

ARUP

Annual Report 2016



Arup was founded on the belief that the built environment can change people's lives for the better. This year, across all our operations and markets we've continued to meet this aim – helping clients solve their biggest challenges by harnessing our diverse skills and constantly expanding what's technically possible.

I am pleased to report on another positive year for our firm – in a challenging global environment requiring some difficult choices and decisions.

By attracting and retaining high quality people we have been able to play a central role in a large range of outstanding projects for our clients around the world. This has maintained our reputation for excellence and resulted in a robust performance in all our markets. For Arup, growth is always a result not a driver, but it does ensure that we have the stability and resources to continue doing the best possible work, wherever we operate.

Markets

Our markets strengthened in the US, Canada and parts of Latin America, reflecting a key aim of our five-year strategy. The UK also enjoyed a positive year despite uncertainty ahead of the EU referendum ('Brexit') and Australia performed strongly in both infrastructure and buildings. In Europe, our operation in the Netherlands performed notably well, while uncertainty related to sanctions and low oil prices had a continued impact in Russia.

2016 has seen us successfully weather the continued property market slowdown in China, which remains one of our key strategic areas. We also saw modest growth in India, which continues to be a market of great interest despite its present challenges. South East Asia needs significant infrastructure development and we've seen promising signs in Indonesia and a continuing strong performance in Singapore.

We have seen growth in our aviation-related business. We've worked on a number of large Chinese airports, new airports in Istanbul, Turkey, and Mexico City, as well as expansions in Abu Dhabi, New York's *JFK* and *Los Angeles International* in the US.

However, we've also seen some slowdowns in areas dependent on oil revenue, including parts of the Middle East, Western Australia and Texas.

Holistic thinking

A great challenge in our industry is that almost everything we make is effectively a prototype, with limited scope for refinement as a 'product'. A change of mindset, which sees a fragmented supply chain working much more effectively, offers exciting possibilities. I'm delighted that we are working on this in partnership with the *Ellen MacArthur Foundation* and that the European Commission adopted new circular economy proposals last December.

Thinking in terms of a circular economy requires a holistic approach. That's something we've long embraced. It sees us increasingly involved with our clients in the earliest stages – from initial strategic advice through to detailed design – and is supported by our ever-expanding digital expertise which places us at the forefront of new thinking in the planning, design and operation of today's built environment. The *Vision Masterplan* for the *Causeway Centre Business Park*, just outside London, is a prime example of this kind of approach in action.

This year, there has also been greater global demand for 'design and build' solutions. Working in close collaboration with leading partners worldwide, we're increasingly providing clients in construction with these services, which typically combine the benefits of quality, value and speed to market. A 'total design' approach has always been central to how we operate, and recent projects such as the *Long Beach Civic Center* in California, have illustrated how well placed we are to support clients in this current design and build trend.



“
In an increasingly digital age we face growing competition for people with the science-based skills we need. Shaping the built environment provides the immeasurable satisfaction of making a tangible impact on people's day-to-day lives. As a result I'm confident we'll continue to be able to attract the brightest and best, wherever we are working.”

Founding values

We're a progressive firm focused on positively shaping the future. That said, it's clear to me that the values on which our firm have been built are more relevant than ever. We've always been concerned with using our skills to meet global challenges – social, economic or environmental.

As a trust-owned firm with no individual shareholders or external investors, we independently set our own priorities. Our first priority has always been and will continue to be, doing all we possibly can to help our clients meet their biggest challenges. Ultimately, this dedication is driven by our deeply ingrained desire to bring about positive change for people, wherever we are working.

Our business model provides other benefits too. Staff members share in our annual operating profit, ensuring that everyone benefits when the firm performs well. We have created what we believe to be a virtuous cycle that underpins our continuing success; we attract the best talent, who produce high quality work for clients and that creates further opportunities. We also invest in our people's future through both 'on the job' and training opportunities and encourage them to have a voice in how our business develops. This ethos sustains the 'unity and enthusiasm'

that Sir Ove Arup recognised as critical for lasting success. It has also ensured that we've continued to grow organically and been profitable in every year since the firm was founded 70 years ago.

I am particularly pleased to report that our approach and culture resonates in the communities in which we work, allowing us to recruit based on personal interests and values, as well as professional skills. The 8,000 applications we had for 275 UK graduate positions this year is just one example of this success. In an increasingly digital age we face growing competition for people with the science-based skills we need. Shaping the built environment provides the immeasurable satisfaction of making a tangible impact on people's day-to-day lives. As a result I'm confident we'll continue to be able to attract the brightest and best, wherever we are working.

Community engagement

Ten years ago we chose to celebrate our 60th anniversary by establishing a fund that enables our people to apply their skills to solve challenges faced in developing countries. Supporting and supplementing the volunteered time of staff members, together we have brought technical expertise to reduce suffering and improve the lives of those in need.

A decade on and I'm pleased to report that the fund has delivered substantial and lasting value to communities around the world. Projects like *Sabre Kindergarden* in Ghana, *Ntunga Maternity Hospital* in Rwanda and the *WZQ Bridge project* in Gansu, China have all delivered terrific benefits. They also show how bringing our skills to bear to meet real community needs can have a multiplier effect that's greater than fundraising alone. I look forward to seeing the firm have an even greater impact in the years to come.

Financial performance

Our revenue grew to £1.24bn in the year to 31 March 2016, an increase of 10.2% from 2015. I'm pleased to report that all five of our Regions recorded growth. Across every Region, we've prospered by meeting and exceeding the varied needs of our clients. Across the world we've collaborated with clients on more than 16,000 projects and increased our operating profit margin to 10.1%. By continuing to view growth as a result, not a driver, we're confident we will enjoy further success.

The future

As always, political events will have a major influence on the business environment. To date, uncertainty around the US election, China's slowdown, Brexit and political

turbulence in other parts of the world have not had much negative impact on our firm, but we will continue to watch developments closely.

As a global firm with a proud history, a shared set of values and wide-ranging expertise, Arup has a distinctive identity. By focusing on our clients, sticking to our principles and deploying our skills to have a positive impact, I believe we will continue to play a leading role in shaping a better world.



Gregory Hodkinson
Chairman, Arup Group



Tomorrow's world
COP21 Summit

“

Cities have long been the centres of economic, political and social activity, they also have a significant impact on our planet's health. Indeed, whilst cities generate around 80% of GDP, they also consume over two-thirds of global energy and emit more than 70% of greenhouse gases. Against this backdrop it is logical – indeed imperative – that cities take the lead in tackling the global challenge that is climate change.

From Gregory Hodkinson's foreword to *Climate Action in Megacities 3.0*, a research report we developed through our strategic partnership with *C40 Cities*.

I was delighted that the *COP21 Summit* in Paris in December 2015 secured a historic agreement to limit global warming to less than 2°C. We participated in the event and pledged our full support for this important outcome.

Arup has long pressed for such an agreement through business initiatives and the *World Economic Forum*. We've seen mounting evidence of progressive business thinking on climate change, and welcomed the opportunity that COP21 gave firms like ours to be at the forefront of meaningful action. Our work helping the *Double Cove* residential development become Hong Kong's first LEED-certified community project is just one example of where we have put this into practice.

City governments have a direct democratic link to their people and have often responded more quickly than national governments when it comes to climate change. This year, we played an active role supporting the *C40 Cities Climate Leadership Group*, a network of more than 80 cities taking action to reduce greenhouse gas emissions.

Agreeing global targets and sharing best practice are important steps but ultimately they are a beginning not an end. Mitigating impacts on our environment, creating greater resilience and thinking in new adaptable ways are the approaches we are adopting together with our clients to address climate change across all our markets. Doing this will help us play our part in turning global accords into meaningful action.

Selected awards

Americas

Fulton Center
New York, USA
British Construction Industry Awards
International Project of the Year Winner
World Architecture Festival Awards
Transport Building of the Year Winner
American Society of Civil Engineers
Metropolitan Section - Construction Achievement Project of the Year Award

Lake Mead Intake No.3
Nevada, USA
NCE International Tunnelling and Underground Space Awards
Global Tunnelling Project of the Year (over \$500m) Winner

Australasia
CapitaGreen
Singapore
CTBUH Names Best Tall Buildings for 2015
Best Tall Building Asia and Australasia Winner

NewActon Nishi
Canberra, Australia
Building Awards
International Project of the Year Winner

Singapore Sports Hub
Singapore
World Stadium Congress Awards
Stadium Design of the Year Winner

East Asia

Hong Kong Velodrome and Velodrome Park
Hong Kong, Greater China
Hong Kong Institution of Engineers
Joint Structural Division Structural Excellence Awards, Hong Kong Projects Category, Grand Award

Jing'an Kerry Centre
Shanghai, Greater China
CITAB-CTBUH China Tall Building Awards
China Urban Habitat Award Winner

Shatin to Central Link
Hong Kong Section – C1108
Hong Kong, Greater China
Autodesk Excellence in Infrastructure Competition
First Prize

Europe

Bosco Verticale
Milan, Italy
Council on Tall Buildings and Urban Habitat
Best Tall Building Award Winner

Kerry Group Global Technology and Innovation Centre
Naas, Ireland
Engineers Ireland Excellence Awards
Engineering Project of the Year Winner

Stormen
Bodø, Norway
Norwegian State Architecture Prize
Engineering Project of the Year Winner

UKMEA
Arup Associates
Structural Timber Awards
Architect of the Year Award

Bombay Sapphire
Distillery Glasshouses
Hampshire, UK
Society of Facade Engineering
International Award for Facade Engineering Excellence
Outstanding Facade Innovation Winner

Crossrail – Bored Tunnels Design
London, UK
International Tunnelling and Underground Space Awards
Judges' Supreme Award

Faculty of Islamic Studies
Education City, Doha, Qatar
World Architecture Festival Awards
Religious Building of the Year Winner

Ntunga Healthcare Project
Rwanda
British Expertise International Awards
Outstanding International Development Project (Infrastructure) Winner

Firm wide
Arup
Fortune Magazine
Change the World List

Management Consultancies Association Awards
Best Use of Thought Leadership Award Winner

The Times
Top 50 Employers for Women