

Affiliated Engineers, Inc.

Strategic Plan – 2020 Update

Executive Summary

April 2020

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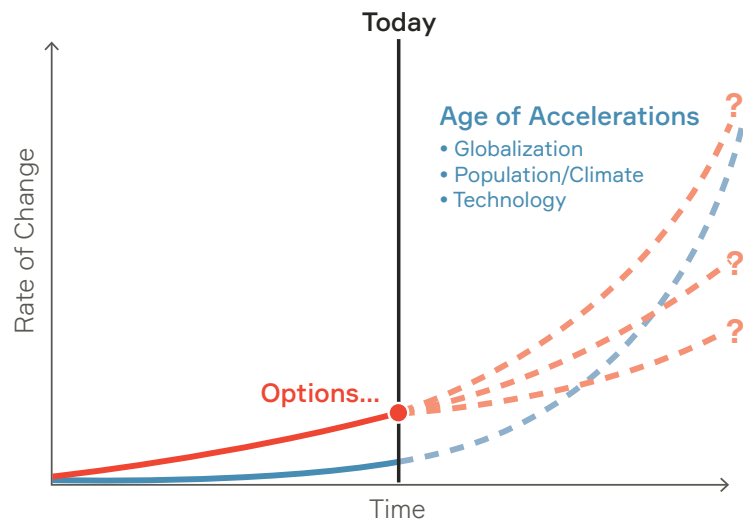
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Our vision is to work with clients and colleagues to improve the world.

Simple as that. We deliver engineering leadership for our clients' complex projects so these organizations can do great things to improve lives and protect the future. From better medicines, climate-sensitive energy supply and sustainable utilization, to education at the highest level and cutting-edge healthcare, our mission drives us to find unique solutions to solve our clients' challenges. In so doing, we are an integral element of innovation in a dynamic, fast-paced workplace.



From mentorship to leadership, we are passionate about our work, our people, our clients, and positively impacting society. It's with this spirit we endeavor to advance and grow and do so with a strategic vision that is insightful and informed. The design and construction industry are experiencing extremely rapid change, propelling us to carefully reassess our Strategic Plan, identify and prioritize its objectives, and create a refreshed vision of how and where to steer the firm for the next several years.

Introduction

Affiliated Engineers' 2013 Strategic Plan has been successful in guiding our practice for the past several years. With this success and our respondent growth, the need to reassure its trajectory and refine its objectives became growingly apparent. Early in 2019, a national leadership team met to revisit this 2013 Plan and consider an update. This team included AEI firm-wide leaders, market experts, and internal technical / service group leaders to study the industry and understand how outside influencers will affect our ability to not only remain relevant, but to improve our leadership position and grow our market share. The team also completed a critical assessment of who we are as a firm and where future opportunities and threats for Affiliated Engineers will exist.

Out of this extensive investigation and informed by the realities of our current market conditions, three renewed objectives were conceived which when implemented, will help to ensure Affiliated Engineers' long-term vitality:



Objective 1

Be the firm of first choice
for clients and employees



Objective 2

Double our percentage
of Engineering Led
business by 2030



Objective 3

Leverage data and
technology to provide
competitive advantage

Discussions for each objective are included on the following pages. Each objective is supported through a series of priority initiatives; some with recommended pathways to achieve success, several with the need for further study. In early 2020, this Strategic Plan update was rolled-out to our employees as an introduction to its key elements, an invitation to engage, and as inspiration for the future of AEI. Teams were assembled to analyze the issues, conceive solution paths, and after review and prioritization by the Executive Team, develop workplans to execute. Employees from each office and at every level of the organization were touched by this effort. We are truly excited about taking our thriving organization to new heights.

Objective 1: Be the Firm of First Choice for Clients and Employees

Do the right thing, on the right projects, for the right teams, with the right people, by offering exemplary service so our clients and partners will want to work with us again and again. This thinking will drive us to innovate on the ways we do our work, the systems we use to do it, the clients and partners we work with and the services we offer. From the mission-satisfying projects we pursue, to the talent we seek; from the leaders we develop, to the remarkable work we deliver; our ambition to be the engineering firm of first choice will inspire us as industry professionals, motivate us to work together, and drive us to pursue excellence in all dimensions of our practice.

The employees of Affiliated Engineers are the engine that drive the firm's success. The skills, passion, and commitment they bring to the practice define our firm and to continue to lead in our industry, we must have the very best colleagues the industry has to offer. We commit to developing a People Strategy that enables us to find, recruit, inspire and grow high-performing colleagues to assure our organization's strength and become a role model for our industry.

To be the Firm of First Choice for Clients and Employees we will:

- Serve our clients and support our employees with integrity and humility, displaying industry-leading technical and project leadership excellence unique to AEI. Don't simply do what we've always done, rather develop creative and effective solutions to meet our employee's and clients' needs, exceeding their expectations.
- Create a culture that acknowledges the value of each employee and encourages professional development while providing challenging project work, career advancement and appropriate rewards.
- Increase our ability to secure the best clients, the most challenging project work, and the highest caliber employees by being deliberate about what we say, what we do, how we do it, and who we work with.

Our persistent pursuit to be the firm of first choice for clients and employees is no small endeavor and to understand this better, our Strategic Planning Team considered several critical questions from both a client's and employee's perspective.



↑
Affiliated Engineers - a calling and a community.

Why do clients and partners want to work with AEI?

We believe it is because AEI employees are:

- Technically skillful, innovative, creative thinkers
- Effective project leaders, team players, responsive consultants
- Honest, accountable, agile, humble

As an organization, we are known to deliver teams that provide:

- Bench strength to support large and complex assignments
- A wide breadth of technical service offerings
- Local delivery of national firm sophistication



What motivates AEI to want to work with a client or partner?

We are motivated because we:

- Appreciate the client's reputation and alignment with our mission and vision
- Have an established relationship of mutual respect and appreciation
- Recognize the project needs align with AEI's core skills
- Believe the project will add to AEI's reputation of excellence in complexity and scale, or the project fits an AEI strategic business development initiative
- Perceive of this client as one for which we may secure repeat project work
- Expect alignment of our skillset, service model and compensation

Why would a client or partner not want to work with AEI?

We have asked and learned we are sometimes:

- Perceived to be too busy, too big, not local, or have limited key relationships
- Judged as having poor performance in the past
- Not a match for the client or partner's fee expectations
- Less competitive as it relates to needed skills or expertise
- Fail to offer the government or owner specified qualifications for local, historically disadvantaged, etc. business
- Refused so that the entity may give competitors an opportunity for work

Landmark projects and global challenges. High standards and lifelong learning - this is where we thrive.

Why would AEI not want to work with a client or partner?

We are demotivated because:

- The selection process is primarily fee dependent
- AEI is not recognized for the value we believe we provide
- AEI's potential contribution won't be realized because of the project's delivery method
- The project does not align with AEI's core markets and service strengths
- We see the client and/or partner lacks project management skills and/or integrity

Our success is built on relationships – with our clients, our partners, and each other.



Why do professionals want to work for AEI (or continue to work for AEI)?

Our appeal relates to AEI's:

- Reputation for strong leadership, culture, innovation, diversity, and integrity
- Fantastic projects and project experiences
- Entrepreneurial spirit with strong, system-wide support infrastructure
- Appreciation for technical and project management skills
- Breadth of professional growth opportunity
- Geographic location diversity
- Strength and stability of firm and employment
- Strong fiscal health and fair employee compensation



Objective 2: Double our Percentage of Engineering Led Business by 2030

Growing our commitment to engineering led projects will strengthen our practice by providing a more diverse revenue stream, creating exposure to broader and deeper market opportunities, and developing an expanded, system-wide technical service portfolio. Engineering led work will bring us closer to our clients, their organizations, and key project, institutional and enterprise decisions while providing growth opportunities for our employees in technical, management, and leadership positions.

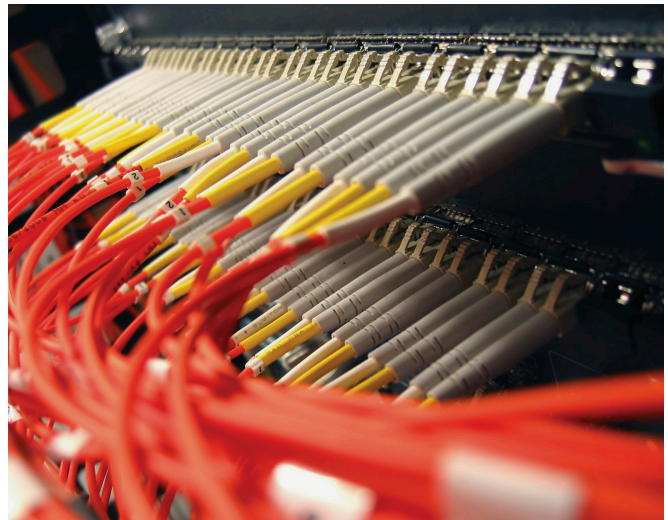
We are motivated by multiple reasons to pursue this objective:

- Expands and diversifies our new business portfolio to supplement the shifting expectations of the consulting engineer with changing project delivery methods
- Provides our employees with the opportunity to directly impact society's most challenging environmental issues including climate change, carbon and water use reduction, and alternative energy exploration
- Provides our employees with the opportunity to address our clients' most challenging technical issues including resilience planning, systems commissioning, and intelligent buildings
- Provides an opportunity for our leaders to stay closer to clients (and their missions) by working directly for them
- Provides our employees with increased opportunities to develop client leadership and management skills
- Allows us to serve our clients over the full life cycle of our projects: planning – design – construction – occupancy – training – operations
- Is consistent with AEI's renewed Vision and Mission



Engineering led is also a cultural commitment and a mindset for the long-term resilience of our practice, positively impacting our prime- and sub-consulting projects and our teams who deliver them. Further, our determination to double our engineering led business will complement our continued pledge to maintain and grow our market-leading position in our Buildings Practice. However by instilling a renewed priority for large scale and complex assignments, we will be more aggressive in our critique and dismissal of commoditized engineering projects not in direct alignment with this pledge.

Currently, engineering led work represents about 25% our total annual revenue. Engineering led markets we currently serve are expanding, including Energy and Utilities via needs of climate change attention; Intelligent Buildings to help optimize building operations and fiscal outcomes; as well as Commissioning, Technology, and Building Performance Practice services, and Industrial Test, Aerospace, and Process Engineering markets.




Objective 3: Leverage Data and Technology to Provide Competitive Advantage

Digital innovation is sweeping the design and construction industry creating opportunities to leverage data, analytics and technologies as a source of competitive advantage. This component of the design field is evolving at a pace unseen, with opportunities ranging from preparing and delivering our work in a more informed manner, to expanding existing and exploring new service lines, to positively influencing our business efficiencies. With this objective, we make a renewed commitment to expand the use of the tools available, create tools that don't exist, and continuously expand the talents of our employees to lead the industry.


Design outcomes in our industry have, for many years, been based on prescriptive codes rooted in obsolete data carried forward from the past. Some obvious results include:

- Oversized systems.
- Application of codes to systems for which they were not intended.
- System designs that do not recognize or support changing climatic conditions.
- System designs that do not recognize or support changing social mandates.


**We aren't waiting to see
what the future brings.
We're bringing it.**

Building Performance Benchmarking
Visualize and gather performance related data.


View Details

Piping Benchmarking
Gather and Visualize Piping Data.

View Details

Electrical Benchmarking
Gather and Visualize electrical benchmark data.

View Details

Weather Analysis Tools
Find, view, and analyze weather data.

View Details



The AEI Custom Development team has created several software tools for staff in the form of web apps, Revit add-ins, Excel add-ins, and others.

Our partners and clients expect AEI to leverage data and advanced analytics to improve their projects in many dimensions:

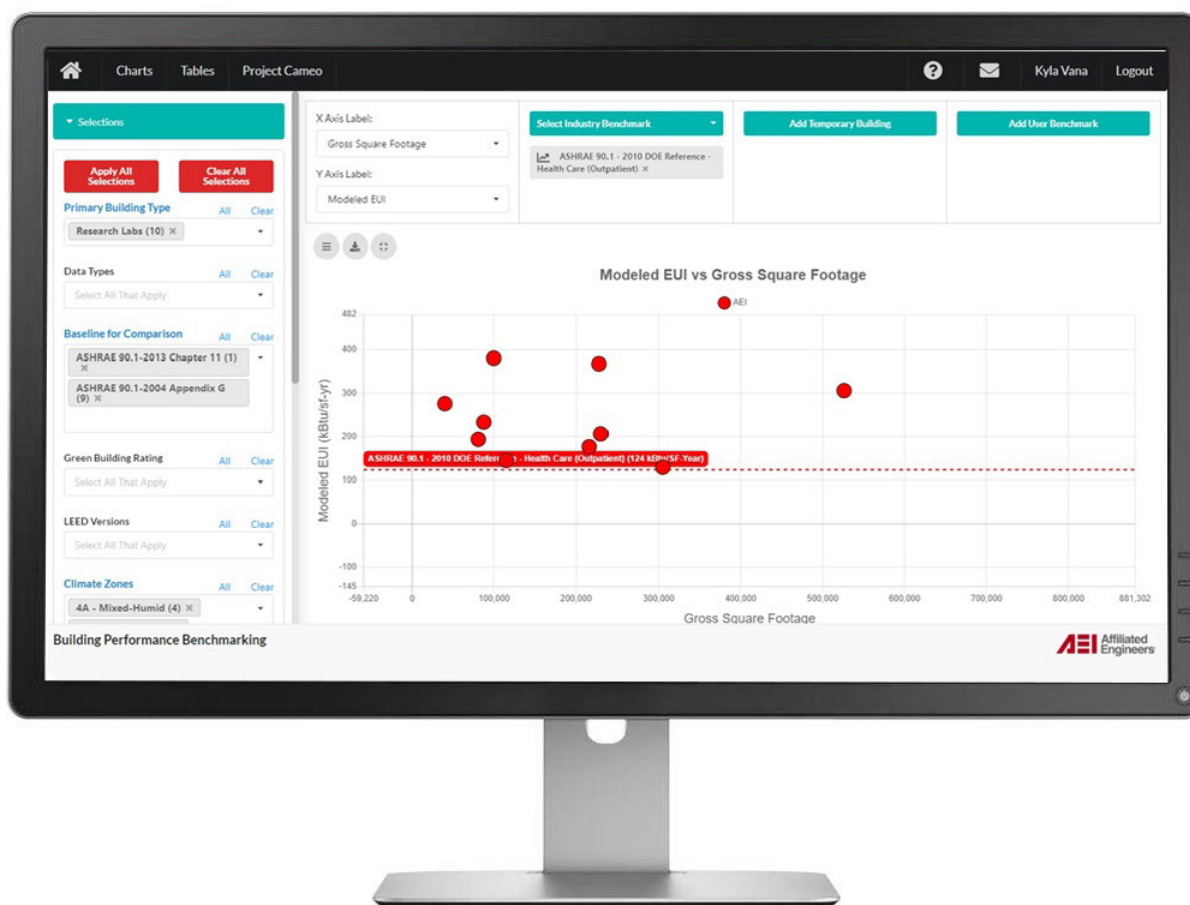
- Accurate sizing of systems based on data that is collected, curated, and used to challenge obsolete code requirements.
- Assurance AEI's designs support the client's firm needs. Our use of data will put them at ease.
- Architects are asking AEI to show them the data to support design decisions.
- Use of appropriate design benchmarking data can improve our conceptual cost estimating capabilities and prove a better, more accurate approach to defining preliminary engineering needs.

Our consultation, technical services, work processes, and collaboration with our technology investments will improve with appropriate use of data:

- To support business decisions such as fee development, staffing levels, revenue and profit targets.
- To help our clients manage their buildings.
- To help our partners and clients improve the design processes and meet accelerated schedule expectations.
- To further understand the expanded use of Artificial Intelligence and Machine Learning and wisely invest in our Digital Practices to assure our market-leading position.

With this understanding and context, we make a renewed commitment to expand our understanding and use of these tools to leverage them on behalf of our clients and on behalf of our business.

AEI's custom benchmarking tool.



Conclusion

While no strategic plan can foresee all matters that influence the progress of a business, we believe the objectives and initiatives in our Plan address the most pressing issues facing AEI today. Firm leadership will pay close attention to the many other matters that influence the firm such as overall economic conditions, global competitive forces, new market opportunities, legal and governmental influences, etc. and respond accordingly.

In combination with associated office leaders, members of the Executive Team will roll-out the Strategic Plan to our employees during the first quarter of 2020 and begin implementation of prioritized initiatives immediately following. Teams will be assembled to address select initiatives and measurable goals will be established to guide implementation. The Executive Team will have primary accountability for overall leadership of Strategic Plan implementation.

This renewal of our Strategic Plan promises to kick off an exciting time of analysis, discussion, planning and action. With the tremendous talent of our teams and the support of the firm, we envision further strengthening of AEI as a practice and as a leader in our marketplace. We look forward to the contributions of all employees in making this a great decade.

Vision

To work with clients and
colleagues to improve the world

Mission

To deliver engineering leadership
and innovative solutions for
complex projects