

Governance

Chair's introduction to Governance



Dame Ruth Cairnie
Chair

Dear fellow Shareholder

On behalf of the Board, I am pleased to present the governance report for the year ended 31 March 2026. This part of the report focuses on the Group's governance structures, the work of the Board and its committees, and our compliance with the 2024 UK Corporate Governance Code (the Code) as well as other regulatory requirements. The report comprises the following segments:

1. Board of Directors
2. Governance statement
3. Nominations Committee report
4. Audit Committee report
5. Remuneration Committee report
6. Other statutory information

The importance of governance

Since becoming Chair in 2019, one of our key aims as a Board has been to hold ourselves to the highest standards of governance. We believe that strong governance establishes a framework that helps companies ensure they are acting in the best interests of their stakeholders. It defines clear roles and responsibilities and promotes transparent reporting of financial and operational performance, building trust between investors, employees, and customers. The purpose for this part of our report is to provide an understanding of our framework and how it operates.

Culture and people development

As highlighted in previous years, Babcock's success in the future is critically dependent on the people in the business. We need to attract, motivate and develop people with the skills needed for the future, and work as an organisation in ways that ensure everyone can contribute fully. To support the progress on people and culture, we have been focusing on developing the right sort of leadership capabilities across our leadership cadre. This started by developing a Babcock Leadership Framework which provides our leaders with a structured toolkit to make decisions, foster collaboration and achieve our strategic goals. It aligns our leaders and their actions to our Purpose and principles. The Framework defines the competencies, behaviours and skills required of effective leaders at all levels within Babcock.

Given the dependency of the business on our people, our culture is a key asset. The change in culture that we have witnessed over recent years has been a major part of our transformation. The Board has been supporting and monitoring this closely through the Nominations Committee, and information about how the Board plays this role is covered in that report.

Succession

One of the most important actions of the Board in FY26 was preparing for CEO succession. We have been developing our succession planning approach over several years, building on the Leadership Framework and an intensifying focus on talent development. During this process, we have increasingly been assessing talent and undertaking targeted development to create a strong pool of internal candidates for our senior roles. For the most senior roles, we also periodically horizon-scan for potential external candidates, both to benchmark our internal talent and to identify possible opportunities to strengthen our team.

This strong preparation meant that, when David advised us of his intention to retire, we were well placed to execute a robust selection process built on the in-depth knowledge we had already developed. More details are provided in the Nominations Committee report. Harry Holt was chosen as our future CEO on the basis of his proven experience in leading Babcock's defence and civil nuclear operations, his strong relationships with Babcock's key customers and his deep working knowledge of the wider defence sector.

Our approach to succession planning is now being embedded for the Group Executive Committee level and below, and for other key roles. It supports us in nurturing and retaining valuable skills, essential for the long-term sustainability of our business.

Risk and controls

Throughout the transformation of the business, we have been steadily enhancing our approach to risk and the control environment, recognising that this has been a multi-year journey. We have been pleased to note further progress this year, as presented in the report of the Audit Committee. Over the year, we have been undertaking the necessary work to prepare for the introduction of the new Provision 29 of the Corporate Governance Code of the Financial Reporting Council, requiring boards to make a declaration on the effectiveness of their material controls. For Babcock, this provision will come into effect for our 2027 Annual Report and Accounts.

We have a roadmap in place which sets out key activities to achieve compliance in time for 31 March 2027. We have tested our roadmap and are monitoring our progress against the milestones identified in the roadmap. I would like to thank the team and the Audit Committee for their hard work in preparing for this new requirement.

Sustainability

Last year, we announced our refreshed strategy for sustainability. Our new strategy is simpler, more focused, and deliverable. It takes a twin-track approach: first, to focus on six Group-level strategic priorities where we believe we can have the greatest impact, supported by six targets with delivery plans in place; second, to build capability in Babcock to embed sustainability principles across the business.

We launched our refreshed sustainability strategy in June 2025 with new internal and external websites, a CEO vlog, and presentations to internal and external stakeholders such as our senior leadership teams, graduates, and our principal customers. The feedback we received was positive. In November, we launched the next stage of our strategy by engaging all employees with an energy efficiency campaign. This will be followed with further campaigns aligned to our priorities.

As enablers to help ensure that sustainability is fully embedded into the business, we are focusing on the roles that our commercial, procurement, and property functions can play. These three functions are well placed to bring sustainability considerations into decisions and plans across the business: the commercial function can identify and understand the sustainability targets that our customers build into their programmes; procurement will allow us not only to improve our supply chain emissions reporting, but also ensure that our strategic suppliers support us in delivering our sustainability commitments; and the property function will work with our estate to focus on the sustainability of the properties that we use or own.

Board membership and effectiveness

During the year, the Board welcomed the appointment of Aedamar Comiskey as a member, following Lucy Dimes's retirement. Aedamar is the Senior Partner of Linklaters and an eminent corporate lawyer. She brings extensive experience of leading and growing complex organisations in competitive international markets.

Having conducted an external Board review last year, this year our Board review was led internally. I was grateful that Aedamar led the review for us, which also contributed helpfully to her induction to the Board. The review concluded that we are operating effectively, with an open and collegiate culture and with the right balance of skills and experience around the Board table for effective governance and decision-making. The review highlighted that a challenge for the Board over the coming year was to apply these skills and experience effectively to support and oversee the CEO transition.

The year ahead

The focus for the Board over the next year will be to ensure continuity and a smooth CEO transition, with the business continuing to build on the momentum created over the last few years. To do this, we will maintain our focus on governance alongside the further strengthening of controls. The strength of the Board in terms of skills and open and constructive debate will be important as we navigate the high levels of uncertainty caused by technology and geopolitical change.

I would like to thank my colleagues on the Board for their counsel and support over the last year. As ever, I look forward to meeting our shareholders at our AGM on 16 September 2026.

Dame Ruth Cairnie

Chair

Statement of compliance

The Board confirms that, for the year ended 31 March 2026, the principles of good corporate governance contained in the 2024 UK Corporate Governance Code (the Code) have been consistently applied and, with the exception of Provision 29 on which the Company will report next year, all provisions have been complied with.

Further information on the Code can be found on the Financial Reporting Council's website at: www.frc.org.uk.

We describe how the Company has applied the Code principles on the following pages through to page 179. For further information on the work carried out in readiness to report next year on the effectiveness of our material internal controls in compliance with Provision 29, please see pages 110 to 144 and 150 to 153.

Governance

Board of Directors

**Dame Ruth Cairnie DBE**

Chair

Appointed: April 2019
Nationality: British

N

Key contribution: Extensive experience of the engineering sector, strong strategic vision and leadership.

Skills and experience: Ruth brings experience of the engineering sector gained from a 37-year international career spanning senior functional and line roles at Royal Dutch Shell plc. She has also advised government departments on strategic development and capability building. She has been a Non-Executive Director of Rolls-Royce Holdings plc, Associated British Foods plc, ContourGlobal plc and Keller Group PLC as well as a member of the finance committee of the University of Cambridge. Ruth is a Master of Advanced Studies in Mathematics from the University of Cambridge and holds a BSc Joint Honours in Mathematics and Physics from the University of Bristol.

Current appointments: Non-Executive Director of BT Group plc and Serendipity Capital, a venture capital investor focused on critical technologies. She is a patron of the Women in Defence Charter, a director of The White Ensign Association and a member of the CBI Board.

**Carl-Peter Forster**

Senior Independent Director

Appointed: June 2020
Nationality: German and British

R N

Key contribution: Extensive manufacturing and international experience.

Skills and experience: Carl-Peter held senior leadership positions in some of the world's largest automotive manufacturers, including BMW, General Motors and Tata Motors (including Jaguar Land Rover). He was also previously a Non-Executive Director of Rexam PLC and Rolls-Royce plc, and Senior Independent Director of IMI plc, as well as being Chair of Chemring Group PLC.

Current appointments: Chair of Vesuvius plc and Keller Group PLC.

**John Ramsay**Independent
Non-Executive Director**Appointed:** January 2022
Nationality: British

A N R

Key contribution: Extensive financial, international and boardroom experience.

Skills and experience: John, a Chartered Accountant, brings with him over 30 years of international business and finance experience. He served as Chief Financial Officer of Syngenta AG from 2007 to 2016, and interim Chief Executive Officer of Syngenta from October 2015 to June 2016. Prior to joining Syngenta, he held senior international finance roles with Zeneca Agrochemicals and ICI. He was also the chair of the Audit Committee for Croda International Plc.

Current appointments: Member of the Supervisory Board at DSM Firmenich AG and Non-Executive Director of RHI Magnesita N.V. He is Audit Committee Chair at each of these companies.

**David Lockwood OBE**

Chief Executive Officer

Appointed: September 2020
Nationality: British

E

Key contribution: Wide-ranging knowledge of defence and aviation markets, and a wealth of experience in both technology and innovation.

Skills and experience: David was CEO of Cobham plc (from 2016 to March 2020), and prior to that he was CEO of Laird PLC (from 2012 to September 2016). His career includes senior management roles at BT Global Services, BAE Systems and Thales Corporation. He received an OBE for services to industry in Scotland in 2011. David has a degree in Mathematics from the University of York and is a Chartered Accountant. He is a Fellow of the Royal Aeronautical Society and the Royal Society of Arts and Commerce.

Current external appointments: President of ADS, the UK trade association for the aerospace, defence, security and space industry.

**David Mellors**

Chief Financial Officer

Appointed: November 2020
Nationality: British

E

Key contribution: Extensive CFO experience in defence, aerospace, and commercial markets.

Skills and experience: David was previously CFO of Cobham plc and prior to that he was CFO of QinetiQ Group plc from 2008 to 2016, where he also served as interim Chief Executive for a period. His career includes several roles at Logica PLC, CMG plc and Rio Tinto PLC. David has a degree in Physics from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Current external appointments: None.

**The Right Honourable The Lord Parker of Minsmere, GCVO, KCB**

Independent Non-Executive Director

Appointed: November 2020
Nationality: British

D N R

Key contribution: Extensive experience of working at the highest level of public service, including a focus on new technology-centred change and championing inclusion.

Skills and experience: Lord Parker has had a long career in a wide range of national security and intelligence roles in the UK, which culminated in him becoming the Director General of MI5, the UK Government's national security agency, in 2013. He retired from this role in 2020 after which he served as Lord Chamberlain (head of the Royal Household). Lord Parker is a graduate of Natural Sciences from Cambridge University.

Current appointments: Member of the House of Lords, a Non-Executive Director of Vertical Aerospace and Board Adviser to Telicent Ltd. Lord Parker is a Distinguished Fellow at the Royal United Services Institute.



Key contribution: Extensive expertise in the leading and growing of complex organisations in competitive international markets.

Skills and experience: Aedamar is a leading public and private M&A lawyer who has advised on many of the market's most significant transactions. She has spent her career at Linklaters, where she was elected Senior Partner and Chair in May 2021 and re-elected in June 2025. Prior to becoming Senior Partner, Aedamar served for five years as the firm's Global Head of Corporate and sat on the Executive Committee; she now chairs the Partnership Board. From 2014 to 2024, Aedamar was a Non-Executive Director at James Fisher and Sons plc, where she chaired the Remuneration Committee from 2018 and served as Senior Independent Director from 2019.

Current appointments: Senior Partner and Chair, Linklaters LLP.



Key contribution: Expertise in aerospace, defence and engineering sectors and boardroom experience.

Skills and experience: Sir Kevin spent almost 20 years at BAE Systems plc, predominantly in its Military Aircraft Division and BAe Defence, before becoming Group Managing Director with responsibilities for new business and international strategy. Following this, Sir Kevin joined the Board of GKN PLC, the FTSE-listed global engineering and manufacturing company, initially leading the Aerospace and Defence businesses, and then serving nine years as Group Chief Executive. He went on to spend four years in Hong Kong as a Partner at Unitas Capital. His non-executive career includes eight years at Rolls-Royce where he served as Senior Independent Director.

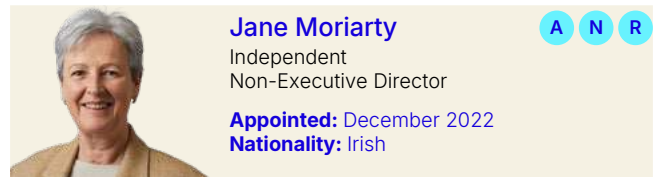
Current appointments: Member of L.E.K. Consulting's European Advisory Board.



Key contribution: Extensive information and cybersecurity expertise.

Skills and experience: Claudia works internationally as an information and cybersecurity professional and brings over 20 years of experience in this field across globally diverse industries in the public and private sectors. She has previously held senior roles in cyber security, as security strategic advisor and chief security officer with Aramark Corporation in the USA, the Department for Work and Pensions, Smiths Group plc and Diageo Global. Claudia holds a PhD in computing and education from the University of Birmingham. In 2022, she was awarded an MBE for services to the cyber security profession.

Current appointments: The Digital Cyber Practice and a registered European Commission Security and Cyber expert.



Key contribution: Extensive international business and finance experience.

Skills and experience: Jane, a Chartered Accountant, brings with her over 30 years of international business and finance experience. After a long executive career with KPMG, where she was a senior advisory partner, Jane has held a number of non-executive roles, including at Quarto Group Inc where she was Vice-Chair and Chair of the audit and remuneration committees.

Current appointments: Non-Executive Director, Chair of the audit committee and Senior Independent Director of Mitchells & Butlers plc and Non-Executive Director of Nyrstar.

Appointment key

- | | |
|--|--|
| E Executive Committee | N Nominations Committee |
| A Audit Committee | D Director designated for workforce engagement |
| R Remuneration Committee | ○ Board Committee Chair |

Governance statement

Governance framework

Maintaining the highest standards of governance is integral to the successful delivery of our strategy. Our governance framework aims to ensure that the Board provides effective leadership in both making decisions and maintaining oversight, mapping where accountability resides and playing a key role in our internal controls.

The Board

The Board's role is to lead the Group for the long-term sustainable success of Babcock, by setting our strategy and supervising the conduct of the Group's activities within a framework of prudent and effective internal controls.

The Board has adopted a schedule of matters reserved for its specific approval (see page 144). For other matters, authority is delegated to management according to a delegation matrix.



Principal Board Committees

Audit Committee

Responsible for overseeing the Company's systems for internal financial control, risk management and financial reporting.

● See pages 150 to 153

Remuneration Committee

Determines and applies the Remuneration policy for the Executive Directors, as well as the Group Executive Committee, and is responsible for oversight of the remuneration policies and practices relating to the wider workforce.

● See pages 154 to 179

Nominations Committee

Reviews the composition of the Board and leads on Board appointments, as well as succession planning at both Board and senior management level and leading on the Company's Diversity and Inclusion policy.

● See pages 148 and 149

Group Executive Committee

Reviews and discusses all matters of material significance to the Group's management, operational and financial performance, as well as strategic development. The Committee consists of the CEO, the CFO, the Chief Corporate Affairs Officer, the Chief Executive Marine, the Chief Executive Nuclear, the Chief Executive Land, the Chief Executive Aviation and France, the Chief Executive Mission Systems, the Chief Executive Africa, the Chief Executive Australasia, the Chief People Officer, the Chief Delivery Officer and the Group Company Secretary.

For more information see [www.babcockinternational.com/who we are/leadership-and-governance](http://www.babcockinternational.com/who-we-are/leadership-and-governance)



Principal Management Committees

Corporate Sustainability Committee

Responsible for Group-wide sustainability initiatives, the management of climate-related issues and driving the wider sustainability agenda. The Committee is chaired by the Chief Executive Land and members include the CFO, the sector Chief Executives, the Chief People Officer, the Group Company Secretary, the Group Director of Sustainability, and the Group Health and Safety Director.

● See page 70

Executive Safety Committee

Provides direction and executive management of the safety, health and environmental protection framework controls, to ensure risks are as low as reasonably practicable and our approach is coherent to enable continuous improvement in performance across Babcock. The Group Health and Safety Director chairs the Committee and its members include sector and DRC CEOs, the Chief People Officer and the Chief Delivery Officer.

● See page 117

Group Executive Risk and Controls Committee

Provides leadership and oversight of the Group's Enterprise Risk Management Framework, acting as an interface between the Audit Committee and the business. The Committee has as its principal deliverable the review and challenge of the mitigation and control of the Company's principal risks. The Committee membership includes the Executive Committee, the Group Financial Controller, the Group Director of Internal Audit, Risk Assurance & Insurance and the Group Director of Controls.

● See page 110

Company purpose

The Board sets the Company's Purpose, to create a safe and secure world, together, and reviews how the Company aligns to it, including assessing how the Company's strategy is set to fulfil our Purpose. Our principles of be curious, think: outcomes, be kind, collaborate, be courageous, and own and deliver underpin our Purpose and the culture the Board is seeking to embed in the Company.

Effective decision-making and oversight

The Board has an annual plan of business around which the Chair, the CEO and the Company Secretary structure agendas and consider the status of projects, strategic workstreams and the overarching operating context. Standing agenda items and papers are presented at each Board meeting; other matters are considered on a less frequent but regular basis. Appropriate amounts of time are allocated to items of business to allow for open and frank debate and to encourage informed decision-making.

All scheduled meetings consider:

- Health and safety reports
- Operational update
- Financial update
- Investor relations update
- Legal/governance reports
- Conflicts of interest review
- Reports from Chairs of Remuneration, Audit and Nominations Committees.

The Board regularly considers:

- Strategy update, including Sustainability
- Review of major and emerging risks
- Delegated authorities
- Committee terms of reference
- Whistleblowing reports
- Tax policy
- Treasury arrangements
- Modern Slavery Transparency Statement
- Deep-dive presentations from sectors, direct reporting countries and Group functions
- Results announcements, annual report and notice of annual general meeting.

Setting and overseeing strategy

The Board held its dedicated strategy review meeting in July 2025, offsite. At the meeting, the Board reviewed the Company's strategic aims and tested their alignment to the interests of the Company's stakeholders. In addition to its dedicated review, the Board has regular updates throughout the year, as the Board believes that strategy should be a dynamic process, benefiting from regular Board engagement and supported by dedicated deep-dive review sessions.

More information on the implementation of the strategy overseen by the Board can be seen on pages 20 and 21 and throughout the Strategic report.

How the Board monitors culture

The Board believes that a company's culture must align with and support its strategy. The Board monitors culture throughout the Group in the following ways:

Leading by example

Our Directors and senior managers act with integrity and lead by example, promoting our culture to our colleagues through living our principles and demonstrating them in action.

Listening to our people

Our Non-Executive Directors regularly visit our sites. At least once a year, the Board holds one of its meetings at a site to give the Non-Executive Directors the opportunity to engage with colleagues together. As well as the Board site visit, individual Non-Executive Directors take time to visit other sites to engage with colleagues. In addition, our designated Non-Executive Director for workforce engagement has his own programme of site visits. His programme includes extensive engagement with colleagues, and he feeds back the key themes to the Board. As well as visiting sites, the Non-Executive Directors engage in other ways with colleagues, such as meeting with different colleague groups such as the upcoming talent cohort and attendance at leadership events. The Board also hears from colleagues through the questions and feedback received by the CEO's dedicated email 'Ask David', as well as from employee forums and surveys. This year, the Company conducted its fourth Group-wide Global People Survey (GPS). The Board reviewed the results of the survey along with an action plan for responding to the key themes.

● See pages 80 to 91

Ethics and whistleblowing

Whistleblowing lines are available throughout our business for reporting any departure from our principles. The Board reviews all whistleblowing reports, together with their outcomes, on a regular basis as well as via an annual review.

Other cultural indicators

The Board receives health and safety metrics at its meetings as well as receiving thematic reviews through its regular 'People' sessions. These sessions also cover Diversity and Inclusion.

Embedding our culture

The Board has made sure that the Group-wide Global People Survey (GPS) includes questions that focus on employee satisfaction, so that the Board can assess employee sentiment, helping the Board to understand what employees value and the alignment of employees with the Company's culture. This year, Babcock had our largest ever response to our survey, both in terms of participants and comments (79% of employees participating with 80% commenting). These responses show that Babcock is making progress, with 64% of the 87,867 comments being favourable compared to 60% in 2024, and our engagement score rising 4% on 2024. However, Babcock is still behind our external benchmark, so there is more work to do. To address this gap, the Board has launched its Culture dashboard, for more information please see page 138.

Governance statement (continued)

Board leadership

To deliver the best outcome for the Company, we seek to understand our stakeholders' priorities and factor these into our decision-making. Accordingly, the Board works to establish and maintain strong stakeholder relationships. We gather an understanding of stakeholder views via a combination of direct and indirect engagement.

Details of how the Directors receive information on our key stakeholders, and how they engage with them directly to support effective decision-making and oversight, are set out below.

This section, through to page 142, forms part of the s172(1) statement which can be found in the Strategic report on page 68.

● Further information on how the Company engages with its stakeholders can be found on pages 68 and 69

How the Board engages

	Information flow to the Board	Direct Board engagement	Matters and measures reviewed by the Board ¹
Customers	<ul style="list-style-type: none"> Monthly written reports from Executive Directors include material customer matters Sector CEOs and the Executive Directors give briefings at Board meetings 	<p>During the year the Executive Directors had regular meetings with the Group's key customers. These meetings happen throughout the year and across all levels of our key customers. At these meetings, customers will discuss all issues relating to Babcock, including the state of their relationship with Babcock and Babcock's performance. The Executive Directors report these meetings to the Board as part of their monthly reporting. The Board considers these reports in its discussions, for example, on strategy and growth.</p>	<ul style="list-style-type: none"> Order intake by sector Major operational programmes' RAG status
Investors	<ul style="list-style-type: none"> Reports from Investor Relations Treasury reports Investor meetings/roadshow AGM 	<p>The Board engaged directly with its investors, principally through meetings with the Executive Directors and the Chair. In addition, the Board receives regular feedback from the Group Head of Investor Relations. The Committee Chairs are available to meet shareholders when required. This year, the Chair of our Remuneration Committee consulted with shareholders on the Committee's proposals to amend the Remuneration policy. Our AGM gives the Board an annual opportunity to meet with private investors and for them to ask questions directly to the Board. This exchange of information has a direct impact on the Board's discussions on strategy and budget.</p>	<ul style="list-style-type: none"> Underlying operating profit Operating cash flow Analysis of share register movements Investor feedback from results presentations and investor meetings AGM feedback and voting from shareholders and proxy agencies
Employees	<ul style="list-style-type: none"> Bottom-up reports from Lord Parker, the Non-Executive Director designated for workforce engagement Global People Survey, our Group-wide employee survey Top-down reports from the Chief People Officer Principal trade union meeting with the CEO and the Chief People Officer Whistleblowing reports 	<p>Lord Parker continued his visits around the Group's many sites. After his visits, Lord Parker gives an overview of his findings to the Board. Other members of the Board also meet with colleagues during their visits to our sites. Additionally, the CEO engages with colleagues Group-wide via vlogs, and colleagues can contact him directly via a dedicated email address. Members of the Senior Leadership Team regularly present to the Board. These discussions led to the launch of the Culture dashboard.</p>	<ul style="list-style-type: none"> Participation rate and engagement score in Global People Survey Safety balanced scorecard together with monthly overview of significant safety events and Total Recordable Injury Rate Ethics training compliance rate Gender pay gap Subject matter of whistleblowing reports

	Information flow to the Board	Direct Board engagement	Matters and measures reviewed by the Board ¹
Communities	<ul style="list-style-type: none"> • Health, safety and environment updates • Material issues are included in the monthly reports from Executive Directors or in sector CEO briefings • Annual Report review 	In the main, the sectors hold these relationships at a local level where the most relevant knowledge is concentrated, with no direct engagement by the Board of Directors. The Board continues to believe that this level of engagement is appropriate, as any material issues are brought to the Board's attention through the monthly operational reports or the functional reports to the Board. However, the Board does take the opportunity to engage when appropriate. For example, on site visits, the Board seeks to engage the community leaders as well as colleagues.	<ul style="list-style-type: none"> • Diversity performance against target • Performance against carbon emissions target • Whistleblowing reports
Suppliers	<ul style="list-style-type: none"> • Briefings from the Chief Delivery Officer on an annual basis • Supply chain risk considered in reports on major tenders • Approval of the Modern Slavery Transparency Statement 	Principal engagement is undertaken by operational management, which reports annually to the Board to give it oversight of the function and its operations.	<ul style="list-style-type: none"> • Subject matter of whistleblowing reports • Modern Slavery Transparency Statement review

1. Measures in bold are reviewed at every Board meeting, others at least once a year.

Governance statement (continued)

How the Board took stakeholders' interests into account in its decision-making

When the Board makes its decisions, it seeks to consider the Company's stakeholders and their interests. Sometimes these interests are aligned, but on other occasions the Board must balance different stakeholder interests and take the decision that it believes is most likely to promote the long-term success of the Company in accordance with its duties under s172 of the Companies Act 2006. In all its decisions, the Board keeps in mind the Company's Purpose and principles to ensure alignment. Set out below is a description of how the Board addressed stakeholder interests in its discussions and decision-making in relation to the Board's key areas of focus.

Matters considered	Discussion and outcome	Stakeholders most affected and relevant s172 (1) a-f factors ¹	More information
<p>1</p> <p>Succession planning</p>	<p>One of the Board's most important duties is the Company's succession planning. The Nominations Committee leads this work on behalf of the Board.</p> <p>Over recent years, the Committee has developed a framework setting out the competencies, experience and traits that will be critical for future leadership and has used this framework on talent development, strengthening pipelines and succession planning.</p> <p>This framework balanced the priorities of the Company's stakeholders with its focus on sustainable profitable growth for shareholders, inspirational leadership for employees, and operational excellence for customers.</p> <p>The Committee used this framework to develop its internal candidates for the CEO succession as well as a means of measuring external candidates. This work extended over the recent years and readied the Committee for when David informed it of his intention to retire, as it could move seamlessly from preparation to execution.</p>	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • a, b, c, d, e, and f 	<ul style="list-style-type: none"> ● Pages 148 and 149
<p>2</p> <p>Free share award</p>	<p>Over the summer, the Board approved the introduction of an All-Employee Free Share Award Programme. In coming to its decision the Board considered three stakeholders. For shareholders, the Board believed that shareholders would benefit as the award would align the interests of employees and shareholders fostering a culture of ownership and high performance. For employees, the Board felt they would see the awards as a recognition of their contribution to the Company's success. This would enhance the Company's ability to attract, motivate and retain talent for the benefit of the Company and its shareholders. For customers, this culture of ownership would foster in turn a culture of high performance. The Board set the award at £300 a year per employee. This gave each employee an award of 29 shares in 2025. The Board did not apply any performance conditions to the award, but if an employee leaves before the end of the three-year holding period, they will forfeit their shares.</p>	<ul style="list-style-type: none"> • Employees • Shareholders • Customers • a, b, and d 	<ul style="list-style-type: none"> ● Page 88

1. s172(1) a-f factors are detailed in the s172(1) statement on page 68.

Matters considered	Discussion and outcome	Stakeholders most affected and relevant s172 (1) a-f factors ¹	More information
<p>3</p> <p>Brand refresh</p>	<p>As part of its strategy process, the Board commissioned a review of the “Babcock” brand. The review looked at the perception of Babcock amongst its stakeholder groups and found that, while the brand had key strengths, there were areas where the Company could develop it. The Board decided that the best way to address those areas identified through its stakeholder discussions was to adopt a new visual identity.</p> <p>The new brand reflects the Company’s evolution over the last five years and sets a clear and united direction. For employees it will help the Company stand out in the jobs market to attract and retain talent with the aim that the Company is seen as an employer of choice. For existing and potential investors and customers, the new brand underlines that the Company has transformed itself and is now one of the UK’s leading defence companies.</p> <p>The Company successfully launched its new visual identity at the Defence and Security Equipment International Exhibition in the summer of 2025. Following the launch, there were further campaigns targeted at different stakeholder groups to raise the profile of and support for the new identity.</p>	<ul style="list-style-type: none"> • Employees • Shareholders • Customers • a, b, c, d, e, f 	<p>● Page 81</p>
<p>4</p> <p>Share buyback programme</p>	<p>The Board reviewed and approved plans for a £200 million share buyback programme. The programme commenced on 23 July 2025 and completed in April 2026. Before approving the buyback, the Board measured the programme against its capital allocation policy. With the Company’s strong cash flow performance, the Board’s assessment was that the buyback would not impede any of the policy’s priority items (organic investment, financial strength, and ordinary dividend). This disciplined approach to capital allocation benefits all stakeholders through its transparency and certainty. The share buyback should benefit shareholders by reducing the number of shares in circulation, leading to an increased share price and better returns on dividends in the future. This in turn benefits employees as an increased share price should make the company’s shares more attractive to new investors, leading to job creation and creating a more stable and attractive work environment.</p>	<ul style="list-style-type: none"> • Shareholders • Employees • a, b, f 	<p>● Page 251</p>

1. s172(1) a-f factors are detailed in the s172(1) statement on page 68.

Governance statement (continued)

How the Board keeps s172 on its agenda

The Board makes sure that, in its decisions, it considers the long-term success of the Company and considers the interests of its stakeholders as follows:

- The Board sets the Company's Purpose and strategy. Every year, it carries out an annual strategy review to assess the long-term sustainable future of the Group and its impact on key stakeholders. As part of those discussions, it considers the matters the Directors must have regard to as part of their Section 172 duties.
- The Board's risk management procedures identify the principal risks facing the Group and the mitigations in place to manage the impact of these risks. Many of these risks relate to our stakeholder groups.
- The Board's standing agenda covers areas of stakeholder interest, such as sector operational reports, functional reports, financial reports, health and safety reports, and litigation reports, to ensure that the Board receives relevant updates on matters of interest to our stakeholders.
- There are regular reports from the Audit Committee Chair and the Remuneration Committee Chair on items within their remit.
- When making decisions which require judgement to balance the interests of different stakeholder interests, the Board is careful to consider the interests of each different stakeholder in the context of the long-term consequences: for examples, please see above. Members of the Board regularly engage with our investors and colleagues, and the Board uses the stakeholder engagement summarised on pages 68 and 69 and on pages 138 and 139 to understand the priorities of each stakeholder group, and then uses that understanding to inform its decision-making process.



Defining Board responsibilities

The role specifications below set out the clear division of responsibility between the Executive and Non-Executive members of the Board, which supports the integrity of the Board's operations.

A more detailed description of these roles is available online at www.babcockinternational.com.

Non-Executive	Executive
<p>Chair</p> <ul style="list-style-type: none"> • Independent on appointment; • Leads the Board and sets the tone and agenda, promoting a culture of openness and debate; • Ensures the effectiveness of the Board and that Directors receive accurate, timely and clear information; • Ensures effective communication with shareholders; • Acts on the results of the Board performance evaluation and leads on the implementation of any required changes; and • Holds periodic meetings with Non-Executive Directors without the Executive Directors present. <p>Senior Independent Director</p> <ul style="list-style-type: none"> • Acts as a sounding board for the Chair; • Available to shareholders if they have any concerns which require resolution; • Leads the annual evaluation of the Chair's performance; and • Serves as an intermediary to other Directors when necessary. <p>Independent Non-Executive Directors</p> <ul style="list-style-type: none"> • Support and constructively challenge the Executive team; • Contribute to the development of the Company's strategy; • Provide an external perspective and bring a diverse range of skills and experience to the Board's decision-making; • Contribute to Board discussions on the nature and extent of the risks the Company is willing to take to achieve its strategic objectives; • Satisfy themselves as to the integrity of financial information; • Ensure financial controls and systems of risk management are robust and defensible; and • Play a primary role in appointing and, where necessary, removing Executive Directors, setting their remuneration and succession planning. <p>Designated Non-Executive Director for workforce engagement</p> <ul style="list-style-type: none"> • Gauges the views and feedback of the workforce and identifies any areas of concern; • Communicates the views of the workforce to the Board; • Ensures the views of the workforce are considered in Board decision-making; and • Ensures the Board takes appropriate steps to evaluate the impact of any proposals that influence the experiences of the workforce, and considers what steps the Board should take to mitigate any adverse impact. 	<p>Chief Executive Officer</p> <ul style="list-style-type: none"> • Oversees the day-to-day operation and management of the Group's businesses and affairs; • Responsible for the implementation of Group strategy as approved by the Board, including driving performance and optimising the Group's resources; • Accountable to the Board for the Group's operational performance; and • Takes primary responsibility for managing the Group's risk profile, identifying and executing new business opportunities, and management development and remuneration. <p>Chief Financial Officer</p> <ul style="list-style-type: none"> • Accountable to the Board for the Group's financial performance; • Responsible for raising the finance required to fund the Group's strategy, and servicing the Group's financing whilst maintaining compliance with its covenants; and • Maintains a financial control environment capable of delivering robust financial reporting information to indicate the Group's financial position.

Governance statement (continued)

Articles of Association

The powers of the Directors are set out in the Company's Articles of Association (the Articles), which the members of the Company may amend by a Special Resolution. The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation. The Articles are available for inspection online at www.babcockinternational.com.

The Board has established a formal schedule of matters specifically reserved for its approval. It has delegated other specific responsibilities to its Committees. These are clearly defined in their terms of reference (available online at www.babcockinternational.com/wp-content/uploads/2025/06/Articles-of-Association.pdf). Other responsibilities are delegated to management under a delegated authorities matrix.

Summary of key matters reserved for the Board

- Group strategy
- Interim and final results announcements and the Annual Report
- Dividend policy
- Acquisitions, disposals and other transactions outside delegation limits
- Significant contracts not in the ordinary course of business
- Major changes to the Group's management or control structure
- Changes relating to the Company's capital structure or status as a listed PLC
- Annual budgets
- Major capital expenditure
- Major changes in governance, accounting, tax or treasury policies
- Internal controls and risk management (advised by the Audit Committee)
- Major press releases and shareholder circulars

Meetings and attendance

Each financial year, the Board has eight scheduled full Board meetings held in person, which includes a meeting dedicated to strategy, and two operational updates held by video conference or in person. The Chair also meets separately with Non-Executive Directors without Executive Directors or other managers present. See the table opposite for further information about the meetings held during the year. There was 100% attendance at scheduled Board, Audit Committee, and Nominations Committee meetings and 96% for the Remuneration Committee.

Conflicts of interest and independence

Babcock has a procedure for the disclosure, review, authorisation and management of Directors' actual and potential conflicts of interest or related party transactions in accordance with the Companies Act 2006. The procedure requires Directors formally to notify the Board (via the Company Secretary) as soon as they become aware of any new actual or potential conflict of interest, or when there is a material change in any of the conflicts of interest they have already disclosed.

A register is maintained of all the disclosures made and the terms of any authorisations granted. Authorisations can be revoked, or the terms on which they were given varied, at any time, if judged appropriate.

In the event of any actual conflict arising in respect of a particular matter, mitigating action would be taken (for example, non-attendance of the Director concerned at all or part of Board meetings and non-circulation to them of relevant papers).

Possible conflicts of interest are reviewed annually by the Board.

The Committee also considers the circumstances set out in the Code which could compromise an individual's position of independence. The Board is satisfied that, throughout the year, all Non-Executive Directors remained independent and accordingly the Company is compliant with Provision 10 of the Code.

Time commitment

The expected time commitment of the Chair and Non-Executive Directors is agreed and set out in writing in their respective letters of appointment, at which point the existing external demands on an individual's time are assessed to confirm their capacity to take on the role. Further appointments can only be accepted with the approval of the Chair, following consideration of whether there would be an impact on the independence and objectivity required to discharge the agreed responsibilities of each role, and whether the resultant position is believed to be consistent with recognised proxy advisor guidelines.

The Board is satisfied that each Director has the necessary time to effectively discharge their responsibilities and that, between them, the Directors have a blend of skills, experience, knowledge and independence suited to the Company's needs and its continuing development.

Board and Committee membership, meetings and attendance

	Board	Nominations Committee	Audit Committee	Remuneration Committee
Number of scheduled meetings held	8	8	7	6
Dame Ruth Cairnie	8/8	8/8	–	–
Carl-Peter Forster	8/8	8/8	–	6/6
John Ramsay	8/8	8/8	7/7	6/6
Lord Parker	8/8	8/8	–	3/3
Jane Moriarty ¹	8/8	8/8	7/7	5/6
David Lockwood	8/8	–	–	–
David Mellors	8/8	–	–	–
Sir Kevin Smith	8/8	8/8	7/7	–
Claudia Natanson	8/8	8/8	–	–
Aedamar Comiskey	6/6	5/5	4/4	4/4

1. Jane Moriarty was unable to attend one Remuneration Committee meeting due to a prior commitment.

Composition

The Nominations Committee keeps the composition of the Board under constant review to ensure a balance of skills, experience and knowledge to lead the Group. As at 31 March 2026, the Board comprised the Chair, who was independent on appointment, seven Independent Non-Executive Directors and two Executive Directors. All continuing Directors are required to offer themselves for re-election by shareholders each year at the Annual General Meeting and each appointment is put to a separate vote. Biographical details can be found on pages 134 and 135 and there is more information on appointments to the Board in the Nominations Committee report on pages 148 and 149.

Diversity policy

Our policy is that, to be effective in delivering our customers' needs and our future ambitions, the Company must attract, retain, motivate and develop highly capable colleagues. Attracting talent is competitive and therefore the Company must work to ensure that it attracts potential colleagues from every part of society. This requires the Company to foster an inclusive culture where all colleagues feel valued and welcomed. Our aim is to build talented teams with a range of backgrounds, skills and experience, but all aligned around our Purpose "To create a safe and secure world, together".

Board diversity

Throughout FY26, the Board was in line with the Financial Conduct Authority's diversity and inclusion Listing Rules of having at least 40% female representation on the Board, at least one senior Board position held by a female and at least one member of the Board being from an ethnic minority background, as well as those for the FTSE Women Leaders Review (at least 40% female representation on the Board) and the Parker Review (at least one Board member being from an ethnic minority background). For more information on the Group's diversity policy and its objectives, please see page 149.

Board and executive management ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
White British or other White (including minority-white groups)	9	90%	4	13	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	10%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

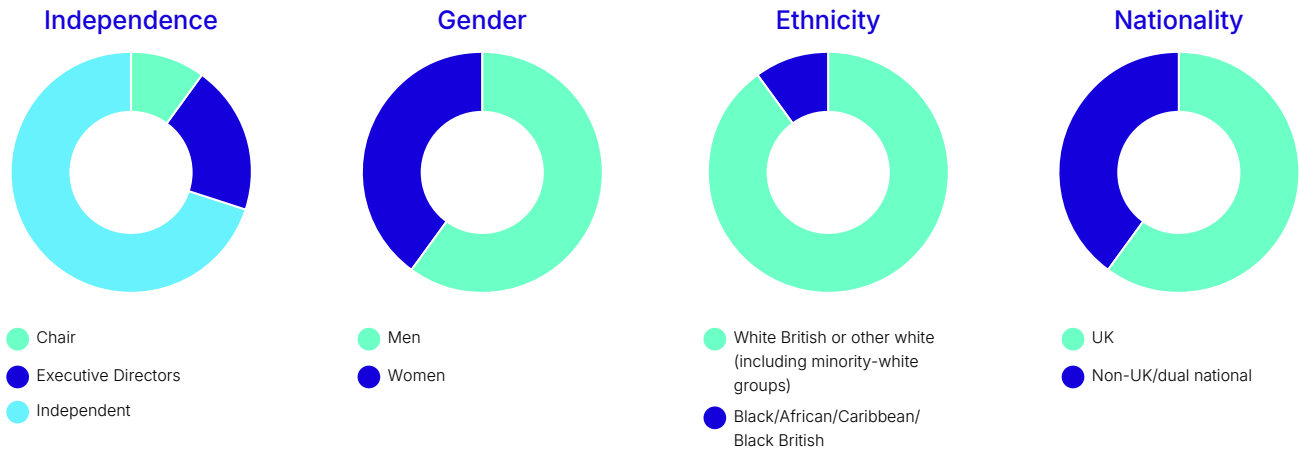
Board and executive management gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
Men	6	60%	3	10	77%
Women	4	40%	1	3	23%
Non-binary	–	–	–	–	–
Use another term	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

The tables and charts in this section show the position at 31 March 2026. The Company has collected the data on which the tables above are based by the individuals concerned self-reporting their data on being asked about their ethnicity and gender in the categories listed.

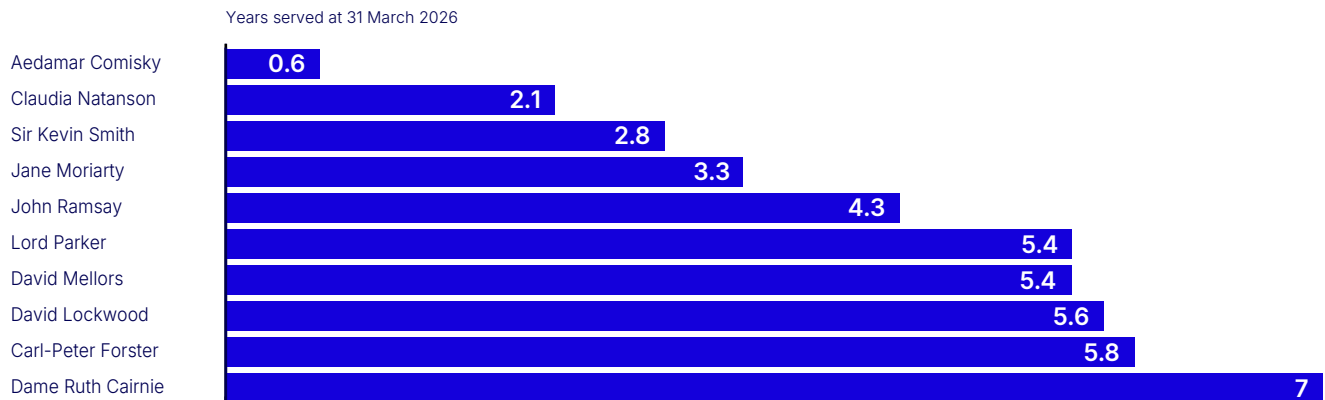
Governance statement (continued)

Board information



Board tenure

The average Board tenure at 31 March 2026 was 4.2 years.



Succession

The Chair, Senior Independent Director and Independent Non-Executive Directors are appointed for a three-year term, subject to annual re-election by the shareholders. At the end of the first three-year term, the Nominations Committee reviews each Non-Executive Director’s tenure to make sure that renewing the appointment is the right decision. The Nominations Committee will usually renew the appointment for a further three years. After the second three-year term, the Nominations Committee reviews the appointment annually.

The ongoing replenishment of the Board is a key focus for the Nominations Committee and more information about succession planning can be found in its report on pages 148 and 149.

Director training

With the ever-changing environment in which Babcock operates, it is important for our Executive and Non-Executive Directors to remain aware of recent and upcoming developments, and keep their knowledge and skills up to date. Each Non-Executive Director is expected to participate in their own continuous professional development.

Non-Executive Directors may at any time make visits to Group businesses or operational sites and are encouraged to do so at least once per year. Visits are coordinated by the Group Company Secretary’s office. Presentations on the Group’s businesses and specialist functions are made regularly to the Board.

Our Company Secretary also provides updates to the Board and its Committees on regulatory and corporate governance matters.

Our new Directors receive comprehensive and tailored induction programmes. The programmes for Non-Executive Directors typically involve:

- Meetings with the Executive Directors, the sector CEOs and functional leads
- An overview of the Group’s governance policies, corporate structure and business functions
- Details of risks and operating issues facing the Group
- Visits to key operational sites
- Briefings on key contracts and customers.

Evaluation

FY26 Board performance review

Each year we review the Board's ways of working as well as its skills, experience, independence and knowledge, to confirm it is able to discharge its duties and responsibilities effectively. The composition and diversity of the Board and its Committees and how well the Directors are working together is considered, as well as the individual performance of the Directors and the Chair. This year the review was internally led by Aedamar Comiskey. The review identified that the key strengths of the Board were its collegiate ways of working and its diversity of skills and experience. The review did identify actions for the Board to work on over FY27, which are detailed below.

Progress made on actions identified in the FY25 review

Recommendations for FY25	Outcome
Review the Company's brand as a tool to establish a joint vision for the Company	The Board engaged with its stakeholders and, using the results of the engagement, refreshed the Company's brand. For more information, please see page 81.
Review the Board's monthly reports to increase the focus on key KPIs	The Board reviewed the monthly Board pack and agreed a set of changes to improve the clarity and focus of the monthly Board packs.
Agree an approach to tracking progress on the steps that the Company is taking to embed the Board's plans for the Company's culture	Since 2022, the Board had improved the Group's engagement scores, closing the gap with the global average. The Company broke the engagement score down into five pillars and devised plans on how to address each pillar. The Board had a dedicated session to review those plans, which included the introduction of a Culture dashboard for use by the Company's senior leadership.
Continue to develop a single Leadership Framework for implementation across all levels of the Company	Over the year, the Nominations Committee has developed a single Leadership Framework, which it used for succession planning for the Group CEO. This framework will act as a template for the succession planning for the Company's Senior Leadership Team.
Discuss the best way for the Board to leverage the strengths of each of its members	The Board decided that the best way to leverage the strengths of each of its members was to ensure that, at its informal meetings, the Board makes time to discuss their respective strengths and experiences. This will allow Board members to be aware of their respective domain knowledge in respect of the topics raised for discussion at Board level.

Actions identified in the FY26 review

- Support the CEO transition
- Refresh the Company's approach to strategy
- Consider how to refine the Company's reporting on operational performance
- Continue the Board's discussion on the Group's AI strategy.

Nominations Committee report

Highlights

Development of Senior Leadership succession plans

Review of the structure, size, and composition of the Board



Dame Ruth Cairnie

Chair of the Nominations Committee

The Committee

Dame Ruth chairs the Committee.

The other members throughout the year were all the Non-Executive Directors.

- For biographies of the members, please see pages 134 and 135
- For attendance, please see page 144

Key responsibilities

- Board and Committee composition
- Succession and talent
- Culture
- Inclusion

Dear fellow Shareholder

I am pleased to present the Nominations Committee report for the year ending 31 March 2026.

Senior leadership and succession

Over the year the Nominations Committee has been very busy with preparing for and then making key decisions regarding CEO succession, with David's advice in January of his intention to retire.

We have been developing and enhancing our approach to talent development and succession planning over recent years and significant progress had already been achieved prior to the start of FY26. A number of moves to strengthen leadership at senior levels had been made, externally supported and benchmarked assessment of top talent had been undertaken and tailored development plans were in place. During FY26 the process of development, mentoring and assessment continued while we introduced a focus on CEO succession by developing the Board's expectations of required capabilities for a future CEO, recognising that the detail would depend on the timing, strategic progress of the Company and external factors in an uncertain environment. We also extended the depth of assessments of potential external candidates.

The level of preparation meant that, when David advised the Board of his retirement intention, we were well placed to progress from a preparation to an execution phase, building on the in-depth knowledge we had accumulated. We refreshed our view on priorities in the profile for our future CEO and conducted a selection process considering both internal and external candidates. We were very pleased to choose Harry Holt as David's successor and were pleased that talent development over a sustained period resulted in our ability to appoint an internal successor.

As CEO of Babcock's Nuclear sector, the Company's largest sector, Harry has been an integral part of David's senior management team since November 2023, successfully helping to deliver the Group's transformation and growth programme. Under his leadership, the sector has improved performance on its many critical programmes and has grown revenue by c54%, between FY23 and FY25, achieving margins reaching 9%. Both the defence and civil businesses within the Nuclear sector are well-set for exciting future growth.

Prior to joining the Company, Harry spent seven years on the Executive Team of Rolls Royce plc at a senior level, including President of its Nuclear Division and latterly as Chief People Officer, leading a group-wide transformation and restructuring. His industrial career has also included a range of other senior appointments in the aerospace, defence, security and nuclear sectors. Before joining Rolls-Royce, Harry had a long and distinguished career as an officer in the British Army.

Harry's experience in leading Babcock's defence and civil nuclear operations, allied to his strong existing relationships with the Group's key customers and deep working knowledge of the wider defence sector, means that he is exceptionally well-qualified to lead the Company through the next stage of its strategy.

We have appointed Harry to a newly created role of Deputy CEO and he will join the Board over the summer. We will have a comprehensive and seamless transition before Harry succeeds David as Group Chief Executive and David steps down from the Board. Thereafter, David will continue to support the business as needed. The Company used Russell Reynolds to assist in the appointment process and to advise on the Company's development of its senior leadership. Russell Reynolds has no other connection to the Company or its Directors.

Board composition

We announced last year that Lucy Dimes had decided to retire from the Board. To appoint her replacement, we used our skills matrix to understand the strengths we had around the Board table and the areas where we could add extra strengths. We agreed that the Board would benefit from the experience of someone with a background in leading a complex international business. As a consequence, we were delighted to appoint Aedamar Comiskey as our latest Non-Executive Director. Aedamar is a leading public and private corporate lawyer and has led the international law firm, Linklaters, since 2021, advising on many significant transactions. From 2014 to 2024, Aedamar was a Non-Executive Director at James Fisher and Sons plc, where she was chair of the Remuneration Committee from 2018 and the Senior Independent Director from 2019. Since her appointment at Babcock, Aedamar has been following our tailored induction process, which involves meeting the Senior Leadership Team and our key advisers, as well as visiting our key sites and engaging with our employees. The Committee used MWM to assist in the appointment of Aedamar. MWM does not have any other connection with the Company or its Directors.

Inclusion and diversity

As a Board, we recognise our role in setting the tone from the top in respect of inclusion and diversity. We pay close attention to the three externally set targets we are expected to comply with at Board level: the FTSE Women Leaders Review target to have 40% women by 2026; the Parker Review target for at least one minority ethnic Board member; and the Financial Conduct Authority target to have at least one of the senior Board roles (Chair, SID, CEO, CFO) being a woman. We are pleased to say that we met all three of these targets in FY26.

In the wider group, however, there is still more work to be done. Our aspiration is to be a destination employer, where the best people can do the most meaningful work of their careers. As part of our plan to achieve our aim, this year we have launched our new People strategy which aims to engage with our people across their time with us from attraction right through to retention and progression. Our new strategy will unify our colleague experience, encourage our leaders to lead with purpose and impact, grow organisational strength and capability, as well as driving performance and potential. We look forward to monitoring the progress of our new strategy through the regular reports that we receive as well as the extensive engagement that we have our people across the organisation.

Culture

Culture plays a key role in our drive to continue the improvement of our performance. Back in 2021, we launched our culture change with the introduction of six principles. These principles guide and direct Babcock, aligning all those who work in the business. This year to support our principles, we launched a Culture dashboard for our leadership teams to focus them on what we believe to be the key indicators of an improving culture and to ensure consistency of expectations throughout the Group. We will monitor the roll-out of the dashboard over FY27. For more information on the work that we are doing across the Group please see the report on sustainability on page 70.

I hope this report gives you an understanding of the work of the Committee over FY26 and look forward to meeting as many of you as possible at this year's AGM.

Dame Ruth Cairnie

Chair of the Nominations Committee

Audit Committee report

Highlights

Review of the key management judgements and estimates for the FY26 financial statements

Review of the Company's approach to the new 2024 UK Corporate Governance Code requirements



John Ramsay
Chair of the Audit Committee

Dear fellow Shareholder

On behalf of the Committee, I am pleased to present to you our report for FY26.

FY25 audit

FY25 was the first year that Forvis Mazars (FM) had acted as our auditor. In my report to you last year, I explained our focus has been on ensuring that we had the best possible transition and supporting a good, but challenging, working relationship between the Babcock and FM teams. We were happy with the result of our work, and, as reported in last year's report, we assessed the FY25 audit to have been delivered to schedule and to a high-quality standard.

We were especially pleased as the AQR inspection report by the Financial Reporting Council (FRC) of FM's FY25 audit supported our assessment. The FRC is the UK's independent regulator for audit quality and inspects audit files on a rotational basis. The audit was assessed as requiring no more than limited improvements, with no 'key findings' which would require improvement. Two areas of good practice were noted – contract revenue and Group audit oversight.

The FRC highlighted that FM's substantive testing of certain significant risk contracts demonstrated a detailed understanding of those contracts, facilitating the design and execution of appropriate audit procedures. The audit working papers captured FM's extensive challenge of management and its evaluation of management's judgements and assumptions.

As for the Group audit oversight, the FRC observed that the evidence of FM's involvement in and oversight of the work of their overseas component auditors was of a high standard. In particular, FM prepared detailed evidence covering their review of component auditors' working papers and FM's site visits, including their challenge and evaluation of underlying audit work and reporting deliverables.

As regards the limited improvements suggested by the FRC, FM prepared a report for the Audit Committee setting out how they would address the points raised in the FY26 audit. For further information on the FRC's findings on key matters relevant to audit quality at FM, please see the FRC's report on media.frc.org.uk/documents/Forvis_Mazars_LLP_Audit_Quality_Inspection_and_Supervision_2025.pdf.

FY26 audit

Our plan for the FY26 audit was to build on the knowledge and experience gained last year. This was made easier as there was good continuity across the senior members of both teams. We ensured that the teams invested the time up front in debriefing the experiences of the FY25 audit, to identify any development areas to improve the overall efficiency and effectiveness of the FY26 audit, while ensuring our number one priority of high audit quality. Similar to FY25, FM has applied a substantive approach to the FY26 audit, with some limited reliance on IT controls.

To allow us to monitor the progress of the audit, we agreed with FM a set of critical milestones and asked FM to report on progress against those milestones on a regular basis. These milestones gave us a clear line of sight so that we could discuss any deviations from the agreed audit plan and could intervene if required. I would like to thank both FM and the Babcock teams for their hard work and effort in delivering another successful high-quality audit.

Internal controls

Our other key focus for FY26 has been the work to prepare the Company for the new requirement introduced by the 2024 UK Corporate Governance Code, which requires boards to formally review the effectiveness of their company's risk management and internal control framework at least annually, and to report on the effectiveness of their company's risk management and material controls.

This requirement will have effect from FY27 and we will report on it in our FY27 Annual Report. Nevertheless, we have prioritised this work and we are well advanced in our planning; the case study on page 114 provides more detail on our approach and progress. We have developed a dashboard for the tracking and monitoring of material control effectiveness, which we will review throughout FY27. This dashboard will provide sufficient visibility and detail to enable us to challenge management, and to form the basis of our judgement to agree with the Board the report we will make in our future annual reports.

Priorities for FY27

Our priority is to maintain high-quality audit standards and to look for opportunities to continuously improve. We will continue with this in FY27.

As mentioned above, the planning and preparation to enable the Board to comply with provision 29 of the 2024 Corporate Governance Code is well underway and we will be focused on ensuring that this is effectively implemented.

Given the advances in effectiveness of the audit achieved in FY25 and FY26, we believe that a further advance in the year-end reporting timetable can be made in FY27.

As ever, I am available to all shareholders to discuss any significant matter related to our work. Alternatively, all the Committee will be at the 2026 AGM, where we will be available to answer any questions you may have on this report or the Committee's activities.

Finally, I would like to thank all the Committee members for their work over the year, as well as welcoming our newest member of the Committee, Aedamar Comiskey, who joined in September 2025.

John Ramsay

Chair of the Audit Committee

The Committee

John Ramsay chairs the Committee.

John is a Chartered Accountant, formerly the Chief Financial Officer of Syngenta AG, and an experienced Audit Committee chair (see page 134 for John's full biography). The Board has designated him as the financial expert on the Committee for the purposes of the UK Corporate Governance Code.

In FY26, the other members of the Committee were Jane Moriarty, Sir Kevin Smith and Aedamar Comiskey. All members of the Committee are Independent Non-Executive Directors. Please see pages 134 and 135 for their biographies and page 144 for attendance and number of meetings.

During the year, the Committee invited the Chair of the Board, other Non-Executive Directors, the CEO, the CFO, the Group Financial Controller, the external audit team, the internal audit team, and key senior management to attend its meetings, as appropriate.

From time to time, the Committee meets separately with the external audit lead partner as well as with the Head of Internal Audit, to give them the opportunity to discuss matters without management being present.

In addition, the Committee Chair maintains regular contact with the external audit lead partner and Head of Internal Audit between meetings, often without the presence of management.

Key responsibilities

- Ensuring the independence and quality of the audit conducted by the external auditor
- Reviewing the Company's Annual Report and Financial Statements, as well as any announcements relating to financial performance
- Challenging the accounting policies, judgements and estimates, as well as disclosures, in those statements
- Reviewing the scope, remit, objectivity and effectiveness of the internal audit function
- Reviewing the effectiveness of Babcock's internal control and risk management systems

Audit Committee report (continued)

Audit Committee report

Below is our report on our activities over FY26. The report, along with my letter, describes our activities over the year including how we are meeting the requirements of the Financial Reporting Council (FRC)'s Audit Committees and External Audit: Minimum Standard.

Audit independence

One of our key responsibilities is to ensure the independence and objectivity of Babcock's external auditors. To do this, we have set a policy to control the mandates Babcock can give its external auditors outside the external audit itself. Before instructing its external auditors for any non-external audit work, Babcock must obtain prior approval as follows: for the provision of non-audit services for fees up to £10,000, the CFO may give the approval; for fees between £10,000 and £100,000, the approval must come from the Committee Chair; and, for fees of more than £100,000, Babcock will need the approval of the Committee.

To supplement our policy, we also ask Forvis Mazars (FM) for a confirmation that they comply with their relevant ethics codes and believe themselves to be independent. FM have provided this confirmation. The only non-audit services that they have supplied to the Company related to Babcock Australia and Rosyth Royal Dockyard. In both cases, FM were engaged to provide an audit of a grant claim for immaterial compensation in the context of the Group and the audit fee. In addition, they have confirmed that, if any issue with their independence did arise during the audit, they would formally report this to us in their Audit Completion Report.

Accordingly, we are satisfied that FM are independent and have the required objectivity to deliver our external audit. For the FY26 audit, Louis Burns was the lead audit partner and is in his second year.

Audit quality

Our number one priority is to ensure audit quality and effectiveness. That was why, as reported above, we were pleased with the conclusion of the review by the FRC into FM's audit of our FY25 Annual Report.

With the experience of FY25, we were able to agree a more precise assessment of the risk of material misstatement, which allowed us to reduce scope for the FY26 audit: c.90% of our revenue was subject to a full scope audit (FY25: 98%), c.7% was not in scope (FY25: 1%), and 3% was subject to specific scope (FY25: 1%). This is in line with the approach taken by other groups and allowed focus on those areas with greater risks of material misstatement without reducing audit quality or effectiveness.

At the same time as agreeing the scope of the audit, FM provided us with their plan for the audit which documented the procedures that they would adopt at different stages of the audit, as well as the work they would perform on Babcock's material components. They listed the significant risks, key audit matters, and other key judgement areas that would be relevant to their work. For their audit, they set a financial statement materiality of £26.0 million (FY25: £24.0 million) with a performance materiality of £15.6 million (FY25: £12.0 million) and a "de minimis" threshold of £1.3 million (FY25: £0.7 million). At the end of the process, we were satisfied that FM has delivered an audit to the standard that we require.

FY26 financial statements

A central responsibility for our Board is to confirm that the Company has prepared its financial statements in accordance with the relevant financial reporting framework and that those statements give a true and fair view of the assets, liabilities, financial position, and profit or loss, as well as ensuring that its annual report including the financial statements are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

To assist the Board in complying with this responsibility, we reviewed the Company's Annual Report and Financial Statements and recommended them for approval to the Board. Our review included the basis for the preparation of the Company's financial statements, including challenging management on the assumptions supporting the Going Concern and Viability statements (please see pages 130 and 131 for more detail). After our review, we were satisfied that Babcock should prepare its financial statements as a going concern. We challenged management on all material judgements and estimates that the Company had incorporated into the financial statements, together with the related disclosures, to ensure that the financial statements gave a true and fair view. We also considered the totality of the Annual Report alongside the financial statements to decide whether they, taken as a whole, were fair, balanced, and understandable. Throughout our review, we ensured that we challenged and tested the positions taken by management.

In our review, the areas that we considered most significant were:

- The Company's Type 31 programme:** in FY23, Babcock announced that its Type 31 contract would be loss-making. As such, the accounting standards require Babcock to base the expected loss on its best estimate of the costs of delivering the programme with no bias towards prudence or optimism. Since then, we have taken great care to review the judgements and estimates management has used to calculate the expected loss. This year, as the Company finished structural completion of ship one, the focus has been on outfitting and commissioning. During the outfitting stage, the programme experienced higher than expected levels of rework as a result of changes to the design and the long-term impacts of out-of-sequence build activity earlier in the programme, resulting in a £140 million charge at the year end. The estimate of the expected loss is a complex process involving multiple assumptions, which interlink with each other. We took great care to review and challenge the assumptions taken by management, the key ones being rework, productivity, labour costs, schedule, and risk. This involved dedicated meetings to review the process management had undertaken to determine their judgement, which key representatives from the contract team attended, as well as challenging the assumptions themselves. In particular, we challenged management on the events in the year which have increased the expected loss, particularly the causes of rework, and tested the level of prudence that management had used to assess future rework. In our review, we were aware of the complexity involved in making the judgements and estimates, as not only was there a range of possible outcomes for each judgement and estimate, but the judgements and estimates were also often inter-related. This complexity could result in a material increase or decrease in the value of the expected loss. Remaining contract costs are estimated to be circa £700 million. If actual costs were to differ from those management has assumed by 10%, the potential impact on the contract loss could be circa £70 million. For more information, please see page 203.



- Contract revenue and margin recognition:** we reviewed the accounting treatment of other key programmes, principally the Company's contract to deliver engineering and other services to support the MOD at Devonport and Clyde, which expired on 31 March 2026, its contract to operate the UK's military satellite communications network, and its contract to support the British Army's armoured fleet. The positions included in the FY26 accounts in respect of these contracts are judgemental. The Committee reviewed the relevant judgements as well as the evidence to support them, and concluded that the judgements were highly probable and unlikely to be reversed.

The conclusion of our review was that we were pleased to recommend to the Board that the FY26 Annual Report and Financial Statements were representative of the Company's year and presented a fair, balanced, and understandable overview of the year. A key support for our review is FM's audit (please see page 187 for their independent auditor's report). The total fees paid to Forvis Mazars in respect of their audit of the Company's FY26 financial statements was £8.9 million.

FY26 internal audit

We agreed an annual plan for internal audit at the start of FY26, based on Babcock's principal risks and uncertainties (please see page 115). The plan delivered audits split across sectors, Direct Reporting Countries, and Group functions. Over the course of the year, Babcock's internal audit team regularly reports to us the results of its audits. Material actions are brought to our attention. We ensure that each action has an owner responsible for the implementation of the improvement, as well as a date for implementation. At our meetings, we regularly review the implementation of all actions.

If any action becomes overdue, the internal audit team chases progress on our behalf until the action is complete, while keeping us abreast of progress.

The Committee assessed the effectiveness of the internal audit function over the year using qualitative and quantitative indicators including the delivery of the internal audit plan, the quality of audit reports, the actions raised, the pace for closing out the raised actions, and the resourcing of the team. Through our assessment, we are satisfied that the team is both objective and effective.

Risk management and internal control systems

The Board has ultimate responsibility for risk management and internal control processes. It has delegated to the Committee the review of the effectiveness of these systems to assist it in discharging this responsibility. A description of Babcock's Risk Management Framework can be found on pages 112 and 113.

The Group continues its journey to strengthen its underlying processes and controls, underpinned by the work to prepare for the 2024 UK Corporate Governance Code. The case study on page 114 provides more detail on our approach and progress to date.

To carry out the review of the effectiveness of risk management and internal controls for the Board, we receive reports on both over the course of the year, which the Director of Risk and the Group Director of Controls prepare and present to us, giving us the opportunity to challenge and test the reports. This year, like last year, we were satisfied with the progress that the Company is making in both strengthening and improving the underlying controls, and in preparation for the new reporting requirements under Provision 29 of the 2024 UK Corporate Governance Code.

Remuneration Committee report

Highlights

Completion of our review of the Company's Remuneration policy

Engagement with shareholders on the implementation of the Company's Remuneration policy

Review of FY26 Remuneration outcomes

Deciding on the implementation of the Remuneration policy for FY27



Carl-Peter Forster
Chair of the Remuneration Committee

Dear fellow Shareholder

Thank you again for the time and care that you have taken in responding to our consultation requests. Over the last year, we have written to shareholders representing approximately 60% of our register, initially in respect of changes to our Remuneration policy and subsequently in respect of the implementation of those changes. We have received a good level of feedback, which has been invaluable in shaping our decisions and in ensuring they are aligned to shareholder interests.

Implementation of our Remuneration policy

Last year, we consulted extensively with shareholders over certain changes that we wanted to make to our Remuneration policy. With the benefit of shareholder feedback, we proposed three changes for shareholders to approve at the 2025 AGM: the introduction of an absolute total shareholder return "kicker" to our Performance Share Plan (PSP), an increase to the annual bonus opportunity for the Executive Directors from 150% to 180% of salary, and the inclusion of a discretion to waive our requirement to defer 40% of any earned bonus where Executive Directors have achieved their shareholding requirement. We were pleased that c.68% of shareholders voted in favour of these proposals. However, reconsidering our position later in the year and the overall market situation, we decided not to implement the changes immediately and to undertake a further round of consultation prior to implementing any of the changes in the future.

During FY26, we revisited the rationale for the changes. While we continue to believe that our rationale for each change remains compelling, we concluded that the change most appropriate to implement this year was the waiver of the bonus deferral where an Executive Director has met their shareholding requirement.

We view bonus deferral as a means of aligning the interests of shareholders and executives over the medium term through exposure to Babcock's share price. However, where an Executive Director has a significant holding of Babcock shares (either through self-purchases or our share-based schemes), we believe that it is appropriate to waive the deferral requirement and instead pay the bonus entirely in cash. This approach is fairer overall and does not dilute our clear emphasis on the importance of an alignment of executive and shareholder interests through meaningful share ownership, which is reflected in our requirements for our CEO to hold Babcock shares with a value of 300% of salary and our CFO to hold 200%. The waiver does not undermine our malus and clawback powers, as we can exercise those powers to future cash bonuses and the in-flight (three-year performance period) PSP awards as well as those PSP awards in the two-year post-vesting holding period.

Accordingly, we wrote to shareholders representing c.60% of our register to ask for their views on implementing the bonus deferral waiver for FY26. As with the first consultation, most shareholders who engaged agreed with our rationale and supported our proposal. So we decided to implement the bonus deferral waiver with effect from the FY26 bonus. As both Executive Directors have shareholdings significantly in excess of their shareholding requirement, the waiver applies to the FY26 bonus payout for David Lockwood and David Mellors.

Remuneration in FY26

We always consider the business context to assure ourselves that our remuneration outcomes reflect the Company's performance and the broader context, including shareholders' experience and interests. The Group delivered a strong underlying operational and financial performance reflecting continued momentum in FY26, with particularly strong performances in Nuclear and Aviation, notwithstanding a partial offset to our strong underlying financial results from a charge on the Type 31 contract. The Committee took this context into account when reviewing incentive outcomes for FY26 and, in particular, the formulaic impact of Type 31 on both the profit element of the FY26 bonus outcome and the margin element of the FY24 PSP.

We considered carefully whether the formulaic impact on each scheme was appropriately aligned to the shareholder experience and reinforced the desired behaviours and performance outcomes that each scheme was intended to incentivise.

For the FY26 bonus, we decided that it was appropriate to reflect the in-year impact of Type 31 on the operating profit element of the bonus, even though this was a legacy contract entered into before the tenures of both Executive Directors. The result is a nil payout under the operating profit element, which is worth 40% of the bonus opportunity.

In respect of the FY24 PSP, the Committee discussed at length whether the impact of the Type 31 programme on the margin element of the scheme was proportionate. In this case, we went back to the original intent of including the margin element, namely, to incentivise improved profitability of contracts through all available levers including new contracting effectiveness, contract preparation, efficiency improvements and, over time, the roll-off of some legacy contracts. Meaningful progress has been made in this multi-year improvement and we are on track to achieve our medium-term guidance. It is this strategic progress that the margin element was designed to capture, which, absent an adjustment for Type 31, the PSP outcome would not appropriately recognise. We also noted that shareholders' perception of margin improvement had not appeared to be impacted by the announcement of the Type 31 charge, as well as noting the strong shareholder returns (c.296%) over the FY24 PSP performance period.

In the round, the Committee concluded that, for the FY24 PSP, it should adjust the margin calculation to exclude the impact of Type 31 and we anticipate taking the same approach when assessing the outcomes of the FY25 PSP and the FY26 PSP. Further details in respect of the FY24 PSP are set out later in this Report.

This year, we approved the following outcomes:

FY26 salary: We disclosed the increase in salary for FY26 for David Lockwood and David Mellors in our report last year. We were pleased that shareholders overwhelmingly supported our decisions by approving the Directors' Remuneration report with a c.98% vote in favour of the resolution.

FY26 annual bonus: As we reported last year, we kept the same structure for the FY26 annual bonus for Executive Directors as used over previous years. Underlying financial performance measures comprise 80% of the bonus, split equally between underlying operating cash flow (OCF) and underlying operating profit (OP), with the remaining 20% allocated to non-financial measures. As in previous years, we adopted a wide range for the performance targets and retained discretion to ensure that the outcome aligned to the experience of the Group's stakeholders. We assessed and carefully reviewed the performance of the Company over the year, resulting in an annual bonus payout for FY26 of 59.0% of maximum being awarded to the Executive Directors. The Committee approved these outcomes having first completed a formulaic assessment and then assessing that against Babcock's wider performance alongside the experience of our key stakeholders. Please see page 168 for more detail.

The Committee

Carl-Peter Forster has chaired the Committee since September 2022 and has been a member of the Committee since joining the Board in June 2020. The other Committee members are currently John Ramsay, Jane Moriarty, Aedamar Comiskey and Lord Parker. Please see pages 134 and 135 for biographies and page 144 for attendance.

Key responsibilities

- Setting the Company's Remuneration policy
- Oversight of reward matters across the Group
- Maintenance of a strong link between strategy, stakeholder experience and Executive Director reward
- Approval of reward outcomes for the Executive Directors

Remuneration Committee report (continued)

FY24 PSP vesting: We granted the FY24 PSP award in September 2023. This was the first year that we changed our scorecard to include ESG measures alongside an expanded number of financial measures – underlying free cash flow (an indicator of cash generation), underlying operating margin (an indicator of operating efficiency), and organic revenue growth (an indicator of business growth). We included the ESG measures as we believe they not only have operational and financial benefits through cost reductions and operational efficiencies, but they also strengthen stakeholder trust and confidence. All the measures share the same three-year performance period ending on 31 March 2026. As we do every year, at the time of grant, we reviewed the Company's share price performance to satisfy ourselves that the award of the full opportunity (then 250% of salary for the CEO and 200% for the CFO) was appropriate.

The outturn for the FY24 PSP award will be 95.3% of maximum. In approving this vesting outcome, we undertook our normal assessment for windfall gains, using a range of quantitative tests. These tests supported our view that the value at vesting, which we are reporting for the FY24 PSP in respect of the Executive Directors, reflects the intrinsic value of the business following its successful transformation under the leadership of David Lockwood and David Mellors. For more information, please see page 169.

FY26 PSP grant: We granted the FY26 PSP award for the Executive Directors in September 2025. In line with our approach to the FY25 PSP award, we set the core award opportunity for the CEO at 250% of salary and at 200% for the CFO. The TSR kicker does not apply to the FY26 PSP grant. We retained the same PSP measures as we had used for FY25 and FY24 to align closely with the drivers of the Company's long-term performance and strategy. We have set the targets for each measure to ensure that they are appropriately stretching. For more detail, please see page 170.

Remuneration for FY27

For FY27, we have decided the following:

FY27 salary increase: Our practice is to review the Executive Directors' base salaries once we have completed the salary review for our UK colleagues not covered by collective bargaining, being the population that we believe is the best internal comparator for the Executive Directors. Using this comparator as a guide, we will increase David Lockwood's salary by 3% with effect from 1 July 2026. We have set the annual salary of Harry Holt, our CEO successor, as Deputy CEO, at £650,000. On Harry becoming CEO, we will increase his annual salary to £900,000. We believe that this salary reflects the challenge of leading a complex and large business like Babcock. Harry is exceptionally well-qualified to take on this challenge due to his experience of leading our defence and civil nuclear operations, allied to his strong existing relationships with our key customers and his deep working knowledge of the wider defence sector. He will not receive any further increase in salary in FY27. For David Mellors, we have increased his salary with effect from 1 July 2026 by 5%. This increase is in line with the increase awarded to our top performing colleagues in the UK not covered by collective bargaining. We believe that David Mellors merits this increase due to his sustained leadership and contribution which was central to delivering in FY26 a strong underlying operational and financial performance, reflecting continued momentum albeit partly offset by the charge on the Type 31 contract.

FY27 annual bonus: We will keep the structure of the Executive Directors' annual bonus consistent with that for FY26, with measures based on underlying OCF, underlying OP and non-financial objectives. Following the policy vote last year, the maximum allowable award opportunity has increased to 180%, however, we will keep the bonus maximum at 150% of salary for this award. We will not increase the maximum award without first consulting with shareholders. As discussed above, following our consultation with shareholders during the year, we will pay the bonus entirely in cash to those Executive Directors who meet their shareholding guidelines. We will disclose the targets in full in our report next year. David Lockwood will participate in the FY27 annual bonus, with any award pro-rated to the date of his retirement. Please see page 173 for more detail.

FY27 PSP grant: We will grant awards under the PSP to the Executive Directors. The award will cover the three-year period FY27 to FY29. Vesting of this core PSP award will continue to be based on the measures we adopted for the last three years (underlying free cash flow, underlying operating margin, organic revenue growth and ESG), as we continue to believe they align closely with the drivers of the Company's long-term performance and strategy. We have set the targets for each measure to ensure that they are appropriately stretching. As David Lockwood is retiring, he will not receive a FY27 PSP grant. The TSR kicker, as permitted under the policy, will not be used on the FY27 awards. For more detail, please see page 172.

Focus for FY27

Our focus as ever remains to further the interests of shareholders through the implementation of our Remuneration policy. If you have any questions, I am always available to answer them and would be happy to discuss any aspects of this report at the AGM.

Carl-Peter Forster

Chair of the Remuneration Committee

Remuneration at a glance

This section provides an overview of the remuneration received by our Executive Directors. You can find full details in the Annual report on remuneration on pages 166 to 179.

FY26 remuneration outcomes

FY26 annual bonus

The Committee based the FY26 bonus on a mix of financial and non-financial measures; the performance targets for which (and actual performance against these) are set out below. Due to the impact of Type 31, there was no payout under the underlying operating profit element. For a full description of the FY26 annual bonus, please see page 168.

Measures	Warranted payout (% of maximum bonus)						Performance targets	
	D Lockwood		D Mellors		H Holt ³			
							Threshold	£407.6m
							Target	£429.0m
							Stretch	£471.9m
Underlying operating profit (OP) ¹	40% Max	0% Outturn	40% Max	0% Outturn	40% Max	0% Outturn	Outturn ⁴	£294.1m
							Threshold	£255.0m
							Target	£300.0m
							Stretch	£345.0m
Underlying operating cash flow (OCF) ¹	40% Max	40% Outturn	40% Max	40% Outturn	40% Max	40% Outturn	Outturn ⁴	£348.3m
Non-financial ²	20% Max	19% Outturn	20% Max	19% Outturn	20% Max	19% Outturn		
Total	100% Max	59.0% Outturn	100% Max	59.0% Outturn	100% Max	59.0% Outturn		

1. For definitions, please see pages 46 and 50.

2. The Committee has merged several measures into an overall assessment in this table for disclosure purposes.

3. Pro-rated from the date of appointment as Deputy CEO.

4. Based on budgeted foreign exchange rates.

FY24 PSP

The Committee approved the FY24 PSP grant in September 2023. Measures and vesting are in the table below. The performance period was three years to 31 March 2026. Performance against the measures warranted 95.3% vesting. As described on page 170, margin is calculated to exclude the impact of Type 31 during the performance period.

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)	Outturn	Vesting (% of overall award)
3-year organic revenue growth	25%	15.7%	23.6%	31.4%	25.0%
3-year weighted average underlying operating margin ¹	30%	6.8%	8.0%	7.8%	25.3%
3-year cumulative underlying free cash flow	30%	£216m	£324m	£575.6m	30.0%
ESG measures ²	15%				15.0%
				Total vesting	95.3%

1. FY24 and FY25 account for 25% each of the measure whereas FY26 accounts for 50%.

2. The Committee has merged two separate measures into an overall assessment in this table for disclosure purposes

Remuneration Committee report (continued)

Implementation of the Remuneration policy in FY27

For the current financial year, the Committee intends to implement the Remuneration policy as set out in the table below.

Base salary	Pension	Benefits
David Lockwood: £960,921	10% of salary	Unchanged from FY26
David Mellors: £677,862	10% of salary	Unchanged from FY26
Harry Holt (as CEO): £900,000	10% of salary	In line with the Remuneration policy

The Committee reviewed the base salary of David Lockwood and David Mellors in June 2026 and increased their salaries by 3% and 5% respectively. Harry Holt will not receive a salary increase in FY27 once he has started as CEO.

Annual bonus and Deferred Bonus Plan (DBP)	PSP
<p>The bonus structure will be consistent with that used for FY26 with awards of up to 150% of salary based on the achievement of financial targets (underlying operating profit (OP) and underlying operating cash flow (OCF), each a 40% weighting) and non-financial measures (a 20% weighting).</p> <p>The bonus will be paid in cash if an Executive Director meets their shareholding guidelines. Otherwise, 40% of any bonus earned will be deferred into shares for three years. For more information about the guidelines, please see page 163.</p>	<p>PSP awards of 250% and 200% of salary will be granted to the incoming CEO (Harry Holt) and CFO (David Mellors) respectively, with vesting based on measures the Committee believes are most appropriate: underlying free cash flow (weighted 30%), underlying operating margin (weighted 30%), organic revenue growth (weighted 25%, and subject to a discretionary operating margin underpin) and ESG (weighted 15%).</p> <p>The TSR kicker, although permitted under the policy, will not be used in FY27.</p> <p>As he is retiring, David Lockwood will not receive a FY27 PSP grant.</p>

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 marked.

Remuneration policy report

Our Remuneration policy for Executive Directors reflects a preference that we believe the majority of our shareholders share – to rely more heavily on the value of variable performance-related rewards than on the fixed elements of pay, to incentivise and reward success.

We weight the focus of executive remuneration towards performance-related pay with a particular emphasis on long-term performance, as we believe that, properly structured and with suitable safeguards, variable performance-related rewards are the best way of linking pay to strategy, risk management and shareholders' interests. Shareholders approved the policy at the 2025 AGM. The full details of our Remuneration policy are available at www.babcockinternational.com/who-we-are/leadership-and-governance.

Remuneration policy for Executive Directors

Base salary

Purpose and link to strategy	To recruit and retain the best executive talent to execute our strategic objectives at appropriate cost.
Operation	The Committee reviews base salaries annually, with reference to the individual's role, experience and performance; salary levels at relevant comparators are considered, but do not in themselves drive decision-making.
Opportunity	The Committee anticipates that increases in salary for the wider employee population over the term of this policy will guide it on any increases for the Executive Directors. In certain circumstances (including, but not limited to, a material increase in job size or complexity, market forces, promotion or recruitment), the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain fair and competitive.
Performance metrics	Business and individual performance are considerations in setting base salary.

Pension

Purpose and link to strategy	To provide market-competitive retirement benefits.
Operation	Cash supplement in lieu (wholly or partly) of pension benefits for ongoing service and/or membership of the Group's defined benefit or defined contribution pension scheme.
Opportunity	Executive Directors receive pension benefits up to the value (10% of salary, as of FY26) equivalent to the maximum level of pension benefits provided under the Company's regular defined contribution pension plans as offered to the wider workforce in the relevant market, as may be in effect or amended from time to time.
Performance metrics	Not performance-related.

Remuneration Committee report (continued)

Benefits	
Purpose and link to strategy	Designed to be competitive in the market in which the Group employs the individual, or to meet costs effectively incurred at the Company's request.
Operation	<p>The Group provides a range of benefits, which may include (but are not limited to): life insurance; medical insurance; car and fuel benefits and allowances; home-to-work travel and related costs; and accommodation benefits and related costs.</p> <p>The Group may offer other benefits (eg relocation) if the Committee considers it appropriate and reasonable.</p>
Opportunity	<p>Benefit values vary by role and are periodically reviewed and set at a level that the Committee considers appropriate in light of relevant market practice for the role and individual circumstances.</p> <p>The cost of the benefits provided changes in accordance with market conditions, which will determine the maximum amount that the Company would pay in the form of benefits during the period of this policy. The Committee retains discretion to approve a higher cost in certain circumstances (eg relocation) or in circumstances where factors outside the Company's control have changed materially.</p>
Performance metrics	Not performance-related.
Annual bonus	
Purpose and link to strategy	<p>To underpin delivery of year-on-year financial performance and progress towards strategic non-financial objectives, being structured to motivate delivery against targets and achievement of stretching outperformance, whilst mindful of the achievement of long-term strategy and longer-term risks to the Company.</p> <p>The requirement to defer a substantial part of the bonus into Company shares, while building up a holding to meet the in-post shareholding guideline, strengthens the link to long-term sustainable growth.</p>
Operation	<p>Performance targets are set at the start of the year and reflect the responsibilities of the Executive Directors in relation to the delivery of our strategy.</p> <p>At the end of the year, the Committee determines the extent to which the Group has achieved these targets. The Committee has the discretion to adjust the outcome (up or down) within the limits of the plan for corporate transactions, unforeseen events, factors outside reasonable management control, and changes to business priorities or operational arrangements, to ensure targets represent and remain a fair measure of performance. In addition, the Committee considers health and safety performance and may reduce or cancel any annual bonus otherwise payable if it considers it appropriate to do so in light of that performance.</p> <p>At least 40% of annual bonus payments for Executive Directors are deferred into Company shares for three years. Dividend equivalents accrued during the deferral period are payable in respect of deferred shares when (and to the extent) these vest. The Committee may waive the requirement to defer any element of annual bonus in respect of any Executive Director who has met their shareholding guideline.</p> <p>Malus and clawback provisions apply to cash and deferred bonus awards until the third anniversary of the payment/vesting date, which is considered appropriate by the Committee, as it reflects the period over which the Group's processes and systems are likely to flag any occurrence of any of the key trigger events. Triggers include: if the accounts used to determine the bonus level have to be materially corrected; if the Committee subsequently comes to a view that bonus year 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 deferred bonus did not lapse and facts emerge which, if known at the time, would have caused the deferred bonus to lapse on leaving or would have caused the Committee to exercise any discretion differently.</p>
Opportunity	<p>Maximum bonus opportunity is 180% of salary.</p> <p>For achievement of threshold, the Executive Directors earn up to 15% of maximum bonus; for achievement of target, they earn up to 55% of maximum bonus.</p>
Performance metrics	<p>The Committee determines performance on an annual basis by reference to Group financial measures, eg underlying operating profit, underlying OCF, as well as the achievement of non-financial objectives.</p> <p>The weighting of non-financial objectives is limited to 20%, unless the Committee believes exceptional circumstances merit a higher weighting.</p> <p>The Committee retains discretion to vary the financial measures and their weightings annually, to ensure alignment with the business priorities for the year.</p>

Performance Share Plan (PSP)

Purpose and link to strategy	<p>To incentivise delivery of sustainable value creation 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, whether or not these are exercised before the expiry of the period.</p> <p>Malus and clawback provisions apply to PSP awards until the third anniversary of the payment/vesting date, which is considered appropriate by the Committee, as it reflects the period over which the Group's processes and systems are likely to flag any occurrence of any of the key trigger events. Triggers include: 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 caused the award to lapse on leaving or caused the Committee to exercise any discretion differently.</p> <p>The Committee may introduce an absolute "TSR kicker", acting as a multiplier to the core PSP awards based on the Company's absolute Total Shareholder Return, subject to prior shareholder consultation.</p>
Opportunity	<p>The maximum annual PSP award opportunity is, with the application of the TSR kicker, 500% of salary. Without the TSR kicker, the maximum annual 'core' PSP award opportunity is 250% of salary.</p> <p>16.7% of the core award will vest for threshold performance.</p>
Performance metrics	<p>Vesting of PSP awards is subject to continued employment and Company performance over a three-year performance period.</p> <p>Core PSP awards made during the life of this policy will vest on the achievement of stretching targets that align to key drivers of strategy (including, but not limited to, free cash flow, operating margin, organic revenue growth and ESG). The vesting of any TSR kicker will be based on absolute total shareholder return, with full vesting of the TSR kicker at 30% pa and with no kicker below 10% pa (with a straight-line sliding scale between these points).</p> <p>The Committee will review the performance measures, their weightings and performance targets annually to ensure continued alignment with Company strategy.</p>

All-employee plans – Babcock Colleague Share Plan

Purpose and link to strategy	To encourage employee ownership of Company shares.
Operation	<p>Open to all UK tax-resident employees, including Executive Directors, of participating Group companies.</p> <p>The plan is an HMRC-approved share incentive plan that allows an employee to purchase shares out of pre-tax salary.</p> <p>The Company can also make matching awards on purchased shares, as well as make awards of free shares that are not conditional on employees purchasing shares. If held for a period approved by HMRC (currently three to five years), awards are taxed on a favourable basis.</p>
Opportunity	<p>Participants can purchase shares up to the prevailing HMRC limit from time to time.</p> <p>The Company currently offers to match purchases made through the plan at the rate of one free matching share for every 10 shares purchased. The Committee reviews the matching rate periodically, but it will remain bound by the prevailing HMRC limit. The Company may also make awards of free shares to eligible employees, the value of which will be determined by the Committee within the prevailing HMRC limit.</p>
Performance metrics	Not performance-related.

Remuneration Committee report (continued)

Approach to recruitment remuneration

In the case of hiring or appointing a new Executive Director, the Committee may make use of any of the components of remuneration (and subject to the same limits) set out in the policy above.

In determining appropriate remuneration for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and from where the Company recruited the candidate) to ensure that arrangements are in the best interests of the Company and its shareholders. The Committee may also make an award in respect of a new external appointment to 'replace' incentive arrangements forfeited on leaving a previous employer over and above the limits set out in the policy in the table above. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, time to vesting and the likelihood of those conditions being met. The fair value of the compensatory award would not be greater than the awards the Company was replacing. In order to facilitate like-for-like compensatory awards on recruitment, the Committee may avail itself of the relevant Listing Rule, if required.

When appointing a new Executive Director by way of promotion from an internal role, the pay structure will be consistent with the policy for external hires detailed above. Where an individual has contractual commitments, outstanding incentive awards and/or pension arrangements prior to their promotion to Executive Director, the Company may honour those arrangements; however, where appropriate, the Committee would expect these to transition over time to the arrangements stated above.

When recruiting a new Non-Executive Director, the Committee or Board will structure pay in line with the existing policy, namely a base fee in line with the current fee schedule, with additional fees for fulfilling the role of Senior Independent Director, Chair of the Audit and Remuneration Committees, and Director designated for workforce engagement.

Payments from existing awards and commitments

Executive Directors are eligible to receive payment from any award or other commitment made prior to the approval and implementation of the Remuneration policy detailed in this report.

Performance measure selection and approach to target setting

The Committee selects measures used under the annual bonus plans annually to reflect the Group's main strategic objectives for the year. They reflect both financial and non-financial priorities.

The Committee sets performance targets to be stretching but achievable, considering the Company's strategic priorities and the economic environment in which the Company operates. The Committee sets financial targets taking into account a range of reference points, including the Group's strategic and operating plan.

The Committee considers at length the appropriate financial conditions and non-financial objectives to attach to annual bonus awards, as well as the financial targets to attach to share awards, to ensure they continue to be: (i) relevant to the Group's strategic objectives and aligned with shareholders' interests, mindful of risk management; and (ii) fair, by being suitably stretching whilst realistic.

The Committee has discretion to adjust the calculation of short- and long-term performance outcomes in circumstances where application of the formula would produce a result inconsistent with the Company's remuneration principles. Such circumstances may include changes in accounting standards and certain major corporate events such as rights issues, share buybacks, special dividends, corporate restructurings, acquisitions and disposals.

The Committee reviews the performance conditions for share awards prior to the start of each cycle to ensure they remain appropriate. The Committee would not make a material reduction in long-term incentive targets for future awards without prior consultation with our major shareholders.

Executive Director and general employee remuneration

The policy with regard to the remuneration of senior executives below the Board is broadly consistent with that for the Executive Directors, in that it weights remuneration to variable components which are delivered through an annual bonus and equity-based incentives, albeit that the Company reserves the discretion to use restricted stock awards, and not the PSP, for some participants below Board level, when appropriate. The Committee considers the Remuneration policy for our Executive Directors while keeping in mind the remuneration philosophy and principles that underpin remuneration for the wider Group. The remuneration arrangements for other employees reflect local market practice and the seniority of each role. As a result, the levels and structure of remuneration for different groups of employees will differ from the policy for Executive Directors as set out above, but with the common intention that remuneration arrangements for all groups might reasonably be considered to be fair having regard to such factors.

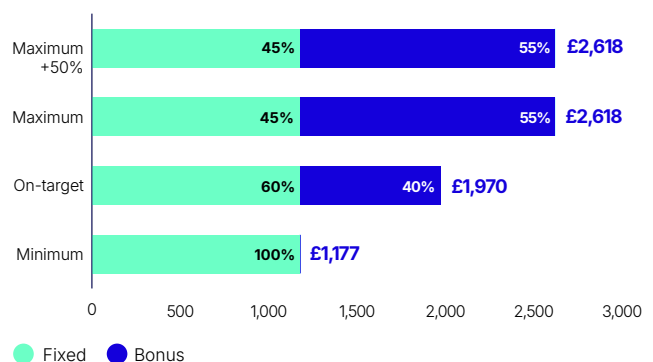
Balance of remuneration for Executive Directors

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum+50%'.

Potential reward opportunities are based on the Company's Remuneration policy and implementation in FY27, as outlined in the Committee Chair's statement and later in the Annual report on remuneration, applied to base salaries as at 1 July 2026. Note that the projected values exclude the impact of any share price movements except in the 'Maximum+50%' scenario.

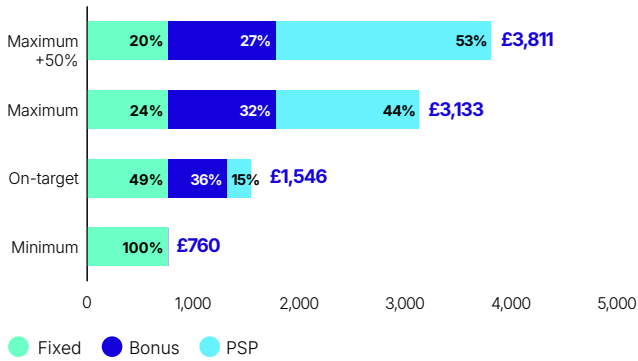
Chief Executive

David Lockwood (£'000)

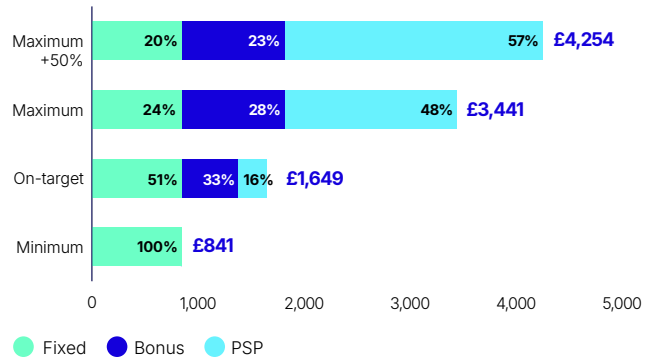


Chief Financial Officer

David Mellors (£'000)

**Deputy CEO**

Harry Holt (£'000)



The 'Minimum' scenario shows base salary, pension (and/or pay in lieu of pension) and taxable benefits (ie fixed remuneration). These are the only elements of the remuneration packages that are not at risk.

The 'On-target' scenario reflects fixed remuneration as above, plus a payout of 55% of the annual bonus and threshold vesting of 16.7% of the maximum core award under the PSP (ie c42% of salary for Harry Holt, c33% for David Mellors, nil for David Lockwood who will not be granted a PSP award in FY27).

The 'Maximum' scenario reflects fixed remuneration, plus full payout under the annual bonus (of 150% of salary), and full vesting of the core PSP award (250% of salary for Harry Holt and 200% for David Mellors, nil for David Lockwood who will not be granted a PSP award in FY27).

The 'Maximum+50%' scenario reflects fixed remuneration, full payout under the bonus, plus full vesting of the core PSP award (250% of salary for Harry Holt and 200% for David Mellors, nil for David Lockwood who will not be granted a PSP award in FY27), with PSP awards also reflecting an increase of 50% in the share price from grant.

Shareholding guidelines for Executive Directors

The Committee sets shareholding guidelines for the Executive Directors. The current guideline is to build and maintain, over time, a personal (and/or spousal) holding of shares in the Company equivalent in value to at least twice the Executive Director's annual base salary (three times for the CEO). Executive Directors are expected to retain at least half of any shares acquired on the exercise of a share award that remain after the sale of sufficient shares to cover tax and national insurance triggered by the exercise (and associated dealing costs) until the guideline level is achieved and thereafter maintained.

The shareholding requirements include a post-cessation extension such that departing Executive Directors will be required to hold vested Company shares, received through incentive plans granted from FY21 onwards, for two years at a level equal to the lower of their actual shareholding on cessation and the in-post shareholding requirement. Any shares purchased by an Executive Director will not be part of this holding requirement.

Details of Directors' service contracts and exit payments and treatment of awards on a change of control

The following summarises the key terms (excluding remuneration) of the Executive Directors' service contracts:

Executive Directors

Name	Date of service contract	Notice period
David Lockwood (Chief Executive)	29 July 2020	12 months from Company, 12 months from Director
David Mellors (Chief Financial Officer)	29 September 2020	12 months from Company, 12 months from Director
Harry Holt (Deputy Chief Executive) ¹	23 February 2026	12 months from Company, 12 months from Executive

1. On becoming CEO and an Executive Director, Harry will enter into a new service contract but the notice period will remain the same.

The latest Executive Director service contracts are available for inspection at the Company's registered office and will also be available at the Company's Annual General Meeting.

The Company's policy is that Executive Directors' service contracts should be capable of being terminated by the Company on not more than 12 months' notice. The Executive Directors' service contracts entitle the Company to terminate their employment without notice by making a payment of salary and benefits in lieu of notice. Under the Executive Directors' contracts, the Company may choose to make the payment in lieu by monthly instalments, and mitigation applies such that the Committee may decide to reduce or discontinue further instalments. When Harry Holt becomes Chief Executive, he will also have a notice period of 12 months from the Company and a notice period of 12 months from him.

Remuneration Committee report (continued)

In addition to the contractual provisions regarding payment on termination set out above, the Company's incentive plans contain provisions for termination of employment, where the Committee has the discretion to determine the level of award vesting as described in the table below.

Name	Treatment on a change of control	Treatment for a good leaver*	Treatment for other leavers
Annual bonus	Will be paid a time pro-rated proportion, subject to performance during the year, generally paid immediately, with Committee discretion to treat otherwise.	Will be paid a time pro-rated proportion, subject to performance during the year, generally paid at the year end, with Committee discretion to treat otherwise.	No annual bonus entitlement, unless the Committee exercises discretion to treat otherwise.
Deferred bonus awards	Participants may exercise awards in full on the change of control, with Committee discretion to treat otherwise.	Entitled to retain any award, which will generally vest at the normal vesting date, with Committee discretion to treat otherwise.	Outstanding awards are forfeited unless the Committee exercises its discretion to treat otherwise.
PSP	Awards generally vest immediately and, for performance-related awards, will be pro-rated for time and remain subject to performance conditions, with Committee discretion to treat otherwise.	Entitled to retain a time pro-rated proportion, which remains subject to performance conditions tested at the normal vesting date. In very exceptional circumstances, the Committee has discretion to allow immediate vesting, but time pro-rating will always apply.	Outstanding awards are forfeited unless the Committee exercises its discretion to treat otherwise.

* An individual would generally be considered a 'good leaver' if they leave the Group's employment by reason of injury, ill-health, disability, redundancy or retirement. The treatment of share awards held by Directors who leave on other grounds is entirely at the discretion of the Committee, and, in deciding whether (and the extent to which) it would be appropriate to exercise that discretion, the Committee will have regard to all the circumstances.

External appointments of Directors

The Directors may accept external appointments with the prior approval of the Chair, provided that such appointments do not prejudice the individual's ability to fulfil their duties for the Group. Any fees for outside appointments are retained by the Director. The Chair will approve such appointments, as the Board believes it is beneficial for Directors to gain experience of practice in other organisations. However, before approving any appointment, she must satisfy herself that there are no conflict issues with the Company (or they can be appropriately dealt with) and the Director will have sufficient time to devote to the Company.

Chair and Non-Executive Directors

Name	Date of appointment as a Director	Date of current appointment letter	Anticipated expiry of present term of appointment (subject to annual re-election)
Dame Ruth Cairnie (Chair)	3 April 2019	1 April 2026	AGM 2027
Carl-Peter Forster	1 June 2020	1 April 2026	AGM 2027
Lord Parker	10 November 2020	1 April 2026	AGM 2027
John Ramsay	6 January 2022	25 March 2025	AGM 2028
Jane Moriarty	1 December 2022	25 March 2025	AGM 2028
Sir Kevin Smith	1 June 2023	1 April 2026	AGM 2029
Claudia Natanson	1 March 2024	12 February 2024	AGM 2027
Aedamar Comiskey	1 September 2025	11 August 2025	AGM 2028

The Group's Non-Executive Directors serve under letters of appointment as detailed in the table above, normally for no more than three-year terms at a time; however, in all cases appointments are terminable at will at any time by the Company or the Director. All Non-Executive Directors are subject to annual re-election by the Company in general meeting in line with the UK Corporate Governance Code.

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 remuneration of the Chair is a matter reserved for the Remuneration Committee.

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). Additional fees are payable for additional responsibilities such as acting as Senior Independent Director, Chair of the Audit Committee, Chair of the Remuneration Committee and Director designated for workforce engagement. Allowances may also be paid to reflect the time commitment of travel required to fulfil the role.</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. 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 colleagues. When considering executive pay, the Committee takes into account the experience of colleagues 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 colleagues and business performance as required. The Committee engages with colleagues through its Annual Report on remuneration, which sets out in detail executive pay. However, in addition, the Company also engages directly with colleagues through the Global People Survey and through the 'ask David' email. 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 the views of 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 and also engaged shareholder representative bodies. We had a good level of engagement and are pleased to report that the majority of all investors who provided feedback indicated support for the approach 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.

Remuneration Committee report (continued)

Annual report on remuneration

The Committee

The Board appoints the members of the Committee on the recommendation of the Nominations Committee. In accordance with the UK Corporate Governance Code, only independent Non-Executive Directors are members of the Committee.

In total, there were six meetings in the year to 31 March 2026. The Chair and the CEO attend meetings by invitation, as does the CFO on occasion, but they are not present when their own remuneration is being decided. The Chief People Officer also attends meetings.

The terms of reference for the Committee are available for inspection on the Company's website. The Committee reviewed them during the year. Duties of the Committee include the setting of the policy for the remuneration of the Executive Directors and the Chair, as well as their specific remuneration packages. In determining the Remuneration policy, the Committee takes into account all factors which it deems necessary to ensure that the Company provides members of the senior executive management of the Group with appropriate incentives to encourage strong performance, and rewards them for their individual contributions to the success of the Company in a fair and responsible manner. The composition of the Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code.

Advisors

Ellason advised the Committee during the year. Ellason reports directly to the Committee Chair and provides objective and independent analysis, information and advice on all aspects of executive remuneration and market practice, within the context of the objectives and policy set by the Committee. A representative from Ellason typically attends Committee meetings. Ellason also provides participant communications, performance reporting and Non-Executive Directors' fee benchmarking services to the Company. Ellason is a member of the Remuneration Consultants Group and a signatory to the Code of Conduct for consultants to remuneration committees of UK listed companies. Please see www.remunerationconsultantsgroup.com for details.

Ellason adheres to this Code of Conduct. The Company paid fees to Ellason in respect of work for the Committee carried out in the year under review totalling £82,558 based on time and materials, excluding expenses and VAT.

The Committee reviews Ellason's involvement each year, and considers any other relationships that it has with the Company that may limit its independence. Ellason has no relationship with the Company or its Directors beyond those formed in its capacity as appointed advisor to the Committee. The Committee is satisfied that the advice provided by Ellason is objective and independent.

Matters considered

The Committee considered a number of matters during the year to 31 March 2026, including:

- renewing the Remuneration policy, bearing in mind market trends and corporate governance best practice
- considering performance against the measures applied to, and level of payout of, the annual bonus
- approving the level of vesting of PSP awards
- reviewing share ownership guidelines for senior executives
- approving Executive Director salaries for the financial year
- considering implementation of the Remuneration policy approved at the AGM in 2025
- considering performance targets and non-financial objectives for the annual bonus plan
- agreeing the level of PSP awards granted in the year
- approving the performance measures and targets to be applied under the Company's PSP
- approving the Directors' Remuneration report
- making share awards under the Company's share plans
- considering trends in executive remuneration, remuneration governance and investor views
- reviewing the Committee's terms of reference
- reviewing the continued appointment of the Committee's independent advisors.

Summary of shareholder voting

The following table shows the results of the last binding shareholder vote on the Remuneration policy (at the 2025 AGM), as well as the advisory vote on the Annual report on remuneration (at the 2025 AGM):

Votes cast	2025 Remuneration policy		2025 Annual report on remuneration	
	Total number of votes	% of votes cast for and against	Total number of votes	% of votes cast for and against
For (including discretionary)	231,644,685	67.65%	341,354,485	98.43%
Against	110,755,325	32.35% ¹	5,441,821	1.57%
Total votes cast (excluding withheld votes)	342,400,010	100%	346,796,306	100%
Votes withheld	4,449,044		52,748	
Total votes cast (including withheld votes)	346,849,054		346,849,054	

1. In line with Provision 4 of the UK Corporate Governance Code 2024, more information on the outcome following this vote can be found on page 155.

As required by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, throughout this report we have provided information on the Deputy CEO's FY26 and FY27 pay even though he is not due to join the Board until after the date of this report.

Single total figure of remuneration for Executive Directors for FY26 (audited)

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

	David Lockwood		David Mellors		Harry Holt ⁸	
	FY26 £'000	FY25 £'000	FY26 £'000	FY25 £'000	FY26 £'000	FY25 £'000
Fixed remuneration						
Salary ¹	926	883	638	609	108	N/A
Benefits in kind and cash ²	120	120	15	15	21	N/A
Pension ³	93	88	64	61	11	N/A
Annual variable remuneration						
Annual bonus (cash) ⁴	820	795	564	548	56	N/A
DBP (deferred annual bonus plan) ⁵	Nil	530	Nil	365	37	N/A
Long-term incentives						
PSP ⁶	6,852	4,732	3,972	3,313	N/A	N/A
Dividends ⁷	69	33	40	23	N/A	N/A
Total (of which)	8,880	7,181	5,293	4,934	233	N/A
Total fixed remuneration ^{1,2,3}	1,139	1,091	717	685	140	N/A
Total variable remuneration ^{4,5,6,7}	7,741	6,090	4,576	4,249	93	N/A

The figures have been calculated as follows:

- Salary: Base salary amount paid in the year.
- Benefits in kind and cash: The value of benefits and salary supplements (other than those in lieu of pensions) including medical insurance, home to work travel expenses incurred at the request of the Company, accommodation-related benefits, and car and fuel benefits. David Lockwood in FY26 received £98k in connection with his accommodation costs in London, which were at the Company's request, to enable him to lead the business effectively.
- Pension: The numbers above represent for each year the value of the cash supplement, which was 10% of base salary.
- Annual bonus (cash): Following consultation with shareholders, the Committee has applied its discretion to pay the Executive Directors' FY26 bonus entirely in cash as permitted within the Remuneration policy, as both have exceeded their shareholding requirement. Please see page 156.
- DBP: This is the deferred element of the FY25 annual bonus earned for performance during the year (40% of earned bonus), which will vest after three years. For Harry Holt in FY26, this is the deferred element of the FY26 annual bonus.
- PSP: The FY24 PSP award was granted in September 2023 with a three-year performance period to 31 March 2026 and will vest in September 2026. The values in the table are based on 95.3% of the award vesting at an average share price for the three months to 31 March 2026 of 1381.7p. The values attributable to share price appreciation over the FY24 PSP vesting period are presently estimated to 31 March 2026, at £4,908k and £2,845k for David Lockwood and David Mellors, respectively. The PSP FY25 value has been updated to reflect the share price of 997.5p on the vest date of the FY23 PSP award. Harry Holt did not participate in the FY24 PSP. His RSP award granted in FY24 is not reflected in his FY26 single figure, as this was subject only to continued employment.
- Dividends: All dividends accrued to the FY24 PSP will be payable in cash on exercise of the award.
- Harry Holt: Harry was appointed Deputy CEO on 1 February 2026 and his remuneration for FY26 has been pro-rated from that date.

Neither of the Executive Directors participated in a Group pension scheme or otherwise received pension benefits from the Group for service during the year to 31 March 2026. They instead received a cash supplement equal to 10% of salary. There are no additional early retirement benefits.

Supplements paid in lieu of pension do not count for pension, share award or bonus purposes.

Directors benefit from life assurance cover of four times base salary. The cost of providing that life assurance cover was:

Director	FY26 £'000	FY25 £'000
David Lockwood	6	5
David Mellors	4	3

Remuneration Committee report (continued)

FY26 annual bonus (audited)

The Committee based the FY26 annual bonus on a mix of financial and non-financial measures. The financial element, weighted 80%, was based equally on Group underlying operating profit performance and Group underlying operating cash flow (based on budgeted foreign exchange rates). There was no payout under the underlying operating profit element and a 100% payout under the underlying operating cash flow element. Please see pages 32 to 51 for more information on the Company's performance. The non-financial measures were principally the themes that the Committee considers to be of material importance to the continued success of the Company. The Committee concluded that the outturn for the non-financial measures should be a 95% payout for the Executive Directors and Deputy CEO. The Committee was satisfied that the total outturn of the FY26 bonus reflected the Company's performance over the year and aligned to shareholders' experience.

The table below summarises performance against each financial measure, and the bonus outcome.

Bonus element	Threshold ¹	Target	Maximum	Outturn		David Lockwood	David Mellors	Harry Holt
Achieving budgeted underlying operating profit ²	£407.6m	£429.0m	£471.9m	£294.1m	Maximum potential (% of salary)	60%	60%	60%
					Outturn (% of salary)	0%	0%	0%
Achieving budgeted underlying operating cash flow ³	£255.0m	£300.0m	£345.0m	£348.3m	Maximum potential (% of salary)	60%	60%	60%
					Outturn (% of salary)	60%	60%	60%
Non-financial objectives ⁴					Maximum potential (% of salary)	30%	30%	30%
					Outturn (% of salary)	28.5%	28.5%	28.5%
					Maximum potential (% of salary)	150%	150%	150%
					Outturn (% of salary)	88.5%	88.5%	88.5%
Total					Outturn (% of salary)	88.5%	88.5%	88.5%

1. Threshold vesting is 18.8% of maximum for the operating profit and cash flow elements, and 0% for non-financial measures. In line with our policy, overall vesting at threshold is no more than 15% when all measures are considered. Vesting outcomes are determined on a straight-line sliding scale for performance outturns between threshold and target, and between target and maximum.

2. For the definition, please see page 46.

3. For the definition, please see page 50.

4. Further details on the non-financial objectives set for FY26 are given below.

FY26 annual bonus non-financial measures

The Committee set non-financial objectives for David Lockwood and David Mellors at the start of the year around strategic management 'Themes' of strategy, people and culture, and ESG, as the Committee believed these themes align to the Company's turnaround.

David Lockwood

Theme	Progress	Assessment
Strategy, delivery and growth	<ul style="list-style-type: none"> Continued leadership on embedding organisational capability on risk, execution and performance, with greater cross-business and cross-functional collaboration. Relentless focus on the Company's strategic agenda through the progress made with key international relationships, both with customers such as Indonesia and strategic partners such as HII. 	Exceeded expectations
People and Culture	<ul style="list-style-type: none"> Effective roll-out of Leadership Framework and performance management aligned to strategic aims. This included the development of talent review plans for senior leaders, as well as training for first line and middle managers. Execution of this objective was reflected by the further progress in the results of Babcock's Global People Survey. Building on the Global People Survey, follow-up activities were identified to deliver improvements in key areas of the business with the aim of delivering a joined-up approach to cultural development that includes safety, security, and engagement. 	Exceeded expectations
Sustainability	<ul style="list-style-type: none"> Delivery of key near-term milestones on diversity and carbon reduction while improving the scores relating to sustainability in the Global People Survey. Effective leadership on sustainability to build confidence in Babcock's commitment to its six key priorities. 	Exceeded expectations

David Mellors

Theme	Progress	Assessment
Strategy, delivery and growth	<ul style="list-style-type: none"> Clear and effective leadership on Babcock's operations, which continue to underpin progress to meeting its medium-term targets, while maintaining the balance of risk appetite for the benefit of all stakeholders and building strong cohesion between functions. 	Exceeded expectations
People and Culture	<ul style="list-style-type: none"> Leadership on the cultural change at Babcock by championing the people agenda, with substantial progress made in this area in the finance function during the year. 	Exceeded expectations
Sustainability	<ul style="list-style-type: none"> Led on the revision of Babcock's sustainability strategy to ensure continued focus on the six key priorities being embedded across the operations of the business through more effective targets and actions to achieve them. 	Exceeded expectations

The Deputy CEO's non-financial measures were based on the same strategic themes as the Executive Directors' non-financial measures. However, as the measures were focused on his management of the Nuclear sector, the Committee believes that the description of progress on the Deputy CEO's measures is commercially sensitive. The outturn for the Deputy CEO was 95% of the maximum opportunity of 20% of his annual bonus.

As it does every year, the Committee reviewed the Company's health and safety performance as it is an underpin for the annual bonus. The Committee considered the totality of the Group's health and safety environment over the year and determined that it did not need to exercise its discretion. In addition, no application of malus or clawback provisions was required.

The FY26 bonus outcomes for each are as follows:

	Payment for financial targets (% salary)	Payment for non-financial targets (% salary)	Total bonus (% salary)	Total bonus (£'000)
David Lockwood	60.0%	28.5%	88.5%	820
David Mellors	60.0%	28.5%	88.5%	564
Harry Holt	60.0%	28.5%	88.5%	93 ¹

1. Pro-rated from date of appointment as Deputy CEO.

Long-term incentive scheme (PSP) awards vesting during the year (audited)

FY24 PSP

The Committee granted PSP awards in September 2023 over 520,408 shares to David Lockwood and 301,628 shares to David Mellors. Vesting of the awards is based on financial measures and the non-financial measures described below. The performance period for these awards was the three financial years from 1 April 2023 through to 31 March 2026.

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)	Outcome	Vesting (% of overall award)
3-year organic revenue growth	25%	15.7%	23.6%	31.4%	25.0%
3-year weighted average underlying operating margin ¹	30%	6.8%	8.0%	7.8%	25.3%
3-year cumulative underlying free cash flow ²	30%	£216m	£324m	£575.6m	30.0%
Reduction in Babcock's carbon emissions in FY26	7.5%	(6.7)%	(8.5)%	(36.0)%	7.5%
Gender diversity of senior management in FY26 ³	7.5%	28.5%	31.5%	32.4%	7.5%

- FY24 and FY25 account for 25% each of the measure whereas FY26 accounts for 50%. Margin performance has been adjusted for the impact of Type 31, to ensure that the PSP outcome appropriately reflected the significant performance improvement over the last three years, as described in more detail on page 155.
- The Committee evaluated the outperformance in respect of free cash flow, to ensure this aligned with underlying performance. It concluded that this outcome reflected strong operational delivery and continued focus on cash discipline. In doing so, the Committee noted that the outcome was primarily driven by higher operating profit from strong underlying trading performance, and the improved cash conversion resulting from effective working capital management.
- The definition of senior management is employees excluding the Executive Directors who have responsibility for planning, directing or controlling the activities of the Group or a strategically significant part of the Group (sector/functional leadership teams) and/or are directors of subsidiary business units (business unit leadership).

Remuneration Committee report (continued)

The Committee decided to adjust the margin calculation to exclude the impact of Type 31 as the Committee concluded that the margin element was designed to capture the progress made on the improved profitability of the Group. The Group has made meaningful progress over the performance period of the FY24 PSP to meet this strategic aim and is on track to achieve its medium-term guidance. The revenue element of the PSP included a margin underpin, introduced to ensure management would not benefit from driving revenue growth at the cost of quality of business won. The reported margin including the Type 31 impact would have been below threshold, bringing this underpin into question. However, excluding this, margin progress has been very satisfactory and the Committee was satisfied that there was no reason to apply the underpin.

In line with its standard practice, the Committee considered whether any windfall gains have arisen on this PSP vesting cycle. After assessing the vesting of the FY24 PSP from a range of perspectives, the Committee was satisfied that the outcomes against the measures were reflective of the strong underlying performance of the Company. In addition, no application of malus or clawback provisions was required. As a result, 95.3% of the Executive Directors' FY24 awards will vest in September 2026 (though subject to a two-year holding period from that date). Dividends were accrued on these awards, which will also vest in September 2026.

As a member of the Group Executive Committee, the Deputy CEO received in FY24 a restricted stock award without any performance measures, consistent with the practice at the time of grant for members of the Committee and did not receive a PSP award; this award will vest in September 2026.

Long-term incentive scheme (PSP) award granted during FY26 (audited)

The Committee granted PSP awards in the form of nil-cost options in September 2025 to the Executive Directors and the Deputy CEO, consistent with the Remuneration policy.

Director	Number of shares ¹	Face value ²	Face value (% of salary) ³	% of award receivable for threshold performance
David Lockwood	187,235	£2,332,330	250%	16.7%
David Mellors	103,652	£1,291,162	200%	16.7%
Harry Holt	61,011	£759,996	N/A ⁴	16.7%

1. Awards are in the form of nil-cost options.

2. Based on three-day average share price (of 1,245.67p) at time of grant.

3. Expressed as a percentage of salary at the date of the award (29 September 2025).

4. Percentage of salary not disclosed as related to his appointment as CEO Nuclear and is commercially sensitive.

The FY26 PSP awards are subject to a scorecard of measures comprising underlying free cash flow (weighted 30%), underlying operating margin (30%), organic revenue growth (25%, subject also to a discretionary underpin if operating margin performance is below threshold), and ESG (15%). The performance period for these awards is the three financial years from 1 April 2025 through to 31 March 2028. The TSR kicker does not apply to these awards.

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)
3-year organic revenue growth	25%	16.9%	25.4%
3-year weighted average underlying operating margin ¹	30%	8.0%	9.2%
3-year cumulative underlying free cash flow	30%	£538.4m	£807.6m

1. Weighted to focus more heavily on the final year of the performance period: FY26 and FY27 each accounts for 25% of the measure whereas FY28 accounts for 50%.

Awards vest on a straight-line sliding scale between threshold and stretch.

The targets for the ESG measures are:

- Three-year cumulative energy efficiencies improvements against FY25 baseline. This measure will have a weighting of 7.5% (ie half of the ESG total weighting of 15%). A reduction of (8.6)% will result in 16.7% vesting of this portion of the ESG element, with a reduction of (9.5)% warranting full vesting.
- Senior management gender diversity in FY28, with a threshold of 28.5% and a maximum of 31.5%. This measure will have a 7.5% weighting, with 16.7% vesting at threshold and full vesting at maximum. The definition of senior management has been extended to include Group Executive Committee minus two levels.

Deferred Bonus Plan awards made during FY26 (audited)

In 2025, the Committee approved the payment of annual bonuses to the CEO and CFO under the FY25 annual bonus plan. For more detail, please see the single total figure table on page 167.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the total remuneration received by each Non-Executive Director. For details of the fees that applied during FY26, please see page 173:

	Base fee		Additional fee ¹		Total ²		Total fixed remuneration		Total variable remuneration	
	FY26 £'000	FY25 £'000	FY26 £'000	FY25 £'000	FY26 £'000	FY25 £'000	FY26 £'000	FY25 £'000	FY26 £'000	FY25 £'000
Fixed remuneration										
Dame Ruth Cairnie	368	346	–	–	368	346	368	346	–	–
Carl-Peter Forster ³	93	76	15	15	108	91	108	91	–	–
Lord Parker	74	65	15	15	89	80	89	80	–	–
John Ramsay	82	65	18	23	100	88	100	88	–	–
Jane Moriarty	82	65	–	–	82	65	82	65	–	–
Sir Kevin Smith	74	65	–	–	74	65	74	65	–	–
Claudia Natanson	82	65	–	–	82	65	82	65	–	–
Aedamar Comiskey ⁴	47	–	–	–	47	–	47	–	–	–
Lucy Dimes ⁵	33	65	–	–	33	65	33	65	–	–

1. Relating to role as Chair of the Audit Committee (John Ramsay), Remuneration Committee (Carl-Peter Forster), and Director designated for workforce engagement (Lord Parker).

2. Non-Executive Directors did not receive any taxable benefits in FY25 or FY26.

3. Carl-Peter Forster is the Senior Independent Director and Remuneration Committee Chair.

4. Aedamar Comiskey joined the Board on 1 September 2025.

5. Lucy Dimes retired from the Board on 25 September 2025.

Sourcing of shares

Shares needed to satisfy share awards for Directors are shares that the Company either newly issues to the Group's employee share trusts, or are shares that those trusts purchase in the market using funds advanced by the Company, or are treasury shares. The Company finalises the source selection on or before vesting, depending on the Board's view of the best interests of the Company at the time, within the limits of available headroom and dilution restrictions.

Executive Directors' remuneration for FY27

The Committee has set the remuneration for Executive Directors for FY27 in line with its Remuneration policy.

Remuneration Committee report (continued)

Fixed pay

The Committee reviewed the base salaries of the Executive Directors after the Company had completed its review of the pay of those UK employees who are not subject to collective bargaining. The increases for David Lockwood and David Mellors along with the rationale for them are described on page 156. Harry Holt will not receive further increases to salary in FY27 beyond those shown below in respect of his appointment as CEO during 2026.

Salary	1 July 2026 ¹	1 July 2025 ²	1 July 2024
David Lockwood	£960,921	£932,933	£905,760
David Mellors	£677,862	£645,582	£614,840
Harry Holt	£900,000	£650,000	n/a

1. On appointment as CEO in the case of Harry Holt.
2. On appointment as Deputy CEO in the case of Harry Holt.

The Executive Directors will receive the same pension arrangements (ie at 10% of salary) and the same benefits as in FY26. The Deputy CEO's salary was set at £650,000 on appointment as Deputy CEO but will increase to £900,000 once he steps up to be CEO. In future years, the Committee will consider pay increases greater than those awarded to UK employees who are not subject to collective bargaining, if required, to align his salary with the median pay level for his role. He will receive a cash payment equivalent to 10% of his salary in lieu of pension.

FY27 annual bonus

The scorecard of the Executive Director and Deputy CEO annual bonus for FY27 is consistent with that for FY26, with measures based on underlying operating cash flow, underlying operating profit and non-financial objectives. The Committee has agreed the targets but, due to their commercial sensitivity, it will disclose them only in next year's Annual report on remuneration.

FY27 PSP awards

The Committee intends to grant awards under the PSP to the CFO (at 200% of salary) and the Deputy CEO (at 250% of salary) in 2026 covering the three-year period FY27 to FY29, with the measures for this core award scorecard being underlying free cash flow (weighted 30%), underlying operating margin (30%), organic revenue growth (25%, subject also to a discretionary underpin if operating margin performance is below threshold), and ESG (15%), as follows:

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)
3-year organic revenue growth	25%	16.0%	24.0%
3-year weighted average underlying operating margin ¹	30%	8.5%	10.0%
3-year cumulative underlying free cash flow	30%	£608.8m	£913.2m

1. Weighted to focus more heavily on the final year of the performance period: FY27 and FY28 each accounts for 25% of the measure, whereas FY29 accounts for 50%. In determining the range for the underlying operating margin measure, the Committee approved the setting of the threshold in line with the Company's medium-term guidance, to incentivise achievement of this goal.

Awards vest on a straight-line sliding scale between threshold and stretch.

The targets for the ESG measures are:

- Environment: based on the Company's energy efficiency improvement, with a weighting of 7.5% (ie half of the ESG total weighting of 15%). The target range is a cumulative reduction over the three-year performance period of (11.4)% to (12.6)%. A reduction of (11.4)% will result in 16.7% vesting of this portion of the ESG element, while a reduction of (12.6)% will warrant full vesting.
- Gender diversity: we want to build on the good work that the Company has done at the Senior Leadership Team level, and for the FY27 PSP cycle continue to use the expanded scope of this measure to take in the next level of senior management, which will include functional and business unit leadership teams that typically sit three layers below the CEO. This measure will have a 7.5% weighting, with 16.7% vesting at threshold and full vesting at maximum. The target range will be 30.4% to 33.6% of this senior leadership community being female by FY29.

The TSR kicker, although permitted under the policy, will not be used on the FY27 awards.

A two-year holding period will apply to Executive Directors' FY27 PSP awards to the extent that they vest. Malus and clawback provisions apply. In keeping with its typical practice, the Committee will assess for any windfall gains at vesting.

Retirement of David Lockwood

David will receive fixed pay (salary, pension and benefits) over the remainder of his contractual notice period. He will remain eligible for a pro-rated FY27 bonus, subject to performance and deferral in the normal way.

As he is retiring, David is a good leaver for the purpose of all share schemes. PSP awards will remain eligible to vest on the normal vesting dates subject to performance, and pro-rating to the end of David's time with Babcock. All in-flight awards will be subject to the two-year holding period after vesting.

No payments fall to be made to David by way of compensation for loss of office.

Further details will be disclosed as required under section 430(2B) of the Companies Act 2006, after David has stepped down from the Board, and in the Company's 2027 Annual Report.

Payments for loss of office (audited)

There were no payments for loss of office during the year ended 31 March 2026.

Payments to past Directors (audited)

There were no payments to past Directors during the year ended 31 March 2026.

Non-Executive Directors' fees (including the Chair)

The fees for the Chair and the Non-Executive Directors were increased on 1 September 2025. There have been no other increases in the year. Effective 1 July 2026, the Committee resolved to increase the Chair's fee by 9%, to £415,290, as part of a phased progression to ensure the fee better reflects the strong performance of the Chair and the significant time commitment of the role after a prolonged period of restraint on fee increases. Any increases approved by the Board in respect of NED fees later in the year will be reported in next year's Remuneration Report.

Annual rate fee	1 July 2026 £	31 March 2026 £	1 September 2025 £	1 September 2024 £
Chair	415,290	381,000	381,000	349,440
Senior Independent Director (inclusive of basic fee)	91,000	91,000	91,000	77,000
Basic Non-Executive Director's fee ¹	80,000	80,000	80,000	66,000
Chair of Audit Committee ²	18,000	18,000	18,000	18,000
Chair of Remuneration Committee ²	15,000	15,000	15,000	15,000
Director designated for workforce engagement ²	15,000	15,000	15,000	15,000

1. For those Non-Executive Directors who, due to their residence, have long-distance commutes to fulfil their duties, the Company has decided to pay an additional £13,000 pa on top of the basic Non-Executive Director's fee to compensate for the extra time commitment involved in attending meetings.

2. The Company pays fees for chairing Board Committees in addition to the basic applicable Non-Executive Director's fee and for acting as the Director designated for workforce engagement. The Company does not pay additional fees for membership of Committees.

Remuneration Committee report (continued)

Percentage change in the remuneration of all Directors compared to the workforce

The table below shows the annual percentage changes in remuneration over the last five years for each individual who was a Director during the year ended 31 March 2026, compared to the average UK colleague, as required under the Companies (Directors' Remuneration policy and Directors' Remuneration Report) Regulations 2019 (the Regulations).

The Regulations require this disclosure to provide a comparison of year-on-year changes in Directors' remuneration compared to all other colleagues of the parent company in the Group. However, the Company does not have any employees, meaning there would be no data to disclose for the broader colleague population. The Committee has therefore elected to compare the change in Directors' remuneration with the change in remuneration for the average of the UK colleague population, as a suitable comparator group for this purpose.

The Committee monitors this information to ensure that there is appropriate alignment over time in fixed pay between Executive Directors, Non-Executive Directors and UK colleagues.

	Base salary/fees					Taxable benefits					Single-year variable				
	FY25 to FY26	FY24 to FY25	FY23 to FY24 ¹	FY22 to FY23	FY21 to FY22	FY25 to FY26	FY24 to FY25	FY23 to FY24 ¹	FY22 to FY23	FY21 to FY22	FY25 to FY26	FY24 to FY25	FY23 to FY24 ¹	FY22 to FY23	FY21 to FY22
Executive Directors															
David Lockwood	5%	8%	0%	1%	1%	0%	0%	(1)%	1%	1%	(38)%	82%	1%	(25)%	n/a
David Mellors	5%	4%	3%	1%	1%	0%	0%	0%	0%	1%	(38)%	79%	3%	(26)%	n/a
Non-Executive Directors²															
Dame Ruth Cairnie	6%	3%	0%	0%	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Carl-Peter Forster	19%	3%	6%	16%	11%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lord Parker	12%	8%	10%	10%	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Ramsay	14%	5%	11%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jane Moriarty ³	27%	4%	2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sir Kevin Smith ⁴	15%	4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Claudia Natanson ⁴	27%	4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Aedamar Comiskey ⁵	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former Directors															
Lucy Dimes ⁶	5%	4%	2%	0%	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average for all UK employees ⁷	4%	5%	7%	5%	2%	0%	0%	0%	0%	0%	(12)%	32%	11%	(18)%	100%

1. It should be noted that the Directors received an increase in pay or fee part-way through the year.
2. A Committee, made up of the Chair and the Executive Directors, reviews the Non-Executive fees and agrees increases in the basic fee, the fee for the Senior Independent Director, the Audit Committee Chair and the Director designated for workforce engagement, as well as the one-off payment for the Audit Committee Chair in recognition of the material additional time the role required. Non-Executive Directors receive fees only. They do not receive taxable benefits and do not participate in incentive schemes.
3. Jane Moriarty joined the Board in FY23. To facilitate a comparison with FY24, her FY23 fee has been annualised.
4. Sir Kevin Smith and Claudia Natanson joined during FY24. To facilitate a comparison with FY25, their FY24 fees have been annualised.
5. Aedamar Comiskey joined during FY26 and hence no year-on-year comparison is available.
6. Lucy retired from the Board during FY26. The year-on-year comparison with FY25 is calculated on the basis of full-time equivalence.
7. The single-year variable figure for our UK colleagues is provided in respect of our annual bonus plan, which has been estimated based on our expected bonus outturn for FY26 at the time of disclosure. This estimate is prior to any discretionary adjustments and for prior years has been trued up once actual results are known.

Relative importance of spend on pay

	FY26	FY25	% change
Distribution to shareholders	£35m	£33m	6%
Employee remuneration	£1,879m	£1,660m	13%

Distribution to shareholders includes all amounts distributed to shareholders.

CEO pay ratio

The table below provides disclosure of the ratio between the CEO's total remuneration and that of the lower quartile, median and upper quartile UK-based colleagues.

Figures for the CEO come from the Executive Directors' single figure table on page 167. The Committee determined total remuneration figures for the lower quartile (P25), median (P50) and upper quartile (P75) colleagues on 31 March 2026 using the 'single figure' methodology to provide a like-for-like comparison with CEO remuneration.

The reporting regulations offer three calculation approaches for determining the P25, P50 and P75 colleagues – Options A, B and C. Since FY23, the Committee has adopted Option B, in recognition of the significant workload placed on our colleagues of the previous methodology in adopting Option A. The Company used the data collected for gender pay gap reporting purposes to identify the three colleagues representing P25, P50 and P75, calculating the total full-time equivalent remuneration for these three colleagues on a similar basis to that adopted for the CEO's single figure of total remuneration.

As with last year, the Company excluded bonus payments from the calculations, because it was not feasible to identify those payments for services delivered within the financial year, and because the Company does not know all bonus pay relating to FY26 at the time of publication. Analysis of past data indicates that the three colleagues would not typically be eligible for a bonus and the exclusion of this element is unlikely to have a significant impact on the ratios reported.

To validate that the figures presented are representative of the pay and benefits of the UK workforce, the Company considered the pay and benefits of colleagues centred on each of the three colleagues. Whilst there can be variation in the pay mix for individuals throughout the organisation, the Committee believes that the information presented fairly reflects pay at the relevant quartiles amongst our UK workforce. The three individuals identified were full-time colleagues during the year and none received an exceptional incentive award, which would otherwise inflate their pay figures. The Company made no adjustments or assumptions to the total remuneration of these colleagues and calculated the total remuneration in accordance with the methodology used to calculate the single figure of the CEO.

The median CEO pay ratio in FY26 was 178:1, compared to 163:1 in FY25 (based on the restated FY25 single figure remuneration for CEO).

The Committee calculated the CEO pay ratio by comparing the CEO's pay to that of Babcock's UK-based workforce. The pay ratio for FY26 is slightly higher than the ratio for FY25, with the lower bonus outcome in FY26 offset by the impact on the reported (and estimated) FY24 PSP vesting value of sustained share price growth over the last three years.

As the remuneration of the CEO has a significant weighting towards variable pay to align his remuneration with Company performance, it is likely that there will be greater variability in his pay year to year than that observed at other levels which have a greater proportion of their pay linked to fixed components. This is consistent with market practices and the Company's reward policies across the organisation. In respect of the general workforce, Babcock understands the need to ensure competitive pay packages across the organisation. For the Committee, it considers the ratios below when making its decisions around the remuneration of the Executive Directors.

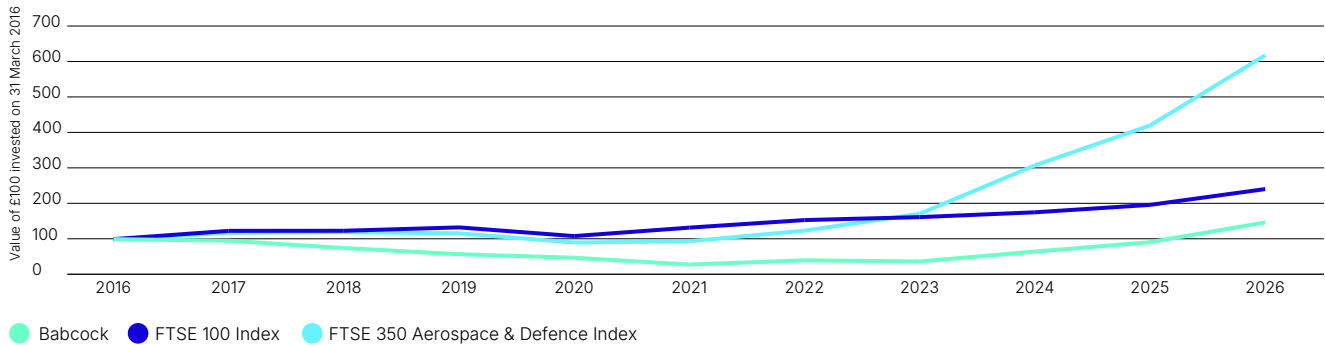
Financial year	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
FY26	Option B	218:1	178:1	151:1
FY25	Option B	191:1	163:1	129:1
FY24	Option B	111:1	94:1	75:1
FY23	Option B	102:1	84:1	62:1
FY22	Option A	61:1	48:1	36:1
FY21	Option A	30:1	22:1	17:1
FY20	Option C	47:1	37:1	27:1

Financial year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
FY26	Total remuneration (£'000)	£40.9	£50.0	£59.0
	Salary (£'000)	£39.2	£44.7	£53.0

Remuneration Committee report (continued)

Performance graphs

The following graph shows the TSR for the Company compared to the FTSE 100 and FTSE 350 Aerospace & Defence index, assuming an investor invested £100 on 31 March 2016. The Board considers that the FTSE 100 Index and FTSE 350 Aerospace & Defence Index currently represent the most appropriate indices (of which Babcock is a constituent) against which to compare Babcock's performance.



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

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Peter Rogers¹										
Single figure (£'000)	1,091									
Bonus vesting (% max)	66%									
DBMP matching shares vesting (% max)	17.0%									
PSP/CSOP vesting (% max)	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	3,288	4,161	7,181	8,880
Bonus vesting (% max)					0%	80%	59%	59.6%	100%	59%
PSP vesting (% max)					n/a	n/a	100%	100%	100%	95.3%

1. Until retirement on 31 August 2016.

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

3. Until he stepped down as CEO on 14 September 2020.

4. Excludes his salary between joining the Company in August and joining the Board as CEO on 14 September 2020.

Directors' share ownership (audited)

The Committee sets out below the interests of the Directors (and/or their spouses) in the ordinary shares of the Company as at 31 March 2026 (or on the date of retiring from the Board in the case of former Directors):

	At 31 March 2025		At 31 March 2026						
	Shares held	Shares held	Options held				S/holding req. (% salary)	Current shareholding (% of salary) ²	Req. met?
Director	Owned outright by Director or spouse ¹	Owned outright by Director or spouse ¹	Vested but subject to holding period	Vested but not exercised	Unvested and subject to performance conditions	Unvested and subject to continued employment			
David Lockwood	719,465	1,029,845	–	–	1,133,548	180,599	300%	1,667%	Yes
David Mellors	501,017	718,804	–	–	636,567	124,938	200%	1,680%	Yes
Harry Holt	n/a	–	–	18,737	181,387	92,376	200%	125%	Building
Dame Ruth Cairnie	120,000	120,000							
Carl-Peter Forster	10,000	10,000							
Lord Parker	–	–							
John Ramsay	40,000	40,000							
Jane Moriarty	–	–							
Sir Kevin Smith	6,000	6,000							
Claudia Natanson	–	–							
Aedamar Comiskey	–	–							
Former Director									
Lucy Dimes	5,000	5,000							

1. Beneficially held shares of Director and/or spouse.

2. Current shareholdings for comparison with the shareholding requirements for Executive Directors are calculated based on salary as at 31 March 2026 and by reference to shares owned outright by Director or spouse, options vested but subject to holding periods, options vested but not exercised, and options unvested but subject only to continued employment. Holdings are valued assuming options are exercised on 31 March 2026 and a three-month average share price to 31 March 2026 of 1381.7p and are calculated post tax. For Harry Holt, the current shareholding is calculated by reference to his salary as Deputy CEO (£650,000 per annum).

There have been no changes to the continuing Directors' (or their spouses') shareholdings between 31 March 2026 and 19 June 2026.

Remuneration Committee report (continued)

Directors' share-based awards and options (audited)

The tables below show the various share awards held by Directors under the Company's various share plans. The Company's mid-market share price at close of business on 31 March 2026 was 1158.0p. The highest and lowest mid-market share prices in the year ended 31 March 2026 were 1502.0p and 655.5p, respectively.

Director	Plan and year of award ¹	Number of shares subject to award at 1 April 2025	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 March 2026	Exercise price (pence) ²	Market value of each share at date of award (pence)	Exercisable from	Expiry date ³
David Lockwood										
	PSP FY23	474,418		474,418		0	1008	344.00	Aug 2025	Aug 2026
	DBP FY23 ⁴	112,549		112,549		0	1008	344.00	Aug 2025	Aug 2026
	PSP FY24	520,408				520,408		392.00	Sept 2026	Sept 2027
	DBP FY24 ⁴	76,472				76,472		377.73	Aug 2026	Aug 2027
	PSP FY25	425,905				425,905		531.67	Aug 2027	Aug 2028
	DBP FY25 ⁴	54,884				54,884		531.67	Aug 2027	Aug 2028
	PSP FY26		187,235			187,235		1245.67	Sept 2028	Sept 2029
	DBP FY26 ⁴		49,243			49,243		1076.33	Jul 2028	Jul 2029

Director	Plan and year of award ¹	Number of shares subject to award at 1 April 2025	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 March 2026	Exercise price (pence) ²	Market value of each share at date of award (pence)	Exercisable from	Expiry date ³
David Mellors										
	PSP FY23	332,093		332,093		0	1008	344.00	Aug 2025	Aug 2026
	DBP FY23 ⁴	77,798		77,798		0	1008	344.00	Aug 2025	Aug 2026
	PSP FY24	301,628				301,628		392.00	Sept 2026	Sept 2027
	DBP FY24 ⁴	52,623				52,623		377.73	Aug 2026	Aug 2027
	PSP FY25	231,287				231,287		531.67	Aug 2027	Aug 2028
	DBP FY25 ⁴	38,370				38,370		531.67	Aug 2027	Aug 2028
	PSP FY26		103,652			103,652		1245.67	Sept 2028	Sept 2029
	DBP FY26 ⁴		33,945			33,945		1076.33	Jul 2028	Jul 2029

Director	Plan and year of award ¹	Number of shares subject to award at 1 April 2025	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 March 2026	Exercise price (pence) ²	Market value of each share at date of award (pence)	Exercisable from	Expiry date ³
Harry Holt										
	RSP FY24	78,571				78,571		392.00	Sept 2026	Sept 2027
	PSP FY25	120,376				120,376		531.67	Aug 2027	Aug 2028
	DBP FY25	18,737				18,737		531.67	Aug 2025	Aug 2026
	PSP FY26		61,011			61,011		1245.67	Sept 2028	Sept 2029
	DBP FY26 ⁴		13,805			13,805		1076.33	Jul 2026	Jul 2027

- PSP is the Company's Performance Share Plan. Further details about these plans and, where applicable, performance conditions attaching to the awards listed, are to be found on page 169. The FY23 PSP award completed its performance period during FY26, and the awards vested in full. Both David Lockwood and David Mellors exercised their vested awards following the completion of the performance period, selling sufficient shares to pay the tax, and the remaining balance is being held in Trust until the completion of the holding period, ie the end of the five-year period from grant.
- The PSP awards are structured as nil-priced options and are subject to the rules of the PSP, including as to meeting performance targets for PSP awards.
- Where this date is less than 10 years from the date of award, the Committee may extend the expiry date on one or more occasions, but not beyond the tenth anniversary of the award.
- The Company requires the Executive Directors to defer 40% of any annual bonus awarded into shares, which vest after three years, with the remaining 60% of any annual bonus paid in cash, unless they have met their shareholding requirement. For Harry Holt, the DBP FY26 award represents 25% of his FY25 bonus, in line with the deferral requirements operated at the Executive Committee level.

Summary of share-based awards and options vested during the year

During the year to 31 March 2026, the following awards vested:

Director	Award	Number vesting	Vesting date	Market value of vested shares on award £	Market value of vested shares on vesting date £	Exercise price payable for vested shares (if any) £
David Lockwood	PSP FY23	474,418	Aug 2025	1,631,998	4,732,320	Nil
David Lockwood	DBP FY23	112,549	Aug 2025	387,169	1,122,676	Nil
David Mellors	PSP FY23	332,093	Aug 2025	1,142,400	3,312,628	Nil
David Mellors	DBP FY23	77,798	Aug 2025	267,625	776,035	Nil
Harry Holt	DBP FY25	18,737	Aug 2025	99,619	186,902	Nil

Closing share price on the vesting date (1 August 2025) was 997.5p.

Other interests

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

External appointments of Executive Directors in FY26

In January 2024, David Lockwood became President of ADS, the UK trade association for the aerospace, defence, security and space industry for which there is no fee. There were no fees received by Executive Directors for any external appointment during the year.

The Board approved this Remuneration report on 19 June 2026.

Carl-Peter Forster

Committee Chair

Other statutory information

Directors' report and other disclosures

The Directors' report comprises this section, as well as the rest of the Governance section, the Directors' responsibility statement on page 186 and those sections incorporated by reference below.

Disclosures required by UKLR 6.6.4 and which form part of the Directors' report can be found as provided in the table below:

Listing Rule	Topic	Location
6.6.1 (1)	Capitalised interest	Financial statements, note 5 on page 228
6.6.1 (11) and (12)	Shareholder waivers of dividends and future dividends	Financial statements, note 23 on page 252

Other disclosure requirements set out in UKLR 6.6.4 are not applicable to the Company.

Disclosures required pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as updated by the Companies (Miscellaneous Reporting) Regulations 2018 can be located as follows:

Topic	Location
Financial risk management regarding financial instruments	● Note 22, page 243
Greenhouse gas emissions	● Page 105
Employee engagement	● Pages 69 and 138
Fostering business relationships with suppliers, customers and others	● Pages 68 and 69, 138 and 139 and throughout the Strategic report
Subsequent events	● Note 32 on page 264
Likely future developments in the business of the Group	● Pages 18 and 19
Details of important events affecting the Group	● Strategic and Directors' reports, in particular pages 12 to 15 and 34 to 51

For the purposes of DTR 4.1.5 R (2) and DTR 4.1.8 R, the required content of the Management report can be found in the Strategic report and the Directors' report including the sections of the Annual Report and Financial Statements incorporated by reference.

The Company

Babcock International Group PLC, registered and domiciled in England and Wales, with the registered number 02342138, is the holding company for the Babcock International Group of companies.

Dividends

An interim dividend of 2.5p per share was declared during the year (2025: 2.0p). The Directors are recommending that shareholders approve at the forthcoming Annual General Meeting a final dividend of 5.0p (2025: 4.5p) on each of the ordinary shares of 60 pence to be paid on Friday 25 September 2026 to shareholders on the register at close of business on Friday 14 August 2026.

Issued share capital

As at 31 March 2026 the Company had 505,596,597 ordinary shares of 60 pence each in issue of which 10,740,335 were held in treasury.

Authority to purchase own shares and share buyback

At the Annual General Meeting in September 2025, members authorised the Company to make market purchases of up to 50,559,660 of its own ordinary shares of 60 pence each. That authority expires at the forthcoming Annual General Meeting when a resolution will be put to renew it so as to allow purchases of up to a maximum of 10% of the Company's issued share capital.

During the year 12,543,295 ordinary shares of 60 pence each were repurchased under the buyback programme of up to £200 million announced on 25 June 2025. A total of 16,954,061 were bought back during the programme which completed on 28 April 2026 and all of such repurchased shares were transferred to Treasury.

Details of Treasury shares used to satisfy awards under the Company's share plans are to be found in note 23 on page 250. The percentage of the called-up share capital (excluding Treasury shares) as at 31 March 2026 which the shares repurchased during FY26 represents, is 2.48% and over the whole programme is 3.35%.

Details of purchases of the Company's shares made during the year to 31 March 2026 by the Babcock Employee Share Trust in connection with the Company's share plans are to be found in note 23 on page 252.

Major shareholdings

As at 31 March 2026, the Company has been notified pursuant to the Disclosure and Transparency Rules (DTR) of the following major interests in voting rights attached to its ordinary shares.

Name	Number of 60 pence ordinary shares on date of notification	% of issued share capital on date of notification
The Capital Group Companies, inc.	33,889,108	6.70%
Blackrock, Inc.	31,784,750	6.29%
Artisan Partners	26,270,916	5.20%

There have been no further notifications between 31 March 2026 and the date of this report.

The holdings set out above relate only to notifications of interests in the issued share capital received by the Company pursuant to DTR 5 and consequently do not necessarily represent current levels of interest.

Employment of disabled persons/ equal opportunities

Equal opportunities are available for all at Babcock including a commitment to providing a fair and inclusive environment for our colleagues with a disability or caring for a close family member with a disability.

We recognise that disability covers a broader range of both visible and non-visible conditions, and we define disability as: a person is disabled under the Equality Act 2010 if they have a physical or mental impairment that has a 'substantial' and 'long-term' negative effect on their ability to do normal daily activities. This does not mean a person must be registered as disabled. A long-term disability might include something physical (such as a mobility issue, hearing or sight impairment or long-term illness). It also covers people with mental health conditions. Additionally, neurodivergence (for example dyslexia, dyspraxia, Asperger's, and autism) are caught within the definition, including where someone is undergoing diagnosis.

We are committed to fostering an inclusive environment where every colleague feels supported, respected and able to be their authentic self at work. We do not tolerate discrimination in any form. Guided by our principles, we embed this commitment into our everyday practices, and across our interactions with colleagues, customers and partners. We continue to support the employment, development and progression of disabled colleagues, while also engaging all other colleagues to build awareness, challenge assumptions and remove barriers, whether physical, procedural or cultural, to ensure equal opportunity for all.

We are a Disability Confident Employer Level 2, demonstrating our commitment to attracting, recruiting, onboarding and retaining disabled people and those with caring responsibilities, and supporting them in the workplace to achieve their full potential. We have a dedicated Group-wide employee-led Disability Network, supported through a number of peer support groups delivering on members' needs.

For more information about our inclusion strategy, see pages 81 to 85.

Research and development

The Group commits resources to research and development to the extent management considers necessary for the evolution and growth of its business.

Political donations

No donations were made during the year for political purposes.

Qualifying third-party indemnity provisions

The Company has entered into deeds of indemnity with each of its Directors (who served during the year and/or who are currently Directors) which are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006 in respect of their directorships of the Company and, if applicable, of its subsidiaries.

Under their respective Articles of Association, Directors of Group UK subsidiary companies may be indemnified by the company concerned of which they are or were Directors, against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006.

Qualifying pension scheme indemnity provisions are also in place for the benefit of Directors of the Group companies that act as trustees of Group pension schemes.

Significant agreements that take effect, alter or terminate upon a change of control

Many agreements entered into by the Company or its subsidiaries contain provisions entitling the other parties to terminate them in the event of a change of control of the Group company concerned, which could be triggered by a takeover of the Company.

Although the Group has some contracts that on their own are not significant to the Group, several may be with the same customer. If, upon a change of control, the customer decided to terminate all such agreements, the aggregate impact could be very material. In addition, the National Security and Investment Act 2021 that came into force on 4 January 2022 provides the UK Government with new powers to scrutinise and potentially make void transactions on the grounds of national security. The legislation is part of a global trend towards introducing investment laws which has seen a number of other countries introduce similar protections.

The following agreements are those individual agreements which the Company considers to be significant to the Group as a whole that contain provisions giving the other party a specific right to terminate them if the Company is subject to a change of control.

Borrowing facilities

The Group has a Revolving Credit Facility of up to £600 million maturing in July 2030, with an option to extend for a further 2 years, providing funds for general corporate and working capital purposes. In the event of a change of control, the facility provides that the lenders may, within a certain period, call for the payment of any outstanding loans and cancel the facilities.

Other statutory information *(continued)*

£1,800,000,000 Euro Medium-Term Note Programme

The Company has a Euro Medium-Term Note Programme under which it has issued three tranches: €550,000,000 1.75% Notes redeemed in 2022; £300,000,000 1.875% Notes due in 2026; and €550,000,000 1.375 % Notes due in 2027.

If there is a change of control of the Company and the Notes then in issue carry an investment-grade credit rating which is either downgraded to non-investment-grade, or carry a non-investment-grade rating which is further downgraded or withdrawn, or do not carry an investment-grade rating and the Company does not obtain an investment-grade rating for the Notes, a Note holder may require that the Company redeem or, at the Company's option, repurchase the Notes.

Share plans

The Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

Contracts with employees or Directors

A description of those agreements with Directors that contain provisions relating to payments in the event of a termination of employment following a change of control of the Company is set out on pages 163 and 164.

Articles of Association of DRDL and RRDL

The Articles of Association of Devonport Royal Dockyard Limited (DRDL) and Rosyth Royal Dockyard Limited (RRDL), both subsidiaries of the Company, grant the MOD as the holder of a special share in each of those companies certain rights in certain circumstances. Such rights include the right to require the sale of shares in, and the right to remove Directors of, the company concerned. The circumstances in which such rights might arise include where the MOD considers that unacceptable ownership, influence or control (domestic or foreign) has been acquired over the company in question and that this is contrary to the essential security interests of the UK. This might apply, for example, in circumstances where any non-UK person(s) directly or indirectly acquire control over more than 30% of the shares of the relevant subsidiary, although such a situation is not of itself such a circumstance unless the MOD in the given situation considers it to be so.

Services Contract related to the supply of training and associated services to the Royal School of Military Engineering dated 30 August 2008 between (1) Holdfast Training Services Limited and (2) Babcock Land Defence Limited (as novated and amended)

The Services Contract (Babcock) is obliged to inform the Contractor (Holdfast) as soon as reasonably practicable and in any event within 15 business days of a change of ownership of the Service Contractor.

Surface Ship Support Alliance Agreement (SSSA) dated 23 September 2009 between (1) The Secretary of State for Defence, (2) Devonport Royal Dockyard Limited and (3) BAE Surface Ships Limited (as amended)

Any change of control of Devonport Royal Dockyard Limited must be approved in advance by the Secretary of State for Defence. Consent may be withheld to prevent an unsuitable third party taking control. Breach may result in exclusion from the alliance.

Land Equipment Service Provision and Transformation Contract (LECOM/1006) dated 31 March 2015 between (1) the Secretary of State for Defence and (2) Babcock Land Defence Limited (formerly DSG Land Equipment Support Limited) (as amended)

Any transfer of any legal or beneficial interest in the share in the contractor and any change of control of the contractor or of the guarantor is to be notified in advance to the Secretary of State. A change of control of the contractor or the guarantor is subject to the approval of the Secretary of State for Defence. Any change resulting in an affiliate of the contractor of the guarantor having control of the contractor may only be refused on the grounds of national security. A change of control of any shareholder of the contractor or of the guarantor that arises as a result of an acquisition of listed shares requires notification to the Secretary of State. Any breach of the terms relating to a change of control is a Contractor Default giving rise to a right for the Secretary of State to terminate the contract.

Competitive Design Phase Contract for the Type 31 Programme dated 7 December 2018 (as amended and restated on 15 November 2019) between (1) The Secretary of State for Defence and (2) Rosyth Royal Dockyard Limited

The Secretary of State for Defence may terminate if, in its reasonable opinion, a change of control of Rosyth Royal Dockyard Limited or any holding company will be contrary to the defence, national security or national interest of the UK.

Design and Build Contract for the Type 31 Programme dated 7 December 2018 (as amended and restated on 15 November 2019) between (1) The Secretary of State for Defence and (2) Rosyth Royal Dockyard Limited

The Secretary of State for Defence may terminate if, in its reasonable opinion, a change of control of Rosyth Royal Dockyard Limited or any holding company will be contrary to the defence, national security or national interest of the UK.

Future Maritime Support Programme Lot 11 (Warehousing and Distribution at HMNB Clyde) dated 30 March 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of Devonport Royal Dockyard Limited or any other company in the Group that it objects to and in respect of which its concerns have not been addressed.

Future Maritime Support Programme Lot 1 (Naval Bases) dated 28 July 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Future Maritime Support Programme Lot 2 (Ships Engineering) dated 30 September 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Future Maritime Support Programme Lot 3 (Submarine Engineering) dated 30 September 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Future Maritime Support Programme Lot 4 (Hard Facilities Management and Alongside Services at HMNB Clyde) dated 30 September 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Integration Partner Framework Agreement relating to the provision of professional services and works at Devonport Royal Dockyard dated 2 December 2020 and pursuant to a Contract of Accession and Variation of Contract dated 13 March 2025 between (1) The Secretary of State for Defence, (2) Devonport Royal Dockyard Limited and (3) Rosyth Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited or Rosyth Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Interim Support to the AUKUS Programme agreement dated 1 March 2024 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Dreadnought Supply and Support Contract (DSSC) Dreadnought Phase 3 (DP3) agreement dated 1 October 2023 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Future Naval Design Partnership (FNDP) dated 13 September 2024 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited or Rosyth Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Ship Submersible Nuclear (AUJUS) (SSN(A)) Detailed Design and Long Lead (D2L2) – design for support contract dated 1 August 2023 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Victoria Class In-Service Support Contract (VISSC) dated 30 June 2008 between (1) Public Services and Procurement Canada (PSPC) and (2) Babcock Canada Inc (BCI)

The Minister of PSPC may terminate, either for convenience or possibly default, including on a change of control, if there is a risk of change in foreign ownership control or influence (FOCI) that the Minister considers contrary to the best interests of Canada's security needs. The Minister may also deny the assignment of contracts and subcontracts which would be required if a change of control were to be pursued.

Volvo Construction Equipment Dealer Agreement dated February 2018 between (1) Volvo Construction Equipment AB and (2) Babcock Africa Services Pty Limited

Volvo Construction Equipment may terminate on certain grounds including if there is a change of control of Babcock Africa Services without prior written consent. Share capital and rights attaching to the Company's shares.

Other statutory information (continued)

Share capital and rights attaching to the Company's shares

General

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine). The Directors' practice is to seek authority from shareholders at each year's Annual General Meeting to allot shares (including authority to allot free of statutory pre-emption rights) up to specified amounts and also to buy back the Company's shares, again up to a specified amount.

At a general meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights, either by proxy or by being present in person, in relation to resolutions to be proposed at a general meeting.

No member is, unless the Board decides otherwise, entitled to attend or vote at, either personally or by proxy, a general meeting or to exercise any other right conferred by being a shareholder if they or any person with an interest in their shares has been sent a notice under s793 of the Companies Act 2006 (which confers upon public companies the power to require the provision of information with respect to interests in their voting shares) and they or any interested person have failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those defaulting shares and that no transfer of any defaulting shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant Section 793 notice, whichever is the earlier.

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws) or by the nationality-related restrictions, more particularly described below.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights in the Company.

At the date of this report 505,596,597 ordinary shares of 60 pence each have been issued and are fully paid up and quoted on the London Stock Exchange.

Nationality-related restrictions on share ownership

Companies which provide aviation services in the EU must comply with the requirements of EC Regulation 1008/2008 (the Regulation) which, amongst other matters, requires those companies to be majority-owned and majority-controlled by EEA nationals (the licensed companies).

At the Company's Annual General Meeting in July 2014, shareholders approved the amendment of the Company's Articles of Association (the Articles) to include provisions intended to assist the Company in ensuring continuing compliance with these obligations by giving the Company and the Directors powers to monitor and, in certain circumstances, actively manage nationality requirements as regards ownership of its shares with a view to protecting the value of the Group undertakings that hold the relevant operating licences. A summary of these powers is set out below. Reference should, however, also be made to the Company's Articles, a copy of which may be found on its website at www.babcockinternational.com. In the event of any conflict between the Articles and this summary, the Articles shall prevail.

Relevant Shares

Relevant Shares are any shares which the Directors have determined or the holders have acknowledged are shares owned by non-EEA nationals for the purposes of the Regulation (Relevant Shares). It is open to shareholders to make representations to the Directors with a view to demonstrating that shares should not be treated as Relevant Shares.

Maintenance of a register of non-EEA shareholders

The Company maintains a register (which is separate from the statutory register of members) containing details of Relevant Shares. This assists the Directors in assessing, on an ongoing basis, whether the number of Relevant Shares is such that action (as outlined below) may be required to prevent or remedy a breach of the Regulation.

The Directors will remove from the separate register particulars of shares where they are satisfied that either the share is no longer a Relevant Share or that the nature of the interest in the share is such that the share should not be treated as a Relevant Share.

Disclosure obligations on share ownership

The Articles empower the Company to, at any time, require a shareholder (or other person with a confirmed or apparent interest in the shares) to provide in writing such information as the Directors determine is necessary or desirable to ascertain such person's nationality and, accordingly, whether details of the shares should be entered in the separate register as Relevant Shares or are capable of being 'Affected Shares' (see below).

If the recipient of a nationality information request from the Company does not respond satisfactorily to the request within the prescribed period (being 21 days from the receipt of the notice), the Company has the power to suspend the right of such shareholder to attend or speak (whether by proxy or in person) at any general or class meeting of the Company or to vote or exercise any other right attaching to the shares in question. Where the shares represent at least 0.25% of the aggregate nominal value of the Company's share capital, the Company may also (subject to certain exceptions) refuse to register the transfer of such shares. The Articles also require that a declaration (in a form prescribed by the Directors) relating to the nationality of the transferee is provided to the Directors upon the transfer of any shares in the Company, failing which the Directors may refuse to register such transfer (see further below).

Power to treat shares as 'Affected Shares'

The Articles empower the Directors, in certain circumstances, to treat shares as 'Affected Shares'. If the Directors determine that any shares are to be treated as Affected Shares, they may serve an 'Affected Share Notice' on the registered shareholder and any other person that appears to have an interest in those shares.

The recipients of an Affected Share Notice are entitled to make representations to the Directors with a view to demonstrating that such shares should not be treated as Affected Shares. The Directors may withdraw an Affected Share Notice if they resolve that the circumstances giving rise to the shares being treated as Affected Shares no longer exist.

Consequences of holding or having an interest in Affected Shares

A holder of Affected Shares is not entitled, in respect of those shares, to attend or speak (whether by proxy or in person) at any general or class meeting of the Company or to vote or to exercise any other right at such meetings, and the rights attaching to such shares will vest in the Chair of the relevant meeting (who may exercise, or refrain from exercising, such rights at his/her sole discretion).

The Affected Shares Notice may, if the Directors determine, also require that the Affected Shares must be disposed of within 10 days of receiving such notice (or such longer period as the Directors may specify) such that the Affected Shares become owned by an EEA national, failing which the Directors may arrange for the sale of the relevant shares at the best price reasonably obtainable at the time. The net proceeds of any sale of Affected Shares would be held in trust and paid (together with such rate of interest as the Directors deem appropriate) to the former registered holder upon surrender of the relevant share certificate in respect of the shares.

Circumstances in which the Directors may determine that shares are Affected Shares

The Articles provide that where the Directors determine that it is necessary to take steps in order to protect an operating licence of the Group they may: (i) seek to identify those shares which have given rise to the determination and to deal with such shares as Affected Shares; and/or (ii) specify a maximum number of shares (which will be less than 50% of the Company's issued share capital) that may be owned by non-EEA nationals and then treat any shares owned by non-EEA nationals in excess of that limit as Affected Shares (the Directors will publish a notice of any specified maximum within two business days of resolving to impose such limit). In deciding which shares are to be dealt with as Affected Shares, the Directors shall be entitled to determine which Relevant Shares in their sole opinion have directly or indirectly caused the relevant determination. However, so far as practicable, the Directors shall have regard to the chronological order in which the Relevant Shares have been entered in the separate register.

Right to refuse registration

The Articles provide the Directors with the power to refuse registration of a share transfer if, in their reasonable opinion, such transfer would result in shares being treated or continuing to be treated as Affected Shares.

The Articles also provide that the Directors shall not register any person as a holder of any share in the Company unless the Directors receive a declaration of nationality relating to such person and such further information as they may reasonably request with respect to that nationality declaration.

The Directors believe that, following the restructuring of the Aviation sector, those companies in which the Company has an interest and which are required to comply with the Regulation (being those companies operating aviation services in the EU) do meet the requirement of the Regulation, including those relating to nationality.

This belief is based on the Company's understanding of the application of the Regulation. There can, however, be no guarantee that this will continue to be their assessment and that it will not be necessary to declare a Permitted Maximum or exercise any other of their or the Company's powers in the Articles referred to above.

Internal controls and risk management

There is a robust process in place to enable the Board to have assurance around the overall management of risk, including the determination of the nature and extent of the Group's principal risks. Management monitors the financial reporting process and the process for preparing the consolidated accounts through regular reporting and review. Management reviews data for consolidation into the Group's financial statements to ensure that it gives a true and fair view of the Group's results in compliance with applicable accounting policies.

The Board, through the Audit Committee, reviews the effectiveness of the Group's internal control and risk management. More information on the work to prepare the Group for the introduction of the new reporting requirement under the 2024 UK Corporate Governance Code in respect of the declaration of effectiveness of the material controls that will come into effect for FY27 can be found in the Strategic report on pages 110 and 114 and in the Audit Committee report on page 151.

Further information on the principal risks and management controls for the Group can be found in the Strategic report on pages 110 to 128.

Auditor

Forvis Mazars LLP is willing to continue in office as independent auditor of the Company and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware there is no relevant audit information of which the Company's auditor is unaware.

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Responsibility statement

Each of the Directors, being each Director who is in office at the date the Directors' report is approved and whose names and functions are listed below, confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Dame Ruth Cairnie	Chair
Carl-Peter Forster	Non-Executive Director
John Ramsay	Non-Executive Director
Lord Parker	Non-Executive Director
Aedamar Comiskey	Non-Executive Director
Jane Moriarty	Non-Executive Director
Sir Kevin Smith	Non-Executive Director
Claudia Natanson	Non-Executive Director
David Lockwood	Chief Executive Officer
David Mellors	Chief Financial Officer

Approval of the Strategic report and the Directors' report

The Strategic report and the Directors' report (pages 1 to 186) for the year ending 31 March 2026 have been approved by the Board and signed on its behalf by:

Dame Ruth Cairnie
Chair

David Lockwood
Chief Executive Officer

19 June 2026