Babcock International Group Pension Scheme

Annual Engagement Policy Implementation Statement for the Scheme year ended 31 March 2026

Introduction

This Statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 March 2026 (the "Scheme year"). This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Investment objectives of the Scheme and review of the SIP

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- To ensure that the Scheme's benefit obligations can be met.
- That, overall, there is a high level of security of benefits.

While security of benefits is paramount, the Trustee recognises that a "least risk" approach to investment strategy would substantially increase the cost of the Scheme (possibly to unacceptable levels). The Trustee has thus decided to pursue a strategy which takes on some investment risk in a controlled fashion and which is consistent with the Trustee's assessment of the financial strength of the Sponsoring Company. This leads to further specific objectives, including:

- To aim for a long-term return which, if achieved, should improve and then maintain the Scheme's funding level.
- To adopt a strategy which aims to limit the level of investment risk, and the resulting funding level, deficit and contribution volatilities, to an acceptable level.

During the year to 31 March 2026, the Trustee reviewed the SIP, taking formal advice from its investment adviser, to reflect changes to the investment strategy and remove references to the Defined Contribution ("DC") Section, following the transfer of the DC assets to the BIG Master Trust, a section of the Aon Master Trust, in Q1 2025.

The latest version of the SIP is dated September 2025 and can be found at https://pensions.babcockinternational.com/key_information.

Considering the information presented in the remainder of this Statement, the Trustee believes that their policies in the SIP regarding engagement in respect of the Scheme's assets have been followed during the Scheme year.

Policy on Environmental, Social and Governance ("ESG"), Stewardship and Climate Change

The Scheme's SIP outlines the Trustee's policy on ESG factors, stewardship and climate change. In summary, the Trustee believes that ESG may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee takes a pragmatic approach to ESG issues and considers the materiality in terms of both risk and return.

In order to establish these beliefs and produce this policy, the Trustee has undertaken investment training provided by its investment consultant on responsible investment which covered ESG factors, stewardship and climate change. The Trustee has also requested responses from all of the Scheme's investment managers regarding the actions they are taking to address ESG issues, and asks investment managers to provide ESG updates when they present to the Trustee. In October 2025, the Trustee undertook a sustainable investment beliefs survey, and confirmed that the views/policies set out in the SIP and in the Trustee's standalone ESG policy remain appropriate.

The Trustee keeps the policies under regular review, with the SIP subject to review at least triennially.

The section below outlines the work undertaken during the year to 31 March 2026 relating to the Trustee's policy on ESG factors, stewardship and climate change.

Engagement

During the Scheme year, the Trustee monitored the Scheme's investments on a quarterly basis through investment performance reports. These reports included assessments of both financial performance and ESG-related factors, drawing on the investment adviser's manager research, ratings and views on ESG integration. The Trustee (via the Investment Committee) liaised with the investment managers, as part of the regular manager monitoring.

Investment managers are expected to provide a summary of their ESG and stewardship policies as part of any meetings with the Investment Committee, as well as to confirm how they comply with the Trustee's ESG policy.

The Trustee also received details of relevant voting and engagement activity over the year from the Scheme's investment managers. Please see Appendix 1 for examples of engagement activity.

Stewardship

The Trustee has given its investment managers full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies, and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

All of the Scheme's managers are signatories of the current UK Stewardship Code 2026 (the "Code").

Voting Activity

The Trustee has delegated its voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund rather than the Trustee, which does not own underlying assets directly). As a result, the Trustee does not use the direct services of a proxy voter, although some investment managers employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

Investment managers are expected to provide voting summary reporting on a regular basis; at least annually.

Over the Scheme year, Insight managed the Scheme's dedicated equity market exposure. For reasons of efficiency and cost effectiveness this was achieved via the use of synthetic equity contracts as opposed to actually investing and holding shares. As a result of this, the Scheme achieved exposure to capital gains and dividends but was not entitled to vote on management resolutions.

A summary of voting activity is shown in Appendix 2.

Significant Votes

The Trustee defines a significant vote as one that is linked to the Scheme's stewardship priorities/themes. The Trustee has decided to report on votes related to material holdings (more than c.5% of the relevant fund's holdings) in the following stewardship areas:

- **Environmental (E) – Climate change**
- **Social (S) - Human rights** (including modern slavery)
- **Governance (G) – Executive remuneration** (any vote against a remuneration report where executives are awarded bonuses despite missing targets)
- **Governance (G) – Diversity** (any vote against chair when the board is not sufficiently diverse)
- **Governance (G) – Financial outcomes** (any vote which has the potential to substantially impact financial or stewardship outcomes (e.g. through over-leveraging the business or through implementing proposals that would weaken the corporate governance))

As part of this monitoring, the Trustee will engage with the Scheme's investment managers where appropriate to understand the activity undertaken in relation to these topics.

A summary of significant votes is shown in Appendix 2.

Appendix 1: Engagement examples

Examples of the engagement activity undertaken by the investment managers are set out below.

Insight (LDI): UK Debt Management Office ("DMO")

Date engagement occurred: Q1 2026

Action

The engagement with the sovereign issuer was undertaken to assess updates to its green financing framework, with particular focus on the inclusion of nuclear energy as an eligible use of proceeds, as well as wider climate policy credibility, delivery against emissions targets, and the interaction between public spending priorities and green bond issuance. During the discussion, the issuer said nuclear eligibility would not guarantee allocation, that nuclear use of proceeds was expected to be capped at around 20%, and that inclusion was being approached cautiously. Insight reiterated that enhanced due diligence would be needed around radioactive waste disposal, progress toward a geological disposal facility, spent fuel recycling, and water management practices. Insight also encouraged clearer definitions and quantitative thresholds for eligible green activities.

Outcome/Next Steps

The updated framework was viewed positively overall, and progress was noted since prior engagement, including the move from biennial to annual impact reporting, retention of the one-year lookback, and a focus on financing for proceeds, which improved transparency and investor accountability. However, concerns remained regarding nuclear waste and water strategies and the lack of published expected allocations across use-of-proceeds categories. Next steps include seeking enhanced disclosure on nuclear waste management and safety strategy, provide pre-issuance allocation detail on activities to be financed, and a review of definitions and quantitative thresholds across green projects.

L&G (Buy & Maintain Credit): Fortum Oyj

Date engagement occurred: Q1 2026

Action

L&G engaged with Fortum on climate transition through both direct and collaborative engagement. The engagement focused on strengthening the ambition and scope of emission reduction and carbon neutrality targets, developing a detailed climate transition strategy, setting a time-bound strategy for exiting coal, and aligning policy advocacy with decarbonisation ambitions. The case study states that L&G became co-lead investor in the Climate Action 100+ ("CA100+") engagement with Fortum in 2023, while direct engagement under the Climate Impact Pledge ran from 2021 to 2025.

Outcome/Next Steps

L&G reported progress in 2025, including Fortum bringing forward interim carbon neutrality targets to 2030, committing to exit coal generation by 2027, committing to set a 1.5°C-aligned emission reduction target verified by the Science Based Targets initiative, disclosing a transition plan with granular detail on achieving reduction targets and the coal exit, and publishing a Climate Lobbying Review. L&G described this as meeting expectations and showing strong leadership in climate transition. The next steps were to de-escalate and monitor by ceasing direct and collaborative engagement, and monitoring progress through Climate Impact Pledge scores.

CQS (Multi-Asset Credit): Food retail company

Date engagement occurred: Ongoing

Action

CQS’ bilateral interaction with the investor relations team and c-suite management forms part of an ongoing engagement on operational progress and human rights policy management. Notably, as it relates to staffing policy developments, including pay and recruitment, and for a human rights management update around its approach towards inclusion and ethics. The company has previously lagged industry peers on salary and employee wage growth, as referenced by independent survey data, and of which formed the grounds for union representation to voice action against the company. CQS also looked to attain an update on the extent of union and employee conversations on pay and working hours, which were flagged in the media, and to share the extent of any remediation plans. In addition, CQS sought an update on dialogue with its supply chain on management of competitiveness, including product availability and inflation, and the economic importance of maintaining consumer affordability.

Outcome/Next Steps

The meeting with company management was constructive, with company representatives acknowledging recent improvement in operational and employee performance through the past financial year. In relation to recent labour challenges, the company was forced to act in response to employee strikes because of alleged equal pay issues throughout the lower tiers of its employee hierarchy, which represents a significant proportion of its workforce. While labour discussions with unions were still ongoing at the time of CQS’ engagement, the company is confident of making progress to appease union concerns, and has increased its wages to be in line with National Living Wage (“NLW”). CQS voiced their views on the importance of maintaining strong labour relations, and the company confirmed steps are being implemented to improve performance, including an updating of its human rights diligence and governance monitoring. This includes providing staff wages in line with proposed changes to retail base rates from September 2025, although this suggests they will remain below peers, which is an area CQS will continue to monitor. In addition, CQS articulated concerns that its human rights diligence and audits lag peers, advocating for more insight on the human rights blueprint and oversight of labour management within its operations, and on the transparency of its supply chain.

As a positive, greater disclosure was provided on its supplier code of conduct, where there are hard line commitments in areas of modern slavery and palm oil use. Management also outlined actions taken with suppliers to share and centralise data capture and visibility to improve operational effectiveness. CQS were however, concerned by comments regarding promotional offers and ‘value’ product availability, which has resulted in management looking at alternative suppliers for cost reasons as it struggles to meet consumer demand in some product categories. CQS will monitor developments on concerns this may compromise quality to the extent of public health and consumer perception, which could impact on financial performance.

Appendix 2: Voting activity

Over the last 12 months, key voting activity on behalf of the Trustee was undertaken by Oak Hill and CQS. Due to the nature of the other mandates, for example due to having no direct listed equity exposure or due to the credit nature of the holdings, there has been no voting over the Scheme year. A summary of their activity is shown below.

Oak Hill – Diversified Credit Strategies Fund

Oak Hill does not utilise a proxy voting service. Given Oak Hill is a manager of below-investment grade credit, their investment activities are predominantly focused on credit and as a result, they typically do not deal with a large volume of proxy votes. Voting activity undertaken over the year to 31 March 2026 is summarised in the table below.

Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management / abstained	% of votes contrary to the recommendation of the proxy adviser
6*	24	100%	100% / 0% / 0%	n/a

Source: Oak Hill.
** Oak Hill note that there are instances where Oak Hill may assume equity positions and this is especially true in their distressed business. Oak Hill may acquire equity in order to assert greater influence over a company or they may receive equity as part of a restructuring process. Other instances in which they occasionally are "shareholders" pertain to their ownership of closed-end funds where the underlying holdings are usually credit-related.*

Oak Hill have confirmed that there were no votes that met the Trustee's definition of "significant votes" over the period.

CQS – Multi Asset Credit Fund

CQS utilises a proxy voting service. CQS adopts the view that individual Portfolio Managers and their teams are best placed to make stewardship decisions in relation to assets held by the funds and determine where they believe it is significant. Voting activity undertaken over the year to 31 March 2026 is summarised in the table below.

Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management / against management / abstained	% of votes contrary to the recommendation of the proxy adviser
2	28	100%	100% / 0% / 0%	n/a

Source: CQS.

CQS have confirmed that there were no votes that met the Trustee's definition of "significant votes" over the period.