

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 “Company”) to lead the Company, and to oversee the management of its business through the Company and its subsidiaries (collectively the “Arup Group” or “Group”) in accordance with the Company’s Articles of Association.

The Trustees are not themselves directly involved in management decisions about Arup Group’s operations.

Our culture

For over seventy years, Arup Group has evolved into a unique company with a strong culture, thanks in part to our independence and our shared values. 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* remain the foundation of our culture and continue to motivate and guide us both as individuals and as a membership. The Key Speech is required reading for each person who joins Arup Group.

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 as a membership of over 15,000 people, we need to be more intentional in how we maintain our culture at scale and ensure that it is evident in how we behave.

With that in mind, People is one of four ‘pillars’ that underpin our 2020-2023 strategy (refer to ‘Strategy development’ for further details). The actions required are set out in our people strategy which takes all the ambition, excellence, creativity and focus that we deliver on our projects and brings it to bear on how we behave. It is explicit about the culture that we want to maintain and grow and the experience that our members can consistently expect.

In advance of launching the people strategy, we invited our members to take part in a three-day, externally facilitated online conversation to discuss and share views on every aspect of our culture and suggest improvements. The conversation confirmed our hypothesis that allowing our culture, systems and processes to evolve organically over the years (rather than being designed holistically) is now impacting our members’ sense of inclusion and ability to innovate.

The resulting people strategy is centred on three big ideas, each asking our members to actively do something, to Be Leaders, to Be Human and to Be Arup. *Be Leaders* articulates what good leadership looks like here and encourages everyone, regardless of grade to

show leadership attributes. *Be Human* encourages our members to develop strong relationships and emphasises the importance of wellbeing and the power of true inclusion (refer to ‘Diversity and inclusion’ for further details). *Be Arup* is about celebrating what makes us unique whilst always looking to improve; how we harness our skills and creativity as we collaborate to shape a better, more sustainable future (refer to ‘Delivering excellence’ for further details).

To ensure awareness and understanding of the people strategy, September 2020 was ‘People month’, during which we brought the people strategy to life through a series of videos, webinars, live events and toolkits to encourage discussion. Engagement was strong with nearly 22,000 visits to our newly created intranet site and over 7,000 downloads of the people strategy.

Progress on the people strategy is monitored and reported monthly to the Management Board (Arup Group’s operational board) and our global Head of Culture and Engagement, a newly created role, is responsible for supporting us in maintaining and continuing to grow a positive culture at Arup Group.

Purpose

Arup Group 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, socially valuable, outcomes for everyone it impacts.

As a trust-owned company, we view value 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 Arup Group and our members.

In June 2020, the Arup Group Strategy for 2020-2023 was launched, fifty years after Ove Arup delivered his Key Speech. The strategy reaffirms our values and sets out the priorities and approach that will continue to unite our members and make sure we thrive in a changing world. For us, ‘better’ is all about creating a more sustainable future for everyone.

Travel restrictions during the year, and the focus of our members in adapting to different working conditions whilst also supporting clients in responding to the challenges of the pandemic, limited the scope for face-to-face interaction by the Board. However, over 7,500 members were able to join the Board online to discuss the new Arup Group Strategy, and regular video updates from the Chair (weekly during the first half of the year and subsequently monthly) were initiated to keep our members fully briefed on our response to the pandemic and progress made delivering our strategy. 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 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”). These provide a shared vision of what a better world looks like in 2030 and provide us with a lens through which we can challenge, refine and expand our work. As a provider of professional services focusing on the built environment, our work directly impacts those goals relating to water, energy, cities and transport, while enabling us to contribute to a fairer, more inclusive world and ensuring we safeguard the planet.

Sustainable development is at the heart of the Arup Group Strategy, guided by ‘A better way’ which is our strategy for embedding sustainable development as part of everything we do. This is underpinned by six 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 which enable us to shape a better world. Our work should strive 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;
- 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; and
- respect planetary boundaries, and reverse the damage done to date.

These six principles are implemented through our region plans, services and business strategies, management systems and the application of our Group policies.

During the year our implementation plan for ‘A better way’ was refreshed to emphasise that the greatest difference we can make is by delivering positive outcomes for our clients, society and the planet on all our projects (six of our projects which illustrate this approach are highlighted in the Chair’s foreword).

We also published our ‘Climate Services Plan’ which sets out how we will prioritise action on decarbonisation, and adaptation and resilience through our businesses, services and projects.

In September 2020 our ‘Net Zero Carbon Strategy’, which has been verified by the Science Based Targets Initiative, was finalised and sets out the objectives, actions and pathways to achieving our commitment to be a net zero carbon organisation by 2030.

To achieve this, we have set an ambitious target 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 (refer to

‘Carbon emissions’ in our directors’ report for details of our progress this year).

Helping our clients set and deliver carbon emissions targets, aligned with global net zero by 2050, is equally important. Hundreds of our projects already have clear net zero targets for operational energy. We have pioneered new approaches to radically reduce embodied energy in construction and are working in partnership with Ellen McArthur Foundation and C40 Cities to create industry change.

Our well-established global Community Engagement Programme is another embodiment of our long-held commitment 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. We use 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 biannually.

In April 2020, they agreed to continue the programme throughout the pandemic, enabling us to support those organisations working with the most vulnerable, marginalised and disadvantaged at a time when many were faced with significant disruption to services.

Drawing on our experiences of supporting disaster-relief efforts through our Community Engagement programme, the Board established a COVID-19 crisis response team focused on understanding the impact on our partners and supporting them with their response to the pandemic and helping communities affected by the crisis.

Given the limited ability to travel, we responded by adapting and developing solutions to enable our partners to better provide remote assistance as well as respond to the additional challenges brought about by the pandemic. For example, we designed a data-driven approach to enable New Story (an American NGO) to prioritise their outreach efforts to prevent pandemic related homelessness. We also produced design guidelines to install temporary medical care facilities in existing buildings in low resource contexts such as Cox’s Bazaar Rohingya refugee camp in Bangladesh.

Our continuing priority is to ensure that the projects we co-create and solutions we propose deliver lasting value to communities. As communities recover post-pandemic, we will continue to focus on how we can apply our digital capabilities and innovate for community benefit. Further details about these projects and the programme can be found online at [Arup.com](https://www.arup.com).

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 the Trustees (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 our members. The composition of the Trustees reflects the diversity of Arup Group, 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.

In March 2020, Terry Hill completed his term as a former Board director Trustee and stepped down. Peter Bailey was appointed from 1 April 2020. Peter has worked in all five regions, served as the Australasia region chair and was a member of the Board from 2012-2019. In March 2021, Asim Gaba came to the end of his term as a Trustee nominated from senior management and stepped down. Catherine Wenger was appointed from 1 April 2021. Catherine has more than 25 years' experience leading civil engineering projects across multiple countries and has held a number of high-level external positions. She has a particular interest in equality, diversity and inclusion.

Appointments

The Trustees are responsible for ensuring the Board's composition continues to align with our values and enables the delivery of our strategy. Their decisions are informed by ongoing engagement with the Board and our members, progress against the strategy, and periodic formal reviews of the Board's performance (refer to 'Board engagement with the Trustees' and 'External evaluation' for further details).

Potential executive director 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 ("NEDs") are appointed to bring an external perspective and constructive challenge which aids comprehensive discourse. Potential candidates for NED 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.

Cordelia Chung was appointed as an NED from 1 April 2020, becoming a member of the Risk committee from that date, and she has subsequently joined the Board Nominations committee. Tim Stone was appointed as chair of the Audit committee from 1 April 2021.

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, strategic insight, 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; the same timeframe applied throughout Arup Group for individuals taking on a broad range of senior leadership responsibilities. This is considered to be a sensible period over which to demonstrate meaningful and sustainable impact. Annual re-election is not required. It is expected 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 Board experience.

Re-appointments are determined by the Trustees as Board directors approach the end of their term. Individual performance is assessed through the formal appraisal process (refer to 'Board engagement with the Trustees' for further details) and informal one-to-one discussions by the Trustee Chair with the Board directors. This is considered alongside the current and future Board composition.

In March 2021, Peter Chamley came to the end of his term and stepped down. Eva Hinkers and Andy Howard were appointed from 1 April 2021. They have both been with the firm for over 25 years. Eva is a structural engineer and current chair of the Europe region; Andy is a mechanical engineer and current chair of the Americas region; both bring significant experience of leading projects across the world.

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.

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.

With the launch of the 2020-2023 Arup Group Strategy (see 'Strategy development' for further details), the Board decided to strengthen its leadership at the global level to support its implementation. To facilitate this, current Board member Dervilla Mitchell was appointed as Deputy Chair, from 1 April 2021, alongside Tristram Carfrae who continues in that role.

Board engagement with the Trustees

Regular engagement with the Trustees is achieved in several ways:

- reports from the Chair 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; and
- joint working on areas of mutual interest e.g. the Community Engagement Programme and the appointment of Fellows (members at the forefront of professional excellence).

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 including the external evaluation and Trustees' review. Plans are agreed to address any individual skills development and/or training needs that will contribute towards more effective Board composition. 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 in addition, the Trustee Chair attends the appraisals for Board members nearing the end of their current term. The appraisals are considered by the Trustees, together with other feedback, when determining any potential re-appointments.

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 an initial survey of senior management and interviews with a random sample of 10% of them to gain their views on the Board's performance; this is followed by interviews with all Board directors and officers. The results of this engagement is used by the Trustees to develop recommendations to the Board and inform the Trustees' appointment decisions (refer to 'Appointments' for further details).

The Trustees discussed their report on the 2020 review with the Board at the Joint Boards' meeting in July 2020, and the recommendations were shared with senior management at the annual meeting in October 2020. The Board has initiated a series of activities that respond both directly and indirectly to the recommendations, that were discussed and supported by the Trustees at the February 2021 Joint Boards' meeting.

The Board

The Board is responsible for Arup Group'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. That trust ownership is a key part of our governance in enabling and supporting good stewardship and high standards of corporate behaviour.

The Board operates as an executive team, reaching decisions collectively as a board of equals, and with all Board directors expected to actively contribute and to voice any relevant views in reaching consensus. As such, no one individual or small group of individuals is able to dominate the Board's decision-making in line with the principle set out in the UK Corporate Governance Code

2018 (the "Code"), notwithstanding that our Board composition differs from the model set out in the Code's provisions.

The majority of the Board is drawn from the senior management within the business so that the Board's decisions can be informed by their breadth of experience - from across Arup Group'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 Arup Group where they are operationally engaged, but their individual insights are valuable in determining the direction of Arup Group as a whole. At least as importantly, Board directors have a strong understanding of, and personal commitment to, our values and our culture.

There are currently two independent 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 NEDs participate in the Board's engagement with individual offices, although that has necessarily been online rather than in person over the course of the last year, as well as joining the annual senior management meeting.

The Chair is responsible for managing the Board and, together with the Deputy Chair(s), 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") who chairs the Management Board, Arup Group'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, 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 meetings have taken place online this year, with shorter sessions, reflecting the global time zones of the participants, held over three or four days. The agenda has been refocussed, and more work has been undertaken through sub-groups in between meetings. All Board directors attended every meeting during the year except for June 2020 (Jerome Frost), December 2020 (Tim Stone) and March 2021 (Dervilla Mitchell).

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

In response to the pandemic, a COVID-19 steering group was formed in January 2020 from the key operational and business support leaders, which met initially weekly and latterly monthly over the year to ensure a coherent but agile response to the evolving crisis. We moved almost entirely to a working from home mode of operation in mid-March 2020, enabled with exceptional support from our Digital Technology team.

Actions during the early stages of the pandemic included pay freezes in many parts of the organisation, and the decision not to make profit-share payments in June 2020. A temporary voluntary hours reduction programme was also put in place, and a review of resourcing and workload was undertaken. This resulted in a reduction in staffing levels in parts of the business most adversely affected by the pandemic and other factors impacting our markets, and staffing increases in growth areas. Some parts of the business have since returned to office-based working arrangements and a global framework is being developed to enable and support more flexible working models going forward (refer to 'Health, safety and wellbeing' for further details of our response).

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 Company'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. The current control systems in place for managing risk were introduced in 2019, as such they are under continual review by the Board who receive regular reports from the Risk committee on the efficacy of the systems in practice. See 'Audit, risk and internal control' for further details.

Twelve key Arup 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 response plans with SMART actions.

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

Strategy development

The Board is responsible for setting the strategy for Arup Group which sets out the priorities and approach that will continue to unite us 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 Arup Group's business priorities, taking into consideration feedback from extensive engagement and consultation processes with our members and leadership, and the 2020-2023 Arup Group Strategy was launched in June 2020.

Sustainable development is unequivocally at the heart of the strategy, which encourages our members to find new solutions to some of the great challenges of our age. We have also identified four 'pillars' that are essential for us to deliver safe, inclusive and resilient communities, infrastructure and cities: People, Excellence, Influence and Digital.

From October 2020 to January 2021 our members took part in a series of events with a monthly focus on each strategic pillar. This has helped to inform the development of implementation plans that take into consideration the unique challenges and opportunities presented by the different demographics, geographies and markets we span.

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 ("CIO"), 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.

A new internal performance report format was launched in January 2021 which provides an overview of Arup Group's performance across seven headings: health and safety, financial/business performance, and progress against the five elements of the Group strategy: sustainable development, people, excellence, influence, and digital. The plan is to publish the report on a regular basis; the second edition was published in June 2021.

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 clients and projects, risk, succession planning and diversity.

Succession planning

We are continuing to develop and embed a new approach to succession planning that is inclusive, fair, transparent and consistent and focused on ensuring great appointment decisions. Regular succession planning conversations are becoming part of the culture and operation of the business, supported by accurate and valuable data, so that we are able to plan pipelines, address any gaps and address individuals' development needs. The new people strategy provides clarity on what good leadership looks like, and the first of our nine commitments to inclusion focuses on leadership expectations (refer to 'Diversity and inclusion' for further details).

In October 2020, we completed the second annual review of senior management succession plans at Management Board. This was based upon planned region Board appointments, succession plans for all regions detailing the current incumbent in each termed role with three-to-five year pipeline of potential successors, and analysis of the completeness of each plan together with the urgency with which positions need to be filled.

The approach taken enabled the Management Board to identify critical roles requiring greater focus, actions required to support leaders transitioning in March 2021, development opportunities for future leaders and increased collaboration required across regions to facilitate appointments.

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 a working group, including an external consultant from Odgers Berndtson, is taking forward workstreams in three key areas: succession planning and development of future candidates; governance architecture and terms of reference; and decision-making. It was decided to focus on the second and third of these workstreams in 2021 so that the new Board members could be fully engaged.

In addition, the review considered the Board's composition; its collective skills, knowledge and experience, agility, ability to deal with complexity and capability to deliver the strategy. The results, both for individuals and for the Board as a whole, inform development plans for individual Board members and the Trustees consideration of future appointments (refer to 'Appointments' for further details).

Policies in practice

Group policies

Arup Group has six core 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 Group 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 directors take an active and visible role in communicating the importance to our members 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: updated the policy to prioritise decarbonisation and adaptation to the impact of climate change in our projects; approved the 'Climate Services Plan' and 'Net Zero Carbon Strategy' (which is verified by the Science Based Targets Initiative); maintained a management system certificated to international standard ISO 14001 (refer to 'Shaping a better world' for further details).

Equality, diversity and inclusion

We are 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: approved nine global commitments to inclusion; approved specific commitments in relation to disability inclusion as part of our membership of the Valuable 500, a global movement putting 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: approved implementation of an online personal interests register; approved a refreshed conflicts of interest e-learning module for all members (refer to 'Business integrity' for further details).

Health, safety and wellbeing

We care about our members, our communities and those that we influence by our actions. We prioritise 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, and strive for zero harm both within the workplace and through our activities. Health, safety and wellbeing is a standing agenda item at Board meetings.

Key Board decisions: established a COVID-19 steering group with the safety and wellbeing of our members as an agreed priority in our response to the pandemic; approved the Health and Safety plan for 2021 - 2024 'A healthy and safe culture for everyone'; transitioned our management system to be certificated to ISO 45001 (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.

Key Board decisions: appointed the chair of Arup University as an officer to the Board; set excellence as the theme for the annual senior management event; maintained the 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

We are committed 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: positioned sustainable development at the heart of the 2020 - 2023 Arup Group Strategy; formed the Sustainable Development executive and associated governance to strengthen the delivery of ‘A better way’; signed the UN Global Compact; assigned Board sponsors to each of our external partnerships e.g. Ellen MacArthur Foundation (refer to ‘Shaping a better world’ for further details).

Business integrity

Our values and commitment to business integrity stem from a desire to act honourably and with integrity in all our business dealings; the expectations we have of our members, including Board directors, are set out in our Business Integrity Code of Practice.

Our senior management receive regular business integrity reports which, in response to increasingly complex sanctions regimes, now include summaries of new or altered sanctions programmes implemented by various jurisdictions together with information relating to counter-measures jurisdictions have taken. Senior management also receive information regarding our clients and collaborators that may be the subject of a formal sanction.

This year, we have focused on refreshing the support we provide to our members to manage conflicts of interest. A new version of our conflicts of interest on-line learning module has been developed and approved by the Board for roll-out to all our members from April 2021.

Alongside this, an online personal interests register has been developed and implemented to support statutory board directors in the regular consideration of the relationship between their personal interests and their Arup Group roles and responsibilities such that any of these personal interests, which could influence or could be perceived to influence, their actions and decisions can be identified and addressed.

Board directors' external appointments are notified to the Chair 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 Group. A report from the online personal interests register is a standing item on the Board agenda.

Building successful relationships

Ove Arup's words guide us in recognising the importance of building successful relationships; "[we] 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 our 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'. Face-to-face interaction due to the pandemic has been limited, however, our members rapidly adapted to online meetings resulting in many cases in increased participation, and greater depth of engagement.

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 the Company.	<ul style="list-style-type: none"> • Reports to Trustees' meetings • Bi-annual Joint Boards' meetings • Monthly Chair-to-Chair meetings • Joint working groups • <i>Refer to 'Board engagement with the Trustees'</i>
Members	Everyone employed by Arup Group	Our members are the primary beneficiaries of the Trusts. <i>Alignment with aims: humane organisation and reasonable prosperity.</i>	<ul style="list-style-type: none"> • Triennial 'Working at Arup' survey • Annual meeting for senior management • Board visits to offices and sites • Regular internal performance report • Initiative specific consultation and co-creation • Regular events, online meetings and news • <i>Refer to 'Our members'</i>
Clients	Everyone who contracts Arup Group's services, public and private sector	They provide the opportunities to use our skills to deliver solutions they will value. <i>Alignment with aims: quality of work and social usefulness.</i>	<ul style="list-style-type: none"> • Attendance at industry events • Membership of the World Economic Forum • Professional engagement on projects • Oversight of the Client relationship programme • <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. <i>Alignment with aims: total architecture and straight and honourable dealings.</i>	<ul style="list-style-type: none"> • Senior positions in industry organisations e.g. Royal Academy of Engineering • Where Arup Group 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 • We aim to treat our suppliers fairly and with respect, and to pay for services promptly in line with reasonable contractual terms • <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. <i>Alignment with aims: social usefulness and humane organisation.</i>	<ul style="list-style-type: none"> • Senior positions, and participation, in policy setting, government and regulatory forums • Partnerships with influencers e.g. Ellen McArthur Foundation, C40 Cities, World Business Council for Sustainable Development • Membership of the World Economic Forum • Community Engagement programme • Tax strategy aligns with being an ethical corporate citizen paying the right amount of tax when it becomes payable • <i>Refer to 'Shaping a better world'</i>

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 members. 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.

Transport Infrastructure Ireland (TII) is the state agency in Ireland which deals with road and public transport and a long-standing client that we continue to develop a strong working relationship with. Over the years we have acted as technical advisors on numerous planning and design projects. Our work includes engineering design on large scale infrastructure projects; such as the Rose Fitzgerald Kennedy bridge which opened during the year where we worked for the New Ross JV delivering Ireland's longest bridge.

Our in-depth understanding of TII's needs has meant we have been able to draw upon our wide skill set to deliver digital and sustainability services including; acting as digital advisor to the agency on road tolling strategy, governance and procurement management; technical management of their tolling schemes; crafting a sustainability strategy for TII's entire organisation to help embed the agenda culturally; and research into women's travel patterns to inform decisions by the state agency on how sustainable transport modes can become a viable option for all members of society.

Our members

Our members are both the reason Arup Group exists and the means by which we achieve our goals. Our founder, Ove Arup, often spoke about the importance of people and 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'.

An open and continuous dialogue

During the pandemic, we sought to engage with our members more than ever. We recognised that regular and open communication was essential in keeping our members informed and reassured during a time of crisis.

The regular video updates from the Chair frequently had over 6,000 views. A number of live events giving members a chance to hear directly from the Board were also held. These events offered our members the opportunity to submit questions directly to the Board, on any topic they wished. Questions were submitted completely anonymously, with typically around 200 questions submitted during an event. All questions were either answered live during the session or in a written follow-up made available soon after the calls. No question went unanswered unless it was duplicative or inappropriate.

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.

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.

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 next survey is scheduled to take place in 2022. Though many of the questions will remain the same to allow us to track trends, the survey will also be used to probe further into some of the findings of our 'Future of Work' survey that consulted members about their views on post pandemic working and how their expectations have shifted (refer to 'Health, safety and wellbeing' 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 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 our members can 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.

Geographically, our members are spread across 89 offices in 33 countries. The Board and Trustees have structured engagement plans that enable their members to visit Arup Group offices (online or face-to-face), 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.

Consultation and collaboration

There is a culture of openness and members share their ideas openly and freely. Areas of innovation, differences of opinion and potential controversy are often raised in local forums or on our member online discussion forums. However, we recognise the difference between speaking and being heard.

We are currently in the process of electing a shadow board; 14 members selected from our mid-career grades who will work alongside the People council to influence and shape aspects of our people strategy.

During the global online conversation about our culture in March 2020, members said they would appreciate greater transparency, requesting more open and honest communication of top-down strategy. This feedback was taken into consideration when launching the Arup Group Strategy, with one month dedicated to exploring, explaining and engaging the membership on each of the four 'pillars' in turn between September and December. We applied the same approach when developing our nine global commitments to inclusion (refer to 'Diversity and inclusion' for further details).

Delivering excellence

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

During the year the Board conducted a review of the purpose and activities of Arup University and some clear themes emerged:

- the role of a corporate university remaining central to our ambitious agenda, and being the vehicle to deliver skills, learning and knowledge to our membership;
- a detailed review and change programme being needed to elevate the performance of each faculty within Arup University; and
- a need to re-engage with our senior management on the relevance of the University to the success of our business.

Our members remain enthusiastic users of the tools and techniques the University has to offer.

Substantial changes in 2020 have included: the appointment of a new full time director to run the University; the creation of a new approach to the diagnosis of our learning needs; and the formulation of a refreshed funding and implementation strategy for blue sky and applied research.

A major review of future skills was completed, and a transformation programme has been designed which will be implemented over the coming year; new skills networks are being created to serve the Arup Group Strategy, and the leadership of our fundamental skills networks will be refreshed.

Critical pieces of foresight work carried out during the year include examining future systems, products and supply chains that deliver positive outcomes for people and planet, the relationships between the built environment and racism, and systemic barriers that need to be overcome to make progress towards becoming a net zero world.

Work has also commenced on a knowledge strategy, including deliverables such as a knowledge handbook for all our members, to ensure that our culture of curiosity, engagement and natural inclination to support each other, is looked after and maintained.

All faculties and their services were moved into the virtual environment early in the pandemic and offered welcome respite and inspiration to our membership; many of the new ways of working will continue once office working resumes, as they were proven to be more effective and inclusive. Two particularly positive outcomes were the expansion of our capacity to deliver more learning programmes to a wider cohort; and the impact of the virtual environment in enabling the University to reach out and spend more time inducting new graduates into the services available to them from the University.

Arup University has successfully enabled our members to continue to develop personally and professionally and build upon corporate knowledge to work collaboratively delivering excellence to our clients. Excellence was chosen as the theme for the annual meeting of senior management. Held online in September 2020, it brought together over 450 of our directors and principals. In opening the event, the Chair emphasised that striving for excellence is critical to our long-term success and that we need to exceed our clients' expectations every time. It stems from our trust, openness, curiosity, leadership and the relationships that bind us together.

Health, safety and wellbeing

Arup Group 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, ensuring that safety is addressed in our design processes.

The COVID-19 pandemic has brought health and safety firmly into the forefront of our personal lives and has been the major focus for our health and safety activities; it demanded a rethink of our approach to the health, safety and wellbeing of our members, wherever they are working. At times up to 90% of our members have been working from home, and whilst offices in Australasia and East Asia essentially returned to more normal operations in the latter part of the year, many of our members have continued to work remotely.

Our COVID-19 steering group sought expert advice and shared best practice to ensure that we provided practical support and guidance to our members. Our approach was deliberately cautious and ensured that we addressed the wellbeing challenges faced by our members as well as the practical ones related to extended remote working. In particular we implemented a restrictive travel protocol requiring only business-critical travel, which was to be undertaken only after detailed risk assessment and region COO approval. The video updates from the Chair provided regular updates on the actions being taken as well as raising awareness of the support programmes in place. Many of the lessons learned will be embraced as we move into new models of working flexibly in the future.

Our record for safety in the workplace continues to compare well with industry benchmarks (with eight reportable accidents across the Group in the last three years). We have seen few incidents this year, with the significant reduction in office working, travel and site visits. We continue to learn from the previous unprecedented incident that resulted in the fatality of a contractor undertaking installation works in one of our offices. We are continuing a review of our premises in response to the incident. Our global Health, Safety and Wellbeing committee continually look for ways to improve our performance, share best practice, and actively learn from all incidents.

In February 2021 the Board approved our Health and Safety plan for 2021 to 2024, 'A healthy and safe culture for everyone', which sets out our objectives explicitly under the 'pillars' of the Arup Group Strategy. This plan will inform the health and safety priorities and activities of our operating regions. In March 2021, the Board approved the framework by which it would be assured on health and safety matters in our operating regions, and this will provide the basis for formal annual reviews.

Our wellbeing vision and priorities are now led in region by the People team and the day-to-day implementation of the wellbeing programme is a collaborative effort between group leaders and the People team.

We launched our 'Be Well' hub in May 2020, an online space where our members could access tools and resources to support their wellbeing. The hub was created to carefully curate the best content from around Arup Group and outside. Our temporary voluntary hours reduction programme offered some flexibility in juggling work and other commitments to those that needed it over this period.

While the pandemic placed a strain on all our members, it was recognised that our senior management would need support to

navigate the additional leadership challenges. We offered high impact coaching and ran bespoke webinars for our senior management in June 2020 and March 2021 focused on resilience and good leadership choices, respectively.

We are encouraging responsibility on the part of our members in relation to managing their own wellbeing. We believe that giving our members the trust and autonomy to continue to work flexibly, post COVID-19, will also promote a culture of wellbeing. A new programme we are calling 'Work Unbound' is being shaped to harness the lessons learnt from our response to the pandemic, and the results of our 'Future of Work' survey, to move forwards into a new way of working that supports a hybrid (office and home) working model. This will give all members the maximum possible flexibility to manage their time as best suits them, Arup Group and their clients.

Total reward

To deliver our commitment to shape a more sustainable future for everyone, we need to attract and retain quality people. We provide opportunities for our members to develop in their careers, to achieve reasonable prosperity, and to thrive in a humane and caring environment. Our approach to reward at Arup Group reflects these values.

Competitive, fair and equitable pay is just one part of the investment that we make in our members. In addition, we provide a range of benefits that support health and wellbeing, deliver income in retirement, enable flexible working and paid time-off (refer to the Board Remuneration committee report for further details).

Our global profit-share scheme is a key element of the reward package, and has been in place for around 50 years. It encourages sharing of work and mobility of our members and reflects the importance of our highly collaborative culture.

Biannually, the aggregated performance of Arup Group is used to determine the available global profit. Some profit is retained for reinvestment in learning, research and development, charitable donations and working capital. We distribute the remaining profit to our members so that we share in our collective efforts.

Each member's share of the profit is determined on the same basis, wherever they are located, with reference to their grade and length of service.

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 Arup Group.

The weeks following the murder of George Floyd led to a period of deep, pronounced self-reflection and open, honest conversations among our members about how we could create a more inclusive Arup Group.

In June 2020, we asked our members to join in shaping our anti-racism response. Around 170 members volunteered and formed three working groups, working together with the global Equality, Diversity and Inclusion ("EDI") committee, looking at our culture, behaviour and environment; systems, processes and procedures; and work, clients and communities. This work led to the creation of nine global commitments to inclusion, not just in relation to racial equity but inclusive of all strands of diversity. The commitments were approved by the Board and launched to our members during an online event in September 2020.

These commitments were developed in a way which was profoundly inclusive; entirely aligned with our people strategy, the Arup Group strategy, and our purpose. The commitments stretch beyond how we behave ourselves, they look to make sure the projects we do, the clients we work with and the communities we influence all create a more inclusive world too. That's why we felt it was important to publish the commitments on Arup.com.

To ensure progress in fulfilling these commitments we have established a global working group, engaged with an external EDI consultant and set deadlines against a number of the commitments. One particular focus is the collection and analysis of diversity data. We have made some progress on reporting (refer to 'Remuneration' for details of our approach to gender pay parity) and there is a commitment to publish, initially in the UK, our ethnicity pay gap report by December 2021. We are also in the process of implementing a new human capital management system to help us with our diversity data capture and reporting. The system is on track to be implemented in September 2022.

We have made further progress this year to improve our gender balance, with an increase from 37.7% to 39.0% female members across the firm overall. The proportion of women in senior management has increased from 23.5% to 25.0%. There is 37% female membership of our five region Boards and 33% of our Board are female. In April 2021 we appointed our first ever female co-chairs in our Australasia region and female Deputy Chair of the Board.

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. Support is also provided by our Business Integrity function and our project delivery environment. Committee meetings were attended during the year by all of the appointed Board directors except that Tim Stone was unable to attend the Risk committee meetings held in September 2020 and January 2021.

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 Arup Group statutory accounts to the Board for approval. There were no significant issues raised this year for the committee to consider.

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 Arup 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 Arup 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.

PricewaterhouseCoopers LLP 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.

It has been agreed to retender for the role of group auditor; that process will commence in 2021, with a view to making an appointment for the 2022-23 financial year.

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.

Proposals to establish an Audit committee to supersede the current Statutory Accounts committee, having a strengthened remit in relation to statutory reporting and with the intent that the scope expands to cover internal controls in due course, were agreed by the Board in February 2021.

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 *straight and honourable dealings* as one of our aims, ethical conduct is given the highest priority.

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 our members 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, the region champions who form the Ethics committee, the Board Ethics director or the Legal director. An ethics@arup.com email is also available. We do not operate a separate Arup Group wide external mechanism for whistleblowing, however schemes have been implemented in some locations in response to local requirements.

Refer to 'Business integrity' for further details of our approach to conflicts of interest.

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 has been chaired during the year by Clare B Marshall (until 31 December 2020 as Group Legal director, and subsequently as an independent consultant), and its membership includes our two NEDs Cordelia Chung and Tim Stone.

The committee meets quarterly, reviews the implementation of the Group Risk Management Framework 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 ISO 45001.

The AMS is regularly audited, internally and externally, and lessons learned and opportunities for improvement are incorporated, in line with the requirements of the standards.

Remuneration

Remuneration policy for the Board, including the Chair, and senior management is set in accordance with our global approach to reward for all of our members. It reflects our values and in particular our 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 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 a committee of the Board that determines the remuneration of the senior management (excluding the Board itself).

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

The Board conducts an annual firm-wide review of gender pay parity, in addition to the gender pay gap reporting requirements in various countries in which we employ members. This enables the

Board to assess the overall picture of gender pay parity across Arup Group and raise any areas of concern with senior management for further investigation, and correction of any disparities as appropriate.

During our annual pay review process, leaders across all offices reference a dashboard showing gender pay parity data for their teams. This enables them to see how the salary decisions they take will impact gender pay parity, helping to reduce unconscious bias in the process. Real-time data is supplemented with guidance and support from their local People support teams and all decisions are ultimately approved by the leader at the next level up.

Board remuneration committee report

Committee Chair's introduction

On behalf of the Board remuneration committee (the "Committee"), I am pleased to introduce our remuneration report for the financial year ended 31 March 2021. I welcome this opportunity to share with you an overview of the Committee's activities over the past year, as well as the remuneration principles and policies that apply to the executive directors of the board of Arup Group Limited (the "Board" of "Arup Group").

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.

I would like to begin by acknowledging the challenging year our employees (the "members"), including the Board, have faced as we have all worked to navigate the social impacts and economic uncertainty arising from the COVID-19 pandemic. Throughout this unprecedented year, it has remained a priority of the Committee to ensure that the remuneration of the executive directors follows the same general principles as for members.

During the early stage of the pandemic, Arup Group took measures to protect the financial position of the firm, including pay freezes. Consequently, the annual pay review for the executive directors that would ordinarily have taken effect in April 2020 was deferred. Whilst this freeze was lifted in late 2020 for members, the Trustees exercised their discretion, and no salary increases were awarded to the executive directors this year.

Furthermore, the Trustees awarded no payments under the profit-share scheme in June 2020 to the executive directors, in line with no payments being made to members. Most executive directors also opted to participate in the temporary voluntary hours reduction programme, further reducing their salary by 20% for a period of three-months of this year.

The Committee continues to seek opportunities to ensure the remuneration policy for executive directors is clear and easily understood; this year the operation of the global profit-share scheme for executive directors was included within a single set of scheme rules available to all members, ensuring full transparency.

As we continue to expand the content of this report and provide further transparency regarding remuneration, I am pleased to present our first voluntary CEO equivalent pay ratio disclosure.

The Committee

The Trustees, which include four independent 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 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, appointed January 2018, Committee Chair since April 2018;
- Tim Stone, non-executive director of the Board, appointed April 2016;
- Asim Gaba, Trustee, appointed April 2018;
- Jenni Emery, People leader, appointed January 2019; and
- Peter Bailey, Trustee, appointed April 2020.

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

- ensure Arup Group adheres to the highest standards of governance and best practice in remuneration matters;
- design and administer the remuneration policy for executive directors; and
- implement such policies to ensure that remuneration: promotes Arup Group'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 2021

The Committee met three times in the year ended 31 March 2021, with all members present at each meeting. Activities included:

- recommending action to be taken regarding executive director remuneration as a result of the impact of the pandemic;
- in preparation for the next financial year, reviewing internal pay relativities and gathering external market data for benchmarking executive director pay levels;
- continuing to review the broader context for executive director remuneration decisions to ensure that:
 - the remuneration of our members, related policies, and the alignment of rewards with our values, are all appropriately reflected in executive director remuneration; and
 - overall reward levels are in line with, and appropriately competitive against, relevant local market practice.

Looking ahead to next year

During the coming year, the Committee's focus is expected to include the following areas:

- ensuring that remuneration continues to support our overall strategy, as well as the firm's values and purpose;
- understanding and contributing to any proposals from the Board on the future design of our profit-sharing arrangements for members of the firm as this review continues; and
- continuing to align our remuneration policy, practices and governance, more closely with the Code (or explaining why we choose not to).

The Committee continues to engage with the Board in its work to ensure that the approach to remuneration taken across Arup Group as a whole is simple, coherent and consistent; and aligned with our aims, in particular *straight and honourable dealings* and *reasonable prosperity* of members.

This will be my final remuneration report as Chair of the Committee. I look forward to handing over to Peter Bailey who succeeds me in the role of Chair from 1 April 2021.

A handwritten signature in black ink, appearing to read 'D Whittleton', with a horizontal line underneath.

David Whittleton

Chair, Board remuneration committee

CEO equivalent pay ratio

Regulations for listed companies require them to publish the ratio of the pay of the CEO to that of UK employees. Arup Group is not obliged to comply with these regulations; however, the Committee has chosen to consider the regulations and provide a disclosure. The following table shows the ratio between the total remuneration of the Chair of the Arup Group (refer to the 'Appointments' section of the governance report for further details of the Board's composition) and the lower quartile, median and upper quartile pay of our UK members.

The Committee noted that remuneration varies across roles in order to deliver an appropriate mix of fixed and variable pay. Junior members have a greater portion of their pay delivered as a fixed base salary component, which allows greater predictability when planning day to day finances. Our senior management, including the executive directors and the Chair, generally have a higher portion of their total remuneration structured as variable pay, given their role and ability to influence strategy and performance. The Committee has therefore chosen to provide a total salary ratio as helpful context in addition to the total remuneration ratio.

Pay ratios

Year	Method		25th percentile ratio	50th percentile ratio	75th percentile ratio
2021	B [1]	Total pay and benefits [2]	20:1	15:1	11:1
		Total salary [3]	13:1	10:1	7:1

- The regulations allow for three potential approaches in calculating the pay ratios. The Committee has considered method B, in order to utilise our 2020 Gender Pay Gap report to identify Arup Group members at the three quartiles. To ensure that the data is representative of pay and benefits at those quartiles, the median value of the pay and benefits for the 10 members spanning above, below and at each quartile has been calculated for the relevant financial year, with any leavers removed from the analysis.
- Total pay and benefits for our UK members has been calculated based on full-time equivalent annualised total salary (includes base salary and guaranteed cash allowances); profit-share awards; and the value of health, insurance and pension benefits for the financial year ended 31 March 2021. The single total figure of remuneration for the financial year ended 31 March 2021 has been used for the Arup Group Chair. No broadly applicable components of pay or benefits have been omitted. Overtime pay has been excluded from the calculation as it was not deemed to be material.
- Annualised total salary (includes base salary and guaranteed cash allowances and is the full-time equivalent for members, and includes actual payments for the Arup Group Chair).

Total pay and benefits used to calculate the ratios

UK employees (members)	25th percentile	50th percentile	75th percentile
Total pay and benefits	£39,477	£52,097	£73,334
Total salary	£31,750	£41,652	£58,550

The Committee is satisfied that the median pay ratio reflects the total pay and benefit values for the Chair and the median UK member respectively. Also, that it is consistent with the pay, reward and progression policies for our UK members, taking into account the diverse mix of roles, the compensation structure mix applicable to each role, and our objective of delivering market competitive remuneration.

Arup Group 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 Group more broadly, the aim of the Board remuneration policy is to promote our values and culture, and long-term success through strong and sustainable performance.

The Committee keeps this policy under periodic review. We assessed once again the policy against the six themes set out in paragraph 40 of the Code: clarity, simplicity, risk, predictability, proportionality and culture. The Committee concluded that:

- the policy is simple, appropriately designed and clear. It effectively reinforces Arup Group'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 Group 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.

The Committee reviewed the application of this policy during the financial year ended 31 March 2021 and confirmed that it operated as intended, particularly in the application of measures to protect the financial position of the firm and to ensure that we have a healthy, sustainable business into the future.

Whilst we do not consult directly with our broader membership on the remuneration policy, our members may discuss remuneration matters with the Trustees at any time (refer to the 'Our members' section of the governance report for further details).

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	Opportunity	Performance metrics
Base pay: annual base salary and Board allowance			
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.</p> <p>Base pay is reviewed annually with any changes, if appropriate, typically effective in April. Factors considered when reviewing base pay include overall business performance; economic climate and market conditions; general increases awarded to Arup Group members and in the relevant market more broadly.</p>	<p>Average base pay increases are normally in line with the average increases for the members 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>	Not applicable.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Benefits			
To provide market competitive health and wellbeing benefits consistent with the role and driving member engagement and security for the individual and their family.	Executive directors of the Board are entitled to benefits which may include the following, based on country of employment: private healthcare and annual health checks; insurances covering accident, income protection and life; and paid annual leave. The benefits offered may change from time to time to reflect changing circumstances, market practice, or consistency with other members in the relevant market.	Benefits will be provided at levels commensurate with market practice in the country of employment. We expect the value of benefits to fluctuate due to individual circumstances, insurance premiums and other external factors.	Not applicable.
Pension			
To provide an income after retirement through the provision of retirement savings during employment.	Arup Group offers executive directors of the Board: participation in the local pension plan in the country of their employment, or the equivalent employer contribution to be taken as a cash allowance and paid in instalments, or a combination of these arrangements to the same total value.	All new executive directors of the Board receive employer pension contributions in line with the rest of the members in the country of their employment. A small number of current executive directors are on different legacy arrangements and will transition to their local country standard in the coming year.	Not applicable.
Global profit-share scheme			
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 Arup Group, by being based on our collective success.	This is a scheme for eligible members in all Arup Group locations globally. Any payments made to executive directors of the Board are determined based on base pay, allocated global 'profit shares' and Arup Group's 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 global profit-share scheme across Arup Group, and to ensure an appropriate mix of fixed pay and pay at risk for executive directors of the Board reflecting their role in delivering Arup Group 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. In the event of an overpayment the scheme rules make provision for awards to be corrected and recouped as necessary.

Service contracts

Executive directors of the Board have signed rolling contracts in respect of their ongoing employment by Arup Group, terminable on six-months' notice by either the Arup Group or the individual (unless local employment legislation requires a different duration, or in a limited number of instances due to a legacy 12 months' notice). An executive director may be required to undertake 'garden leave' during all or part of their notice period and may receive their base pay during the notice period. The firm may alternatively pay an equivalent amount of base pay in lieu of the executive director being required to work their notice period.

Eligibility for a payment under the global profit-share scheme upon termination of Arup Group employment is not automatic and varies depending upon the basis of the termination. Members must be in eligible employment on the first day of the payment month to remain eligible to receive any payment relating to the prior period. No profit-share payment will be made where an executive director resigns, or is terminated for cause, prior to the first day of the payment month. In the event of retirement, redundancy or death in service, any payment will be pro-rated and will reflect all eligible service up to and including the date of termination. The approach for executive directors follows the same rules as for members, notwithstanding that any award to the executive directors remains at the discretion of the Trustees.

As set out in the table above, an individual's appointment as an executive director of the Board is a termed role, terminable at any time with immediate effect and without compensation for loss of office.

Summary of remuneration for other Arup Group members

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

Base salary	Benefits and pension	Global profit-share scheme
<p>We conduct an annual review of base salary for all members.</p> <p>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.</p> <p>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.</p>	<p>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.</p>	<p>All permanent members of Arup Group 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 Arup Group.</p>