Financial overview

Financial year 2021 (‘FY21’) was overall another successful year for the sustainable, future growth of the ERM business, despite the COVID-19 crisis that emerged at the start of calendar year 2020.

For almost all businesses and individuals 2020 was a year unlike any other, presenting extreme challenges in how we live our lives, work together and engage with our customers. In certain respects, many of the changes we have had to make, both culturally and practically, will become part of our lives for the foreseeable future. However, there is also now clear reason to have confidence that the vaccine deployment will allow the face-to-face interaction that we value so much to return gradually, in the current and future years. It is against this backdrop that we have not only shown notable resilience as a business, displaying great examples of innovation in the development of our products and how we serve clients, but have pushed further ahead in realising our strategic objectives and reinforcing our competitive position in several key areas.

As we closed FY20 the COVID-19 pandemic had started to emerge first in Asia Pacific and then as a global crisis. Going into FY21 this quickly led to lockdowns in countries that we operate in and the resulting general macro-economic uncertainty and broader disruption to economic activity. ERM management responded to the situation in accordance with its established Crisis Management Plan, including setting up a global task force as well as regional and local teams made up of subject matter experts. Actions focused on prioritising the safety and well-being of staff and customers and included global travel restrictions and a “work from home” business model rolled out to all regions. We adapted to the remote working model and implemented new ways to strengthen the connection with clients and continue to support them.

Given the decline in revenues as economic activity reduced, we also undertook actions to mitigate the financial impact on the business. The aim of these actions was to protect staff jobs for as long as possible and included salary reductions for ERM Partners, discretionary cost reductions, as well as reduced working hours for staff where projects had slowed. The ERM operating model has been resilient to the pandemic and whilst net revenue declined our operating profit grew year-on-year as did backlog. At constant exchange rates, our net revenue decreased by 10% during FY21 and our trading profit increased by 1%. We continued to maintain significant investment for medium-term growth in key areas, including technology enablement of some of our services and in growth sectors such as Chemical, Power and Technology as well as the development of our client-focused service offerings. Increased stakeholder pressure is forcing corporates to view sustainability and ESG as a way to create value and gain competitive advantages.

We have invested in developing offerings in this space by making key hires and via acquisitions. Our trading profit margin for FY21 was 17.0% compared to 15.0% for financial year 2020 (‘FY20’). We generated strong operating cash flow of $179 million (before tax payments) during FY21 (FY20: $166 million). After deducting payments for tax, investing and financing activities, there was a net $58 million increase in cash (FY20: $28 million). We held $279 million of cash at 31 March 2021 (FY20: $213 million).

As outlined above, we reacted quickly and took cost saving actions so that we could support the business and protect jobs. Full-time equivalent (“FTE”) employees declined during the year, principally due to reduced working hours, to a low of 4,753 in July 2020 but then as projects started to restart and as client confidence returned FTEs began to increase and we ended FY21 with FTEs of 5,197. As a result, the average number of FTEs decreased from 5,513 in FY20 to 4,900 in FY21.

**Partners:** Partners in ERM are our senior management level leaders. We hired 33 Partners during FY21 which provides us with a strong platform to grow the business over the medium-term. We also promoted over 18 Partners from our Path to Partnership programme and brought in two Partners through acquisitions during the year (see below).

**COVID-19:** The crisis has resulted in a growing awareness of the world that we live in. The pandemic has shown the world that gains made to address poverty, hunger, good health and well-being may face unexpected serious setbacks. Unless the global community urgently addresses the global environmental threats that have a similar capacity to undermine the systems that enable humanity and the planet to survive and thrive then the world will face another crisis. This will undoubtedly result in stricter environmental regulations, more stringent ESG reporting requirements and increased scrutiny from investors and the public. We believe that we are uniquely positioned to support our clients as they navigate through these challenges and, whilst there are short-term challenges, the future is positive with continued profitable opportunities for ERM. We believe that the investments and changes we have been making to our business over the past few years position us well to benefit from this accelerating structural shift, as we believe our heritage and technical capabilities give us a competitive advantage over our competitors.

**Sustainability:** We continue to play a leading role in the global sustainability agenda. Our 2021 Sustainability Report was issued in June 2021; this is our fifth report aligned with the Global Reporting Initiative’s (“GRI”) Standards and our tenth annual public report. It is available online at https://www.erm.com/sustainability-report.

**Acquisitions:** We continued to make multiple strategic acquisitions, successfully acquiring two businesses during FY21:

(i) On 18 December 2020, ERM completed the acquisition of Arcus Consultancy Services Ltd and Arcus Consultancy Services (South Africa) Proprietary Limited (“Arcus”), a leading renewable energy consultancy focused on environmental, planning and engineering support. Arcus is a multidisciplinary consultancy specializing in high profile renewable energy projects. It supports clients throughout the entire project lifecycle; from initial site search through to completion, and projects include some of the most significant renewable energy schemes in Europe and Africa.

(ii) On 15 January 2021, ERM completed the acquisition of Engineering Safety Consultants (“ESC”), a UK-based global functional safety management and engineering consultancy. ESC provides functional safety management services and advanced safety advisory services that enable owners, designers and operators in manufacturing, chemical, renewables, utilities, oil and gas and petrochemical industries to plan and manage their assets and projects safely and successfully.
In addition, following year end we completed the acquisition of three further businesses: First Option Safety Group (April 2021), Sustainalize (April 2021) and E4Tech (May 2021).

Our marketplace continues to grow and we are well positioned to support the growing demand for sustainability, climate change, low carbon economy transition (“LCET”) and ESG services. Whilst COVID-19 has brought some short term challenges our operating model is nimble with a flexible cost base and our business has so far been resilient in coping with the economic slowdown. We have endeavoured to minimise job losses and retain key staff so that we are well positioned to bounce back quickly as the economy recovers. Over the medium term we will continue with our strategy, which is to grow and build our presence in major markets, through organic growth and targeting specific acquisitions where appropriate to broaden our geographic and service offerings. Our global expansion focuses on building deep and lasting relationships with our clients and servicing their needs in more regions and across more service areas.

Our future investment activities will include:

- The ongoing development of our client relationship programme.
- Expand our key service offerings so that we are positioned to gain from the proliferation of Sustainability, Climate Change, LCET and ESG super-trends.
- Expanding the role of technology and data in our service offerings and in our operational delivery.
- The ongoing hiring of new Partners from outside ERM, as well as annual internal promotions and inflow of Partners from new acquisitions.
- Continued focus on inorganic growth from acquisitions.

On 17 May 2021 the Group announced a change of majority shareholder. KKR & Co. Inc. (“KKR”) will acquire its position in the Group from OMERS and AIMCo, with the Group’s management team and Partners remaining as minority investors. This deal is expected to close in the third quarter 2021. This long-term partnership with KKR will allow the Group to expand and accelerate our client impact, and bring new capabilities and technologies to the business of sustainability.

In summary, despite the COVID-19 crisis, the financial year ended 31 March 2021 was overall another successful year for ERM. Whilst we are not through the crisis yet we are optimistic about the future given the increased awareness on sustainability and growth in the market. Diversification has created a more balanced portfolio with reduced concentration risk in sectors, service lines, geography and customers. Demand for ERM’s services are evolving in a dynamic market environment and this demand is to some extent decoupled from levels of underlying economic growth where these services are now seen as mission critical and strategic for our customers. We remain excited by the opportunities ahead for us and we are maintaining investment and growing client relationships. We are well structured and financed and have strong current liquidity to ensure our business continues to thrive.

### Financial Performance by Region FY17 - FY21

<table>
<thead>
<tr>
<th>Region</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>3 Year CAGR&lt;sup&gt;1&lt;/sup&gt;</th>
<th>4 Year CAGR&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>876</td>
<td>902</td>
<td>933</td>
<td>1,054</td>
<td>914</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>612</td>
<td>643</td>
<td>725</td>
<td>782</td>
<td>711</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Europe, Middle East and Africa</td>
<td>130</td>
<td>145</td>
<td>155</td>
<td>157</td>
<td>163</td>
<td>5%</td>
<td>13% (10%)</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>85</td>
<td>92</td>
<td>104</td>
<td>112</td>
<td>101</td>
<td>3%</td>
<td>14% (11%)</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>29</td>
<td>33</td>
<td>37</td>
<td>40</td>
<td>29</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>North America</td>
<td>337</td>
<td>343</td>
<td>395</td>
<td>427</td>
<td>360</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Global Businesses</td>
<td>31</td>
<td>30</td>
<td>34</td>
<td>36</td>
<td>58</td>
<td>%</td>
<td>%</td>
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<tr>
<td>Total Net Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total Trading EBITA&lt;sup&gt;3&lt;/sup&gt;</td>
<td>92</td>
<td>97</td>
<td>121</td>
<td>119</td>
<td>120</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

<sup>1</sup> CAGR: Compound Annual Growth Rate.

<sup>2</sup> Constant currency calculation is based on FY21 Budget FX rates as used by management for internal reporting purposes.

<sup>3</sup> EBITA: Earnings before interest, tax and amortization.