

Corporate Governance Report

Governance that builds value

Introduction

In the year under review, the Company was required to apply the main and supporting principles of good governance set out in the UK Corporate Governance Code issued in 2018 by the Financial Reporting Council ('the Code'). This Corporate Governance Report, along with information in the Strategic and Remuneration Reports, explains how the principles and provisions of the Code have been applied. We are pleased to confirm that the Company was in compliance with the provisions of the Code throughout the year ended 30 September 2025.

Board leadership

The Board comprises two Executive Directors and four Non-Executive Directors, including the Chair, Bruce Thompson. In accordance with the UK Corporate Governance Code, the Board keeps its composition under regular review to ensure it remains appropriate to support the long-term sustainable success of the Company. The Directors collectively bring the right balance of skills, experience and backgrounds, contributing to effective decision-making and enhancing the Board's effectiveness and oversight to support the Group's strategic objectives.

Biographical details for each member of the Board can be found on pages 77 and 78 of this Annual Report. All Directors will stand for re-appointment by shareholders at the 2026 AGM.

Company purpose

The Company purpose is stated on the inside front cover of this Annual Report. The Board recognises its role in establishing the purpose, values and strategy of the Group and ensuring these are embedded throughout the business.

Our culture

The Board clearly recognises that culture plays a vital role in delivering our purpose and strategy. As the business grows, assessing and monitoring our culture remains a key priority to ensure it continues to support long-term success. The Board actively promotes employee engagement, as outlined in more detail on page 72, and remains committed to maintaining a strong level of engagement with the workforce. Responsibility for active and meaningful engagement with employees is considered a shared responsibility of the full board. This is achieved through a variety of mechanisms that take place throughout the year, including the annual engagement survey and regular coffee talks and town halls across all sites.

Division of responsibilities

There is a clear division of responsibility between the running of the Board by the Chair and the running of the Group's business by the CEO. The Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The CEO manages the Group and has the primary role, with the assistance of the Board, of developing and implementing business strategy. Periodically, the Chair ensures that meetings of Non-Executive Directors take place without the Executive Directors present.

Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association. Amendments to the Articles must be approved by a special resolution of shareholders. One of the roles of the Non-Executive Directors, under the leadership of the Chair, is to undertake detailed examination and discussion of strategies proposed by the Executive Directors, so as to ensure that decisions are made in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders. The Non-Executive Directors are appointed by the Board on terms which allow for termination on three months' notice. Copies of Executive Directors' service contracts and terms and conditions of appointment for Non-Executive Directors are available for inspection at the registered office.

How the Board operates

The Chair ensures, through the Company Secretary, that the Board agenda and all relevant information are provided sufficiently in advance of meetings and that adequate time is available for discussion of all agenda items, in particular strategic issues. The CEO and the Company Secretary discuss the agenda ahead of every meeting. At meetings, the Chair ensures that all Directors are able to make an effective contribution and every Director is encouraged to participate and provide opinions on each agenda item. The Chair always seeks to achieve unanimous decisions of the Board following due discussion of agenda items.

The Non-Executive Directors fully review the Group's operational performance, and the Board as a whole has, with a view to reinforcing its oversight and control, reserved a list of powers solely to itself which are not to be delegated to management.

This list includes appropriate strategic, financial, organisational and compliance issues, including the approval of high-level announcements, circulars, the Annual Report and Accounts, and certain strategic and management issues, which include:

- approval of the annual operating budget and the five-year strategic plan;
- the extension of the Group's activities into new areas of business and/or geographical areas (or their cessation);
- changes to the corporate or capital structure;
- financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees;
- changes to the constitution of the Board;
- the approval of budgeted project spend of over \$5m or any capex or R&D expenditure which exceeds budget by more than 10%;
- the approval of bid/sales proposals where the estimated total contract value exceeds \$10m or a duration of five years for high-risk proposals (or \$20m for low-risk proposals);
- the approval of any agency commission which exceeds 10% on a customer contract; and
- consideration and approval of all proposed acquisitions and mergers.

Each Director has full and timely access to all relevant information and the Board meets regularly, with appropriate contact between meetings. All Directors receive a tailored induction to the Group from the Company Secretary on joining the Board. When appointed, Non-Executive Directors are made aware of and acknowledge their ability to meet the time commitments necessary to fulfil their Board and Committee duties. Procedures are in place, which have been agreed by the Board, for Directors, where necessary in the furtherance of their duties, to take independent professional advice at the Company's expense and all Directors have access to the Company Secretary.

The Company Secretary is responsible to the Board for ensuring that all Board procedures and governance requirements are complied with. The removal of the Company Secretary is a decision for the Board as a whole.

Committees of the Board

Of particular importance in a governance context are the three Committees of the Board, namely the Remuneration Committee, the Nomination Committee and the Audit Committee. Each Committee operates under clear terms of reference, copies of which are available on our website. Details of the operation of each Committee are provided within the relevant Committee report.

Bindi Foyle is Chair of the Audit Committee. The Board is satisfied that Bindi has recent relevant financial experience, and her profile appears on page 77.

Bruce Thompson is Chair of the Nomination Committee but, in accordance with the Committee's terms of reference, is not permitted to chair meetings when the Committee is dealing with matters relating to the Board Chair's position.

Victor Chavez is Chair of the Remuneration Committee. The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance-related benefits for the Executive Directors and other senior executives. The Remuneration Committee also has regard to the remuneration of the wider workforce. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 91 to 107.

Composition, succession and evaluation

The Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board, putting in place plans for succession and regularly reviewing the Board's structure, size and composition. The Committee takes into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and makes recommendations to the Board with regard to any changes. Further information and the activities of the Nomination Committee during the period are detailed on pages 86 to 87.

Performance evaluation

The Board continually strives to improve its effectiveness and conducts an annual review of its performance and that of its Committees and the individual Directors, to enhance overall Board effectiveness. This year the Board continued the practice of completing an internally facilitated performance review using questionnaires.

The Chair and the Company Secretary agreed the scope of the evaluation. The Board evaluation questionnaire, completed by all Board members and the Company Secretary, was structured to provide Directors with the opportunity to express views on a variety of topics including Board remit and responsibilities, skills and dynamics of the Board, meetings and content, Group strategy, internal control and risk management, decision-making and communication.

A discussion of the findings from the performance evaluation and actions to be implemented took place at the September 2025 Board meeting. Overall, the evaluation reflected a high degree of confidence in the Board's decision-making processes and concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2025, both individually and as a collective unit. Increased transparency and access to operational management has enhanced strategic dialogue and provided improved context for the Board's decision-making during FY25. The Directors believed that the Board members had the appropriate complementary skills and experience for the Company's current stage of development.

The following areas were identified by the Board as areas of focus for 2026 and beyond:

- Strengthen the Board's engagement in shaping strategic direction and forward-looking opportunities.
- Continued focus on risk oversight and the approach to risk management.
- Ongoing review of Board composition to align with future needs.
- Scope to enhance the quality, focus and scope of Board papers.
- Further developing employee engagement and feedback mechanisms to the Board.
- Further development of succession planning.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the period ended 30 September 2025 was as follows:

	Board (7 scheduled)	Audit Committee (4 scheduled)	Remuneration Committee (5 scheduled)	Nomination Committee (1 scheduled)
Bruce Thompson	7 (7)	–	5 (5)	1 (1)
Bindi Foyle	7 (7)	4 (4)	5 (5)	1 (1)
Victor Chavez	7 (7)	4 (4)	5 (5)	1 (1)
Maggie Brereton	7 (7)	4 (4)	5 (5)	1 (1)
Jos Slater	7 (7)	–	–	–
Rich Cashin	7 (7)	–	–	–

The maximum number of meetings which each Director could have attended is shown in brackets.

Audit, risk and internal control

The Board has an established framework of internal controls covering both financial and non-financial controls. In addition, there is a process for identifying, evaluating and managing significant business risks, including emerging risks, faced by the Group. This process was in place throughout the 2025 financial year.

The Code requires that Directors establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

The Board, through the Audit Committee, reviews the effectiveness of the Group's system of internal controls on a continuing basis. The scope of this review covers all controls including financial, operational and compliance controls, as well as risk management. The Audit Committee has responsibility to review, monitor and make policy recommendations to the Board upon all such matters.

The Audit Committee keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The section on internal control in the Audit Committee Report on page 90 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

Systems exist throughout the Group which provide for the creation of five-year plans and annual budgets; monthly reports enable the Board to compare performance against budget and to take action where appropriate. Procedures are in place to identify all major and emerging business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 46 to 53.

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Risk management

Risk is managed by the Strategic Business Units (SBUs), supported and overseen by the Risk Steering Group. A detailed summary of the risk management process and the output from this year's reviews are set out in more detail in the Principal Risks and Risk Management section on pages 46 to 53.

The Audit Committee carried out six-monthly reviews of the key risks facing the Group and risk management activities undertaken during the period, following the risk reviews conducted by the Risk Steering Group with the business leadership. In addition, the Audit Committee also carries out an annual assessment of the major business risks and emerging risks affecting the Group, including macro risks.

Internal control

There is a clearly defined delegation of authority from the Board to the SBUs, with appropriate reporting lines to individual Executive Directors. There are procedures for the authorisation of capital expenditure, recruitment and investment.

The SBUs hold quarterly business reviews with the Executive Committee; business performance is reviewed against budget, the delivery of strategic priorities is reviewed against agreed timelines, core business metrics are reviewed (including: safety, quality, operational efficiency, sales and business development) and any required corrective action plans are documented through the review process. To support the process, an enhanced controls manual, covering financial (including financial reporting), compliance and operational controls, is being embedded across the group. During the year the Group Internal Audit Manager implemented a programme of internal audits which included assessments of adherence to the enhanced compliance and finance controls and, where appropriate, made recommendations for improvement to management.

Code of Conduct

The Board has adopted a Code of Conduct, which is reviewed annually, to help reinforce the importance of maintaining a robust internal control framework throughout the Group. The Board recognises that a culture of openness and integrity is essential in identifying and addressing concerns, and in ensuring that any potential misconduct is appropriately investigated. The Code of Conduct sets out the standards of behaviour expected of all employees and includes clear procedures for raising concerns, including in relation to financial reporting or other serious matters. Concerns may be raised with management, directly with the Chair of the Audit Committee, or anonymously through our confidential 'Speak Up' reporting channel. This process ensures that all reports are subject to independent investigation and that appropriate follow-up actions are taken. To support understanding and compliance, all employees are required to complete training on the Code of Conduct, confirming that they have read, understood and agreed to uphold its principles.

Although the Board itself retains the ultimate power and authority in relation to decision-making, the Audit Committee meets at least four times a year with management, the internal audit manager and the external auditor to review specific accounting, reporting and financial control matters.

This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor.

Relations with shareholders

The Directors place great importance on maintaining regular and transparent communications with shareholders. All members of the Board receive copies of analysts' reports of which the Company is made aware, and receive an investor relations report at every Board meeting. The Board reports to its shareholders through a range of channels, including via regulatory news announcements, press releases, routine reporting obligations, a detailed Annual Report and Accounts and, at the half year, an interim report.

Regular dialogue is maintained with institutional shareholders, including presentations after the Company's preliminary announcements of the half- and full-year results, and feedback from investor meetings and analyst briefings is regularly shared with the Board. The AGM provides an important opportunity for direct engagement with shareholders. It includes a presentation by the CEO and offers shareholders the chance to ask questions in person or submit written questions via the Company Secretary. Directors attend the AGM and make themselves available afterwards for informal discussions. The Board also ensures that correspondence from individual shareholders is addressed appropriately throughout the year.

Special Security Agreement

On 8 December 2020, our US subsidiary Avon Protection Ceradyne, LLC, also known as Team Wendy Ceradyne (TWC), and the Company entered into a Special Security Agreement (SSA) with the US DoW. The SSA was entered into in support of the US DoW contracting and product development elements of the then ballistic protection business and permits TWC to perform classified US defence contracts. There are a number of specific protocols that the Company and TWC are required to comply with under the SSA, including the appointment to the TWC Board of two independent outside Directors approved by the US Government. The SSA imposes certain restrictions on the degree of influence the Company can exert over TWC and it is therefore important that the Company maintains a strong relationship with the TWC Board, in order to ensure that we are fulfilling our own governance obligations. James Wilcox, President of Team Wendy, is an inside Director on the TWC Board. We anticipate continued engagement with TWC and the outside Directors in the coming year under the governance of the SSA to support synergy opportunities across TWC's product portfolio for the benefit of Team Wendy.

Disclosure and Transparency Rules (DTR)

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on page 110 and have been included by reference.

Going concern

The Directors have prepared a going concern assessment covering the 12-month period from the date of approval of these financial statements. The assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The Group has a committed RCF of \$137m to May 2028. Related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage), and a minimum limit of 3.5 times for the ratio of bank-determined adjusted EBITDA to interest payable on bank loans and overdrafts. At 30 September 2025, leverage was 0.86 times (2023: 0.91 times). Bank-determined adjusted EBITDA is calculated excluding certain items.

As part of the going concern assessment, the Directors considered the sensitivity of financial covenants and liquidity headroom to a reverse stress test to determine the deterioration against the base case forecast required to break even with covenant levels. This demonstrated substantial headroom, with the downside movement required not considered plausible given the secured order book and mitigating actions available to reduce future cash outflows or expenses within management's control.

On this basis, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly the Group and Company continue to adopt the going concern basis in preparing their financial statements.

Viability statement

The Directors have assessed the viability of the Group over a five-year period to September 2030, taking account of the Group's current position and the potential impact of the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to September 2030.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. As set out in the TCFD section, the potential financial impact of climate change for the next five years has been assessed as low, with no material impact on viability expected.

As part of the viability assessment, the Directors considered the sensitivity of financial covenants and liquidity headroom to a reverse stress test to determine the deterioration against the base case forecast required to break even with covenant levels. This demonstrated substantial headroom, with the downside movement required not considered plausible given the secured order book and mitigating actions available to reduce future cash outflows or expenses within management's control.

In making their assessment, the Directors have taken account of the Group's RCF, which provides financing until May 2028. The Directors have a reasonable expectation that broadly similar financing could be obtained at the end of the current RCF, supporting continuing operations. During the period, the Group has complied with all covenant requirements attached to its financing facilities.

The Directors consider the five-year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period. The Group has an annual business planning process which comprises a strategic plan, a financial forecast for the current year and a financial projection for the forthcoming five years. This plan is reviewed at least annually by the Board as part of its strategy-setting process. Once approved by the Board, the plan provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and long-term incentive schemes.

Case study Revolutionise

Advancing respirator-hood integration for CBRN protection



As part of our strategic commitment to securing and growing customer-funded R&D contracts, Avon Protection has played a pivotal role in the ASPIRE Hood Mask Interface (HMI) programme. This initiative, led by the Joint Program Executive Office for Chemical, Biological, Radiological and Nuclear Defense (JPEO-CBRND), aims to enhance the integration between currently fielded M50 and M53A1 respirators and chemical protective garment hoods used in CBRN suits.

Awarded last year, the ASPIRE HMI programme spans three contracts focused on designing and developing a next-generation interface solution. Avon Protection's contribution has centred on delivering a robust, field-ready system that improves the safety, comfort and operational effectiveness for operators in hazardous environments.

Key achievements include:

- Delivery of phase-one prototypes and swatches of four production-ready materials to the US DoW.
- Development of four distinct design solutions, each engineered to meet stringent performance and integration requirements.
- Selected for phase two of the programme.

The ASPIRE HMI programme demonstrates our ability to deliver mission-critical solutions through customer-funded innovation, reinforcing our position as a trusted partner in defence and protective technologies.