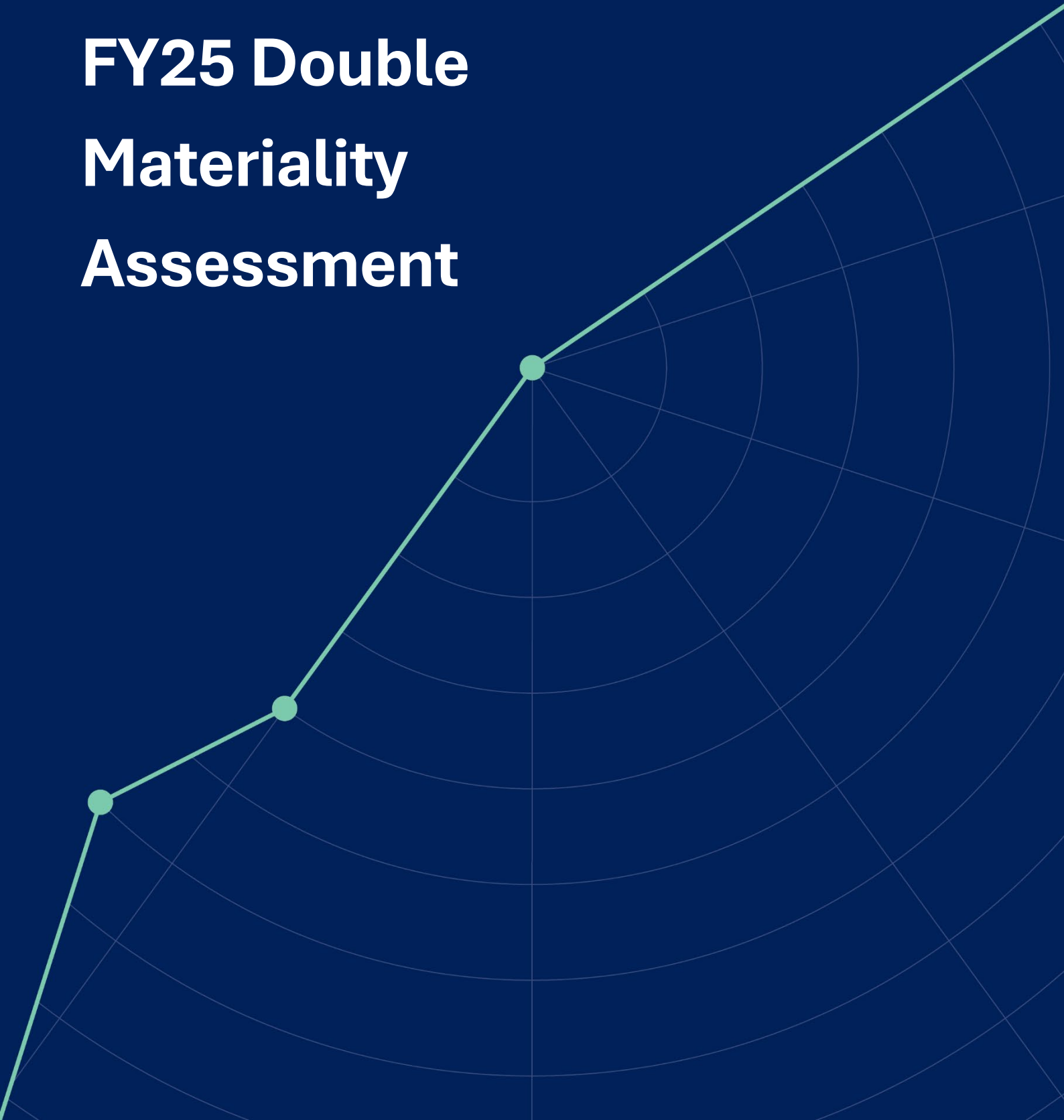


FY25 Double Materiality Assessment



Overview

Babcock first published a materiality assessment in its 2021 Annual Report. This assessment was based on our 2019 stakeholder engagement and identified the sustainability issues that matter most to our stakeholders and our business. This year as part of a refresh to our sustainability strategy we have updated and further developed our materiality assessment, for the first time explicitly assessing both how sustainability issues could impact Babcock's financial performance and the impact the company has on these sustainability issues.

Our materiality assessment is based on the 2021 Global Reporting Initiative (GRI) Standards and aligns with two key EU initiatives: the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

What is double materiality

A materiality assessment is the process through which a company identifies, assesses and prioritises the potential ESG issues that are most relevant and impactful to an organization and stakeholders.

The concept of “double materiality” states that entities should disclose information that is material from either an impact perspective, a financial perspective or from both. The directive establishes the “double materiality” terminology to describe this concept whilst the ESRS expands and clarifies the approach and required disclosures.

Methodology

As new regulatory and reporting frameworks emerged within the world of corporate sustainability, we explored the principle of double materiality as set out by the CSRD and opted to run the assessment and analyse the findings internally. We chose a rigorous score-based system which prioritised the sustainability topics material to Babcock, in alignment with sustainability best practice. We evaluated our final list of issues from the following two viewpoints:

- the impact perspective (inside-out): e.g. actual or potential, positive or negative impacts on people or the environment such as how our activities impact society and the environment through emissions and employment creation.
- the financial perspective (outside-in): risks or opportunities that have a material influence, on the Babcock's financial position and performance and cash flow, e.g. how our business is impacted by sustainability related factors, such as extreme weather events or reputational risks or opportunities related to the role we play in our communities.

The material impacts, risks and opportunities we gathered helped us to identify the key topics that Babcock should prioritise as a business. The full process we took consisted of four steps, as outlined in figure 1.

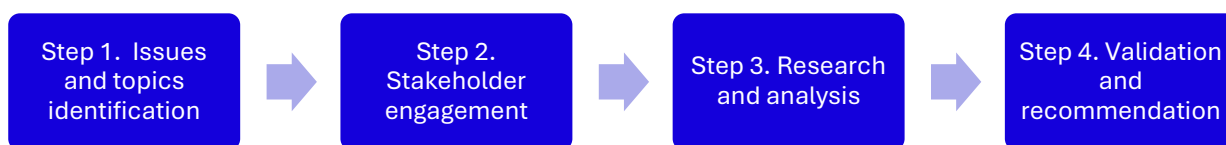


Figure 1

Step 1. Issues and topics identification

We conducted extensive research looking at a broad range of sources to ensure we captured as wide a range of issues as possible, including:

- The topics and sub-topics covered in ESRS 1 (General Requirements)
- Emerging sustainability trends
- Competitor and peer sustainability priorities
- Sustainability ESG Framework and Standards
- The list of topics we used in our previous materiality assessment

A preliminary list of over 100 material issues that are directly relevant to Babcock across our value chain were identified and refined this preliminary list into 19 topics*.

What's changed

Since last year the list of material topics has changed slightly to prioritise the topics deemed material to our Company. We have a new sustainability strategy that focuses on six strategic priorities based on the updated double materiality assessment.

Certain topics were seen as universally important because they impact everyone and have legal and operational consequences. The Promotion of Health, Safety and Wellbeing for example, remains a highly important topic with clear policies, training and accountability structures in place which are essential because they directly affect the wellbeing of our people and ensure a productive environment.

Other topics, while also important, were perceived to affect a smaller part of the business and therefore have not been prioritised at a group level. For example, the rights of Indigenous people, while a critical human rights consideration, are only material for operations in jurisdictions where Indigenous peoples' rights may be impacted – including through land use cultural heritage or environmental effects.

Step 2. Stakeholder engagement

We engaged with colleagues at various levels of seniority across the business including representatives from all sectors, Direct Reporting Countries, and functions.

Participants were invited to take part in an internal survey and were asked to identify which of the 19 sustainability topics they believed Babcock should prioritize. These topics had to be ranked for both their financial and impact materiality on a scale of 0 (negligible) to 5 (very high).

The results of these two questions were equally weighted and combined in the results. An open-ended section was added at the end of the survey providing stakeholders with an opportunity to express their additional thoughts and comments on the subject.

This preliminary analysis produced key insights of stakeholder's expectations, their view on the organisation's most significant impact on people and the environment, and the most significant sustainability risks and opportunities for the organisation.

Stakeholder's results

The top three topics rated by stakeholders were Data and Cyber Security, Risk Management and Employee Talent and Development with Promotion of Health, Safety and Wellbeing and Climate Change closely following.

Several key aspects were underscored, such as Sustainable Local Communities and Pollution but we are addressing these topics through our strategic priorities of Supporting our Communities and Protecting the Natural Environment.

Step 3. Research and analysis

Following our preliminary analysis, we undertook significant research to add more rigour to the assessment, creating a more detailed matrix with an evidence base to assess the financial and impact materiality of each topic.

Assessing Financial materialit

Each topic was assessed across five factors: business continuity, opportunity for revenue growth, threat of revenue fall, impact on cost base, and likelihood of increased tax, regulatory burden, or fines. The scenarios were assessed based on:

- The potential magnitude of sustainability risks and opportunities and their financial effects in the short-, medium- and long-term
- How likely it is that the impact would occur
- The geographic distribution and the impact on our operational facilities globally

Assessing Impact materiality

We assessed the identified impacts using five key evaluation factors: ability to respond to stakeholders needs, ability to support and protect our people, social implications, environmental implications and reputational implications. We considered:

- The magnitude of the impact on the quality of life of those affected or on the environment
- How likely it is that the impact would occur
- The geographic distribution and the number of individuals impacted

Step 4. Validation and recommendation

Insights gained from our research were discussed and served as the foundation for making an informed decision about our material topics. We conducted a thorough evaluation of each topic with the aim to strike a balance between representing the views of colleagues across the business, while also ensuring there is a prioritisation between topics and alignment with Babcock's' strategic objectives.

The assessment results were discussed and validated with the Corporate Sustainability Committee, as sub-committee of the Executive Committee. This process not only supported regulatory compliance but also validated the strategic priorities outlined in our new Sustainability strategy - for more information please see page 64 of our Annual Report and Financial Statements 2025.

Materiality Matrix

The results of our materiality assessment are mapped on the materiality matrix. In this matrix, financial materiality forms the x-axis, while impact materiality forms the y-axis.



Next Steps

We recognise the changing nature of risks, opportunities, the impact landscape, and stakeholder inputs and we will regularly conduct materiality assessments to ensure our priorities remain aligned with future developments and our stakeholder expectations.

We will ensure to expand the number and range of stakeholders to get the most accurate representation of issues material to Babcock.

Our aim to continue our commitment to sustainability is proven through our dedication to transparency, rigorous due diligence processes, and adherence to established reporting frameworks. We ensure alignment to industry standards and hold accountability at every level by openly sharing our progress and reporting to various disclosure frameworks. These efforts not only reinforce our commitment to create a safe and secure world but also demonstrate that sustainability remains at the core of our operations.