

Our business model

How we create value, our competitive advantage

Strengths and resources

Our people

We rely on our people, and their experience and skills, to deliver for our customers and solve challenges every day. We aim to better support, train and empower our workforce.

Customer relationships

We are a trusted partner, critical to our customers' ability to solve complex problems. Through long-term programmes and contracts, we work collaboratively with our customers to understand their needs and identify solutions that add value.

Our assets

We own critical national infrastructure across the UK, including the Rosyth and Devonport Royal dockyards. We also operate a range of customer-owned critical assets such as naval and air force bases, complex engineering facilities and aircraft for the delivery of emergency services and military training.

Our technology and know-how

We use our technology and our highly specialised engineering know-how to solve customer challenges. We have a deep understanding of our customers' assets and are able to integrate technologies and capabilities to support their needs and provide services that add value.

Safety and regulatory compliance

We and our customers operate in heavily regulated environments where the health, safety and wellbeing of all stakeholders is the number one priority, underpinning all work.

Strategic partnerships

Collaboration with key industry partners is a significant enabler to access and accelerate addressable opportunities to deliver complex customer solutions in evolving environments, with reduced risk.

How we operate

- Our business model is focused on securing and executing long-term, high-value contracts for complex, integrated solutions, underpinned by rigorous commercial and technical risk frameworks.

1. Foundations

We work collaboratively with government departments, public bodies, highly regulated industries and blue chip companies, and are embedded on crucial long-term programmes. We focus on markets and customers with outsourcing models that require value-add engineering-based support and product development. Our five focus markets are the UK, Australasia, France, Canada and South Africa, with operations in and exports to other countries.

2. Bidding and business development

We continually monitor opportunities across our markets, using strong reference cases and deep sector expertise to identify ways to solve new and existing customers' challenges and support their programmes. We have a multi-gate review process for contract bids to help ensure we only bid on value-creating work.

3. Contracting

A significant proportion of our business is carried out on a long-term contract or multi-year framework basis. Our contract backlog of £9.8 billion of contracted work provides a base level of revenue for the years ahead, supplemented by new business wins, framework orders, contract extensions and variations, and other short-cycle work.

Revenue is recognised as we deliver on our contracts and performance obligations are satisfied. We have an established review process to manage contract risk.

- See page 110 for our principal risks.

4. Sustainability

Our sustainability strategy is a key component of how we deliver and increase the sustainability and growth of our business. Our business has a significant impact on society and the environment, and sustainability is an integral part of our corporate strategy and how we do business.

- See page 70 for our sustainability review.

Drawing on the key strengths that underpin our success

Market trends and opportunities

- Read more on page 18

Strategic framework

- Read more on page 20

Key performance indicators

- Read more on page 32

As a long-cycle global business in defence and civil markets, our business model is critical for strong delivery and operational excellence. We're focused on securing the right contracts and managing them effectively to deliver value to all our stakeholders over the long-term.

- **5. Technology-based solutions**
We apply technology-based solutions to solve complex customer problems. We invest in technologies that optimise asset utilisation, advance manufacturing, enhance support capabilities and add value to customers. Our data analytics, digital design and integration capabilities reduce costs and increase the customer's ability to adapt to technology developments.
- **6. Partnerships and collaboration**
Partnering and collaboration are key to our success in bringing market-leading capabilities to our customers. We bring together organisations to deliver engineering and technology-based products and support solutions that add value to our customers and increase access to markets.
- **7. Investment and capability**
The cash we generate funds selective reinvestment into the business, principally through capital expenditure to develop our unique infrastructure, equipment, IT systems and engineering talent.
● See page 8 for our capital allocation framework.

Our competitive advantage

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| Decades of accumulated engineering expertise in complex long-life assets | Deep customer embed – unique understanding of complex customer requirements | Strategic partnerships with leading global players |
| Critical integrator of complex supply chains – supplier and technology agnostic | Scale and agility – cross-Group capabilities to respond to changing requirements | Broad portfolio of opportunities in strategically important sectors (Defence and Nuclear) |

Creating stakeholder value

Customers

Delivering for our customers and partnering with them on the challenges they face.

Colleagues

Creating a better place to work, where colleagues are valued and motivated at all times.

Investors

Creating shareholder value through growth, cash generation and the efficient allocation of capital. Delivering shareholder returns through dividends and increased share value.

Communities

Providing jobs and investment across the UK and internationally where we operate, and ensuring we act responsibly at all times in the interests of local communities around our sites.

Suppliers

Creating jobs and nurturing investment through collaboration with our supply chain.

● See page 68 for more on our stakeholder engagement

Risk management

● Read more on page 110

Stakeholder engagement

● Read more on page 68

Governance

● Read more on page 132