

STRATEGIC REPORT

The Directors submit their Strategic Report along with the Statutory Directors' Report & Accounts

BUSINESS AND FINANCIAL REVIEW

It has been a complex year. The Continuing business achieved a significant improvement in operating profit from the previous year, both before and after exceptional items of £10.6m (2020: £8.6m) and £13.5m (2020: loss of £7.5m) respectively. This was against a small fall in turnover, before exceptional items, largely due to project delays and deferrals associated with the UK defence review, the continued effects of the global pandemic, and the impact of fee-earner shortfalls in an increasingly overheated recruitment market. The results continued to benefit from improved margin generation alongside targeted operational savings across the business. The performance has enabled the business to provide for a profit share of £6.5m. Overall the group achieved a profit before tax of £5.9m (2020: loss of £13.5m) and profit after tax of £3.3m (2020: loss of £14.6m)

The order book and contracted work for the year has, again, held up well, reflecting the confidence of our customers and value of our offerings in our core markets. The strength of the order book positions us well for the following year.

On 1 February 2022, the independent Board of our US Defence & Security business, BMT Designers & Planners Inc., filed for Chapter 7 of the US Bankruptcy Code. It had not secured agreement and payment over contract change requests submitted for additional money from the immediate, and the ultimate, customer on the onerous contract reported in 2020 and, thereby was unable to continue as a going concern. The impact of this adjusting post balance sheet event is recognised in the updated exceptional items for the year along with the appropriate adjustments on a break-up basis for certain assets and liabilities. The basis of preparation is further described on page 31 of the accounting policies. In next year's Annual Report, the BMT Designers & Planners Inc results will be restated as Discontinued Operations and the 2021 comparative data will be amended accordingly, the detail of which is shown in Note 28 of these accounts.

Business environment

Many of the clients we serve are public sector based, and therefore much of our engineering and professional service offerings are categorised as essential, which has enabled us to continue to deliver these services throughout the pandemic, despite the restrictions in many of our trading markets during the financial year. We were privileged to be able to maintain essential engineering design, risk, and support services to our defence clients in Australia, Canada, the United States of America, and the United Kingdom.

The UK remains the Group's largest geographic market, with our core offerings being in defence and security. Whilst we enjoyed essential service status during the pandemic, the UK business overall saw a decline in revenue during the reporting year, attributed to programme delays during the UK Defence and Security Industrial Strategy (DSIS) review, the ongoing effects of the pandemic on our clients and on our employees, and difficulty recruiting and retaining employees.

The US and Canadian markets saw opportunities for growth, with a strong defence sector complemented by the offshore energy sector continuing to increase investment.

Defence and maritime environmental markets in Australia saw continuing demand remaining steady in the public sector.

Markets in Southeast Asia continued to be challenging. In response, we pursued a renewed SE Asia strategy to drive growth from a regional hub in Singapore, and we tidied up our portfolio, completing the sale to local management of our subsidiaries in India and Indonesia (retaining a 5% stake). This follows the liquidation of our businesses in Hong Kong and Malaysia during the prior year.

We also took the decision to exit Brazil due to the challenges of maintaining a permanent base and sold the business to the local employees in December 2020.

Continuing operations before exceptional items

Financial Highlights and Key Performance Indicators

The non-GAAP measure of Earnings Before Interest, Tax, Depreciation & Amortisation ('EBITDA') have been calculated in this report as follows:

	2021	2020
		<i>Restated</i>
Group Operating Profit	£10.6m	£8.6m
Depreciation & Amortisation*	£1.7m	£2.6m
EBITDA	£12.3m	£11.2m
Results summary:		
	2021	2020
Turnover	£162.5m	£163.8m
EBITDA (as above)	£12.3m	£11.2m
Profit before Profit Share & tax	£9.7m	£7.5m

*Shown net of exceptional impairment charge of £0.9m (see Note 3)

STRATEGIC REPORT (continued)

Group overall performance against strategic targets for the year, whose purposes are to improve our economic sustainability, is as follows:

<i>Financial related:</i>	2021	2020 <i>Restated</i>
Sales Order Intake [^]	£180.5m	£181.2m
Sales Order growth	nil%	+3%
Turnover per employee (£000)	£121.3	£118.4
EBITDA Margin	7.6%	6.8%
<i>Non-financial related:</i>		
Ave. No. of employees (FTEs)	1,339	1,383
Employee Engagement Index ^{^^}	76	76

[^] Sales Orders are tracked within internal management information

^{^^} The EEI uses the same survey for both years; EE Surveys are undertaken roughly triennially with interim 'pulse' surveys

KPIs for our Customer Satisfaction and Sustainability Strategy are being developed and will be reported in future years.

Overall, turnover from continuing operations before exceptional items decreased by 1% to £162.5m with revenue decreases in the UK being offset by increases in other geographic markets. Included in North America is continuing revenue of £25.2m related to BMT Designers and Planners Inc (pre-exceptional items see note 28) which will not recur in the subsequent year and will be restated within discontinued operations. EBITDA margin improved by 80bps which reflects the higher turnover per employee and the continued drive to improve delivery efficiency and control costs, beyond those resulting from pandemic restrictions.

Exceptional Item

Pre-tax exceptional gains from continuing operations totalled £2.9m (2020: charge of £16.1m), with exceptional revenue of £7.5m (2020: £(0.4m)) being recognised. The revenue and gain in the current year represent a revision of the estimated loss on the single onerous customer contract recognised in the prior year and revisions to carrying value estimates of BMT Designers and Planners Inc as a result of its bankruptcy post year end. Further details on the exceptional item are disclosed in the notes to the accounts (Note 4 & 28).

Discontinued Operations

The Group continued to rationalise its operations and legal entities. Included within discontinued operations are the costs of selling several underperforming entities which are not part of the strategic plan, including operations in Brazil, India and Indonesia in the current year and Malaysia and Hong Kong in the prior year. The post-tax loss on discontinued operations totalled £0.1m (2020: loss of £5.4m). The prior year results include the write down of the assets of Brazil, India, & Indonesia to recoverable value.

Group result for the year

The group delivered an overall profit before tax and Profit-Sharing Schemes of £12.4m (2020: Loss of £13.5m), with £9.7m (2020: £7.5m) being delivered by the continuing business before exceptional items:

	2021	2020 <i>Restated</i>
<i>Figures in £m</i>		
Continuing operations		
Profit before exceptional items and profit-sharing scheme	9.7	7.5
Exceptional items	2.9	(16.1)
Profit sharing schemes	(6.5)	-
Continuing Ops. profit/(loss) before tax	6.1	(8.6)
Discontinued Ops. loss before tax	(0.2)	(4.9)
Total profit / (loss) before tax	5.9	(13.5)

The profit after tax was £3.3m (2020: loss after tax 14.6m)

Group Balance Sheet and Cash Flows summarised

We continue to tightly manage our working capital including our cash position. The Group had net assets before the pension deficit and associated deferred tax of £43.9m (2020: £41.0m). Including the net pension deficit, the consolidated Group had net assets of £16.9m (2020: £1.1m). A non-GAAP summary of the Consolidated Balance Sheet is re-presented below:

	2021	2020 <i>Restated</i>
<i>Figures in £m</i>		
<i>Group Balance Sheet re-presented</i>	£m	£m
Fixed assets	13.6	13.1
Cash and cash equivalents *	41.3	41.9
Other net liabilities before net pension deficit	(4.3)	(6.7)
Provisions for liabilities & charges	(6.7)	(7.5)
Net assets before net pension deficit	43.9	40.8
Pension deficit **	(35.7)	(49.0)
Pension related deferred tax asset	8.7	9.3
Net assets	16.9	1.1
Profit & loss reserves	39.9	37.1
Revaluation reserves	3.9	3.6
Non-controlling interests	0.1	0.1
Equity before Pension reserve	43.9	40.8
Pension reserve	(27.0)	(39.7)
Total Equity	16.9	1.1

*Cash and cash equivalents include cash at bank and in hand, bank overdrafts, bank loans and current asset investments.

**The Group continues to fund the pension deficit through Deficit Recovery Contributions agreed with the Pension Trustees, where the short-term commitment (12 months of contributions) from 30 September 2021 is £2.9m.

STRATEGIC REPORT (continued)

The Group's cash and cash equivalents decreased by £0.6m to £41.3m. The Group generated £2.6m of cash from operations, which funded capital expenditure in tangible and intangible assets of £3.0m. It should be noted that the prior year included £2.3m timing benefit from tax related payments deferred through government COVID-19 relief initiatives which has been repaid in the current year.

BMT Group Limited, the parent entity, had net assets of £15.7m on 30 September 2021 (2020 restated: £6.6m), including the UK pension deficit. The increase in net assets is in part due to a £12.5m improvement in the defined benefit pension valuation, £12.0m net of associated deferred tax.

OWNERSHIP, PURPOSE, VISION & VALUES

BMT's Ownership Structure

BMT Group Ltd is the ultimate parent company of the group of companies whose ownership is held by the BMT Employee Benefit Trust ('EBT').

The parent company is a private company limited by guarantee with no share capital. Voting control and legal ownership rests with the EBT Trustees and beneficial ownership rests with current and former employees. For the purposes of this Annual Report and FRC guidance, the Trust and Beneficiaries are the members.

In view of the size, nature and ownership structure of the organisation and the readily available amount of information and data provided to members on a regular basis throughout each year, this Strategic Report aims to present a fair, balanced, and understandable view for the members to help them assess how the directors have performed their duties particularly in relation to promoting the success of the company for the benefit of its members taken as a whole. It should be read with the rest of the Annual Report and Accounts and draws on FRC guidance on s.172 reports. The directors have taken advantage of the exemption, where necessary, not to disclose matters which, in their opinion, are seriously prejudicial to the interests of the Group.

Our Purpose

BMT exists to help navigate some of the most important and impactful engineering challenges of our time, creating an environment where people with outstanding technical knowledge strive to deliver a safer, more efficient, more effective, and sustainable future.

Our Vision

Our vision is to be a global leader in delivering design, innovation, and other solutions to the most important and impactful engineering challenges of our time. We want to be recognised for our collaborative and partnering

approach, investing not only in our future, but in the futures of others through our work in communities, education, and the environment.

Through the lens of our core business and our strategic growth campaigns, our vision translates as:

'A global force in ship design'; and

'A credible digital competitor, transforming asset life cycle and environmental services'

Investing in Research & Development is a key pillar supporting the delivery of our Vision.

Who we are

BMT is a maritime-orientated high-end design house and technical consulting firm. We are driven by a passion for solving complex, real-world problems that matter.

We are ambitious for our future and the positive impact we can have, and we recognise that delivery excellence enables us both to reward our people and invest in our capabilities.

Since privatisation in 1985, BMT has evolved into a unique firm with a strong culture, thanks in part to our independence and our shared values.

STRATEGY

Our Core Business and Our Strategy

We deliver on our ambition through the implementation of our strategy. That is to retain and grow market share in our core business areas, build powerful collaborative relationships that draw value from the full breadth of our global capability, and drive innovation that is closely aligned to our customers' and industries' current and future needs.

We summarise this as:

- Sustain the Core
- Growth through Collaboration
- Exploit and invest in Innovation

Our core business is made up of distinctive and sustainable BMT capabilities, which we leverage to address the needs of our customers and markets and are the primary focus of future capability development. We refer to these as our 'famous four' offerings, and they are as follows:

- 1) Maritime design and consultancy
- 2) Asset monitoring and sustainment
- 3) Environment and climate solutions
- 4) Defence and security acquisition and customer friend/ partnering roles

We have a broad international reach with a track record of delivery in most parts of the world. Our capabilities are delivered from our major office locations in the UK, Netherlands, USA, Canada, Singapore, and Australia.

STRATEGIC REPORT (continued)

Whilst margins are restricted with single sourced contracts, which represent a significant proportion of our revenues, they provide a good foundation on which to build future capability and invest in new offerings with greater confidence.

We see exciting growth opportunities in both defence and commercial Ship Design, and in the rapid development of digital capabilities to offer truly integrated environmental solutions, and advanced asset lifecycle services. These are the focus of our strategic growth campaigns and will underpin our future prosperity and growth.

Our Goals

We are ambitious for our future growth. This increases the scale and reach of the impact we can have on the world and provides developmental career pathways for our people.

A foundation of strong financial performance enables future growth and drives meaningful profit distribution to our employees.

This is underpinned by our commitment to create real value for our customers and our employees and to play our part in meaningful change in the route to a net zero carbon footprint and sustainability.

Our headline strategic targets are:

Financial related: -

- Double digit sales orders growth
- Turnover per employee (FTE)
- Double digit (%) EBITDA (pre profit shares)

Non- financial related: -

- Improved employee engagement
- Improved customer satisfaction
- Sustainability targets/commitment to net zero

Response to COVID-19 – a strategic priority in both 2020 and 2021

1. The global pandemic persisted throughout the financial year, and we continued to:
2. Ensure our employees, customers and suppliers were kept safe and well in their interactions with our business.
3. Enable our people to work flexibly and effectively from home during various lockdowns around the world.
4. Invest further in technologies to enable client work to continue unabated.
5. Maintain our working capital management to maintain liquidity.

Making a difference

The principles of good corporate responsibility are embedded in our behaviours and our ways of working.

In addition, we carry out many specific activities across the Group as part of our commitment to good corporate responsibility, providing opportunity for employees to participate in structured corporate activities or to pursue personal aims and objectives.

Employee Value Proposition ('EVP')

In 2020, we reflected on how each of us contributes to our culture and working environment and what attracts people to work for us. This has resulted in our updated EVP - a commitment between BMT and our employees to create a positive and inclusive environment where we feel valued and at our best.

We are investing in initiatives that promote equality, diversity, and inclusion, and supporting colleagues to be active in their local communities.

Our EVP is to some degree aspirational, but we are already living it across the organisation, implementing new programmes and initiatives, and refreshing existing ones. Some of these are:

- A global employee assistance programme providing employees and their families with counselling and other valuable services to support them in their personal and professional lives, which has been particularly important during the pandemic.
- Continued investment in our practice communities - internal networks of colleagues joined together by a common area of professional and technical interest which help bring world-class expertise to our projects and provide a fertile environment for professional development.
- Our Bursary/Scholarship Fund, aiming to support leading edge skills and thought leadership through further specialisation, and investments in innovation encouraging colleagues to generate new ideas, solutions, and approaches.
- The Employee Dividend and Bonus provide a key financial return to the beneficial owners of the EBT.

STRATEGIC REPORT (continued)

MANAGING RISK AND UNCERTAINTY

The Board has ultimate responsibility for determining the nature and extent of the risks that the business is willing to take and that the risks are effectively managed across the Group. They oversee a risk governance process, with risk assessment increasingly embedded within our key management processes.

Principal Risks

The Group Risk Register prioritises material risks to the delivery of BMT's strategy.

Some risks are outside the immediate control of the Company and despite robust processes, these risks may occur without warning. Our ability to respond demonstrates the resilience to navigate through a changing environment, as we have seen in the last 2 years. The impacts from COVID-19 have been felt in our key markets, with travel restrictions and other mitigations introduced to varying degrees (most notably across Australia and wider APAC region). Through deploying effective risk management processes to keep our employees safe and manage our cost base, we have been able to continue to deliver to the majority of our customers. We also recognise that many governments are sitting on high levels of debt from funding these mitigation strategies, and this may affect the timing of investment decisions. While we remain heavily weighted towards the UK market, we seek to balance the market risk through working across a number of sectors and geographies, providing a diverse portfolio of services and capabilities.

As we continue our transformation to deliver strategic growth, we recognise that people are at the heart of what we do. We are investing in our people and our capabilities and are working through a significant change management programme together with introducing new technologies to support how we operate. We mitigate the associated risks through employing a range of project and change management disciplines and through ensuring our people are at the forefront of our transformation journey. We have also developed a global careers map to ensure we retain the best people through encouraging opportunities for progression.

We have strengthened the risk assessment process early in the project lifecycle specifically at the bid stage, to help mitigate the risk of committing to potential onerous contracts, and through our transformation programme we are harmonising our project delivery processes across the Group. We carefully manage our financial risks including long-term liabilities through employing appropriate funding strategies.

Emerging Risks

Emerging risks and opportunities are those that are developing or are changing, with the full impact being evaluated. While the consequences of COVID-19 may continue to weigh on global economic outlook, more sophisticated cyber threats by state and non-state actors, together with the wider geopolitical risks will feed into investment decisions by governments and their suppliers, as witnessed most recently with the war in Ukraine and associated economic sanctions. The heightening war on talent is a growing phenomenon in most of our geographical locations, as well as rising inflation and continuing supply chain delays. Therefore, we expect a greater focus on national and regional security including cybersecurity and energy resilience. We will continue to build on our long history of working with key governmental agencies in these areas, and we undertake targeted investment to develop solutions and develop scientific and engineering capabilities to address these everchanging threats.

Climate change and extreme weather events will continue to influence economic policy, factoring into infrastructure and capital investment decisions. We are assessing the Environmental, Social and Governance ('ESG') risks in our business and are working to reduce our carbon footprint as a business and ensure our supply chain continues to meet global ethical standards. We also seek to use our collective engineering expertise to work with our customers and partners to accelerate the transition to clean energy (including within the defence and maritime sectors) and to reduce the environmental impact of extractive industries.

Risk Appetite

To achieve our ambitious strategy, we recognise the need to take a well-considered and balanced approach to risk. In areas including pipeline growth, organisational transformation, and innovation we are willing to accept a higher level of risk. Our risk appetite in matters of compliance, ethics, cybersecurity, and safety is naturally lower and we are more cautious in our approach.

A table of our principal risks, why they are important and how we manage them is shown overleaf:

STRATEGIC REPORT (continued)

MANAGING RISK AND UNCERTAINTY (continued)

Risk	Link to our Strategy	Why it Matters	How we Manage it
Strategy, Future Business & Brand Management	Sustain the Core Invest in Innovation	<p>While we work across several geographies and industries, we are reliant on long-term relationships with several key customers and partners, (with a UK market concentration). We are exposed to the investment decisions by governments across those markets. We are also trusted to deliver and be competitive.</p> <p>The renewed urgency around climate change and environmental sustainability presents opportunities and challenges to provide effective and efficient solutions.</p>	<p>Our key account managers work with our main customers to ensure we are the engineering delivery partner of choice and provide solutions aligned with their requirements and budgets. We continually review market developments and monitor the activity of our competitors, adapting our strategies accordingly. This may include exiting markets or business lines where we feel we cannot remain competitive.</p> <p>We also target investments where we see growth opportunities, such as enhancing our digital capabilities to offer integrated environmental and asset lifecycle solutions.</p>
Programmes and Project Delivery Risks	Sustain the Core Grow through Collaboration Exploit and invest in Innovation	<p>We contract and deliver to a wide range of customers across many geographies. Our reputation and performance are at risk if we do not manage our diverse project portfolio consistently and effectively. Failure to assess adequately the contractual, technical, and delivery risks at the outset, could result in financial losses, legal claims and material damage to our reputation and brand.</p>	<p>Our business and project lifecycle processes are controlled by relevant policies, procedures and management systems and reinforced by reviews. We have enhanced our bid and contract approval processes, with commercial, technical, financial, and legal oversight of potential risks. Current organisational change activities are focused on optimising our delivery function and strengthening our technical assurance to ensure consistent standards of delivery. We invest in customer satisfaction monitoring, using the feedback to improve our performance.</p>
People: Increasing 'War on Talent', Recruitment, Salary inflation and Wellbeing	Sustain the Core Grow through Collaboration Exploit and Invest in Innovation	<p>We achieve success through our people, and we need to be able to recruit and retain the requisite skills to meet our customers' needs and to drive the business forward.</p> <p>We also need to manage the health, safety, and wellbeing of our people and third parties.</p>	<p>Targeted recruitment campaigns ensure we attract the best people, and we benchmark our performance and Employee Value Proposition against other companies in key areas. We have increased our talent acquisition capability, maintain a Global Careers Map to assess performance, enable opportunities for development and progression and facilitate succession planning. We provide several platforms for training and employee engagement. We encourage a safety-first culture, monitoring risks and taking concerted efforts, supported by investment, to promote wellbeing.</p>

STRATEGIC REPORT (continued)

MANAGING RISK AND UNCERTAINTY (continued)

Risk	Link to our Strategy	Risk	How we Manage it
Global Pandemic	Sustain the Core	New variants or pathogens could lead to renewed disruption, impacting customers, supply chains or internal projects.	We adapt our ways of working to minimise the health risks to our employees and other stakeholders. Our annual integrated strategic planning exercises are stress tested for a range of outcomes across all our markets. We focus on cost control and maintain cash reserves in response to business or market volatility.
Business Transformation – Organisational Design, and ERP System Implementation	Sustain the Core Grow through Collaboration Exploit and invest in Innovation	New technologies change how our customers operate, and constant innovation is required to stay competitive and relevant. We are working through a significant business transformation and organisational change management programme supported by the rollout of a global ERP system.	We apply a range of change management programme disciplines, close engagement with stakeholders, and continuous monitoring and communication of the benefits. Oversight and governance by our senior leadership team ensures investment decisions are aligned with our strategy. We invest in innovation that will give us a competitive advantage and optimise the return from our existing product portfolio.
Long-term Liabilities: Defined Benefit Pension Commitments	Sustain the Core	We hold defined benefit (DB) pension schemes which are now closed. A material and sustained drop in the value of the pension fund assets, or an increase in liabilities beyond actuarial assumptions, could require additional funding to manage the deficit.	We manage the DB scheme liabilities by implementing appropriate funding strategies based on actuarial valuations. We are working with Trustees to employ the services of a Fiduciary Management Investment organisation to execute and manage the approved investment strategies on behalf of the Trustees.
Physical and Data Security Risks	Sustain the Core Exploit and Invest in Innovation	A breach of physical or data security, cyber-attack or system failure could adversely impact our business and potentially our stakeholders, and may lead to a breach of regulations, exposing the company to financial and reputational losses.	We adopt a multi-layered approach, using physical and network security measures to protect our systems and data. Software tools monitor and support our data and systems security. All employees undertake mandatory training. We assess our network resilience and security, including undertaking cybersecurity health-checks.
Innovation – new technologies and digitalisation; market disruptors	Exploit and Invest in Innovation Grow through Collaboration	New technologies and industry trends change how our customers operate, and constant innovation is required to stay competitive and relevant.	We invest in innovation that is aligned with our overall strategy. Through targeted spending programmes, via an employee innovation network to harness creativity, and by working closely with our customers, we continue to mature our approach to delivering more advanced solutions. We launched a digitalisation strategy to help drive efficiencies and sustain the skills necessary to support our customers. This will provide more integrated tools and ways of working, enabling enhanced customer service and more innovative and cost-effective solutions.

STRATEGIC REPORT (continued)

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT

The Board of Directors, in line with their duties under s.172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s.172 factors. We describe how they have done so below by main stakeholder groups.

As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to broader factors, including the impact of the Company's operations on the community and environment, responsible business practices, reputational risks, and the likely long-term consequences of its decisions.

COVID-19

The COVID-19 pandemic has led to changes to how we have engaged with our stakeholders over the last two financial years with fewer in-person events and the advent of wide-scale home working in most of the countries where we operate. This led to the use of more virtual engagement through videoconferencing or web-based communications in various forms. Throughout the pandemic the safety and wellbeing of our employees and everyone associated with our business has been the top priority. As a result of the decisions taken at the start of the pandemic the business has been able to operate effectively through regional COVID-19 restrictions and ensure COVID-secure workplaces.

Our Customers & Partners

The Board has defined long-term collaborative relationships with customers as a central part of our strategy, putting them at the heart of our vision and approach to innovation. Key Account Managers ensure the needs and voice of our customers is heard and understood in planning and decision making.

The decision of the independent Board of Directors of BMT Designers & Planners Inc to enter a formal insolvency process has required extra customer engagement post-bankruptcy.

Our Employees

Our ability to deliver our strategy and the desired outcomes for our customers requires competent and

empowered people working safely together across BMT. Actions the Board has taken to position the business for profitable growth create long-term values for our owners.

This year the focus on the employees has continued to be at the forefront of Board decisions more than ever before, including the reinstatement of full pay since Q4 for FY 2019/20, with wellbeing and career development recognised as vital enablers to the success of the organisation. This has led to continued high levels of employee engagement.

Throughout the year, the board have ensured they understand the views of the employees through engagement with the Employee Engagement Group (EEG) and as well as less formal channels. The Board also supports and listens to feedback obtained from senior leaders around the business to fully inform the rich picture of employee engagement where necessary.

Every month the employees are provided with an overview of business performance via a dedicated intranet site, and once per quarter the CEO provides 'townhall' briefings via videoconference globally. These media include a narrative describing the financial and economic factors affecting performance of the business, as well as an overview of any key events or trends such as the business exits and the rationale, therefore.

The payment of a bonus for FY 2020/21 will also help restore confidence of the business recovery – the last profit share was out of the FY 2017/18 and paid in 2019.

Our Suppliers

The Board recognise the importance of mutually beneficial relationships with suppliers, including our contractors, in the successful delivery of our strategy. The Board also recognise the importance of delivering this success in a manner compliant with ethical business practices.

To support both objectives, BMT seeks the continuous promotion of due diligence and the transparent application of our Supplier Code of Conduct. This helps suppliers to ensure they comply with all relevant policies, laws and regulations covering topics such as bribery, slavery, human rights, and Health & Safety and, has placed particular emphasis on due diligence during this uncertain time of COVID-19. The Board periodically review and approve BMT's approach to supplier and customer engagement, actively taking a role in strategic decisions representing exceptionally high-risk to the business.

STRATEGIC REPORT (continued)

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT (continued)

Our Wider Community

The Board fully support community engagement, recognising the strategic importance of delivering value and having a positive impact in our local communities. Our approach to encouraging volunteering and engaging with charities and community partnerships creates real and enduring value for BMT and those we work with, in particular this year during the COVID-19 pandemic, where we have seen BMT employees going to great lengths to contribute to wider social challenges.

We apply our expertise in delivering environmental projects and minimising detrimental impacts of our operations. We inspire the future workforce of BMT by supporting national and local initiatives such as STEM and are targeting growth by focusing on a sustainable future.

Our Pension Scheme

The Board recognises current and future pensioners within its Defined Benefit Scheme as stakeholders in its decision making. The Board is committed to ensuring the pension scheme is fully funded and through the Chief Financial Officer engages in a transparent and regular dialogue with the Pension Trustee.

Our Industry Bodies

The Board encourages a strategic approach to industry relationships that create benefits for BMT. We actively engage with many professional bodies and trade associations to positively influence and shape the future of our industries.

STRATEGIC REPORT (continued)

STAKEHOLDERS: why they matter, their interests and how BMT engages with them

Why they matter to us	Their interests	How BMT Engages with its stakeholders
Customers & Partners: We aspire to be our customers' trusted partner helping to solve their most complex challenges.	<ul style="list-style-type: none"> • Delivery • Safety • Innovation • Relationship 	<ul style="list-style-type: none"> • We build long-term customer relationships and collaborations to understand their needs and create enduring value
Employees: We strive to ensure our long-term sustainability for the people who drive our success: our employees.	<ul style="list-style-type: none"> • Remuneration and reward • Learning and development • Health and Safety • Diversity & Inclusion (D&I) • Wellbeing 	<ul style="list-style-type: none"> • Global Induction • Comprehensive learning and development opportunities • Career framework • Globally benchmarked remuneration and benefits • Employee Engagement Group and other employee networks • D&I and Wellbeing strategies
BMT Employee Benefit Trust and Beneficiaries: We operate the business to add value now and into the future.	<ul style="list-style-type: none"> • Long term stability of the company • Company performance • Returns 	<ul style="list-style-type: none"> • Regular updates, meetings, and engagement with Trustees • Engagement of the Trustees with the Employee Engagement Group
Industry bodies: We maintain positive and constructive relationships with industry bodies to be able to understand, shape and influence our industries.	<ul style="list-style-type: none"> • Regulations, policies, and standards • Thought leadership • Skills deficit 	<ul style="list-style-type: none"> • Memberships & In-kind support • Employees actively engaged in meetings and committees • Technical papers • Promoting professional accreditation and memberships
Supply chains: Our suppliers are critical enablers of the effective delivery of our business and vital partners in ensuring compliance and minimising impacts.	<ul style="list-style-type: none"> • Long term relationships • Timely payment • Clear parameters 	<ul style="list-style-type: none"> • Good working relationships • Prompt payment • Supplier Code of Conduct • Supplier due diligence
Communities: We understand that we depend on the communities where we operate and have a responsibility towards them.	<ul style="list-style-type: none"> • Employment • Health & Safety • Environment • Community investment • Education 	<ul style="list-style-type: none"> • Sponsorship • Charity and volunteering • University partnerships • STEM Ambassadors
Pension Scheme: We recognise current and future pensioners within our Defined Benefit Scheme as stakeholders in company decision making.	<ul style="list-style-type: none"> • Employer Covenant • Deficit contributions 	<ul style="list-style-type: none"> • Transparent dialogue • Regular covenant monitoring

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENT OF THE BUSINESS

We continue to develop the business to enhance the value we create for our customers, employees, and all stakeholders.

Over the past 4 years BMT has been moving from an operating model of highly autonomous operating companies to a much more aligned global business with delivery teams supported by joined up global business services, business development, sales, and marketing activity. Modifications in organisational design will be a constant feature over the coming years.

In the coming year BMT will continue its journey of alignment as a global business, adapted locally to reflect different geographic regions and markets. Global alignment means consistency in delivering value to our customers through our processes, tools, and the way we manage information. This increases the reliability of our performance, the efficiency of our delivery and gives us the ability to deploy our global capabilities. It means career development opportunities at a global, not just local, level so we can attract and retain the best talent.

We will build on our strong delivery focus, ensuring project managers have the skills, recognition, authority, and accountability for delivering successful project outcomes with the right tools and information at their disposal, ensuring that we have satisfied customers.

Our technical assurance community will support all areas of the business to ensure that our delivery is 'right first time'.

We will be a more outward looking business, investing more time and effort in building customer relationships, understanding their needs, and ensuring they are represented in all aspects of our thinking. Our Future Business team will drive the acquisition of new business, and everyone involved in delivering projects for customers will help secure repeat and follow-on opportunities.

Culturally we will strengthen what it means to be BMT, founded on our rich heritage of technical excellence and innovation, but with a stronger emphasis on strategic ambition, consistent, profitable delivery, and customer focus.

Employees have always been at the heart of our business model and will continue to be so. Competitive The Directors submit their Report, along with the Strategic Report and Accounts for BMT Group Ltd, and the Group as a whole, for the year ended 30 September 2021.

remuneration and benefits will help attract and retain talent. Meaningful profit distributions will connect everyone to our shared success. Fundamental to that success is the importance of providing employees with the professional development, challenging work, and opportunities to build careers at BMT.

We will have a more diverse workforce, bringing a wide range of thinking and operating in an inclusive and safe environment that promotes employee wellbeing.

Underpinning everything we do, we will be a more environmentally, socially, and economically sustainable business in the way we run the organisation, but also in the things we do for our customers and the value we create for our wider stakeholders.

What are our priorities?

There are many elements that come together in driving our long-term success. But at its heart our route to success is simple.

To win next year and beyond we must focus on growing and profitably delivering our order book, staying close to our customers, and investing in our people.

Our strategic priorities are therefore:

- Performance
- Customers
- People

Our strategy of selective focus on our core sectors is complemented by our expertise in market differentiators like climate resilience and sustainability. Our narrative on ethical & social outcomes means we deliver a strong value proposition for our clients and employees.

This focus and expertise put us in a good position to deal with market uncertainty and to meet future challenges and aspirations of our clients and stakeholders.

We continue to win exciting and challenging projects and enter 2021/22 with a healthy order book.

As approved by the Board and signed on its behalf:



Sarah Kenny OBE
Director
7 June 2022