

## STRATEGIC REPORT

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

### BUSINESS AND FINANCIAL REVIEW

Despite considerable macroeconomic and geopolitical challenges, we delivered a solid performance in the reporting period, with stable revenue and profitability, enabling us to invest in our future, and reward our employees with a total profit distribution of £5.2m (2021: £6.5m). Overall, this has been a pivotal year in which we have built the foundations for significant growth opportunities ahead.

The Continuing business achieved a significant increase in turnover of £19.8m (up 14%) over the reporting period, with a resultant operating profit from continuing operations of £9.0m (2021: £9.2m). This headline picture of rising turnover and flat profits was caused in part by cost inflation, to which we responded by carefully managing overheads and discretionary spend, achieving savings of circa £5m. However, we also saw our productivity hindered, largely through delays in the placement of a small number of large orders, which we had staffed in anticipation of delivery. Pleasingly, the orders lag caught up towards the end of the reporting period, and of particular note was the announcement in late 2022, of the preferred bidder and, award in early 2023 that the UK Ministry of Defence (MoD) had selected BMT (in a consortium with Navantia and Harland & Wolff) to design and build three new support ships for the Royal Navy's aircraft carriers. The Fleet Solid Support (FSS) ships contract is the biggest in BMT's history and will span 10 years, securing skilled jobs across the organisation but most especially in the field of naval architecture, engineering and support.

It is also pleasing that this project win, along with others, can be seen as a direct result of our willingness to invest in the future, particularly around the areas of innovation and capability. With orders now increasing, we expect to see further benefits from across our transformation programme, including our focus on diligence in project management and oversight, particularly around project close-out and invoicing.

The total employee member distribution in the reporting period comprises an 'Employee Dividend' of £1.3m (2021: £1.4m) and Performance Related Bonus of £3.9m (2021: £5.1m). Overall, the group achieved a profit before tax of £5.9m (2021: £6.0m) and profit after tax of £3.4m (2021: £3.3m)

The Discontinued operations in the year primarily represents our US Defence & Security business, BMT Designers & Planners Inc ("D&P") whose independent Board, filed for Chapter 7 of the US Bankruptcy Code on 1 February 2022. The results were an operating profit of £4.1m (2021: £4.2m), primarily due to the partial release

of an onerous contract provision (including associated litigation risk) taken in 2020, and profit after tax of £3.0m (2021: £3.3m). The results of the Discontinued business are reflected in these financial statements and explained more fully in Note 4.

We continued to manage the consequences of the onerous contract (entered into by D&P). The exit of the D&P business from the BMT portfolio created significant disruption in terms of management time but ultimately it did have the benefit of achieving a clean break, allowing us to focus more firmly on the future. Favourable discussions have ensued with the Trustee in Bankruptcy and the contract customer, and this has led a revision of the early estimates of the costs we have and may incur and the changes are reflected in the results for the year.

### Business environment

The UK defence and security sector is the group's largest market and, after a period of stasis, as a result of the pandemic and economic uncertainty, we saw greater activity during the latter part of the reporting year, enabling BMT to grow revenue from that market. The US and Canadian markets also offered growth opportunities, with a strong defence sector being complemented by continuing recovery in the offshore energy sector, driven by higher energy prices.

In Australia and Singapore, our strong customer relationships and skill sets saw us win new projects in the defence and maritime environmental markets, as well as growth in overall revenues from existing work. However, we struggled to fully pass on the salary and other overhead inflation leading to a loss in that region overall. We are addressing this through actively introducing a new operating model which will generate efficiencies.

In commercial shipping, while the war in Ukraine and the related economic uncertainty slowed growth in the luxury yacht market, demand for our specialist vessel expertise, primarily in the design of offshore wind farm support vessels and fast ferries, remained healthy.

### Margin

With revenues rising and profits remaining flat, we inevitably experienced margin dilution over the reporting period. We expect this to be short-lived because one reason for those lower margins was our investment in the innovation and expertise that can drive higher margins in the years ahead. Our major FSS win demonstrates the validity of that approach.

### Employee distribution

Our ability to once again make a significant employee distribution of £5.2m is particularly pleasing for two reasons. Firstly, it rewards the people who are central to our success. Secondly, it signals our ability to create

## STRATEGIC REPORT (continued)

greater consistency in financial performance. This is the result of our strategic focus on activities and markets which can deliver the high value work that delivers consistently high returns.

### Continuing operations' results

#### Financial Highlights and Key Performance Indicators

Results summary:

	<b>2022</b>	<b>2021</b> <i>Restated</i>
	<b>£m</b>	<b>£m</b>
Turnover	157.0	137.2
EBITDA (as below)	10.6	10.8
Profit before BMT profit sharing schemes and tax	8.3	8.3

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

	<b>2022</b>	<b>2021</b> <i>Restated</i>
	<b>£m</b>	<b>£m</b>
Group Operating Profit	9.0	9.2
Depreciation & amortisation	1.6	1.6
EBITDA	10.6	10.8

The key operating performance indicators for continuing activities, whose purpose are to improve our economic sustainability, are:

	<b>2022</b>	<b>2021</b> <i>Restated</i>
<i>Financial related:</i>		
Sales Order Intake <sup>^</sup>	£170.1m	£152.8m
Sales Order growth	11%	(2)%
Turnover per employee (£000)	£129.3	£116.3
EBITDA Margin	6.8%	7.9%
<i>Non- financial related:</i>		
Ave. No. of employees (FTEs)	1,214	1,180

<sup>^</sup> Sales Orders are tracked within internal management information

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

Overall, turnover from continuing operations increased by 14% to £157.0m with revenue increasing in all our main geographic markets. EBITDA margin decreased by 110bps despite higher turnover per employee and a drive to improve delivery efficiency and cost control due to inflationary cost pressures and investment in the innovation and expertise that can drive higher margins in the years ahead. The operating profit in the period

included a one-off gain of £0.8m on the settlement of the USA Defined Benefit pension scheme which had an associated deferred foreign tax charge of £0.6m.

### Discontinued Operations

Discontinued operations primarily include the results of BMT Designers and Planners Inc, whose independent Board, filed for Chapter 7 of the US Bankruptcy Code on 1 February 2022. The prior year results also include the costs of selling several underperforming entities which are not part of the strategic plan, Brazil, India, & Indonesia. The profit before tax on discontinued operations totalled £2.8m (2021: £4.2m) reflecting a revision in the onerous contract provision (including associated litigation risk) and a loss on disposal. For further information on discontinued operations, please see Note 4 of the accounts.

### Group result for the year

The group delivered an overall profit before BMT profit sharing schemes and tax of £11.1m (2021: £12.5m), with £8.3m (2021: £8.3m) being delivered by the continuing business:

	<b>2022</b>	<b>2021</b> <i>Restated</i>
	<b>£m</b>	<b>£m</b>
<b>Continuing operations</b>		
Profit before BMT profit sharing schemes and tax	8.3	8.3
BMT profit sharing schemes	(5.2)	(6.5)
<b>Profit before tax</b>	<b>3.1</b>	<b>1.8</b>
<b>Discontinued Operations profit before tax</b>	<b>2.8</b>	<b>4.2</b>
<b>Total group profit before tax</b>	<b>5.9</b>	<b>6.0</b>

The profit after tax was £3.4m (2021: £3.3m).

### Group Balance Sheet and Cash Flows summarised

Considering the context of growth in turnover and investments in capability for the future, BMT generated a negative cash flow from operations of £0.6m (2021: positive cash flow of £2.6m) which included pension funding contributions of £2.9m (2021: £2.8m). The group invested £3.9m (2021: £3.0m) in capital to improve office space and update our enterprise resource planning (ERP) system and distributed £6.4m to employees as part of the BMT profit sharing schemes which was accrued in the previous financial year. This led to an overall cash reduction of £9.8m (2021: £0.6m reduction) in the year to £31.5m (2021: 41.3m).

We continue to focus on the management of our working capital including our cash position. The Group had net assets before the pension deficit and associated deferred tax of £47.5m (2021: £44.0m). Including the net pension deficit, the consolidated Group had net assets of

## STRATEGIC REPORT (continued)

£35.9m (2021: £17.8m). A notable feature of the reporting period was the inexorable, if sometimes unpredictable, rise in interest rates. Broadly speaking, this was good news in terms of our pension liability, which falls as interest rates rise. This must, however, be set against the fact that our pension fund assets, typically fixed-rate bonds, fall in value as interest rates rise. Overall, the net result was positive, with the pension deficit net of deferred tax reduced to £11.6m from the previous year balance of £26.2m.

The interest rate volatility during the reporting period meant that our decision to appoint a fiduciary manager to the pension fund proved beneficial. The fiduciary manager has governance over investment decisions and can act with greater agility. Our UK pension fund fared better than some schemes with limited liquidity issues during the turbulence that followed the UK Government September 2022 'mini budget'.

A non-GAAP summary of the Consolidated Balance Sheet is re-presented below:

	2022	2021
	£m	£m
<i>Group Balance Sheet re-presented</i>		<i>Restated</i>
Fixed assets	16.0	13.6
Cash and cash equivalents *	31.5	41.3
Other net assets / (liabilities) before pension deficit	2.3	(4.2)
Provisions for liabilities & charges excluding US pension deferred tax liability	(2.3)	(6.7)
<b>Net assets before net pension deficit</b>	<b>47.5</b>	<b>44.0</b>
Pension deficit	(14.8)	(34.6)
Pension related net deferred tax asset	3.2	8.4
<b>Net assets</b>	<b>35.9</b>	<b>17.8</b>
Profit & loss reserves	43.5	40.0
Revaluation reserves	3.9	3.9
Non-controlling interests	0.1	0.1
<b>Equity before Pension reserve</b>	<b>47.5</b>	<b>44.0</b>
Pension reserve	(11.6)	(26.2)
<b>Total Equity</b>	<b>35.9</b>	<b>17.8</b>

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

BMT Group Limited, the parent entity, had net assets of £33.5m on 30 September 2022 (2021 restated: £16.5m), including the UK pension deficit. The increase in net assets is in part due to a £18.9m improvement in the

defined benefit pension valuation, £14.3m 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 certain former employees. For the purposes of this Annual Report and FRC Guidance on the Strategic Report, 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.

### 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 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'.

## STRATEGIC REPORT (continued)

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### 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 future

### 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

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.

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.

#### 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
- Growth in Turnover per employee (FTE)
- Double digit EBITDA margin % (pre profit shares)

#### *Non- financial related: -*

- Improved employee engagement
- Improved customer satisfaction
- Net Zero by 2035

#### Employee Value Proposition ('EVP')

Our EVP is our distinctive employee offering encompassing salary, benefits, our culture purpose and values, work-life balance, working environment, career growth and development. In 2022, we continued to invest in our culture and working environment and what attracts people to work for us. In the wake of the COVID pandemic we consulted with employees on their preferences around flexible and hybrid working. The outputs of that process are being woven into our Employee Value Proposition - ensuring we continue to provide the right environment for our people to do their best work.

Also embedded in our EVP 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)

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### 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. The risk management process continues to evolve and strengthen in line with our governance structures.

BMT has an Internal Audit Function which facilitates the ongoing update of corporate and business function risk registers and conducts an independent programme of activity in order to evaluate and test the working of internal controls in relation to the Group's systems and processes. The results of this ongoing programme are shared with the Executive Committee and the Group Audit Committee.

#### Principal Risks

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

BMT considers all material risks and while some are outside the immediate control of the Company, over the last couple of years we have demonstrated resilience in responding to significant market shocks including COVID-19, the breakout of war in Europe, and volatile economic and political conditions in our core markets.

With many governments nursing high debt levels, and facing a global 'poly-crisis', we understand that the timing and scope of government and commercial spending may be impacted. While we remain heavily weighted towards the UK Defence market, we continue to enjoy the status of critical engineering delivery partner (EDP) due to our proven track record on delivery and the quality of our designs and capabilities. We balance the UK market and industry concentration risk through maintaining a global footprint while working across several sectors, (including Commercial Shipping, Critical Infrastructure, and Environment), providing a diverse portfolio of services and capabilities.

We have accelerated our transformation to deliver strategic growth, prioritising our digital transformation supported by new technologies to optimise delivery. We are also transforming our organisational structure to ensure we maximise utilisation across our wide range of capabilities and provide the most effective and comprehensive solutions to our clients.

We continue to employ a range of project and change management processes to bring our people through our transformation journey. Attracting and retaining the best people is essential to ensure we can deliver. We have invested in Talent Acquisition resources and campaigns. Our Global Mobility programme and Careers Map

initiatives enable opportunities across the organisation, and we are investing in digital skills training to help our employees optimise a range of tools.

We continue to strengthen our project risk assessment process, growing our technical assurance capabilities and processes to help mitigate the risk of committing to potential onerous contracts. Through the development of a Global Project Management Office (PMO) we will ensure more consistent application of project management processes across our portfolio.

Being debt free, we put a significant focus on cash flow and carefully manage our financial exposures, including long-term liabilities, through pro-active funding strategies. We work closely with our Pension Trustees to ensure we meet our commitments, and we support the appointment of a Fiduciary Investment Manager to optimise returns in a volatile market.

#### Emerging Risks

Emerging risks and opportunities are those that are developing or are changing, with the full impact being evaluated.

We expect that the global economic downturn with recession or sluggish growth in major economies including the UK, continued geopolitical tensions, volatility in energy supplies, and persistent inflationary headwinds will drive investment decisions by governments and companies. Additionally, the geopolitical and economic uncertainty is giving rise to increased nationalism with more onshoring of supply chains. Therefore, we expect a greater focus on national security, on energy resilience, and on cost balanced with the environmental impacts. We will continue working with key governmental agencies and companies in these areas, and we have several innovation projects and campaigns targeted to support our customers and stakeholders address these priorities.

Notwithstanding the economic challenges, climate change resulting in more extreme weather events and national commitments to Net Zero carbon emission goals will continue to influence economic policy in the medium to long-term.

We continue to assess our Environmental, Social and Governance (ESG) risks and opportunities to reduce our carbon footprint. Recognising that as a service industry, we rely on people and expect them to adhere to our code of conduct and we assess whether our key suppliers meet global ethical standards. We use our broad engineering expertise to help our customers reduce their environmental impacts as they transition to clean energy.

STRATEGIC REPORT (continued)

MANAGING RISK AND UNCERTAINTY (continued)

**Risk Appetite**

To achieve our growth strategy, we take a balanced approach to risk. In areas including pipeline growth, organisational and digital transformation, and innovation we are willing to accept a higher level of risk and return. In matters of compliance, ethics, cybersecurity, financial management, and safety - our risk appetite remains low, with a cautious approach to management.

Risk	Link to our Strategy	Why it Matters	How we Manage it
Strategy, Future Business & Brand Management	Sustain the Core  Invest in Innovation	We work across several geographies and industries and are reliant on long-term relationships with several key customers and partners. We are exposed to the investment decisions by governments across those markets and the UK Defence market in particular.  The renewed urgency around climate change and environmental sustainability presents opportunities and challenges to provide effective and efficient solutions. We need to maintain the trust to deliver and be competitive.	Our account managers work closely with our key customers to ensure we understand their strategic goals and can provide solutions aligned with their requirements and budgets. We continually review market developments, customer investment priorities, the activity of our competitors and adapt our strategies accordingly.  We have invested in our Strategy team to provide in-depth market analysis to inform our business development activities. We target investments to growth opportunities, such as enhancing our digital capabilities to offer integrated environmental and asset lifecycle solutions.
Programmes and Project Delivery Risks	Sustain the Core  Grow through Collaboration  Exploit and invest in Innovation	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 and potential onerous contracts.	Our business and project lifecycle processes are controlled by relevant policies, procedures and management systems and reinforced by reviews. We have enhanced our commercial, technical, financial, and legal oversight of potential risks during bidding.  Current organisational change activities are focused on optimising our delivery function and strengthening our technical assurance. Through establishing a Global PMO we aim to ensure more consistent project management processes across our diverse portfolio.

STRATEGIC REPORT (continued)

MANAGING RISK AND UNCERTAINTY (continued)

Risk	Link to our Strategy	Why it Matters	How to Manage it
People: Attraction & Retention, Health & Safety	Sustain the Core  Grow through Collaboration  Exploit and Invest in Innovation	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.  We also need to manage the health, safety, and wellbeing of our people and third parties.	Targeted recruitment campaigns help us attract the best people, and we benchmark our performance and Employee Value Proposition against other companies. We have increased our talent acquisition capability and campaigns. We maintain a Global Careers Map to enable opportunities for development and progression. We provide several platforms for training and employee engagement.  We encourage a safety-first culture, investing in our Health & Safety policies, procedures, trading and risk reporting. Many of our customers require our engineers to undertake bespoke Health & Safety training programmes. We continue to make concerted efforts including investment to promote wellbeing awareness and support mechanisms across the business.
Macroeconomic factors – inflation, volatility in supply chain (including energy), in FX and interest rates, ongoing global pandemic and geopolitical tensions.	Sustain the Core	The combination of several external factors driving economic uncertainty could lead to changes in the type, scope, and timing of customer orders.  Our ability to deliver on schedule and on budget could be impacted by external market factors.	Our annual integrated strategic planning exercises are stress tested for a range of outcomes across all our markets. We continually monitor market movements and the likely impact on our customers and suppliers. We focus on cost control and maintain cash reserves in response to business or market volatility. We adapt our ways of working to minimise the delivery risks and safety of our employees and other stakeholders and adopt crisis management planning techniques where needed.
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 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, and we have a perpetual cycle of refresher training.  We have split the role of CISO from Global ICT to enable more focus on Info Security across the organisation given the ever-increasing privacy and security concerns of governments and customers.

STRATEGIC REPORT (continued)

MANAGING RISK AND UNCERTAINTY (continued)

Risk	Link to our Strategy	Risk	How we Manage it
Business Transformation – Organisational Design, and ERP System Implementation	Sustain the Core  Grow through Collaboration  Exploit and invest in Innovation	We are working through a significant business transformation and organisational change management programme, including the rollout of a global ERP system.	Oversight and governance by our senior leadership team ensures investment decisions are aligned with our strategy. We invest in targeted innovation that will give us a competitive advantage and optimise the return from our existing product portfolio.  We apply a range of change management programme disciplines supported by external consultants. We are strengthening our business change management efforts to accelerate the introduction of new technologies.
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 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.
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 also manage the assets by selecting an overall strategy that will both minimise risk to an acceptable level and generate sufficient return to manage the overall cost to the Company. During 2022 we worked with the Trustees of the BMT UK Scheme to employ the services of a Fiduciary Management Investment organisation to execute and manage the approved investment strategies on behalf of the Trustees. A key part of this strategy is to provide protection to the scheme against changes in interest rates and inflation which are the key risks that can cause an increase in the scheme's liabilities.



## STRATEGIC REPORT (continued)

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### 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.

#### **BMT Designers & Planners Inc**

A key event during the year relates to the decision made by the independent Board of BMT Designers & Planners Inc to enter a formal insolvency process as described more fully regarding the Discontinued Operations on pages 3 and 4 of this Strategic Report, in the Accounting Policies on page 34 and in Note 4 Discontinued Operations on page 41 of this Annual Report.

#### **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. In the

current year, the Board was involved in deciding to make significant investment in staff in anticipation of the FSS ships contract and other larger orders.

#### **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 with remuneration, wellbeing and career development recognised as vital enablers to the success of the organisation. This has led to continued high levels of employee engagement, which between biennial surveys we evaluate qualitatively through the Employee Engagement Group (EEG).

Throughout the year, the board have ensured they understand the views of the employees through engagement with the EEG. This has led to the creation of a new Employee Director board position, giving a formal structure for representation of the employee voice in board decision making. Mick Dewhurst, Chair of the EEG was appointed into the role on 1st October 2022.

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.

A bonus was paid during the year as a profit share based on the performance in the preceding financial year. A profit share has also been agreed for the current financial year to be paid in the FY2022/23 financial year. This reinforced confidence in the recovery of the business following the pandemic.

## STRATEGIC REPORT (continued)

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

#### **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.

#### **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. 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 over a sensible timescale, the investments and fund are managed in the best way for members, and that risks are managed in an appropriate way. The Chief Financial Officer engages in a transparent and regular dialogue with the Pension Trustee. In the current year this engagement included the appointment of a fiduciary manager for the pension scheme assets.

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

## STRATEGIC REPORT (continued)

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### FUTURE DEVELOPMENT OF THE BUSINESS

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

Our ambitious net zero targets and sustainability strategy are aligned to two prioritised Sustainable Development Goals (SDGs). These are SDG 9: Industry, Innovation & Infrastructure and SDG 13: Climate Action and they are at the heart of our future business growth and ambition.

In the coming year these will be embedded into all parts of our business and culture and further support our proposition to our customers, enabling them to achieve more sustainable outcomes.

Over the past five years BMT has been on a journey of evolution from a broad group of businesses to a much more aligned global entity. In the financial year 2023 we will complete the organisational design changes that enable that journey and roll out a new Management Information System.

We are already seeing the benefits of this global alignment in the breadth of capability we are able to offer our customers as our forward looking model for the business creates opportunities across our value chain.

The investment we have made in the business is already showing positive results with significant progress in our development of digital solutions. This will continue in the coming year as our renewed approach to innovation gains momentum. The creation and maturation of regional leadership teams will further enable opportunities for regional growth.

Employees have always been at the heart of our business model and will continue to be so. Competitive 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.

These elements combined with an already strong employee value proposition will help to ensure we secure the best talent in all areas of our business. We will continue to actively create a more diverse workforce bringing a wide range of thinking in an inclusive and safe environment that promotes employee wellbeing.

We will continue to become 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.

#### What are our priorities?

Our priorities and strategic focus remain unchanged. 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 markets and 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.

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.

As approved by the Board and signed on its behalf:



Sarah Kenny OBE  
CEO  
18 April 2023