

# Governance report

## Values driven

### Unique ownership structure

Since 1979 Arup has been owned by Trusts for the benefit of Arup employees (our "members"). The directors of the Trusts are collectively referred to as the Trustees.

Trust ownership affords us total independence and the ability to take a long-term view, without external pressures from shareholders or the risk of change in ownership. This provides our clients with confidence in our ability to prioritise their interests, and we have the freedom to shape our own direction and invest in the things we feel matter most: our members, our knowledge, our resources and our communities.

The Trustees appoint the directors of Arup Group Limited (the "Board") to lead the firm in accordance with the Company's Articles of Association (annual re-election is not required). The Trustees are not themselves directly involved in management decisions about the firm's operations.

### Our culture

For over seventy years, Arup has evolved into a unique firm with a strong culture, thanks in part to our independence and our shared values. Our firm has always had a keen sense of purpose; the six aims set out in our founder, Ove Arup's, Key Speech of 1970, guide us to this day: Quality of work, Total architecture, Humane organisation, Straight and honourable dealings, Social usefulness and Reasonable prosperity of members. These aims drive a strong culture of sharing and collaboration, resulting in:

- A dynamic working environment that inspires creativity and innovation.
- A commitment to our environment and the communities where we work that defines our approach to our work, to our clients and collaborators, and to each other.
- Robust professional and personal networks that are reinforced by positive policies on inclusion, diversity, equality, fairness, member mobility and knowledge sharing.
- Our ability to grow organically by attracting and retaining the best and brightest individuals from around the world – and from a broad range of cultures and backgrounds – who wish to pursue our aims and our commitment to sustainable development.

The Key Speech is required reading for each person who joins Arup and is valuable to anyone who wants to understand what continues to motivate us, both as individuals and as an organisation. Our annual appraisal system reinforces that it is not only what our members deliver but how they deliver. This includes an understanding of Arup values, through role-modelling, to championing and stewarding our values and culture.

Today our work, our range of expertise, and our international footprint are all greatly expanded and people's expectations about their working lives are changing. The Board recognise that to maintain our culture we must continue to invest in a membership of quality, attracting and developing the best. In 2018 the Board published what this means for our firm including six areas of focus: inclusion, recruitment, career direction, mobility, recognition and resourcing.

## Purpose

Arup works across every aspect of the built environment to help our clients solve their most complex challenges – turning exciting ideas into tangible reality. We are driven by our values, and vision to shape a better world; living by Ove Arup's goal of doing our work "as well as it can be done" to push boundaries and produce better, more sustainable, outcomes for everyone it impacts.

We choose work where we can make a real difference in the world, solve complex problems and stretch the boundaries of what is possible, delight our clients and achieve sustainable and socially valuable outcomes. This is what our vision, 'shaping a better world', really means.

As a trust owned firm, value is seen through the lens of three of our aims: Quality of work, Social usefulness and Reasonable prosperity of members. We define prosperity in its broadest sense and seek clients we enjoy collaborating with, work that is interesting and rewarding, solutions we can be proud of for their contribution to society and fees that recognise the value of what we provide and are sufficient to enable us to reinvest in our firm and our members.

As our work and our markets evolve, we revisit our values to ensure they remain valid for us and that our purpose remains relevant to the challenges facing the world: people and planet. Our annual meeting of the firm's Principals and Directors ("senior management") in 2018 focussed on our aims, how they are put into practice and their relevance to our future – and concluded that the aims of our firm are more relevant than ever and that we should continue to be guided by the firm's intrinsic values as set out in the Key Speech.

During 2019 Board directors visited 30 offices to discuss the importance of our members, our values and our strategy. We believe interactions like this, open discussions with Board directors, are key to monitoring our culture; engagement with our members is expanded upon in 'Our members'.

### Shaping a better world

A commitment to sustainable development is a long-established part of our culture, aligning with our aims for the firm to be Socially useful and a Humane organisation. Ove Arup recognised in 1970 our responsibility to look after the natural environment and the impact the creation of the built environment was having on our planet - "The battle is on, and it is a crucial battle for mankind".

In October 2017 we committed to contribute meaningfully to the United Nations Sustainable Development Goals ("UN SDGs") that help us to define what 'better' looks like; a framework through which we can challenge, refine and expand our work. As advisors, designers and engineers, we see these issues up close, every day.

The UN SDGs are the result of unprecedented engagement with over five million people from different countries, cultures and backgrounds to articulate the challenges faced by society alongside a vision of what a better world looks like by 2030. The Board appointed a global Sustainable Development Leader to incorporate this insight into a strategy to drive a step-change in how we do business to deliver a sustainable future.

In June 2019, the Board agreed and launched 'A better way', the firm-wide plan for sustainable development. It sets out six guiding

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principles which guide our decision-making, shape our approach to projects, determine what we invest in, identify the research we prioritise and help us form strong client and partner collaborations. The plan sets out how our work should aim to:

- Improve human health, safety and well-being recognising that this is intrinsically tied to the health of the planet and quality of the built environment.
- Transition to a zero carbon economy and a world where everyone has access to clean energy and potable water.
- Adopt circular economy principles leading to decoupling of economic growth and consumption.
- Enhance communities' resilience to climate change and other risks.
- Create social value that results in a more inclusive, equitable and just society.
- Respect planetary boundaries, and reverse the damage done to date.

These six principles are implemented through our region plans, services and business strategies, Arup Management Systems and the application of our Group Policies.

In October 2019 we further committed to be a net zero carbon organisation by 2030, for which we need to reduce emissions by 30% by 2025 across our full value chain, reducing our carbon emissions by 0.5% month on month. This includes everything ranging from the energy we use within our offices and the flights we take, to the vehicles we own and the goods we purchase.

That year we introduced a carbon levy of \$40 per ton of CO<sub>2</sub> emissions on all flights we take, with the levy paid into an Arup Carbon Fund which will be used in part to offset our emissions by investing in Gold Standard projects. It will also be used to support the development of innovative technologies and projects that will accelerate our transition to net zero or help others to reduce emissions in the wider world.

Our well-established global Community Engagement Programme provides another embodiment of our long-held commitments to humanitarianism, expressed by Ove Arup as *"a social conscience, a wish to do socially useful work, and to join hands with others fighting for the same values"*.

We work in partnership, empowering and learning from organisations that support the people we aim to benefit, to improve the lives of the most vulnerable, marginalised and disadvantaged people around the world; using our time, skills and expertise to deliver education, employment and basic infrastructure that provides the essentials for life such as water, sanitation, energy, food security and shelter.

The Board jointly agree with the Trustees the annual priorities for the programme and review progress bi-annually. This year we collaborated with more than 200 partners on 195 projects in 42 countries, which contributed on average towards more than three UN SDGs each. In March 2020, the programme focussed on supporting the global response to COVID-19 and the amplified impact of the pandemic on those who were already the most vulnerable. Further details are available online in our Community Engagement Annual Review 2020.

## Roles and responsibilities

Defined terms of reference for all the key senior management and global roles, boards and committees are not publicly available but are accessible to our shareholders and our members on our intranet; these terms of reference are agreed by the Board except for those for the Board and its Chair and Deputy Chair that are set by the Trustees.

### The Trustees

The Trustees are current and former members drawn from two sources in broadly equal proportion: former Board directors, with the majority being retired, one of whom is elected Trustee Chair; and current members of senior management nominated by the firm's membership. The composition of the Trustees reflects the diversity of Arup, but individual Trustees do not represent any particular part of the firm. Appointment terms are managed on a staggered basis to ensure some continuity of membership to provide both stability and efficiency.

### Appointments

Potential executive Board candidates are identified from the full population of senior management that is kept under regular review as part of succession planning. Candidates are discussed by the Board and the Trustees, and those short-listed are interviewed by a Nominations Committee in order to make a recommendation for appointment by the unanimous decision of the Trustees.

A small number of non-executive directors are appointed to bring an external perspective and constructive challenge which aids comprehensive discourse. Potential candidates for non-executive director roles are identified by the Board through an external consultant, in consultation with the Trustees, and interviewed to decide on their appointment by the Trustees. Checks are carried out to confirm the availability to commit sufficient time to perform the role and on any potential conflict of interest.

In June 2019 non-executive director Genevieve Shore decided to step down due to other commitments, and Cordelia Chung was appointed from 1 April 2020.

Consideration of individual candidates for appointment to the Board includes a range of factors including leadership that inspires trust and commitment, industry and client recognition for excellence, and the complementary skills and diverse perspectives they bring alongside their capacity to perform the role.

Board directors serve an initial term of three years, with an expectation that executive directors will typically serve for six to nine years, but with shorter or longer terms agreed as appropriate to balance fresh thinking with continuity and longer wave expertise.

Chair and Deputy Chair(s) appointments are handled by a Nominations Committee of the Trustees that may include specialist external advisors. The Nominations Committee consults with all Board directors and Trustees to identify individual views on suitable candidates, and the Trustees discuss the outcome of that consultation and shortlist candidates for interview and formal assessment. The Nominations Committee makes recommendations for appointment by the unanimous decision of the Trustees.

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The Chair is appointed for an initial term of three years which can be extended for one or two years up to a maximum of five years; appointees will typically have served on the Board prior to this.

The Board acts collectively as an executive team, and the primary role of the Chair is to facilitate that process. This model differs from the conventional mix of Chair and CEO roles, where the independence of the former is a necessary check on the authority of the latter (refer to 'The Board' for further details). Terms as Board member and Chair are considered as separate matters by the Trustees to enable the best combination of Board membership and Chair at any point in time.

Alan Belfield was appointed Chair from 1 April 2019, and Tristram Carfrae continues as Deputy Chair for a further term.

### Board engagement with the Trustees

Regular engagement with the Trustees is achieved in several ways:

- The Chair reports to the Trustees three times a year
- Joint Boards' meetings between the Trustees and Board twice a year
- Monthly meetings between the Chair and the Trustee Chair
- Joint working on areas of mutual interest e.g. the Community Engagement Programme and the appointment of Fellows (individuals at the forefront of excellence at Arup).

Board directors are formally appraised by the Chair on an annual basis following the same process undertaken for all our members including feedback from a number of sources; the Chair is formally appraised by the Trustee Chair in the same way. The Trustees are provided with feedback on the performance of individual Board directors by the Chair, and this is considered together with other feedback when considering any potential reappointments.

The Trustees carry out a formal review of the Board every two to three years as part of our governance arrangements and to help the Board to be as effective as possible. The review process includes interviews with a random sample of 10% of our senior management to gain their views on the Board's performance, as well as interviews with all Board directors and officers, in order to develop recommendations to the Board. For the 2020 review, wider engagement was also sought through an initial survey made available to all of our senior management.

The latest review commenced in February 2020. By agreement between the Chair and the Trustee Chair, in March 2020 the Trustees decided to proceed with the review as planned despite the implications of the COVID-19 pandemic. The resulting report was discussed at the Joint Boards' meeting in July 2020 and the recommendations plus any initial plans for the ensuing actions the Board will take were shared with senior management at the annual meeting in October 2020.

### The Board

The Board is responsible for Arup's long-term success, financial security, unity, wellbeing and sustainability. The directors of the Board are as set out in the directors report.

Good and fair-minded governance, together with our independence, creates the conditions for our members to flourish - and our Board is responsible for this approach. The composition of the Board has evolved from our origins as a professional services partnership to

enable the effective leadership of our business within a trust owned corporate structure. Our trust ownership is a key part of our governance in enabling and supporting good stewardship and high standards of corporate behaviour, and for that reason our Board composition differs from the model set out under the UK Corporate Governance Code 2018 (the "Code").

The Board operates as an executive team, so the risk of concentrating executive authority in any one or two individuals is significantly reduced. The majority of the Board is drawn from the senior leadership within the business so that the Board's decisions can be informed by their breadth of experience – from across Arup's business; from their individual advisory, design and engineering disciplines; from client and project work; and of our key sectors and growth areas – together with a granular understanding of our operations. Board directors do not represent the parts of the firm where they are operationally engaged, but their individual insights are valuable in determining the direction of the firm as a whole.

At least as importantly, Board directors have a strong understanding of, and personal commitment to, our values and our culture. The Board reaches decisions collectively as a board of equals, and all members are expected to actively contribute and are encouraged to voice any relevant views in reaching consensus.

There are currently two independent non-executive directors ("NEDs") on the Board. They are expected to attend all Board meetings, and office and site visits are encouraged to increase their understanding of the firm. The Chair meets with the NEDs before each Board meeting to brief them on matters on the agenda to ensure their active participation in board discussions.

The Chair is responsible for managing the Board and, together with the Deputy Chair, for acting on behalf of the Board on a day to day basis between meetings. In particular, the Chair encourages collegial discussion and effective decision-making, identifies strategic issues needing Board action and ensures Board directors are appropriately informed on key matters. Many of the operational responsibilities are undertaken by the Chief Operating Officer ("COO"), Paul Coughlan, who chairs the Management Board, the firm's operational board.

The Board are supported by the Board Secretary (Company Secretary), who they appoint in accordance with the articles of association. All directors are informed at their induction that they can access the advice of the Board Secretary as needed. The Board Secretary also liaises with the Chair to ensure the Board has access to all the information it needs to perform effectively and efficiently. All papers (current and past) are available to Board directors through an online portal.

### Board activity

There are four full Board meetings per year (held over two to three days), and two meetings held jointly with the Trustees; short interim meetings are also held as required to address matters needing more urgent decisions, to maintain pace between the full board meetings, and to set priorities. All Board directors attended every meeting during the year with the exception of Isabel Deding who was unable to attend the July 2019 meeting.

Key matters addressed by the Board, in addition to monitoring progress against our strategy, include market outlook and key client

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and project matters; significant and emerging risks and progress on existing mitigation measures; oversight of operations and performance; investment funding and allocation; and the global profit-sharing scheme arrangements and distribution amount.

The Board makes all appointments at the senior management level, as well as the members of the management bodies with specific operational or advisory roles.

### Opportunities and risks

The Board is ultimately responsible for oversight of risk and for maintaining a robust risk management and internal control system. Formal risk reporting is embedded within the firm's management bodies so that emerging risks can be identified, escalated and addressed as appropriate. This is underpinned by the Risk Committee of the Board who are responsible for our risk management framework whose key objectives are to minimise threats to our business and improve our preparedness for risk events, should they occur. See 'Audit, Risk and Internal Control' for further details.

Seven key Group risk areas have been identified for oversight at Board level, each with a defined Risk Owner supported by relevant subject matter specialists to support the management of the risk and the development and active implementation of pragmatic and impactful mitigation actions.

Our Board directors' diverse operational roles within the firm provide day-to-day insight into opportunities and risks. At each Board meeting the members provide their views of the current and future marketplace, highlighting new client opportunities and industry developments. Geopolitical and related thematic risks that could affect the firm in significant ways are also kept under review by the Risk Committee and any matters of significance are brought to the attention of Board.

The Risk Committee has recently undertaken a review of the risk areas to assess which should be the priority for 2020-21. This work is currently being finalised and will be taken to the Board for review and approval, as part of a further evolved and refreshed Group Risk Management Framework.

### Strategy development

The Board is responsible for setting the strategy for the firm which sets out the priorities and approach that will continue to unite us as a firm and make sure we thrive in a changing world. This is typically reviewed and renewed on a three-to-five year basis. In 2019, the Board reviewed the firm's business priorities, taking into consideration feedback from extensive engagement and consultation processes with the firm's members and leadership, and the 2020-2023 strategy was launched in May 2020.

### Implementation and performance

The Board delegates responsibilities in various areas to executive bodies. There are three advisory bodies in key strategic areas: Arup University Council, Digital Executive and People Council. These report to the Board quarterly and their performance is subject to ongoing assessment against agreed plans.

Day to day operational management is carried out by the Management Board who have overall responsibility for business operations and performance, the delivery of annual business plans, the success and well-being of our members, delivering value to clients and a high quality of service.

The Management Board is chaired by the COO and formed of the chairs of the five operating regions, the Chief Information Officer, the Chief Financial Officer ("CFO"), the People Leader and the Head of Corporate Services. It coordinates the activities of the Region Boards, including changes to their organisational and management structure in order to achieve consistent operation. Targets are set within a 3-year plan both at region and global level. The Management Board is collectively responsible for delivery of the global targets.

An Arup Operational Performance Report is published internally every six months and provides an overview of our performance as a firm, globally and regionally, so every member of Arup can understand how the various parts of the business affect our overall performance.

Region reviews are undertaken annually by a panel of the Board, typically the Chair, Deputy Chair, and COO together with the regional leadership teams. This is intended to be a constructive process and includes reports on the region's progress against the Group strategy and in-depth discussions in key areas including e.g. clients and projects, risk, succession planning and diversity.

### Succession planning

A bottom-up approach is taken to succession planning to provide equal development opportunities for all members; with a similar process followed at each level; group/team leadership to region leadership to Arup Group leadership. In each case, the current incumbents review, typically annually, all existing members at the preceding level to identify potential candidates for the near, medium and long-term. Candidates for leadership roles are provided development opportunities to demonstrate their capabilities, gain further skills and broaden their knowledge of the firm. Many senior appointments are also openly advertised to reinforce equality of opportunity. Succession and candidate shortlists are assessed to ensure the diversity adequately represents both the pool that is available to be selected from and supports Group targets.

The appointment process for Board directors is detailed under 'Appointments' above where diversity within leadership bodies is considered.

### External evaluation

The Board engaged Odgers Berndtson to undertake a review of the Board's effectiveness. This involved individual assessment of individual aptitudes and engagement styles for all the Board directors and officers, one on one interviews with each of them, and attendance by an observer at the whole of the February 2020 Board meeting. The Board received the results of the review in April 2020 and the Chair is currently considering how to prioritise and take forward the recommendations alongside those provided by the Trustees' Review that were reported in July 2020.

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### Policies in practice

#### Group Policies

Arup has six core Group Policies, formal declarations of principle whose purpose is to guide decision making. They are informed by our stakeholder engagement and provide direction for our business, translating our values into actions, and set clear expectations for and of our members (refer to 'Our stakeholders' for details of Board engagement).

Group Policies apply across all Arup operations; they are set, reviewed and approved annually by the Board and implemented through regions and groups. An individual Board director is assigned responsibility for developing a plan to enable us to reach the aims set out in each policy while fulfilling applicable legal, regulatory and other requirements. However, all Board members take an active and visible role in communicating the importance to the firm of each of the policies' aims.

We publish our policies publicly on our website. The direct implications of each, for the areas of good governance examined by the Code, and the way it shapes our work are outlined below:

- **Environmental:** we seek to protect the environment by addressing the complex challenges presented by population growth, climate change, biodiversity loss, increasing energy demand and resource scarcity to live within the natural limits of our planet.

**Key Board decisions:** committed to contribute meaningfully to the UN SDGs and to be a net zero GHG emissions organisation by 2030; maintained a management system certificated to international standard ISO 14001 (refer to 'Shaping a better world' for further details).

- **Equality, diversity and inclusion:** Arup is committed to creating an inclusive working environment based on merit, fairness and respect. One that encourages talented people of any background to produce their best work of the highest quality. As a humane organisation, we embrace the skills, abilities and knowledge that only a diverse and inclusive workforce can provide, to create solutions, and give advice, that improves society as a whole.

**Key Board decisions:** continued to target for the male to female ratios within our membership to be in a 40% to 60% range; maintained diversity as a key consideration in Board appointments and succession planning; committed to the Valuable 500, a global movement to put disability on business leadership agendas (refer to 'Diversity and inclusion' for further details).

- **Ethical conduct:** our values and commitment to business integrity stem from our aim to act honourably and with integrity in all our business dealings. We have a strong sense of responsibility to treat people respectfully and we maintain ethical business standards in all the markets in which we operate.

**Key Board decisions:** established a Business Integrity function, and promoted the Business Integrity Code of Practice; implemented systems that support our duty of confidentiality and respect privacy in our business relationships (refer to 'Business integrity' for further details).

- **Health, safety and wellbeing:** we care about our members, and those influenced by our actions through our projects. We provide a safe and healthy working environment for our members; in our offices, on site and travelling on business. We promote the importance of health, safety and wellbeing, both within the workplace and through our work.

Health, safety and wellbeing is a standing agenda item at Board meetings.

**Key Board decisions:** prioritised the safety and wellbeing of all our members in our COVID-19 response; maintained management system certificated to Occupational Health and Safety Assessment Series (OHSAS) 18001 or equivalent (refer to 'Health, safety and wellbeing' for further details).

- **Quality:** we care deeply about our work and seek to produce better outcomes for our clients, the public and our planet. Through our collaborative spirit, independent thinking and holistic approach we produce work of quality that improves the built environment and sets new expectations for our industry.

Arup University Council is chaired by a Board director and reports directly to the Board.

**Key Board decisions:** maintained commitment to the Arup Fellows programme; maintained a management system certificated to international standard ISO 9001; maintained oversight of the Client relationship programme (refer to 'Building successful relationships' for further details).

- **Sustainable Development:** a commitment to contribute meaningfully to the UN SDGs, creating shared value for our clients and our communities while safeguarding our planet. We will apply our expertise, diversity of thinking and independence in the quest for a safe, sustainable and resilient future – for all.

**Key Board decisions:** appointed a Board director for Sustainable Development and a global Sustainable Development Leader; agreed the firm-wide plan for sustainable development, 'A better way'; signed the UN Global Compact; maintained external public commitments e.g. global knowledge partner for the Ellen MacArthur Foundation (refer to 'Shaping a better world' for further details).

#### Business integrity

In July 2019 we published our refreshed Business Integrity Code of Practice and created the position of Business Integrity Leader reporting to the Group Legal Director. The Code of Practice consolidates how we meet our aim of 'straight and honourable dealings', combining rules and guidance for behaviour and action. In addition to providing guidance on matters of ethics (such as whether to accept gifts and hospitality), the Code of Practice addresses key regulatory and related requirements by setting clear expectations in respect of privacy and data protection, cyber security, conflicts of interest, confidentiality and other matters.

This Code of Practice applies equally to the Board as it does to other members of the firm. Specifically, in the context of Board directors' external appointments these are notified to the Board in advance of acceptance and any actual, potential or perceived conflicts of interest are examined to determine if they should proceed and if any mitigating actions are required to ensure all matters determined by Board directors are solely considered in the interests of Arup. A register of interests is kept by the Board Secretary and it is a standing item of the Board agenda.

## Governance report (continued)

### Building successful relationships

Ove Arup's words guide us in recognising the importance of building successful relationships; "recognise that no man is an island, that our lives are inextricably mixed up with those of our fellow human beings, and that there can be no real happiness in isolation". Our purpose and our values, through our Trust ownership, ingrained not only throughout our governance and our operations, but as part of our DNA, are a core constituent of how we think and act.

Our timeframe is multi-generational, and our commitment to shaping a better world shapes the choices that we make at all levels in the firm: in the work that we do and the way that we do it; in our investment into our membership; in the quality of our relationships with clients and collaborators; and in the decisions of the bodies tasked with leading and managing the firm, including the Board.

This is how we deliver on the duty to promote the success of the Company as set out under S.172 of the Companies Act 2006. For our formal S.172 statement, please refer to the strategic report.

### Our stakeholders

The table below identifies our stakeholders and how the Board engages with them. The resulting principal decisions the Board has made are outlined in 'Policies in practice'.

Stakeholder	Who are they?	Why are they important to us?	Board engagement
Trustees	Directors of the owning Trusts	The Trusts are the sole shareholders in Arup Group Limited.	<ul style="list-style-type: none"> <li>• Reports to Trustees' meetings</li> <li>• Bi-annual Joint Boards' meetings</li> <li>• Monthly Chair-to-Chair meetings</li> <li>• Joint working groups</li> </ul> <i>Refer to 'Board engagement with the Trustees'</i>
Members	Everyone employed by Arup Group Limited's subsidiaries	Our members are the primary beneficiaries of the Trusts. Alignment with aims: Humane organisation & Reasonable prosperity	<ul style="list-style-type: none"> <li>• Triennial 'Working at Arup' survey</li> <li>• Annual meeting for senior management</li> <li>• Board visits to offices and sites</li> <li>• Bi-annual Arup Performance Report</li> <li>• Regular events, online meetings and news</li> </ul> <i>Refer to 'Our members'</i>
Clients	Everyone who contracts Arup's services, public and private sector	They provide the opportunities to use our skills to deliver solutions they will value. Alignment with aims: Quality of work & Social usefulness	<ul style="list-style-type: none"> <li>• Attendance at industry events</li> <li>• Membership of the World Economic Forum</li> <li>• Professional engagement on projects</li> <li>• Oversight of the Client Relationship programme</li> </ul> <i>Refer to 'Business integrity' and 'Long-term collaboration'</i>
Collaborators and Suppliers	Everyone we have a direct working relationship with including joint-venture partners, suppliers and industry organisations	To deliver excellence, we recognise that we may need to supplement capacity or introduce niche expertise. Alignment with aims: Total architecture & Straight and honourable dealings	<ul style="list-style-type: none"> <li>• Senior positions in industry organisations e.g. Royal Academy of Engineering</li> <li>• Where Arup engages sub-consultants, and suppliers of services and equipment to our offices, we seek to agree contractual terms which require compliance with Modern Slavery and Human Trafficking legislation</li> <li>• We aim to treat our suppliers fairly and with respect, and to pay for services promptly in line with reasonable contractual terms</li> </ul> <i>Refer to 'Business integrity' and 'Long-term collaboration'</i>
Society	Those who are impacted or influenced by our work including end-users, communities local to our projects, charities, and future members.	Our vision to shape a better world is all encompassing; social usefulness and sustainable development are key outcomes. Alignment with aims: Social usefulness & Humane organisation	<ul style="list-style-type: none"> <li>• Senior positions, and participation, in policy setting government and regulatory forums</li> <li>• Partnerships with influencers e.g. Ellen McArthur Foundation, C40 Cities</li> <li>• Membership of the World Economic Forum</li> <li>• Community Engagement Programme</li> <li>• Tax strategy aligns with being an ethical corporate citizen paying the right amount of tax when it becomes payable</li> </ul> <i>Refer to 'Shaping a better world'</i>

## Governance report (continued)

### Long-term collaboration

We deliver high quality work and build long-term trusted relationships with our clients and collaborators in all our markets. Creating and strengthening these relationships is a primary goal for the Board and our leaders. It goes beyond the project work we are doing with them at any one time, understanding all aspects of their business, anticipating their needs and offering solutions they will value.

Many of the world's challenges; rapid urbanisation, social inequality, climate change and the constantly expanding impact of new technology, require long-term engagement to develop sustainable solutions. Our partnership with C40 Cities (a network of the world's megacities) is one example of our approach.

With a majority of the world's population now living in cities, and a rapidly growing urban population in the developing world, cities are at the forefront of the issues caused by climate change. Arup has partnered with C40 Cities for ten years, carrying out vital research to help cities measure, manage, and plan climate actions, empowering their leaders to make vital decisions. Our relationship focusses on providing the service that will have the greatest impact; from seconding our members into C40 Cities and the governance bodies of the cities they support, to collaborative strategic analysis and research to deliver 'Deadline 2020' a route-map to turn the aspirations of the Paris Agreement into reality.

### Our members

Our founder, Ove Arup, often spoke about the importance of people. How people are 'members' of organisations they want to be part of. Their participation is voluntary, and a reflection of what he called 'unity and enthusiasm'.

We now have more than 15,000 members worldwide. We are growing into new business areas; often connected to sustainable development and the new digitally led economy. The expectations of our members and our clients around how we do things are changing. This is a continual journey that sees us actively evolving, sharing and reinforcing our culture and values. We are also developing better systems and processes to ensure inclusion, consistency, fairness, and good decision making as well as compliance with local laws and regulations.

### An open and continuous dialogue

#### Formal engagement

'Working at Arup' is our global membership engagement survey and has been run every three years since 2005. It is open to all permanent and specific-term members and there is a high level of participation with a 75% average response rate. Its purpose is to measure our members' level of satisfaction and engagement in their current working environment and working practices and seek their feedback in relation to our future direction and capability for reaching our long term goals, and whether we are creating the right environment for our members and our firm to thrive in the future.

The most recent survey was conducted in March 2019. The 'membership engagement' score was 84% (6% above the benchmark on the industry leading platform Culture Amp) with 90% of respondents 'proud to work for Arup'. The anonymised results of the survey are provided to the leadership teams in each area to discuss with members and address

areas needing improvement. Matters that require a more global systemic approach are reported to the Board, with actions typically delegated to executive bodies, predominantly the People Council.

The four areas identified requiring a global approach were leadership, behaviours, relationships and wellbeing. With the planned launch of the firm's 2020-2023 strategy imminent, the Board decided not to address these as separate initiatives and instead examine these areas in more detail through further member consultation. The feedback, together with the Board's decision to focus on positive reinforcement and role-modelling, informed the development of the 'People' element of the strategy. This resulted in the three themes of the People Strategy: 'Be Leaders, Be Human, Be Arup'.

Our senior management participate in regular calls with the Chair and directors of the Board; each is also invited at least every three years to participate in a two-day annual meeting to discuss matters of strategic importance (refer to 'Our Culture' for further details).

All members are encouraged to raise any matters of concern through their group leader or People Business Partner. If this is not possible or they feel uncomfortable, then they can contact any of the following: their region Ethics Champion, the Group Ethics director, Group Legal director or email the ethics mailbox. Any reports of suspected breaches of the Business Integrity Code of Practice are treated as confidential and any investigations will be handled sensitively.

#### The door is always open

The Board encourages and facilitates a robust freedom of expression within the firm, and the experience of the Board when connecting with local offices is that, as beneficiaries of the firm's success, our members are generally comfortable engaging with the Board directors on a broad range of challenging topics. This is reinforced by our Trust ownership which helps to bypass traditional hierarchies that might otherwise suppress the reporting and addressing of issues.

The Trustees themselves provide an additional layer of assurance, as it is open to any member of the firm to raise matters of concern with them if it appears that the more usual escalation route through line management is either inappropriate given the circumstances or is proving to be ineffective.

Our members are spread across 88 offices in 33 countries. The Board and Trustees have structured engagement plans that enable their members to visit Arup offices, such that each office is visited ideally at least every three years. Visits typically involve a presentation focussed on strategic or cultural matters, hearing about the work the local office is undertaking, visiting projects and talking with teams, and questions from members are actively encouraged.

#### Reverse engagement

There is a culture of openness and members freely share their ideas equally, regardless of managerial status. Areas of innovation, differences of opinion and potential controversy are often raised in local forums or on our member online discussion forums. Board directors can be invited by members to present their views on the issues raised and this often results in lunchtime debates broadcast across multiple offices. Discussions often centre around our work in particular industries or countries.

## Governance report (continued)

### Continuous development

Arup University was formally established in 2009. It is home to the firm's research activity and thinking about the future, brings together all the firm's learning opportunities into one place, enables collaboration and knowledge sharing through our skills networks and provides information resources for our members.

Opportunities are open to our members to support their personal development, thirst for knowledge and passion to develop ever better solutions include access to research funding and collaboration opportunities with leading academics and professionals, masters modules delivered in partnership with the world's leading universities, and in-house learning delivered for example by our Arup Fellows; exemplars in their field.

### Health, safety and wellbeing

Arup is committed to caring for the health and safety of our members and those who may be impacted by our work and to supporting the wellbeing of our members. That means caring about our members in our offices, when travelling to and from work and for business, on construction sites and other offices, and in our design processes to ensure that we address safety and maintenance when we are designing.

Our record for safety in the workplace compares well with industry benchmarks (six reportable accidents across the Group in the last three years), however during the year an unprecedented incident resulted in the fatality of a contractor undertaking installation works in one of the firm's offices. Management teams are actively working with the regulator, and enhanced checks are being implemented in response to the incident, although this process has been delayed by the COVID-19 pandemic. Our global Health, Safety and Wellbeing Committee continually look for ways to improve our performance, share best practice, and actively learn from all incidents.

Our members' wellbeing is also an area for constant improvement. In October, as part of the firm's third annual wellbeing week, our COO spoke to members about how the firm is tackling workplace mental health issues, what support is available, and how our response to these issues continues to develop.

Our approach examines four distinct contexts: the physical working environment itself; the psycho-social environment; which personal health resources should be available and how getting involved in the local community can play a role. Key factors include aiming to achieve a good work/life balance, showing zero tolerance for bullying and discrimination, and helping members to make healthy choices as they go about their work. Focusing on these areas will help foster a culture where mental health and wellbeing are never taken for granted.

### Total reward

Our global approach to reward reflects our firm's core values, acknowledging our members contribution to our shared prosperity. Competitive, fair and equitable pay are just one part of our investment in our members. In addition, a range of benefits aligned with local markets are provided that support health and wellbeing, contributions towards retirement, flexible working and family support (refer to the Board remuneration committee report for further details).

After reinvesting in learning, research and development, and retaining necessary working capital, we distribute all remaining profit to our members through a global profit-share scheme, and by donation to charitable organisations.

The Arup global profit-share scheme has been in place for over 50 years. It forms part of the reward for members in all Group locations globally and is deeply embedded in the firm's culture. It is a crucial part of the 'glue' which holds the firm together and its basis is to encourage mutual support, the sharing of work and members and reinforces the sharing culture.

Members are allocated global 'profit shares' on a similar basis in terms of their grade and length of service. On a bi-annual basis the aggregated performance of all Arup regions is used to determine the available global profit-share pay-out. This in turn determines the quantum delivered to members; everyone shares in Arup's success.

### Diversity and inclusion

We value individual differences and recognise the contributions of all our members in creating solutions of value to society as a whole, and we are working to improve diversity across the firm.

We have made further progress this year to improve our gender balance, with an increase from 36.6% to 37.7% female members across the firm overall. Achieving this in traditionally male-dominated professions is not a quick process, but we will keep it a constant focus, measure our progress year by year, and challenge ourselves to do more.

Diversity of thought and background is an important consideration for appointments across the firm. The proportion of women in senior leadership roles has increased from 22.5% to 23.5%. In our senior management teams 33% of our Board are female and there is 37% female membership of our five region Boards; two of which are chaired by women.

Progress has also been reflected externally with five Arup women included in this year's 100 Most Influential Women in the Engineering Sector.

Arup has a number of established 'Connect' networks to provide support to, and understand the needs of, different affinity groups and spanning a broad range of dimensions including culture, race and gender identity. We pride ourselves on being an organisation where people can bring their whole selves to work; a place where everyone feels accepted, empowered and safe in their roles. The level of trust our members put in the firm enables people to share their stories openly, and 2019 saw a number of internal 'Voices' opportunities to provide inspiration and increase understanding and solidarity including, 'living with a disability' and 'what does family mean to you?'.

## Governance report (continued)

### Audit, risk and internal control

Oversight of our financial reporting and related internal controls, risk, and ethics and compliance is principally carried out by three committees of the Board - the Statutory Accounts committee, the Ethics committee and the Risk committee - as well as being supported by our Business Integrity function (see 'Policies in practice' above) and our project delivery environment. Committee meetings were scheduled to ensure full attendance of the directors of the Board.

Each of the committees reports directly to the Board on the matters within its scope, either quarterly (for the Ethics and Risk committees) or at the October meeting (Statutory Accounts committee).

#### Statutory Accounts committee

Given the strength of our internal controls, assessed as part of the external audit process, an internal audit function is not considered appropriate. The Statutory Accounts committee is responsible for oversight and assurance of our statutory financial reporting and the external audit process; it receives a detailed report from the independent auditors on significant matters arising from the audit; and it recommends the Group statutory accounts to the Board for approval.

The committee is chaired by Alan Belfield (Chair), and its membership includes Paul Coughlan (COO) and Tim Stone (NED). The Chair and COO bring valuable insight to the committee from their extensive knowledge of the operations and finances of the Group and its constituent parts over many years, as well as hands on experience as project directors in delivering our professional design and engineering services earlier in their careers. Tim Stone has extensive financial expertise from his previous roles.

The committee typically meets three times a year at appropriate points in the audit process: to confirm the audit programme, to agree the principal accounting policies and accounting procedures, and to review the auditors' report and the Group statutory accounts.

In the absence of potential pressures either in response to market and shareholder expectations or as a result of personal incentive schemes, independence is achieved by the separation of the committee from those responsible for the preparation of the financial statements i.e. the CFO and the global and regional teams within the finance function.

PwC was appointed in 2010 as the Company's auditors following a tender process. Given the unusual trust ownership structure of the firm, an extended tenure of external auditors can contribute to a more comprehensive understanding of our business, and therefore a more effective audit process, subject to maintaining an appropriately independent relationship. The performance and tenure of the auditors is kept under regular review by the committee and the CFO.

The committee receives a formal report from the auditor each year on its independence, covering corporate, business and individual relationships as well as identifying non-audit services, and confirms that there are no matters that would compromise an objective evaluation of the financial statements. The primary non-audit services are in relation to tax compliance and advisory work. There are no contingent fee arrangements in place, and the lead audit engagement partner is rotated at least every 10 years.

### Ethics committee

The committee is responsible for oversight and assurance of Business integrity and ethical behaviours.

The committee is chaired by Paul Coughlan (COO), and its membership includes senior leadership representatives from across the firm.

The membership of the committee is intended to ensure that, with Fair and Honourable dealings as one of our founding values, ethical conduct is given the highest priority within the business.

The committee meets quarterly to receive reports on any matters of concern, and it reports to the Board at each of the latter's quarterly meetings. The committee chair communicates to the firm regularly to reinforce the importance of this area.

Ethics training ('Ethics: Acting in line with our values') is mandatory for all our members, who are actively encouraged to raise any ethics-related issues that they have, either with their group leader or with any of the region champions who form the Ethics committee, or with the Board Ethics director or the Legal director. An [ethics@arup.com](mailto:ethics@arup.com) email is also available. We do not operate a separate firmwide external mechanism for whistleblowing, however schemes have been implemented in some locations in response to local requirements.

Refer to 'Business integrity' for details of this specific aspect of the Ethics committee's role.

### Risk committee

The committee is responsible for oversight and assurance of our framework of risk areas as identified and prioritised by the Board, together with the related control and mitigation measures, as well as in depth reviews of specific risks arising from time to time. It regularly reviews and updates the framework to ensure a dynamic approach to risk management.

The committee is chaired by Clare B Marshall (Legal director), and its membership includes our two NEDs Cordelia Chung and Tim Stone.

The committee meets quarterly, and receives reports on any matters of concern, whether escalated through management channels or otherwise. Reports from the committee are considered by the Board at each of its quarterly meetings. Refer to 'Opportunities and risks' for further details.

### Project delivery environment

Our global Arup Management System ("AMS") project delivery environment is our primary quality management tool providing a comprehensive set of procedures and checks to enable compliance and quality assurance. The AMS integrates our Quality, Health and Safety, and Environmental policies within our project delivery environment. Adherence to the AMS is overseen by the regional management teams, and its operation is audited annually by external bodies in each location. The AMS is certificated to ISO 9001, ISO 14001 and OHSAS18001 (certification is currently being updated to the new ISO 45001).

## Governance report (continued)

### Remuneration

Remuneration policy for the Board, including the Chair, and senior management is set in accordance with our global approach to reward for all our members which reflects our values and in particular Ove Arup's aim for reasonable prosperity of members (refer to 'Total reward' for further details).

The Trustees oversee and set the total remuneration of the Board, which includes salary, benefits and profit share. A committee of the Trustees, the Board remuneration committee, develops policy and advises the Trustees on Board remuneration for decision by the Trustees. The Board remuneration committee report provides further details of the responsibilities of the committee and our policies for Board remuneration.

The Senior Staff Remuneration executive is an executive committee of the Board that determines the remuneration of the senior management.

The remuneration of the non-executive directors of the Board is determined by the Group Chair on the advice of the global People Leader based on current market rates and the time commitment required. Reasonable expenses are also reimbursed but there are no additional benefits, and they are not beneficiaries of the global profit-share scheme.

# Board remuneration committee report

## Committee Chair's introduction

On behalf of the Board remuneration committee (the "Committee"), I am pleased to present this first report for Arup, for the financial year ending 31 March 2020.

As part of the firm's ongoing commitment to governance best practice, we are committed to making disclosures in relation to Board remuneration, using as a basis the provisions of the UK Corporate Governance Code 2018 (the "Code") as a recognised benchmark. Our objective of this first report is to introduce the Committee and its activities, and to set out clearly and transparently a summary of the policies and principles that the Committee adopts in advising the Trustees decision-making around Board remuneration (for executive directors including the Chair). In due course, we plan to evolve the content of this report to include an overview of how the Committee implements the remuneration policy during the year under review (and commentary in respect of these decisions), and importantly also how this aligns with remuneration across the firm more widely.

### The Committee:

The Trustees, which include four independent non-employee directors, determine Board remuneration (refer to 'Unique ownership structure' and 'The Trustees' sections of the governance report for further details). The Trustees are advised by the Committee whose overarching purpose is to ensure the remuneration structure and policies reward the executive directors of the Board fairly, responsibly and in line with our values (as set out in the 'Values driven' section of the governance report).

The Committee comprises:

- David Whittleton, Chair of the Trustees, Committee Chair since April 2018, Committee member since January 2018;
- Tim Stone, non-executive director of the Board, Committee member since April 2016;
- Asim Gaba, Trustee, Committee member since April 2018; and
- Jenni Emery, People Leader, Committee member since January 2019

The Committee operates within agreed terms of reference that are available to Arup members, and without influence from the Board or other senior management. Its main responsibilities are to:

- Ensure Arup adheres to the highest standards of governance and best practice in remuneration matters;
- Design and administer the remuneration policy for executive directors of the Board; and
- Implement such policies to ensure that remuneration: promotes Arup's values and culture; aligns with the delivery of its strategic goals and purpose; and helps to attract, motivate and retain high calibre individuals.

### Remuneration outcomes in 2019/20:

The Committee met three times in 2019/20, with all members present at each meeting. Its activities in the year included:

- Consideration of the implications on remuneration of changes to the composition of the Board during the year;
- A full review of the terms and conditions of employment for the Board, and their remuneration, to ensure arrangements remain fair, fit for purpose and aligned with our values;

- Gathering external market data for benchmarking Board pay levels;
- Formalising a pay structure to enable Arup to manage the unique nature of the Board role;
- Reviewing the broader context for Board remuneration decisions to ensure that:
  - o the remuneration of members of the firm, related policies, and the alignment of rewards with our values, are all appropriately reflected in Board remuneration; and
  - o overall reward levels are in line with, and appropriately competitive against, relevant local market practice.

### Looking ahead to 2020/21:

For 2020/21, the Committee's focus is expected to include the following areas:

- Keeping under review the implications on Board and employee remuneration of the COVID-19 pandemic;
- Ensuring that remuneration continues to support our overall strategy, as well as the firm's values and purpose;
- Understanding any proposals from the Board on the future design of our profit share arrangements for members of the firm; and
- Aligning our remuneration policy, practices and governance, more closely with the Code (or explaining why we choose not to).

I am delighted to be able to share with you this introduction to the Committee and its activities, as well as an overview of the remuneration principles and policies that apply to the executive directors of the Board. The Committee has engaged with the Board in its work to ensure that the approach to remuneration taken across Arup as a whole is simple, coherent and consistent; and aligned with the firm's aims, in particular Straight and honourable dealings and Reasonable prosperity of members. We are committed to expanding the content of this report over time, and trust that these initial disclosures are welcome and insightful.



David Whittleton  
Chair, Board remuneration committee

## Board remuneration committee report (continued)

### Arup Board remuneration policy

This section of the report summarises the Board remuneration policy that is currently in operation. In line with the underlying principles for remuneration across Arup more broadly, the aim of the Board remuneration policy is to promote the firm's values and culture, and long-term success through strong and sustainable performance.

The Committee keeps this policy under periodic review. In 2019/20, we assessed the policy against the six themes set out in paragraph 40 of the UK Corporate Governance Code 2018: clarity, simplicity, risk, predictability, proportionality and culture. The Committee concluded that:

- The policy is simple, appropriately designed and clear. It effectively reinforces Arup's culture, its aim of Straight and honourable dealings, and long-term sustainable success. Importantly, it is also consistent with the remuneration policies in place across Arup as a whole;
- Fixed pay is predictable and calibrated to support our aim of Reasonable prosperity. The Board allowance, payable during an individual's termed appointment to the Board, ensures that remuneration is proportionate to the additional responsibilities of this role. Eligibility for the global profit-share scheme ensures an appropriate balance between pay certainty and driving behaviours that promote sustainable growth for the benefit of all stakeholders, without encouraging or rewarding excessive risk-taking; and
- The Committee retains appropriate discretion to ensure that poor performance is not rewarded.

### Remuneration policy table:

The table below summarises the main components of the reward package for executive directors of the Board:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<b>Base pay: annual base salary and Board allowance</b>			
To attract and retain high calibre individuals, and to recognise their responsibility to deliver our values, culture and strategy over the term of their appointment to the Board.	<p>Base pay consists of annual base salary, plus an additional Board allowance. This allowance is paid in monthly instalments over the term of an individual's membership of the Board. After an individual's termed appointment to the Board ends, the allowance reduces, and annual base salary is reviewed and set in relation to the role to which they are subsequently appointed. Base pay is reviewed annually with any changes, if appropriate, typically effective in April.</p> <p>Factors considered when reviewing base pay include:</p> <ul style="list-style-type: none"> <li>- overall business performance;</li> <li>- economic climate and market conditions;</li> <li>- general increases awarded to Arup members and in the relevant market more broadly.</li> </ul>	<p>Average base pay increases are normally in line with the average increases for the workforce in the relevant market.</p> <p>Increases above this level may be applied in situations where the Committee considers this necessary, such as when there is a material change in the scope or responsibility of a role, where market conditions indicate a level of under-competitiveness that requires correction, or there is considered a risk to the attraction or retention of executive directors of the Board.</p> <p>The Committee does not consider it appropriate to set a maximum pay level.</p>	None
<b>Benefits</b>			
To provide market competitive health and wellbeing benefits consistent with the role and driving employee engagement and security for the individual and their family.	<p>Executive directors of the Board are entitled to benefits which may include the following, based on country of employment:</p> <ul style="list-style-type: none"> <li>• private healthcare and annual health checks;</li> <li>• insurances covering accident, income protection and life; and</li> <li>• paid annual leave.</li> </ul> <p>The benefits offered may change from time to time to reflect changing circumstances, market practice, or consistency with other colleagues in the relevant market.</p>	<p>Benefits will be provided at levels commensurate with market practice in the country of employment.</p> <p>We expect the value of benefits to fluctuate due to individual circumstances, insurance premiums and other external factors.</p>	None

## Board remuneration committee report (continued)

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<b>Pension</b>			
To provide an income after retirement through the provision of retirement savings during employment.	Arup offers executive directors of the Board: <ul style="list-style-type: none"> <li>• participation in the local pension plan in the country of their employment, or</li> <li>• the equivalent employer contribution to be taken as a cash allowance and paid in instalments, or</li> <li>• a combination of these arrangements to the same total value.</li> </ul>	All new executive directors of the Board receive employer contributions in line with the rest of the workforce in the country of their employment. A small number of current directors are on different legacy arrangements and will transition to their local country standard over time.	None
<b>Global profit-share scheme</b>			
To embody the principles of our ownership structure, where our members are the drivers and the beneficiaries of our success. To reinforce the truly global nature of our business, by being based on our collective success.	This is a scheme for eligible members in all Group locations globally. Any payments made to executive directors of the Board are determined based on base pay, allocated global ‘profit shares’ and Arup financial performance. These payments are typically made twice per year in June and November, after review of full and half-year business performance.	As for all other participants in the scheme, individual executive directors of the Board are allocated global ‘profit shares’. The level of the allocation is subject to periodic review, both in the context of the operation of the profit share across Arup, and to ensure an appropriate mix of fixed and pay at risk for executive directors of the Board reflecting their role in delivering Arup strategy.	Following each profit-share period, the Board determines the available global profit-share pay-out for distribution to eligible members. The Trustees review the pay-out to be applied for the Board and have full discretion to vary this or award no pay-out depending upon performance of the Board as assessed by the Trustees in the prior performance period.

### Service contracts:

Executive directors of the Board have signed rolling contracts in respect of their ongoing employment by Arup, terminable on six-months’ notice (or in a limited number of instances due to legacy, 12 months’ notice) by either the Group or the individual. As set out in the table above, an individual’s appointment to the Board is a termed role, terminable at any time with immediate effect and without compensation.

### Summary of remuneration for other Arup members

The approach to remuneration for the executive directors of the Board follows the same fundamental principles as for all members throughout Arup, aligned to our values, and supporting the right outcomes for our firm and our employee-ownership model, as outlined in the following table (and the ‘Total reward’ section of the governance report):

Base salary	Benefits and pension	Global profit-share scheme
We conduct an annual review of base salary for all members. In determining any increase to base salary, we consider comparable market rates, the contribution, skills, knowledge and experience of each individual, and the pay budget for each country in which we employ members. In setting pay budgets we assess how our pay levels are positioned relative to the market, review economic conditions and forecasts for market and wage growth, and consider the business context and affordability.	All members are eligible for benefits reflecting competitive market practice in the country in which they are employed. This typically includes a combination of health, wellbeing, insurance and retirement benefits.	All permanent members of Arup are eligible to participate in the global profit-share scheme. The scheme reflects the importance of our highly collaborative culture to our ongoing success and enables all members to share in the success of the firm that they own.