Annual Integrated Report 2021

ARCADIS

Impactful growth

Sustainable solutions | Digital leadership | Focus and scale

Impactful growth

"Tackling climate change is the greatest challenge of our generation and we all need to play our part. At Arcadis, not only do we see this as a commercial opportunity but equally so as a moral obligation, to develop smarter and greener solutions for our clients. I want us to be the leader in our sector; challenging norms, embracing innovation, collaborating with the best and pushing boundaries to solve this challenge.

Profitable growth can be an important catalyst for realizing innovation that drives our business, but at Arcadis we do not want to achieve growth at all costs. That is why, in 2021, we have further increased our investment in sustainability."

Peter Oosterveer, CEO

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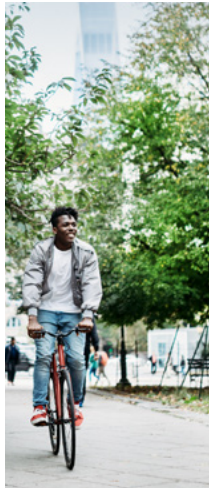


People & Culture at a glance

2021 at a glance

Total workforce
headcount as at 31 December

29,236
2020: 27,939

Voluntary turnover rate ✓
as % of permanent employees

14.9%
2020: 8.7%

Employee engagement[1] ✓
employee net promoter score (scale -100 to +100)

+30
2020: +27

Women in total workforce ✓
as % of permanent and temporary employees

38%
2020: 38%

Total Recordable Case Frequency (TRCF) ✓
per 200,000 work hours

0.14
2020: 0.13

Lost Time Case Frequency (LTCF) 2021 ✓
per 200,000 work hours

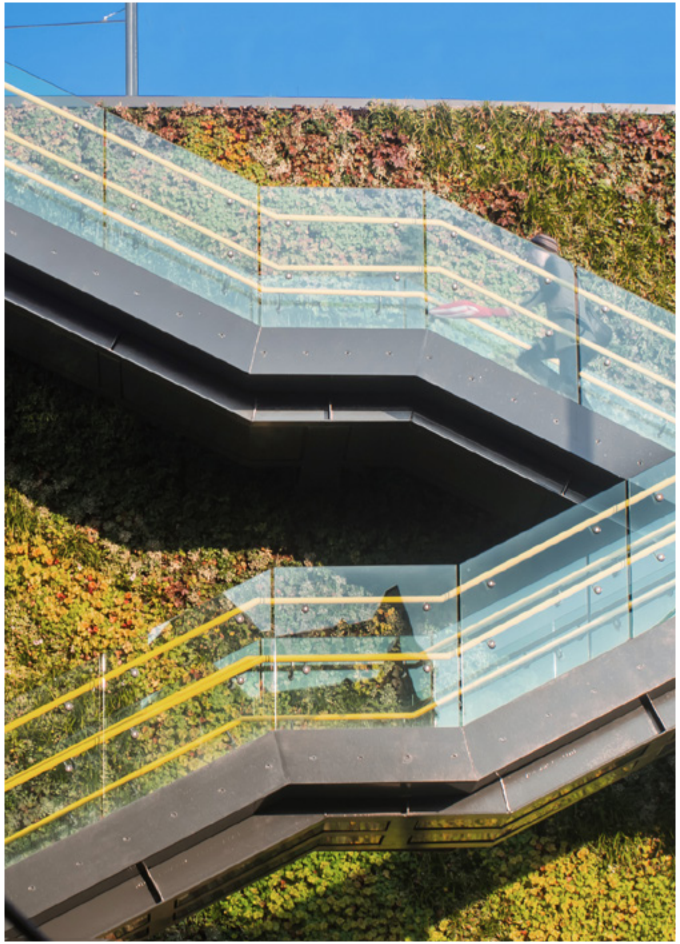
0.05
2020: 0.05[2]

1 Excluding Arcadis Germany
2 Not reviewed

Deterioration **Unchanged** **Improvement**

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Sustainability at a glance



Arcadis Carbon Footprint 2021[1] ✓
(MT CO_2 per FTE)
1.17
2020: 1.48[2,3]

Revenues that relate to relevant SDGs
as % of net revenues
78%
2020: 80%

Number of identified environmental non-compliances 2021 ✓
1
2020: Nil[2]

Investigated AGBP alleged breaches 2021 ✓
assessed and, as needed, investigated
91 (100%)
2020: 72[2] (100%)

Employees passing Code of Conduct training 2021 ✓
as % of total employees
94%
2020: 91%[2]

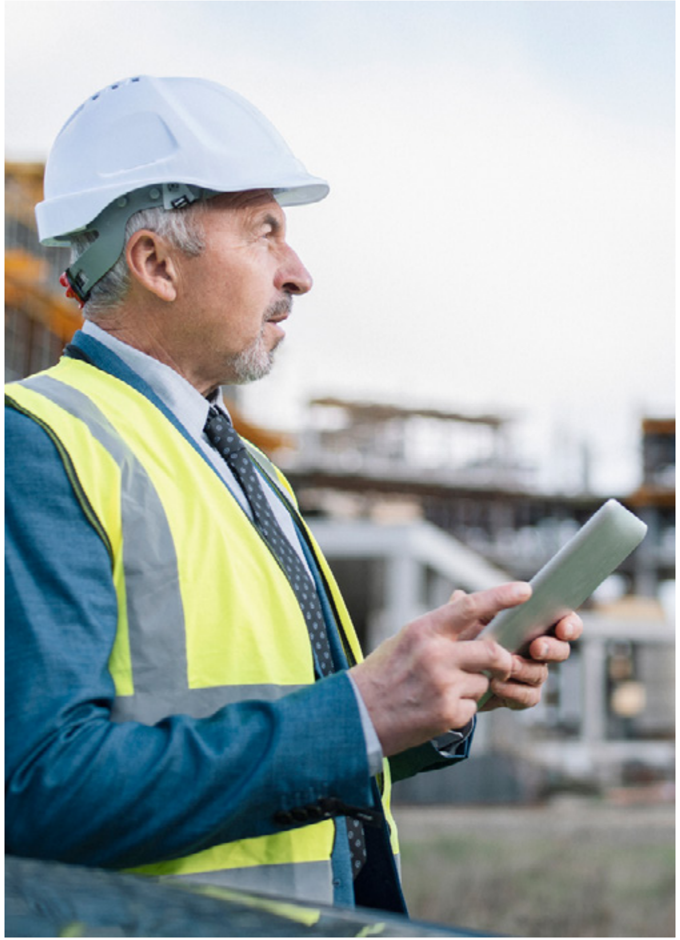
Number of appointed privacy officers under the privacy policy 2021 ✓
14
2020: 13[2]

1 For our material Scope 1, 2 and 3 emissions
2 Not reviewed
3 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals

Deterioration **Unchanged** **Improvement**

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Digital & Innovation at a glance



Building Information Modeling BIM
as % of total projects

78%
2020: 61%

EBITA / FTEs
switch to digital solutions in € 1,000

8.5
2020: 8.2

Arcadis Way implementation progress at constant perimeter
as % of net revenues

82%
2020: 64%

Deterioration **Unchanged** **Improvement**

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Financial performance at a glance

Indicator	2021	2020
Net revenues ✓ in € millions	2,565	2,494[1]
Net Income from Operations ✓ in € millions / **Per share** in € ✓	175/1.96	130[2]/1.46[2]
Dividend per share ✓ proposed, in €	1.30[3]	0.60
Operating EBITA margin ✓ as % of net revenues	9.6%	9.1%[2]
Net Working Capital ✓ as % of gross revenues	10.7%	12.6%
Days Sales Outstanding ✓ (DSO)	63	66
Return on Net Working Capital ✓	64.7%	54.5%[1]
Net debt to EBITDA ratio ✓ (average)	0.8	1.3[1]
Free cash flow ✓ in € millions	234	324[4]

1 Not reviewed
2 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
3 €0.70 per ordinary share plus an additional €0.60 per ordinary share
4 The level of 2020 cash flow was outstanding due to exceptional working capital improvement driven by high level of cash collection resulting from group cash management program launched in Q1 2020, early client payments during covid crisis and tax deferrals under COVID-19 programs

Deterioration | Unchanged | Improvement

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Welcome to our 2021 Annual Integrated Report

“The determination and ingenuity of our people, strong markets and an attractive pipeline, presents a positive outlook for Arcadis.”

Peter Oosterveer, CEO

I am delighted to report that 2021 has been a strong and prosperous year for Arcadis. The business is in an excellent position, with healthy organic growth, solid margins and a strong balance sheet that will allow us to further invest into 2022.

The last twelve months have not been without their challenges. The worrying situation with COVID-19 and the emergence of new variants is rightfully causing concern, while the effects of extreme weather events in Europe, North America and Asia demonstrate just how fragile and interconnected our world has become.

As a business that is passionate about improving quality of life, it is humbling to see how our people have responded to these challenges. They are striving to put the health, safety and wellbeing of everyone first, adopting new ways of collaborative working to generate success and, importantly, creating sustainable and digital solutions to maximize the impact for our clients and the communities in which we operate.

The determination and ingenuity of our people, combined with strong markets and an attractive pipeline of opportunities, specifically in environmental mitigation and infrastructure projects, presents a positive outlook for Arcadis. However, we need to be mindful that the pandemic continues to create uncertainty and has amplified the inequality across the globe, as also evidenced by the significant differences in regional vaccination rates.

“Profitable growth drives innovation, but not at all costs. That is why, we invest in sustainability and have decided to closely review projects that fail to address their carbon emissions.”

With national governments across the globe committing to significant stimulus and green growth funding packages, we remain a very relevant company, with the capabilities and experience to help solve the world’s needs. For example, our design work on the new storm protection system put in place after hurricane Katrina helped defend New Orleans, U.S. from the worst impacts of hurricane Ida. In Europe, our energy grid expansion project with TenneT, announced in September, will help communities in Germany transition to a low carbon future. These are the projects which confirm that Arcadis makes a difference and creates a more sustainable world.

We remain committed to the UN Global Compact and its ten principles. As we look to 2022, it is important that we do not rest on our laurels. The future success of Arcadis will not be guaranteed unless we continue to build on these achievements and relentlessly innovate and adapt to the changing world around us.

Embedding our new strategy through focus and scale

With megatrends like urbanization, climate change, greater digitalization and growing societal expectations continuing to shape the needs of our clients and the communities we serve, I am pleased to report we made great strides this year to embed our new three-year strategy within the business. The ‘Maximizing our Impact’ strategy, which we launched in late 2020, has been the catalyst for how we operate, a change that, in my view, is crucial for our future growth and success. In the past twelve months, great efforts have gone into the design and planning of our new operating model, standardizing our processes and the launch per January 2022 of our three Global Business Areas (GBAs) - Resilience, Places and Mobility.

For me, the move to this Global structure marks an exciting new chapter in how we work at Arcadis. It will enable us to bring the best of our collective expertise from all around the world to help benefit our clients across these global business areas and deliver our new strategy. For Arcadians, it will help us to better collaborate across borders and open exciting opportunities for everyone to explore new career paths.

Importantly, the GBAs will allow us to focus on the solutions where we can have the most impact with clients, working alongside our digital products and services business Arcadis Gen to bring forward the best Arcadis has to offer and drive profitable growth. It is the start of a new, evolved Arcadis.

Our ambition to accelerate the transition to a Net Zero world

Tackling climate change is the greatest challenge of our generation and we all need to play our part. At Arcadis, not only do we see this a commercial opportunity but a moral obligation to develop smarter and greener solutions for our clients. I want us to be the leader in our sector; challenging norms, embracing innovation, collaborating with the best and pushing boundaries to solve this challenge.

Profitable growth can be an important catalyst for realizing innovation that drives our business but at Arcadis we do not want to achieve growth at all costs. That is why, in 2021, we have further increased our investment in sustainability.

This is not a new 'call to arms' for Arcadis. We have been supporting our clients by providing pioneering solutions to protect, restore and improve our planet for as long as we have been in existence. Recent awards by environmental, social and governance (ESG) ratings agencies EcoVadis and Sustainalytics – the latter which ranked Arcadis as number one in the 'Construction & Engineering' category, ahead of 290 other companies - prove we are on the right path. However, as a responsible business we need to be more ambitious. We want to play our part in accelerating the transition to a Net Zero world.

We do this through the projects we deliver for our clients, for example in the energy sector, which plays a key role in the transition, as was highlighted this year in our 'Supercharging Net Zero' report. With our skills and expertise, we can support this sector to switch to renewable sources of energy and upscale capacity so that the rest of our global economy can transition away from fossil fuels.

Accelerating the transition to electric vehicles (EV) – along with investing in clean energy and battery technology – is also crucial to cutting emissions. We help public and private sector leaders create and implement EV programs with support for every phase of the journey. Solving challenges from strategy building through to execution has helped us identify what catalyzes EV adoption and successful transitions. We also play our part by providing valuable insights to the market, for example in our 'Global Electric Vehicle Catalyst Index 2021'.

This year, we have also committed to playing an even greater role for our clients through the creation of a global Sustainability Advisory Practice. This practice brings together experts from around the world to projects – no matter where they are – helping to develop comprehensive strategies for our clients. Whether this is creating a blueprint for transport decarbonization in the North of England or providing engineering support for constructing a new wind turbine prototype in the U.S., Arcadians are on hand to provide integrated end-to-end sustainable services and solutions at scale.

Lastly, we also commit to taking carbon reduction measures ourselves. In September, I was delighted to announce our accelerated Net Zero emissions pledge. With pleasure, I now announce we have a target approved by the Science Based Targets initiative as of February 2022. We are taking measures to reduce our carbon footprint, including sourcing 100% of electricity needs through renewables and halving emissions from international travel.

There is clearly no easy fix to urgent issues like the climate crisis, growing inequality and biodiversity loss. As I saw first-hand at COP26 in Glasgow in November, progress can be achieved through international cooperation and a willingness to give and take. We will also maximize our impact through the projects we execute for our clients and will continue to embed the UN Sustainable Development Goals and meaningful social value measures into our projects.

Leading the digital agenda

As we know too well, the pandemic has upended everything – how we work, how we travel and how we respond to changing circumstances. The reliance on technology and data has grown significantly over the last twelve months, and our client's appetite to innovate and digitalize their operation shows no signs of slowing either. At Arcadis, we have been investing heavily in digital skills and empowering our people to create digital solutions to meet our client's greatest challenges.

"Tackling climate change is our generation's greatest challenge and we must all play our part. At Arcadis, we see this as a commercial opportunity and a moral obligation."

In May, Arcadis Gen launched AppliedInsight to do just this. This 'Software as a Service' (SaaS) platform and online marketplace is designed to make advanced asset analytics products available to clients of any size. One such product on the platform is our Water Artificial Intelligence Pipe Predictor. This digital tool can predict water pipe failures, flooding and pollution incidents, resulting in a more reliable supply and handling of water to and from customers.

In the UK, we saw the launch of the Buildings Intelligence digital solution, applied at our new London office, 80Fen. The scalable solution powered by sensors and apps helps to optimize space, reduce energy use and maintenance costs while improving wellbeing and productivity across workspaces. Both examples show that our ability to use data to build valuable insights for our clients, and automate processes, will help set Arcadis apart as a digital frontrunner in our sector.

Looking to the future

Our healthy organic growth, solid margins and a strong balance sheet is a result of our focus on creating a strong and resilient business. But what I am perhaps most proud of, is that during a period of change across Arcadis, our people have continued to deliver excellent work for our clients. This is reflected in our improved client satisfaction feedback and net promoter score, which has increased overall, but also in the fact that we created growth while increasing our backlog at the same time. Both are impressive achievements which showcase our determination and collaborative approach to deliver and innovate for our clients.

With our new strategy fully in place, plus a sustained pipeline of opportunities, driven by increased investments from both public and private sector clients in growth areas such as smart mobility, energy transition and climate adaptation, I am confident in our ability to deliver on our strategic targets.

Lastly, I would like to thank my fellow Arcadians. Through the combined power of more than 29,000 colleagues around the world, we can really add value to our clients, make a positive impact on society and ensure a promising and sustainable future for Arcadis.

I would also like to thank our Supervisory Board and shareholders for their support and counsel throughout 2021 and crucially our clients for their loyalty and encouragement to challenge the norm and develop new solutions to their problems. I salute our ecosystem partners for their digital prowess and creativity.

The year 2021 has been challenging at times but, as a business, we have stayed firmly on track. We have been able to maximize our impact in our projects, driven by our passion to improve quality of life. This has been achieved with the goal of creating a more sustainable world for our clients, our people, and communities firmly at the forefront of all our minds.

On behalf of the Executive Board
Peter Oosterveer, CEO
16 February 2022

“The future success of Arcadis will not be guaranteed unless we continue to build on our achievements and relentlessly innovate and adapt to the changing world around us.”

Chief Executive Officer and Executive Board member
Peter Oosterveer

Chief Financial Officer and Executive Board member
Virginie Duperat-Vergne

“Despite market uncertainties, we further strengthened our balance sheet while we saw our stakeholders expressing appreciation for our progress and leadership in sustainability.”

We are creating a solid base for sustainable growth

Despite the continued challenges presented by COVID-19, Arcadis delivered organic growth with robust operating performance and outstanding cash flow in 2021. The balance sheet was further strengthened by efficient working capital management leading to a net cash position at year-end.

The Supervisory Board applauds and supports the bold steps Arcadis is taking to move to an operating model structured around three Global Business Areas - Resilience, Places and Mobility. We are confident that this new operating structure will allow Arcadis to further leverage the global scale of its expertise and help better serve the changing needs of clients, regardless of where they are located. With sustainability and digital leadership at the heart of everything Arcadis does, it is very well positioned to offer the solutions that deliver positive impact to clients and the- communities we all serve.

The past year has again shown the importance of discipline and focus in creating long-term value for all stakeholders. Thanks to the remarkable dedication, flexibility and resilience demonstrated by Arcadians around the globe, the Company can look back on a strong year and look to the future with confidence.

On behalf of the Supervisory Board
Niek W. Hoek

Priorities for the Supervisory Board in 2021

The Supervisory Board, in coordination with the Executive Board and the Executive Leadership Team, identified and put special emphasis on the following Supervisory Board priorities in 2021:

1. Deliver on the strategy implementation
2. Lead the sustainability agenda
3. Deliver on Capital Markets Day commitments, including:
   - Sustainable solutions
   - Digital leadership, including further advancement of Arcadis Gen
   - Focus and scale
   - Maintain confidence of investor base
   - Create value for all stakeholders
4. Stabilize and improve performance CallisonRTKL
5. Develop M&A strategy
6. Succession planning

Of course, health and safety and the continued impact of COVID-19 on Arcadis, its people and its performance also remained a top priority in 2021.

"2021 was the first year of the implementation of our new strategy, 'Maximizing our Impact'."

Our business
Sustainable and digital are a basis for our work

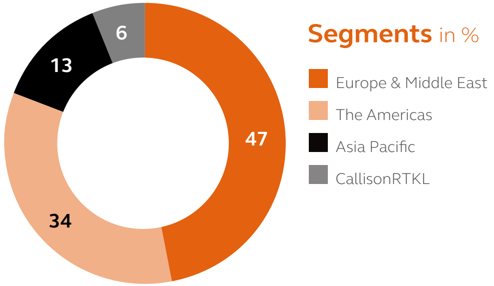
Demand for Arcadis' services is strong as we address some of the world's most pressing issues, among which urbanization, climate change, digitalization and societal expectations. We operate from a position of strength with well-established local positions through which we deliver our global know-how. We integrate sustainability into all our solutions and increasingly, our project delivery includes digital components to drive efficiency and the productive application of big data. These tools help improve end user insight for our clients. Our broad expertise, diverse client roster, full lifecycle capabilities, and strong global footprint form a solid base for the future development of our business.

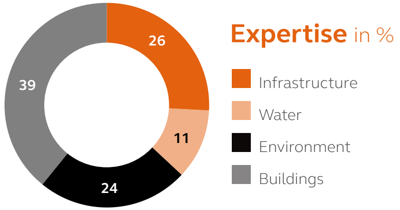
Segments Our diversified portfolio is based on a global presence, with leading positions in Europe, The Americas, Asia Pacific, and through CallisonRTKL. In every location, we pair our deep global market sector knowledge with a strong understanding of local market conditions.

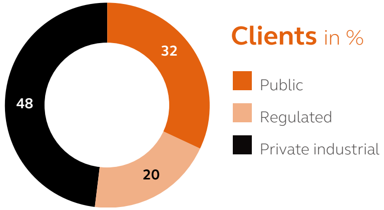
Expertise We have a global reach and a local presence. Combined with our deep market sector insights, our global solutions and collaborative teams we help clients overcome the most complex challenges, wherever they exist. The introduction of our Global Business Areas, further strengthens our ability to apply our knowledge globally.

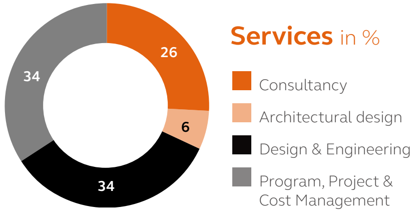
Clients Our clients require partners capable of delivering best-in-class solutions regardless of where they are sourced. We leverage our global expertise, share our knowledge, and create best value-added solutions and technology to serve our public, regulated, and private sector clients to the highest standard.

Services We offer our clients full lifecycle solutions comprising business advisory services, consulting, Program, Project & Cost Management, and Design & Engineering. We often develop client relationships that span the entire lifecycle of their assets. We integrate digital components where possible and use sustainability as a design principle in our approach.









All percentages based on FY '21 net revenue

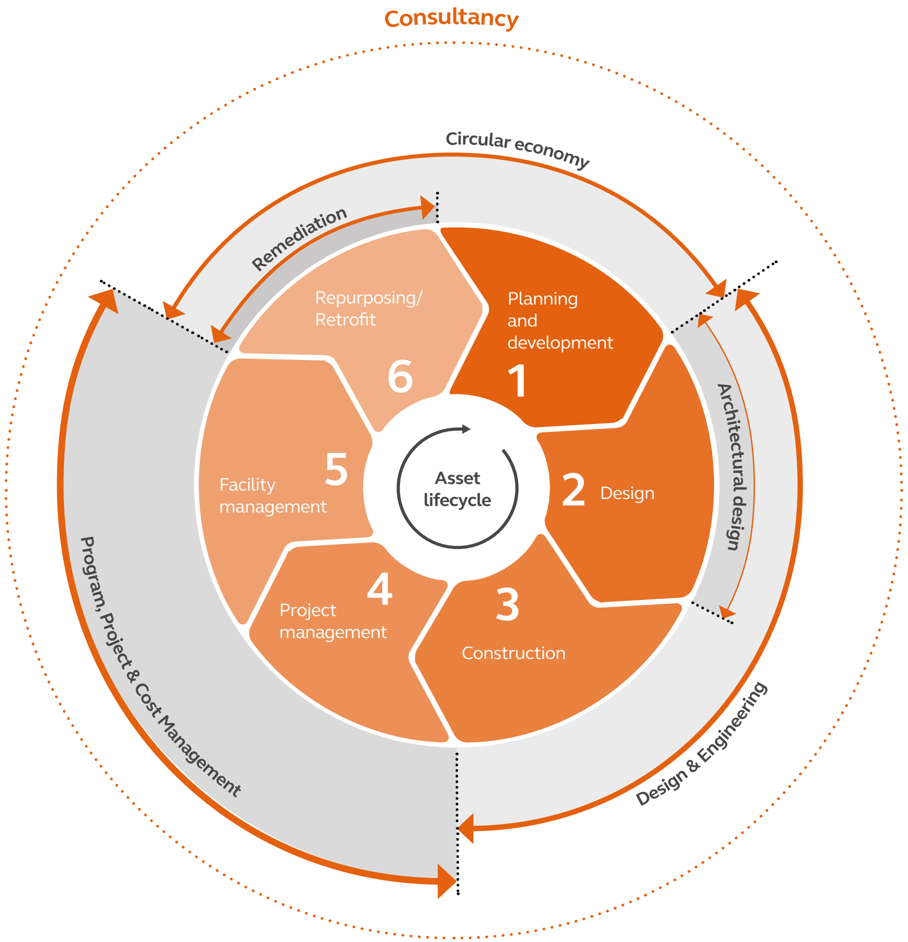
Our position in the industry value chain

Arcadis is a full-service design, engineering, and consultancy organization. Our work spans the entire asset lifecycle. We consult for the full length of projects, assisting clients with their investment programs, rather than just individual projects. These integrated solutions come with inherent advantages, such as prevention of friction losses. Sustainability is integrated into all our solutions to ensure on behalf of clients that they are socially acceptable and environmentally suitable. Digital components are built into our solutions to allow asset performance control from conception to decommissioning and back into redevelopment.

We know our industry sectors well and share that knowledge globally to provide best-in-class sustainable solutions to our clients, wherever they are located. We cover the entire lifecycle but can also add value to clients in each individual phase of projects, working with partners and (sub)contractors to deliver complex projects on time and within budget.

We approach our clients' complex challenges with a carefully chosen combination of deep technical insights, solid business consulting skills, strong management capabilities, digital proficiency, and sustainable prowess. By bringing digital capabilities to projects we provide our clients more creativity and better user experience insights in the conceptual phase of projects, enhanced control during a project's realization, and better insights into an asset's performance during its economic lifespan.

Increasingly, sustainability is a key to getting projects funded or accepted by society. It will bring benefits like a stronger labor market position, business opportunities for new products and services as well as a reduction in risks and better access to capital. Sustainability is therefore a design principle when we develop our solutions for clients. Through our client solutions we are committed to contribute to the sustainable development agenda and have a positive impact on society, the people, and communities we serve.



Value creation How we create and share value

Our business and passion

Arcadis' value creation process aims to maximize the impact of our business processes for all stakeholders. We achieve this through the efficient use of the capital at our disposal. Our overall focus is on long-term value creation.

Inputs using all resources wisely

Human and intellectual capital
Our 29,000 talented and professional people provide expertise, competencies and consulting skills to deliver value for clients throughout the lifecycle of natural and built assets.

Social and relationship capital
Sustainable results are achieved in close collaboration with clients. Success also hinges on good relationships with other key stakeholders, including employees, subcontractors and the communities in which we operate.

Financial capital
Equity and loans help us to invest in the development of our people, and the growth of our business, enabling us to service our local and global clients equally well.

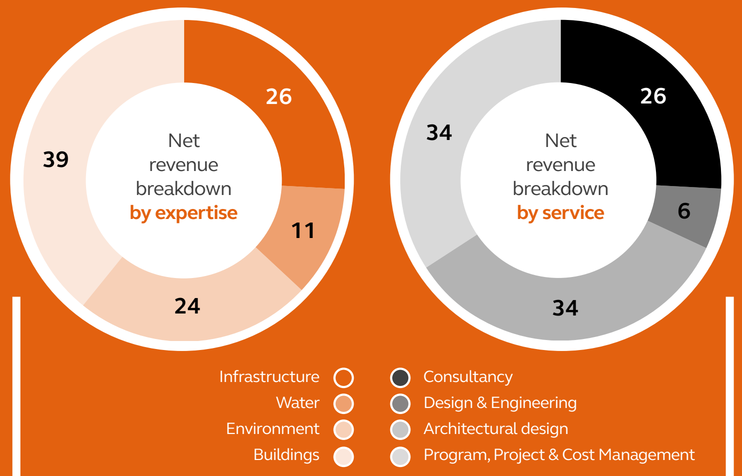
Natural capital
Natural capital is the stock of renewable and non-renewable resources that combine to yield a flow of benefits to people. In our operations and through our services on behalf of clients, we endeavor to reduce the dependence on natural capital by limiting the consumption of energy, paper, water and other natural resources.

Digital capital
We are going through a digital transformation and as a result we develop digital assets which can become replicable digital solutions or platforms for our clients to drive down cost, increase efficiencies and make our solutions more end-user centric.

Value creation process

>>>

We deliver sustainable solutions through four categories of services in four project/expertise areas



Underpinned by

Shared values | The Arcadis Way | Global footprint and expertise | Technological capabilities | Digital skills | Sustainable thinking

Output created per capital

Human and intellectual capital
A growing workforce with improved levels of employee engagement demonstrated by
- Employee Net Promotor Score at +30 (on a scale from -100 to +100)
- Successfully on-boarding of over 6,000 talents in 2021
- Continued investment in training & development for our employees
- Continuous commitment to Diversity & Inclusion leading to maintaining the percentage of women in total workforce
- Continued investments in Health & Safety, also in the home workplace

Social and relationship capital
- High level of client satisfaction demonstrated by approximately 70% repeat clients
- Building on brand awareness in every region through global and local campaigns
- Client experience score of 25 (Net Promoter Score)

Financial capital
We produced an outstanding free cash flow, and healthy backlog growth which combined create a strong financial position
- Operating EBITA margin 9.6% (2020: 9.1%)
- Net debt to EBITDA ratio improvement to 0.8 (2020: 1.3)

Natural capital
Through our projects we assist clients in building a Sustainable future by providing integrated and sustainable solutions. Launched a global Sustainability Advisory Practice to help our clients establish bold sustainability ambitions.
- Advising a growing number of clients on biodiversity improvement strategies
- 78% of revenues related to relevant Sustainable Development Goals (SDGs)

Digital capital
- BIM level 2 implementation up to 78% (2020: 61%)
- Voluntary Expedition DNA Basecamp participation is 19,460 Arcadians or 71% of our global headcount
- Launched the Standardize then Automate program to identify, develop, and reap the benefits from globally aligned processes, definitions, and ways of working

Outcomes for our stakeholders

Employees
Pride, satisfaction and a best place to work:
- Continued support in health and wellbeing for our people
- Voluntary turnover rate increased to 14.9% (2020: 8.7% / 2019: 13.5%)
- Maintained percentage of women in of total workforce at 38% and improved our understanding of other under-represented groups
- Health & Safety indicators well below public industry benchmarks

Clients
- 3.5% organic growth; 4.2% excluding the Middle East signals resilience
- Digital solutions, exploration of new technologies through co-creation
- Client approach via sector programs, core solutions and Global Cities
- Including sustainability in all of our client solutions

Investors
Competitive and sustainable returns:
- Proposed dividend of € 0.70 per share, 36% of the Net income from Operations
- Additional cash dividend of € 0.60 per share
- Return on Net Working Capital of 65%

Civil society
- Assisting clients in dealing with the effects of climate change
- Focusing our Local Sparks global Community Engagement program on COVID-19 recovery
- Continued contribution to relevant Sustainable Development Goals (SDGs) through client solutions

Our passion Improving Quality of Life

At Arcadis, our passion is to improve quality of life through the projects we undertake for our clients. Our global values guide us in everything we do. Our primary aim is long-term value creation for all stakeholders, delivering sustainable solutions to clients, and the communities we serve.

Our values

We differentiate ourselves through our talented, engaged and passionate people, our unique combination of capabilities covering the entire asset lifecycle, our deep market sector insights, our digital proficiency, our sustainable prowess, and our ability to seamlessly integrate health and safety into the design of our solutions around the globe.

People first

We care for each other and create a safe and respectful working environment where our people can grow, perform, and succeed, placing people and their experience at the center of our solutions.

Client success

We are passionate about our clients' success and bring insights, agility, and innovation to co-create value working collaboratively to learn and recognizing our successes are mutual.

Integrity

We always work to the highest professional and ethical standards and establish trust by being open, honest and responsible. We are accountable to ourselves, our clients, the communities we serve and our commitment to sustainable outcomes for future generations.

Sustainability

We base our actions for clients and communities on environmental responsibility and social and economic advancement, ensuring our solutions enhance community inclusion for now, and into the future.

Collaboration

We value the power of diversity and our global capabilities and deliver excellence bringing the very best of our people and solutions to deliver excellence for our clients by working as One Arcadis.

Our behaviors

- We value each other
- We deliver on our promises
- We always bring our best
- We work as One Team
- We dare to shape the future

Our business and passion

Arcadis in perspective

The Arcadis journey Centuries of sustainable contributions

Historical photo fact: in 2014, a ten year renovation project of the new Rotterdam Central Station was completed. The grand design, with one integral roof cover across 18 tracks and a glass cover, impresses the incoming traveler. The iconic station seamlessly connects to the city center.

One Arcadis Brand

Clearly describing what the Arcadis brand stands for enables us to stand out. How we define ourselves is a blueprint for what we do, how we behave, how we communicate, how we design services, products, how we attract talent to Arcadis and how we deliver on every experience our Clients have with our brand. The One Arcadis Brand initiative brings clarity and understanding to why we exist. It is a means of engaging our people and clients. As we focus and scale the business to leverage our global strengths, we have focused on expressing our brand consistently around the world and continue to unify our global presence and storytell around our purpose, Improving Quality of Life.

Our brand strategy amplifies improving quality of life through our passion for planet, and our forward thinking approach in developing new digital tools, solutions and products. We measure success of our brand efforts through brand strength and brand awareness versus our competitive set and also measure effectiveness of our thought leadership program that is closely connected to business opportunities.

Resilience is key

Impact of the COVID-19 pandemic

The COVID-19 pandemic continued to affect our people during 2021. We had to deal with intermittent lockdowns, access limitations to project sites, and travel restrictions. We maintained our COVID-19 global and regional Task Forces to deal effectively with these issues. Their task was to limit the impacts and share experiences and lessons learned of the dangers posed by the virus to our staff and their families, as well as support business continuity and good client relationships despite the difficulties posed upon us by the pandemic.

People first

Protective measures and hygiene instructions were provided throughout our network of offices. We encourage our people to consider to be vaccinated where available. At the same time, non-essential travel was discouraged for much of the year. Meanwhile in many regions governments asked companies to execute work from home, which we followed to the extent possible. We also encouraged our staff to adhere to lock-down limitations or other COVID-19 measures such as wearing face masks, maintaining distance, and basic hygiene discipline. Despite all these precautionary measures, close to 1,200 Arcadians were infected during 2021, often leading to mild symptoms, although we also lost several colleagues due to COVID-19 related illnesses. Self-quarantine protocols were maintained for those employees who became infected during the year. In addition, contact research was performed and people who were in contact with employees while they were contagious were warned.

During the year, we encouraged our managers to look out for possible signs of employee issues because of the work from home situation, or other pressures building because of the health crisis. Employee assistance programs are available across the company to assist staff members with e.g. motivational or other mental health issues.

Strong internal communications programs helped to support employee involvement and alignment with all the steps taken.

Client impacts

Our dialogue with clients in the virtual realm remained effective. Having assisted clients early in the pandemic on resiliency issues, 2021 saw more of a return to business as usual, with a focus shifting back from the pandemic to some of the other global trends affecting our clients, such as climate change, supply chain issues and energy transition. Both governments and private sector clients are picking up investment programs again, creating opportunities for Arcadis. Sector-wise pharmaceutical companies, power clients, and our transportation sector are doing well, the chemical sector and others depending on oil or energy were affected by price hikes. Supply chain disruptions are leading to additional work as some companies are re-shoring production to be less dependent om global goods flows.

Community support

Together with its shareholders KNHM and Lovinklaan Foundation, Arcadis has a community development and support program named Local Sparks. Arcadis employees can suggest projects under this program which will then be funded by the three partners.

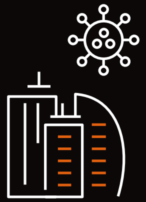
Impact of the COVID-19 pandemic

During 2021 Local Sparks organized a COVID-19 Recovery Program to improve quality of life for communities affected by the COVID-19 pandemic. The program includes ideation workshops and a pandemic recovery-specific Challenge and Accelerator round. This COVID-19 Recovery Program was open to all Arcadians to submit ideas focused on impactful COVID-19 recovery projects in their local communities.

Through the COVID-19 Recovery Program, Arcadis aims to support Arcadians in community recovery efforts that maximize impact in helping to rebuild our communities. In ideation workshops Arcadians came up with an impressive number of quality project submissions, making clear they are eager to rebuild together with their communities.

This past summer, the Local Sparks and Shelter programs organized nine virtual workshops around to the globe to brainstorm about COVID-19 recovery projects. More than 450 Arcadians attended an participated in the interactive brainstorm sessions. The result: 27 project submissions which shows Arcadians' passion and dedication to improve quality of life. After a selection process, the Selection Committee (consisting of the Arcadis ELT and representatives from the Lovinklaan and the KNHM foundation) selected ten projects to be part of the COVID-19 Recovery Program and receive their requested funding.

"Avoiding the dangers while supporting business continuity."



Return to business as usual

+5.1%
Order intake in 2021

+3.5%
Organic net revenue growth

Executive Board report

This Executive Board report describes how we delivered on our strategy in the past year. It shows how we took into consideration our strategic context and operating environment, how we faired in our strategic pillars with corresponding targets. It explains our accomplishments in our operating segments. The Report includes information on Governance & Compliance, and Risk management.

Maximizing Impact: Accelerate ability to meet increasing demand

Impact through:
- Embed as an integral part of all solutions to clients
- Creating resilient and effective assets
- Leveraging global wealth of expertise and skills
- Maximizing the passion of all Arcadians

Impact through:
- Provide expertise where we have a right to play and an opportunity to win
- Leveraging the global scale of asset knowledge
- Focusing on three Global Business Areas of Resilience, Places and Mobility
- Integrating and maximizing Global Excellence Centers

Impact through:
- Provide products and services, building on Arcadis Gen
- Leveraging and expanding digital platforms and capabilities
- Continuing with selected investments in capabilities
- Enabling all Arcadians to further upskill and deliver digitalized services

Our strategy for 2021-2023 – Maximizing Impact

We take very seriously the role of our corporation as a positive force in society. Today, stakeholder interests have converged like never before and as an organization, we are convinced of the necessity to do good and make responsible choices. To value people and enabling personal development. To leverage global experience and act in a socially responsible manner, showing the way in ESG advocacy and leadership. To address climate change, support urbanization and help solve inequality. To deliver sustainable and human centric solutions in an effective and digitalized way. **To improve quality of life and make the world a better place.**

Considering the megatrends that are affecting our clients, shareholders, employees, and society we believe that we can create the greatest positive impact by putting our energy and focus into three key themes: Sustainable solutions, Digital leadership, and Focus & Scale.

These three themes form the basis of our 2021-2023 strategic direction, to maximize our impact in the following ways:

- **Sustainable solutions:** Our first opportunity to maximize impact comes through offering sustainable solutions in all we do, in every project and to articulate clearly how our services tangibly support the Sustainable Development Goals and provide value to society. This also entails making choices, in how we best organize ourselves to do this as well as about clients we serve and projects we support;
- **Digital leadership**: The next opportunity to maximize impact comes from evolving old business models to make use of new digital technologies. Staying ahead of market disruption by transforming our delivery, improving business operations, and helping our clients make smarter decisions that are better for them and for society. We prioritize the investment in technology that empowers and enables our people and leverage Arcadis Gen as a catalyst to grow beyond the traditional consulting business model;
- **Focus & Scale:** And the third opportunity to maximize impact comes from enhancing how we leverage the global scale of our expertise by consolidating into three Global Business Areas: Resilience, Places and Mobility. We will focus where we have a right to play and an opportunity to win. We will share and scale practices from regions that are best in class and identify priority workstreams that can be consistently implemented through the Global Excellence Centers. We will also continue to build on our success with Make Every Project Count program.

Making progress on our Capital Market Day goals with all our people

During 2021, we have focused our efforts on driving towards our strategic goals set for 2021-2023, through the power of three. There is a lot of great work we are doing as 29,000 Arcadians. One of the major efforts we have started this year and will continue in 2022, will be to amplify what we do well, build on that, learn from each other, and reshape the future of our business.

Organizing our people globally in three Global Business Areas (GBAs) and in global functions

We have always heard it directly from our clients, our biggest differentiator is our global scale and ability to deploy our global capabilities and best practices from teams around the world. Over recent years, Arcadis has grown to over 29,000 people. To facilitate our people and clients' access to the best-in-class expertise and capabilities of Arcadis without boundary, we have reorganised our teams within Global Business Areas and global functions. This will enable us to use our scale to maximize our impact.

Our Global Business Areas (GBAs) Resilience, Places and Mobility, effective from 1 January 2022, are now the home of our previous business lines and solutions. Operating within and across these industry-leading organizations provides us with the optimal set up and environment to accelerate our knowledge exchange across markets. Through the GBAs we can better respond at pace to client needs with market leading solutions on a global scale. We will also leverage Arcadis' global scale to build and intentionally focus investments and energy in solutions where we have the right to win, we have an emerging market position, and where the market is rapidly growing.

For our employees, this shift from local to global focus means we will provide greater opportunities for professional and personal growth, and a more **equal and inclusive experience** of Arcadis. Arcadians can look into a broader global field to work in, work on highly visible projects and build a global reputation for solving new and complex challenges across their business areas or functions. They will learn more about sustainability and how we integrate it in our client work, through sustainability by design. They will continue to work more and more with digital tools and products, and innovate around how we create greater value and insights for our clients and citizens.

One shared goal across GBAs is that we consistently look at our clients through a cross GBA lens. We will seek to create joined up outcomes, addressing their and their consumers' needs, rather than single service-based solutions delivered by just one part of the business. As we continue to maximize our impact with clients and our customer focus culture, we have also started looking at optimizing our client experience and standardizing the level of service excellence globally. We have updated our pursuits processes from regional to global and aligned our people accordingly, to ensure we always take a global outlook that brings the best of Arcadis' capabilities to clients and citizens globally.

Globally scaling our best practices, to provide a best-in-class client experience everywhere

To integrate our combined local knowledge and expertise, our ways of working had to be harmonized and standardized. This is critical to ensure our clients everywhere can receive a consistent experience and level of service excellence. To that end, we have started engaging our internal service communities of practice to simplify, optimize and standardize the ways we work around the world. Over time, our clients around the world will take advantage of seamless client delivery, and the same world-class client experience everywhere they work with us.

Therefore, we are rethinking how we create value in our business and for our clients, based on three foundational actions: Assessing our individual and regional approaches, simplifying as needed and optimizing processes, and standardizing on one way of working across all the markets we serve.
As we standardize, we will free up time to engage with our clients in problem solving towards creating greater outcomes. This journey will allow us to raise our standards of service excellence in every area of our business and provide enormous benefits for our clients and our business. Throughout this effort, we will also deliver on our commitment to embed sustainability in everything we do.

Upon completion, we will have built a foundation of common tools, processes and platforms, upon which we can deploy the power of automation and create the digital tools of the future. Standardization then automation will be the cornerstones in our digitalization journey.

Driving efficiency

We recognize that digital is disrupting many of our core services. In some of our core services such as Cost & Commercial Management, Design & Engineering, and Program Management, we are already optimizing our operational efficiency and digitalizing our services so we can run a more sustainable business. Of all the hours we delivered to clients in 2020, a significant part has gone towards repetitive design and engineering tasks that can be simplified, standardized then automated. By doing so, our people could produce higher value work in the time they save. Our confidence in this potential is not theoretical. We already have examples, such as our Dutch and GEC automated rail signal design process, where we have achieved such results.

As we continue to harmonize our tools, processes and approaches, we are building more capacity for innovation and greater value for our clients. Our Cost & Commercial Managers will have more time to interpret data and bring meaningful insights to clients. Our designers and engineers will be able to choose from multiple, digitally generated designs to optimize energy efficiency, reduce carbon emissions, and drive Net Zero goals. Our project managers will have real-time insight into the performance of their project, allowing them to proactively respond to challenges to ensure successful project delivery.

Our large global clients expect us to standardize and deliver a consistent service and seamless delivery, everywhere they work with us. For one technology client where we run more than 25 projects globally in more than ten regions, delivering their business outcomes was only possible by standardizing our own design processes and creating digital models. By saving time on repeating standard design processes, we focused instead on more challenging problems such as optimizing the digital models and ensuring they are sustainable.

Offering an consistent global experience of Arcadis, for all Arcadians working in our business services
We will always aim to be an employer of choice. The world wide 'war for talent' makes it even more relevant for us too to find the skills that we need to deliver for our clients, and grow as a business. Just as in our business areas and operations, in our business services we are also taking additional steps to make sure our people are given new opportunities and develop their careers with us, to the best of their abilities.

Our intention is that over time, our people in business services will have to do less repetitive work, and benefit can be diverted to a richer and more digital experience. We will offer more engaging careers with Arcadis, by standardizing and automating basic processes so people's attention and time can be allotted to the more interesting aspects of their roles. We will also be investing in strategic workforce planning, to give our people the capabilities and skills we need for the future.

Having people who understand local clients, local laws, and local cultures will always remain important. Employees will continue to provide local client and people experiences, while being aligned globally on ways of working, the same systems and processes. In the future, colleagues will have broader opportunities to grow, more 'global' roles allowing them to do any role and be based anywhere as they work for Arcadis. We will also become a more efficient and harmonized business in the process.

Standardizing then automating tasks creates consistency of output and opportunities to better address business needs, while reducing inefficiencies and variances. In recent years, we have laid the foundations of standardization and Digital leadership in many of our business services. For example, in aligning our regional pursuits and sales enablement teams, we have created a streamlined approach resulting in a seamless and better experience for our clients and people. Currently, we are piloting projects that reconsider the ways we perform invoicing and many of our procurement processes. By streamlining now and then automating those processes in the future, we will produce efficiencies and time savings.

Our strategy for 2021-2023

Introducing the business areas

Arcadis during 2021 prepared the implementation of three Global Business Areas: Resilience, Places and Mobility and will govern its business through these areas from 2022 onwards. Doing so will accelerate our ability to address client needs resulting from mega trends.

For clients, this change optimizes access to our global skills, capabilities, and experience, allowing best-in-class solution development, as well as efficient service and product delivery. It creates more focus throughout Arcadis on where we have a right to play and an opportunity to win. It provides an increased opportunity to standardize, automate and digitalize, and allows for performance improvement.

We will continue company-wide improvement programs that provide upside potential such as the ‘Make Every Project Count’ program, the Global Excellence Centers and Key Client Program and the Workplace/Workstyle programs. In 2021 we added the Standardization then Automation program to reap further benefits.

Resilience

Protecting our environment and water resources, and powering our world for future generations

Key solutions
- Climate adaptation
- Energy transition
- Water optimization
- Environmental restoration
- Sustainable operations
- Enviro-socio permitting
- Sustainability advisory

Places

Creating and managing sustainable places where people live, work and thrive

Key solutions
- Net Zero Facilities & Sustainable Communities
- Industry facilities of the future
- Future workplace
- Integrated Services
- Places Digital Products & Platform

Mobility

Design of thriving and connected cities and communities

Key solutions
- Connected highways
- Integrated airports
- Intelligent rail and transit
- New mobility
- Resilient port infrastructure

Our strategy for 2021-2023

Impact through:

Resilience

Heather Polinsky
Global President Resilience

We define Resilience as our ability to protect, adapt and improve our natural environment and water resources, while sustainably powering our world for future generations. The result: stronger communities, a healthier planet, and improved quality of life.

Around the world, we're feeling the effects of climate change, rapid urbanization, loss of biodiversity and a widening social inequality gap. Unforeseen natural events such as floods and wildfires are becoming more frequent. Global warming has made downpours in Northern Europe up to 20% heavier, and research shows that heatwaves in North America were made 150 times more likely by climate change.

With urban population projected to increase to 68 percent of the world's population by 2050, the pressure on our natural resources is now more than ever. We need to help our clients be more sustainable, make our cities more resilient and livable, all while protecting our planet. This requires an all-encompassing approach that also addresses energy systems, infrastructure, access to clean air and a reliable water supply. With the UN's report calling it a 'code red for humanity', it's clear we need to act now.

As Arcadis, we can make the biggest difference by enabling governments and industries to achieve their sustainability ambitions in the areas of both adaptation and mitigation, improving quality of life in the communities we operate in. In New York, for example, we've been supporting the city in developing a blueprint to strengthen the shoreline around Manhattan and protect 62,000 residents against rising sea levels.

In Resilience, we're focused on becoming the go-to company for sustainable outcomes.

Our strategy and organization are centered around:

- Understanding the mega trends and our client needs, we're addressing these challenges through a unified, global approach to leveraging our climate, energy, water and environmental expertise;
- Providing a consistent experience for our key clients globally, regardless of location and size, particularly in our key sectors: Energy & Resources, Chemical & Life Sciences, Industrial & Manufacturing, Contractors and Local / Federal Governments;
- Investing in areas where we know we can make the most difference as 'proven pioneers':
  - Energy transition
  - Leveraging U.S. remediation expertise to expand our business in Europe and Brazil
  - Climate resilience in Europe (especially UK, Netherlands), Asia and the U.S.
  - Globally organizing our growing Sustainability Advisory Practice to support our clients' sustainability journey and ambitions;
- Focusing on standardizing our priority services and solutions – automating and scaling these so we can deliver global solutions, for example, digitally enabled water services;
- Embedding sustainability throughout our solutions and supporting Places and Mobility – providing clients with strategic advice and the

license to operate; and creating sustainable cities through solutions like energy transition and climate adaptation;

- Strengthening our service delivery throughout the asset lifecycle by globally transforming – across Asset management; Design & Engineering; Program management; Digital advisory; Transformation advisory; Environmental services; and Sustainability advisory.

Resilience solutions

- **Climate resilience:** Ensuring our communities continue to thrive in the face of climate uncertainty by providing services in water management, flood protection, urban heat and water, ports and wildfires;
- **Energy transition:** Reducing global warming by transitioning towards low-carbon and renewable sources of energy across utilities, urban areas and future entrants, considering energy transmission, distribution and storage;
- **Water optimization:** Supporting public and private clients to manage water resources in a sustainable way so it's 'fit for future', offering a full breadth of services throughout the entire water cycle;
- **Environmental restoration:** Restoring the environment with specialized expertise in global portfolio execution and emerging contaminants (e.g. PFAS), using our cutting-edge science & technology at all stages – from site characterization and cleanup to closure and redevelopment;
- **Sustainable operations:** Ensuring safe, reliable, compliant and sustainable operations, supported by data driven insights and digital tools to manage operational risks, enable business continuity and meet social and environmental needs for future generations;
- **Enviro-socio permitting:** Providing a license to operate by ensuring that capital projects and the use of resources are protective of the environment, and focus on embedding and upscaling equity in alignment with societal needs;
- **Sustainability advisory:** Enabling sustainability ambitions by front end environmental, social, and governance advisory services for strategy, operations, products, reporting and supply chain.

"Building Resilience in our cities and communities is the 'need of the hour'. To create healthier lives, thriving nature… a more resilient future. We have the ambition, passion and expertise to lead our industry's transition to a 1.5°C world – through solutions that protect, adapt and improve our planet's resources."

Heather Polinsky Global President Resilience

Powering future generations

Energy transition

The energy sector accounts for over two-thirds of global greenhouse gas emissions (GHGs), directly impacting (man-made) climate change. To speed up the transition to a 1.5°C world, the global energy sector must be at the forefront. Every other sector, including transport and industry, is dependent on a decarbonized grid to achieve their own Net Zero goals.

In the automotive sector, for instance, many Original Equipment Manufacturers (OEMs) are transitioning to 100% Electric Vehicles (EVs). This requires 'electrification' of our energy sources, with a quick shift in supply to match demand. And, as many 'energy' companies are looking at switching to produce green, renewable energy, solar will likely be the main source of electricity followed by wind. However, **wind energy** technology is still complex, with investments in innovation required to ensure high-performance, cost-effectiveness and stability.

With a growing urban population, if urban energy systems cannot keep up with the rising demand and generation of renewable energy it will become a showstopper. This is where we come in. We are helping clients find ways to better connect offshore energy farms to meet the demand in cities. We know this requires transformation throughout the supply chain including diversification to support **new energy infrastructure**, fast and now. According to Net Zero Europe, about half the investment needed to support energy transition, such as this, does not have a positive business case. This requires both governments and businesses to work together. We have the expertise to facilitate conversations needed to ensure the massive investments involved, and enable planning and permitting across power generation, transmission, storage, distribution and local networks.

The Netherlands, for example, is looking at accelerating its transition to a sustainable, reliable, and affordable energy supply. To support this, we're working with the Dutch government and grid operator TenneT, supervising the permit applications, overseeing the environmental impact assessment (MER), and conducting research into the connection of wind farms along the coast to the onshore high-voltage grid. Once completed, this will help realize 11.5 GW of offshore wind energy by 2030, powering 8.5% of the country's total future energy supply.

"To reach Net Zero and limit warming to 1.5 degrees, the global energy sector needs to halve emissions this decade and €6 trillion – approximately 7% of global GDP – in investments will be required to realize this ambitious transition"

Carolien Gehrels Global Solutions Director, Energy Transition

Wind Turbine Prototype Build

Transitioning to renewable energy

Resilience

"The global pandemic magnified the design and construction challenges associated with building a prototype wind turbine. However, our team was dedicated to finding solutions for safe and successful construction."

Shane Gernand | Project Manager at Arcadis

Homes capable of being powered each year by the future turbines

100,000

How we are different

Geotechnical expertise, flexible project delivery partner.

Impact

Assist the world's transition to renewable energy.

The Challenge →

Capturing the energy from wind is a powerful tool to realize our society's energy transition goals. But before we can source energy from a field of wind turbines, we need to perfect the prototype. A renewable energy company was ready to bring their latest wind turbine design to life. Looking for an experienced engineering partner to design and construct the infrastructure required to build the prototype, the company selected Arcadis to lead the engineering, procurement and construction (EPC) of this latest project.

The Solution →

Our team of experts immediately set to work, planning and coordinating project logistics as the lead EPC firm on this wind turbine prototype. The foundation of the structure was a critical component. It was imperative to design proper roads, turbine pads and crane pads to account for the heavy equipment loads and massive crane operations. Cranes needed to lift equipment that weighed as much as 100 tons, which demanded strong geotechnical expertise and civil design to ensure that wind turbine components were delivered securely and that the cranes performing the lifts had a stable operational foundation based on solid understanding of the soil mechanics. In addition to providing technical expertise on permitting, civil design, electrical design, civil construction and construction management, we had to be flexible, responsive and timely in order to deliver the project under uniquely challenging conditions.

The Impact →

The wind turbine prototype will now operate under a two-year testing period to collect data and analyze the design while generating power for local communities. Once the study is complete, the wind turbine will be added to the organization's collection of top-of-the-line wind turbines. Perfecting the designs with prototypes like these will help our client fulfill its mission to power our world for future generations with affordable, reliable and sustainable energy.

Impact through:

Our strategy for 2021-2023

Places

Mark Cowlard
Global President Places

Shaping and supporting the sustainable places where people live, work and thrive.

Our ambition is to create smart, sustainable and safe places for owners, users, communities and visitors. We'll meet this ambition by delivering innovative future-facing services solutions and products, designed to consider the whole life of the asset.

COP26 has sounded a global alarm to our climate emergency, and with Governments and industries alert to its call, we are ready to respond. Whether retrofitting existing places to support Net Zero targets or designing new places, we have the skills, expertise, passion and solutions to partner with clients to deliver on their and their consumers' ambitions and aspirations.

Projects such as the **Casino Venlo** in the Netherlands exemplify the art of the possible in sustainable design. Using biomimicry to harness solar energy, we created a breathable façade, used rainwater to naturally support the building's cooling and leveraged smart digital tools and real-time data to feed its 'electric brain'. The result is a building that can adjust its energy, water and air consumption to efficiently cater for its users.

Across the world, our cities are under increasing pressure to meet population growth, with citizens demanding more connected, inclusive, sustainable and digitally-enabled spaces. Our partnership with **Bristol City Council** in the UK is an example of this. We will support the Council's development plan to grow a healthier, inclusive and more sustainable city, revitalising Places for all residents, businesses and visitors.

Digitalization and the proliferation of data provide new opportunities and challenges for asset investors, owners and users. Optimizing performance across a diverse range of parameters – such as sustainability, productivity and spend optimisation – we have harnessed the power of data to drive insights. This digitally-enabled delivery has seen us support a **global retail banking client** to manage governance and control across their 8,000-site portfolio managing an average spend of around $500million.

Progressing strategy and organization

- Understanding market trends and common client pain points, our structure enables us to bring the best of Arcadis, wherever there is need, unlocking our global potential and widening access to best practices and expertise;
- We follow our key clients globally, regardless of footprint, particularly in our Global Market Sectors: Technology, Industrial Manufacturing, and Property & Investment;
- We are investing in our Seamless Delivery Portfolio, providing improved connectivity, speed and efficiency across our global program to create an exemplar experience for our clients;
- Acceleration of our service transformation will enable us to focus and scale digital innovation more consistently across our countries.

Strategic priorities selected

These strategic priorities for Places will support us in delivering our ambitions.

- **Digital products** – Our LifeCycle Think and PlaceTech solutions will focus on utilising data to provide insight to clients across the whole life of the asset in a more intelligent and intuitive way;
- **Service excellence** – Growing our core, we continue to invest in the global transformation and delivery of Program & Cost Management and Design & Engineering services;
- **Seamless delivery** – Continued focus on our global delivery programs will continue to drive an exceptional 'One Arcadis' experience for our clients;
- **Our people** – Leveraging our talent, diversity and culture, we're engaging and inspiring our people with our Places vision and building collective expertise for our clients;
- **Collaboration and ecosystems** – Working collaboratively with other Global Business Areas, CallisonRTKL, Arcadis Gen and ecosystem partners we are maximizing impact for our clients and our business. The business area will bring together approximately 11,000 people and work closely with the renowned global design and architecture practice, CallisonRTKL, to develop innovative, future-facing solutions to support the asset lifecycle of the places in which we live, work, play, learn, and the transport hubs critical to keep the world moving;
- **Embedded sustainability** – We embed sustainability in everything we do. With our heritage and scale, we see this being our key differentiator in the market, supporting our passion to improve quality of life.

Global priority solutions:

- Net Zero Facilities & Sustainable Communities – Working with clients to strategize, plan and deliver Net Zero facilities and property portfolios;
- Industry facilities of the future – Linking exceptional service and digital tools to deliver CAPEX programmes with speed and certainty of outcome;
- Future workplace – Improving employee experience and productivity through creating connected and human centric spaces;
- Integrated Services – The high quality, digitally enabled delivery of our core services Program & Cost Management and Design & Engineering in an integrated way;
- Places Digital Products & Platform – LifeCycle Think and Place Tech will leverage data, enabling smarter decision making across the asset lifecycle.

"The demands on Places are constantly evolving, and whilst focus on financial and operational impact remains, with buildings generating up to 40% of annual global greenhouse gas emissions, the focus on environmental impact has never been more prevalent."

Mark Cowlard Global President Places

Understanding the lifecycle of places

Net Zero

COP26 succeeded in putting Climate Change into the global spotlight. Academics, governments, industries, investors and households have all discussed, debated and committed to positive change. Societal expectations have never been higher.

Back at COP21, 196 parties signed up to the Paris Agreement – a legally-binding international treaty on Climate Change – laying bare some of the fundamental challenges we must meet, such as the ambition to limit global warming to 1.5 degrees Celsius. To achieve this, we must work together to consider our role in reducing greenhouse gas emissions from places to achieve Net Zero across all activities in the urban development, building and construction system. We must challenge, change and adapt, embracing the wider adoption of circular economy principles, the energy transition and nature-based solutions.

To meet Net Zero, or even Carbon Negative, every effort must be made to make all places sustainable. We must tackle 'operational carbon' – the collective CO_2 emissions produced for a place to function – sustainable design is pivotal to this. Energy reduction, smart (sensor) technologies, embracing biomimicry, these can all contribute – whether on a single building or whole cities, our solutions must be scaled accordingly. Understanding the whole lifecycle of the asset, we must also account for 'embodied carbon', the CO_2 emissions associated with materials and construction. This is where we must take a holistic approach to create integrated designs with high efficiency and biobased materials at all phases of a project. We should embrace circular economy principles, working across the supply chain to understand availability and scarcity of materials, the reuse and repurposing of assets, and work together to identify local solutions to build the component parts of our future sustainable cities.

Legislation and regulations are becoming stricter. Right now, in the Netherlands, natural gas connections are prohibited for new buildings. In the UK, as part of the Future Homes and Buildings Standard, all new buildings must be 'Net Zero ready' from 2025. In the U.S., a 50% carbon reduction – based on the 2005 baseline – is due by 2030, supported by efficiency upgrades, electrification, and adoption of modern energy codes for new buildings.

This is the decade of action and Arcadis' role is to work with clients and ecosystem partners to plan smart and strategic interventions that both predict and measure positive environmental impacts and gains. We must bring coherency through our core capabilities and Digital leadership – from urban planning and sustainability assessment tools to digital twins and AI.

> "This is the decade of action and Arcadis' colllaborates with clients and ecosystem partners to create smart and strategic tools to predict and measure positive environmental impacts and gains."

Marjolijn Versteegden Global Solutions Director for Net Zero Facilities and Sustainable Communities

This is happening now. We are pioneering our digitally-enabled 'Building Intelligence' solution to reduce carbon in our own state-of-the-art office in London, UK. We are supporting business cases for carbon reduction, cutting 110,000 tons of CO_2 emissions and unlocking $150m of green financing across 30 hectares of warehousing and distribution centers in Sydney, Australia. We are embracing nature-based solutions, using fresh cow's milk to heat a dairy campus in the Netherlands.

To maximize impact, we will continue to develop our state-of-the-art solutions for Net Zero real estate, Net Zero industries, sustainable cities and districts and sustainable mobility hubs. Meeting this challenge together, our aim is to not only create places that are fit for the future, but also ensure the future is fit for generations to come.

Restoration City Hall Roeselare

Highly sustainable and digital design

Places

"In this renovated and new-build administrative heart, historical heritage and digital technologies perfectly intertwine."

Tim Schollaert | Project Leader Arcadis

Energy cost reduction

70%

How we are different

Digital from start to end, next level sustainable and energy efficient design with BREEAM Excellent sustainability certification.

Impact

An easily accessible town hall for everyone, embracing the historical character of the building.

The Challenge →

The City of Roeselare wants an innovative city hall that scores highly on sustainability. The rich history of the old town hall, the belfry and the surrounding heritage buildings must seamlessly integrate into the new design.

The Solution →

Arcadis provides expertise on stability, building techniques, energy performance, sustainability and Building Information Modeling (BIM). We steer the town hall to an 'Excellent' BREEAM sustainability certification, a label for buildings with minimal environmental impact. The new parts will be entirely constructed in wood and the site will be connected to a heating network that will both heat and cool the building. With all these modifications, the energy costs for water, gas and electricity will drop by 70%. This project is also a digital feat. The current city hall site, which over the years has become a cluttered jumble of different buildings, will be completely digitally mapped via 3D scans, Building Information Modeling (BIM) and a Digital Twin. Furthermore, a well thought out mobility plan will guarantee smooth accessibility for cyclists and pedestrians. We foresee charging stations for electric bicycles, parking for shared bicycles and good accessibility by public transport.

The Impact →

The outdated town hall makes way for a sustainable and accessible administrative city center that embraces its historical elements. Thanks to its smart design and integration of various sustainability features, the town hall of Roeselare will be the most sustainable town hall in Flanders, reopening its doors in 2024.

Impact through:

Our strategy for 2021-2023

Mobility

Greg Steele
Global President Mobility

Mobility enables opportunity for all, and ensures the world keeps moving.

Climate change, urbanization and population growth are trends that require the mobility sector to find new solutions and approaches. By 2050, demand for passenger and freight transport is projected to more than double. Meeting these challenges along with Net Zero carbon commitments result in a forecast that almost doubles green capex infrastructure spend across the globe, to US$6t per annum over the next decade.

There is need for safe, sustainable and efficient mobility solutions. Our ambition is to partner with our clients to design thriving and connected cities and communities around the world.

Global mobility solutions to improve quality of life

- **Connected highways** –In working with our clients across the globe and considering technology innovations like connected, autonomous and electric vehicles, we rethink how highway infrastructure is designed, built, operated and maintained so future demand can be met. Our teams harness digital advances to create sustainable, data-led, assured and connected highway solutions;
- **Integrated airports** – Building the Net Zero carbon and customer-centric airports of tomorrow starts by changing how we think. Our teams leverage best practices from around the world to deliver sustainable solutions for airport owners and operators, multi-modal hubs, aerotropolis developments, passenger terminal transformations, and post-pandemic recovery;
- **Intelligent rail and transit** – With passenger and freight demand predicted to double by 2050 and commitments to Net Zero carbon, rail and transit is the preferred modal choice for many countries. Arcadis' intelligent rail and transit solutions harness our global experts to deliver cost-effective, safe and sustainable mobility and logistics throughout the life cycle of rail and transit assets;
- **New mobility** – Mobility options and technology are flourishing. These must be optimized, connected and sustainable to best meet the current and future needs of people and a Net Zero carbon world. From first and last mile challenges to hydrogen and electric vehicles, our new mobility solutions deliver results using the most advanced technologies and digital solutions from around the globe;
- **Resilient port infrastructure** – Ports are critical to the global economy, serving as both trade and population centers. The impacts of climate change make ports particularly vulnerable, requiring special attention in this regard. Our resilient port infrastructure solutions are built on strong foundations developed from our Dutch heritage. In partnering with some of the largest port owner and operators around the world, our teams provide digitally enabled, practical solutions in port technology, transport logistics, energy transition and decarbonization.

Mobility's strategic priorities

- Assured and data-led program management and design and engineering applied through a holistic systems approach;
- Enable organizations and communities to achieve Net Zero carbon by 2050;
- Serve as a leading ecosystem partner for mobility and asset management systems;
- Build upon Arcadis' global rail and transit expertise.

Bringing sustainable mobility projects to life

Sustainable digital mobility technologies are central to Arcadis' work on the Funkturn motorway junction project in Berlin, Germany. Arcadis is implementing a digital design process for the project, using Building Information Modeling, 3D modeling and data management. A digital twin was created, allowing for simulation and analysis of the dynamic behavior of a real transport infrastructure, including its technical facilities. The thorough and integrated digitization focus has laid the groundwork for maximum efficiency through the entire lifecycle of the mobility asset.

Sustainable digital mobility technologies are central to an upcoming eight-year contract with the Province of North Holland, Netherlands. Through a joint venture, Arcadis will help manage North Holland's traffic control, improving the overall traffic flow and safety through the use of data-driven tools and initiatives. The project will feature trigger-based traffic management and smart mobility tools, including the ability to measure CO_2 levels and adjust traffic routes if levels become elevated.

Smart mobility advancements are also shaping projects. As the Louisiana (U.S.) Department of Transportation and Development (LADOTD) tracked the evolution of connected and autonomous vehicles (CAV), leaders recognized their potential for streamlining traffic flow and enhancing traffic safety. The agency had a vision to implement Intelligent Transportation System (ITS) architecture and CAV technology to give every motorist – commuters, freight delivery from ports, interstate drivers, bicyclists, pedestrians and travelers – safer, smoother trips throughout the state. Arcadis partnered with LADOTD to advise on a CAV strategy and roadmap to integrate CAV technology into Louisiana's existing infrastructure.

"Smart solutions and societal trends have primed the mobility sector for a Net Zero carbon transition. We will serve as a green enabler, helping our clients and their communities to achieve Net Zero carbon by 2050 or earlier."

Greg Steele Global President Mobility

Mobility must lead the way on the road to Net Zero

New Mobility

Expanding urbanization and climate change pose many challenges across the globe, especially when examined through the lens of mobility. Yet these same challenges present an immense opportunity for transport and mobility sectors to accelerate the pace of change and lead the way toward a Net Zero future.

The recent COP26 Transport Day focused on a variety of mobility-related topics, with electric vehicles (EVs) garnering a lot of attention. The event culminated with the Glasgow Declaration on Accelerating the Transition to 100% Zero Emission Cars and Vans. The declaration – which was signed by over 100 national governments, cities, states and major businesses – also calls for the removal of inefficient subsidies for oil, gas and coal.

That same day Arcadis released its Global EV Catalyst Index, a new report assessing how 12 countries and two U.S. states are progressing on EV adoption. We have delivered thousands of EV charge points in UK, U.S., Germany, Australia, Singapore and many other countries, and in implementing these projects our teams have identified key catalysts for EV transition. Our report found that new policies and stricter environmental regulations are some of the strongest catalysts for global EV adoption and implementation.

While policies and incentives are playing a key role in catalyzing EV adoption, people's changing travel behaviors and the financial impacts of the pandemic on transit agencies are reshaping what mobility looks like around the globe. Arcadis is working with cities and organizations as they continue to pivot their mobility strategies, sharing the best practices in operation and business models across the globe.

We have been helping the city of Lyon, France to monitor the metropolitan area's mobility and transport trends before, during and post-pandemic. Using a data-driven process we created a dashboard that provides the city with weekly data on modes of transportation being used, congestion trends and other key data insights to help form the basis for mobility investments and decision-making.

"A global shared vision for sustainable mobility is finally taking shape. While the actions will take years to happen, societal mindsets and expectations around mobility are shifting and the result will be a more equitable, connected journey."

Yuan Shi Global Solution Director for New Mobility

New concepts and innovations continue to disrupt how mobility is envisioned, perhaps none more so than the 15-minute city and its variants. This is an urban concept where travel demand is reduced to the point where most daily necessities and activities can be accomplished within a 15-minute journey from residents' homes using public transit, walking or cycling – or a combination thereof. Arcadis has helped Los Angeles, California, as well as Parramatta City and Northern Beaches in Australia to create more walking and biking space to allow citizens to safely enjoy the benefits of active mobility.

Sustainable mobility can transform and improve quality of life and is critical as a 1.5-degree enabler. But there is no quick fix to reach mobility's Net Zero future. EVs, government policies, digital innovation, and societal behavior changes are all singular examples of the numerous necessary enablers for a green mobility future.

Arturo Merino Benitez Airport

Enhancing the traveller experience

Mobility

"At Arcadis we are proud to be part of this project that will define the guidelines for the air transportation in Chile during the next 50 years, transforming the AMB Airport of Santiago into a benchmark in the region through a sustainable vision."

Nelson Moreno | Principal Engineer at Arcadis

Increase in capacity

300%

How we are different

Measure the impact of climate change in airport infrastructure and implement new technologies.

Impact

Delivering quality and a good travel experience to the passengers, in addition to a long-term and sustainable vision of principal Airport of Chile.

The Challenge →

Due to the unexpected growth of passenger demand at Santiago's Arturo Merino Benitez Airport (AMB) during the last 10 years, the Directorate of Airports of the Chilean Ministry of Public Works has commissioned Arcadis to develop the Airport Master Plan Update. The technical team of Arcadis Chile proposed different design alternatives for the masterplan update, with the purpose of developing infrastructure and land expropriations for the Airport expansion, without intervening or affecting the airport operations during its construction process.

The Solution →

The aim of Arcadis Chile is to support the client in making decisions on the infrastructure requirements, enabling AMB Airport to meet the forecasted passenger demand during the development of this study. We formed a multidisciplinary team that included airspace specialists, airport architects, air cargo specialists, road experts, appraisal and expropriation experts, geomatics and environmental experts. The Chilean team worked together with airport consultants from Arcadis UK, who contributed with their experience in creating Master Plans for main Airports in Europe, America and Asia. The preliminary results of the study have determined a quickly recovery of passenger demand and a significant growth in the following years, which will triple the current demand by 2045.

The Impact →

The new infrastructure will facilitate the increase in passengers from 16 to 30 million per year. The current terminal will be refurbished and will operate only for domestic flights. The work includes the expropriation of 1,500 hectares for airport use, which implies a significant environmental impact. Arcadis has therefore proposed sustainability features that were initially not in scope with the client, aligning the study with the UN's Sustainable Development Goals. These include the use of energy solutions such as green hydrogen, geothermal and solar energy. Measures to make the airport fully carbon neutral have also been suggested, as well as the implementation of electromobility options in the Master Plan.

Financial Framework and Capital Allocation

Megatrends like urbanization, climate change, greater digitalization and growing societal expectations are continuing to shape the needs of our clients and the communities we serve. It is crucial Arcadis adapts to meet these changing trends and needs. Since the launch of our strategy in late 2020, we have made great strides to embed these needs within the business.

The world of tomorrow can be so much better than today. Mitigating and reducing the impact of climate change to enable healthier lives, thriving nature, effortless transport and more enjoyable places. With policymakers rightly focused on `building back better' and a green recovery, we have the ambition, deep industry knowledge and now a focused global operating structure in place to make this a reality and help create a more resilient and sustainable future.

Operating EBITA margin target: >10%

Arcadis has set a target to achieve an operating EBITA margin of more than 10%. It seeks to achieve this through a combination of organic growth and operational efficiencies. The expected organic growth will be mid-single digit to be achieved by growing client demand in our end markets and continued successful delivery of our Key Client Program. In addition, we will further enhance our value proposition with sustainable solutions, globally leveraged and more digitized.

Operational efficiencies are to be derived from moving full speed to achieve return from ‘Make Every Project Count’ program and benefit from geographic footprint refocus. In addition, a further increase in GEC utilization and use of this capability to streamline work processes and quality across the Organization. Then, we want to simplify the organization and embed structural cost savings (‘new normal’) including a 30% office cost reduction by 2023, while achieving our carbon neutrality commitment. Combined with a continued focus on efficient working capital management and cash flow, the above steps should yield sustainable cash generation.

Capital Allocation

Our aim is to create sustainable value creation by investing in the capabilities of our people and digital solutions. In addition we created the room to do bold-on to medium sized acquisitions. Thanks to the strong cash generation in the last two years we are no in the position to look after acquisitions aligned with our strategic priorities that can strengthen our market position. It's our objective to stay with our net debt to EBITDA ratio between 1.5 and 2.5. We will also consider additional shareholder returns when we are sustainable below 1.5.

Maximizing Impact: Strategy 2021-2023

Our strategy for 2021-2023

Financial targets

Organic net revenue growth
Mid-single digit

Margin
Operating EBITA margin >10%

Net Working Capital & DSO
NWC <15% of gross revenues / DSO <75 days

Return on Net Working Capital
Operating EBITA / Net Working Capital: 40-50%

Return to shareholders
- Dividend: 30-40% of Net Income from Operations
- No dilution
- Additional returns when appropriate
- Net debt/EBITDA between 1.0 and 2.0

Non-financial targets

Voluntary staff turnover
<10%

Staff engagement
Improving annually

Brand
Top 3 Brand Strength Index

Diversity
Women in total workforce >40%

Carbon footprint
- Reduce emissions aligned with a 1.5°C science-based target before 2035
- In line with our Net Zero journey investing in high quality, certified abatement and compensation programs from 2020

Strategic context. The world in which we operate

Global trends in our operating environment, what our stakeholders tell us, the Sustainable Development Goals, and our competitive landscape are all important inputs for our renewed strategy, which consist of three strategic pillars.

Our operating environment

Mega trends
- Urbanization
- Climate change
- Digitalization
- Societal expectations

Stakeholder dialogue
- Employees
- Clients
- Suppliers
- Civil society
- Investors

SDGs relevant for Arcadis[1]

Competitive landscape
- Changing client patterns
- Shift to digital
- Industry consolidation
- Scarcity of qualified people

Strategic messages

Sustainable business practices are inherently superior and create value across stakeholders.

We create positive disruption, using digital technology to develop and engage our people and partners to innovate towards end users and client's needs.

We make careful choices where to compete, applying our capabilities and skills to deliver growth and margin improvement.

Strategic pillars

Sustainable solutions

Digital leadership

Focus & Scale

[1] More information on the Sustainable Development Goals relevant to Arcadis can be found on pages 47 through 49

Mega trends that impact our clients and drive our markets

Strategic context

The four key global mega trends highlighted below are shaping our world and our operating environment. To ensure we maximize our impact, we are continuously evaluating these mega trends and leaning into projects that invest in resilient infrastructure around the world. We also proactively share perspectives and pathways that can create greater value for our clients and help the world around us thrive.

Urbanization

- Population shifts put tremendous pressure on resources, infrastructure, and the environment.
- This drives the need for sustainable solutions and intelligent infrastructure.

Opportunities

- Our experts studied how cities, utilities, industry and healthcare can enhance resilience in the face of uncertainty: Resilience to recovery.
- We evaluated the changing construction cost in cities around the world: International construction costs
- We support Mobility projects with a preference for public transit, investment in water infrastructure Resilience, and the need for smart, inclusive, and healthy Places.

Climate change

- The warming climate severely impacts the availability of water and food, the severity of environmental and health hazards, and the resilience of our infrastructure.
- As demonstrated at COP26, these changes are a global imperative that requires significant investments by governments and industry.

Opportunities

- Our experts mapped out the energy transition and its opportunities: Supercharging Net Zero.
- We published recommendations on accelerating electric vehicle uptake: The path to EV program implementation.
- We strengthened our teams to support the massive global investments in energy transition, fleet electrification and coastal protection. US$29 billion by 2024, a 27% compound annual growth rate.

Digitalization

- Digitalization puts services directly in the hands of users and data at the center of business models that are disrupting traditional delivery.
- Digitalization is spurring investments in new services, products, data centers and supporting green energy solutions.

Opportunities

- Our experts launched the first ever Data centers index - ranking 50 global markets for data center investments.
- We helped our clients extend critical infrastructure lifespans, optimize operations, and support capital investment decision making.
- We broadened our ecosystem, aligning with innovative startups that are revolutionizing the industry, to bring more value to clients.

Societal expectations

- Stakeholders are demanding companies and governments to act with integrity and create a resilient, sustainable, and inclusive future.
- Societal expectations will fuel the ESG agenda of governments and businesses and drive investments in the Environmental and Sustainability markets.

Opportunities

- We committed to be part of the solution, aiming to achieve Net Zero in half the time of many peers with ambitious goals for inclusivity and belonging.
- We are winning awards for our leadership in sustainability and the embedding of sustainability in our services.
- We are positioned to support the massive investments being made around the world in the next decade.

Our positioning

Maximizing Impact: Accelerate ability to meet increasing demand

Improving Quality of Life
Sustainable solutions, Digital leadership, Focus & Scale

Interactions that influence us: our focused Material themes

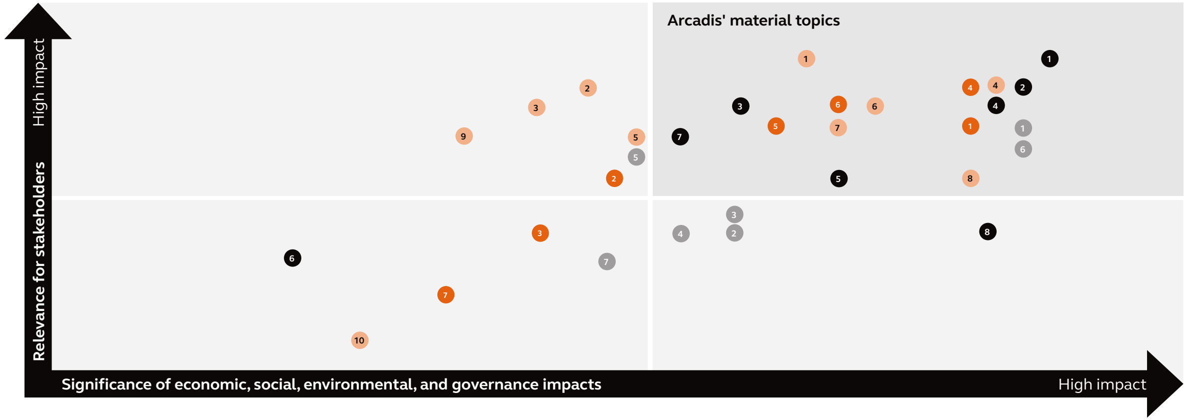
2021 was a year in which Arcadis strengthened its work around the prioritized material themes. Recognizing the interconnectivity of the sustainability challenges that affect us all and our intrinsic strengths, we engaged with both internal and external stakeholders to maximize our impact.

When we launched our 2021-2023 Strategy, we cemented our commitment to embed sustainability in all that we do. Arcadis' nine material themes identified are the result of a comprehensive materiality assessment conducted in 2020 when we performed benchmarking across our peers, carried out an in-depth analysis to align the themes to our 2021-2023 Strategy and incorporated the views of our different stakeholders. (For more information about processes and tools to identify and prioritize material of themes refer to the Materiality section of our 2020 Annual Integrated Report). Arcadis updates its materiality assessment every two years while keeping interaction with our stakeholders continuous to identify global trends and market expectations.

In 2021 Arcadis carried out a best practice review and incorporated the advice from key stakeholders to maximize our impact. The strategic interactions this year were the Human Rights Roundtable, Sustainability Day, and our our participation in the UN Climate Change Conference COP 26. Arcadis also meets with our own people, investors, clients and business organizations such as WBCSD.

In 2021, we have expanded information on why is the theme material, how Arcadis manages them and aligned KPIs to the nine material themes. We established workstreams for those themes for which we do not have KPIs. The assurance scope in 2021 covers 10 KPIs that relate to 7 of our material themes and the assurance scope will be expanded over time to have all our KPIs related to material themes assured. Our Environmental impacts are assessed as part of the Environmental Management System Standard which is aligned to the overall materiality assessment. We will continue monitoring the developments in the European legislation through the work EFRAG on the EU sustainability reporting standards, the progress of IFRS Foundation Trustees and revisions in reporting Frameworks such as the GRI Standards and the evolution of the concept of materiality.

Materiality matrix



Economic
1. Organic revenue growth
2. Share price performance
3. Business diversification
4. Profit & Loss performance
5. Balance sheet performance
6. Cash Flow performance
7. Dividend policy

Social
1. Non-discrimination
2. Human rights
3. Child labor
4. Occupational health & safety
5. Forced or Compulsory labor
6. Training and education
7. Diversity & equal opportunity
8. Employment
9. Labor/management relations
10. Local communities

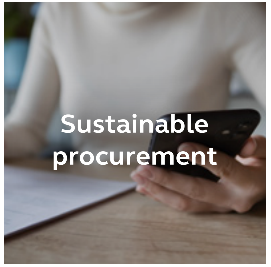
Environmental
1. Sustainable/eco design
2. Waste
3. Water and effluents
4. Energy consumption
5. Supplier environmental assessment/Supply chain management
6. Greenhouse gas emissions
7. Biodiversity

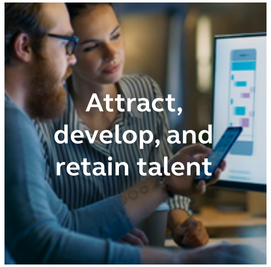
Governance
1. Anti-corruption
2. Privacy
3. Anti-competitive behavior
4. Environmental and socio-economic compliance
5. Procurement
6. Political contributions
7. Shareholder democracy
8. Tax transparency

Material themes

Strategic context

Our 9 Material themes:





	Material themes	GRI subtopics
Governance	Ethics & Integrity	Anti-corruption, anti-competitive behavior, privacy, and shareholder democracy
	Environmental and social compliance	Environmental compliance and socioeconomic compliance
Social	Diversity, equity, inclusion and belonging	Diversity, equal opportunity and non-discrimination
	Attract, develop, and retain talent	Employment and training and development
	Health & Safety	Occupational health and safety
	Local communities	Local communities
Environmental	Energy & Climate	Energy and emissions
Economic	Leading through sustainable solutions	General disclosures and economic performance
	Sustainable procurement	Supplier environmental assessment and supplier social assessment

Strategic context

Strategic stakeholder interactions

For Arcadis stakeholder engagement means participating in conversations with internal and external stakeholders to deepen our insights into their needs and expectations.

Our engagement work in 2021 and the interactions with our stakeholders were a continuum with moments of intense activity around the Human Rights Roundtable, the Arcadis Sustainability Day and our participation in UN Climate Change Conference COP 26. Arcadis' stakeholders' views are invaluable because they help us identify global trends, market expectations and maximize our impact. We seek to engage with them in a variety of methods including regular surveys on topics such as employee and customer satisfaction.

	Type of interaction	Key themes discussed	Our Stakeholder expectations/feedback
Clients	Key clients reached through the Annual Client Experience Survey Direct interviews with clients (phone or online surveys)	Sustainability and ESG themes. Almost 9 in 10 have sustainability as a key priority and 7 of 10 have targets aligned to sustainability.	Clients are looking to Arcadis not only for day-to-day/project support, but for strategic and long-term sustainable solutions; Clients are looking to become 'future ready', to be more sustainable and to support their efforts to give back to society
Investors	We publish our trading updates (quarterly, HY and FY figures) and other press releases. Direct contact with investors and shareholders (online/conferences) total number of meetings >200 Responding to Rating Agencies questionnaires	Business opportunities linked to the sustainability agenda Retention and attraction of our people Wage inflation ESG performance	Client and climate change related opportunities. Impact public stimulus ("Green Deal" and "Build Back Better" programs and COP 26) Diversity in our people Engaging with the right suppliers Our own carbon footprint and our commitments in this space Emerging European legislation linked to non-financial reporting
Our people	Quarterly survey Your voice to understand what influences employee experience Town Hall meetings to consult our people on organization's decisions Regular employee surveys Five affinity groups on Diversity themes Training and development programs Resilience webinars Employee focus groups/cultural jams	Experience as an Arcadian – Talent engagement, and personal development, diversity representation, inclusion and belonging What being an Arcadian means, what drives or hinders people engagement COVID-19 Recovery Program to support recovery efforts in Local communities Health & Safety issues COVID-19 and wellbeing, Workstyle promise Talent development (GPS, ALP, LMex, ExDNA)	Open and inspirational environment, sense of ownership and belonging Actions that demonstrate that the business cares for people's wellbeing Contributing to wellbeing to help re-build communities Specific actions prioritized to become a truly inclusive business Affinity Groups themes: Age, Access and Neurodiversity, Gender, LGBTQIA+, Ethnicity & Heritage
NGOs	Online roundtable Online meetings Responding questionnaires	Human rights Reporting requirements/Sustainability standards Biodiversity	Engaging with the right suppliers Progress on our human rights program and human rights due diligence Up dated non- financial disclosures

Supporting the Sustainable Development Goals

Strategic context

The United Nations Sustainable Development Goals (SDGs) drive sustainable development on carefully chosen topics around the world. These goals are designed to ensure development that meets people's needs without compromising the lives of future generations. Our largest contribution to the Goals is through the project work we do on behalf of clients.

Out of the 17 SDGs, we focus on those that are the most relevant goals for Arcadis, identified by leaders and sustainability specialists in every region where we operate. Arcadis ranked each of the 169 targets tied to the seventeen SDGs on their relevance to our client work. Based on this, we have selected 'focused impact' SDGs, where we can leverage our skills, expertise, and global scale to make an outsized, positive contribution to their achievement through our core business. We have also selected three 'specialized impact' SDGs, where we can make a positive contribution through specific services and solutions.

The Focused Impact SDGs are:

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION

For all the project references spread throughout this Annual Integrated Report we have indicated which SDGs they touch.

6 CLEAN WATER AND SANITATION

Clean Water and Sanitation

Target 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Arcadis' specialist teams of engineers, scientists and consultants around the globe provide safe and secure water technology and innovations that are built to withstand the demands of a rapidly changing world. Our focus is on the entire water cycle – from source to tap and back to nature. Arcadis' leading practices in water supply and treatment, distribution, resource management, and industrial water & wastewater provide a strong contribution to this SDG.

7 AFFORDABLE AND CLEAN ENERGY

Affordable and Clean Energy

Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

Target 7.3: By 2030, double the global rate of improvement in energy efficiency.

By 2030, the global middle class is expected to reach 5.3 billion people, an increase of approximately two billion people from today. Meeting the energy transition needs of all these people without putting further stress on our planet and society is one of the great challenges of this century. Around the world, Arcadis engineers work with governments and utilities to update aging energy infrastructure, optimize distribution networks, provide new sources of renewable energy, and facilitate the ecosystems that allow society to operate more efficiently, such as in the work we do to help cities transition to electric vehicle fleets.

Industry, Innovation and Infrastructure

Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

By 2050, the world population is set to hit nearly ten billion people. Combined with rapid urbanization, public budget pressure and climate challenges, the sustainable development of industrial manufacturing and mobility requires innovative answers. We connect communities, industries, and infrastructure safely, effectively and in balance with the natural environment. Our industrial capex & operational efficiency solutions, and transport & mobility oriented development solutions create the best outcomes for our clients and commuters worldwide.

Sustainable Cities and Communities

Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Target 11.7: By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

The world is changing faster than ever before as Earth's rapidly growing population flocks to urban centers, placing ever-increasing pressure on resources, space and health & safety. Our cities need to respond to these stresses and quickly – their livability and competitiveness depends on it. Arcadis works with cities across the world, giving them a competitive edge and improving quality of life for their residents, visitors and businesses by building programs that expand resiliency, encourage regeneration, and maximize mobility.

Climate Action

Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Target 13.2: Integrate climate change measures into national policies, strategies and planning.

While Arcadis itself in 2020 issued its ambition to make sustainability central to all we do, our impact can be much bigger if we continue to help our clients reduce their climate impact. Our opportunity to address climate action is across each of our Business Areas. In addition to work on eradicating the causes of climate change we increasingly assist communities with strategies to combat the effects of this global threat. Through our partnerships with various non-governmental organizations, we share our experience and leadership to co-create frameworks and guidance documents that influence policy makers globally.

Strategic context

The Specialized Impact SDGs are:

Good Health and Wellbeing

Target 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Healthy people are necessary for stable communities. The COVID-19 pandemic tested public health preparedness all around the world. Arcadis' long standing work in Environmental Health & Safety and Risk Preparedness means that we were ready to help clients navigate day-to-day health and safety precautions as well as emergency health situations. In addition, our work restoring land and soil quality by mitigating risks caused by leaked chemical compounds significantly contribute to this Goal.

Responsible Consumption and Production

Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

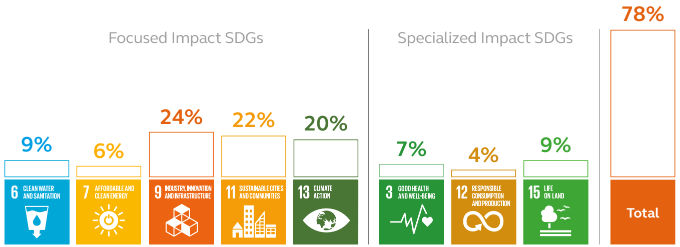
Consumption and production drive the global economy, but it also builds on the use of natural resources in a way that continues to have destructive impacts on the planet. Arcadis assists clients with responsible management of assets and with identifying opportunities to increase the circularity of material and resource choices.

Life on Land

Target 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent extinction of threatened species (unlike other SDGs, most of the targets associated with SDG 15 have a deadline of 2020. Although we are past this deadline, Arcadis is committed to protecting and conserving natural habitats and biodiversity).

Land degradation is one of the world's most pressing environmental problems, happening at an alarming pace, and it will worsen without rapid action. While land degradation is largely associated with unsustainable agriculture and resource extraction practices, past industrial activity has also rendered natural habitats unusable. Arcadis assists clients in maximizing opportunities to use nature-based solutions that results in a biodiversity net gain.

We track our contributions towards these goals by identifying the portions of our revenue that support sustainable development.



% of net revenues that related to relevant SDGs during 2021, our SDG selection will change in the new strategic period

Biodiversity study Spadel

Biodiversity win for mineral water

Resilience

"It was an honor to host a roundtable with the King and Queen of Belgium about the excellent biodiversity results of Spadel's Spa site."

Johan Lammerant | Lead Expert Natural Capital and Biodiversity

Mean Species Abundance score

31MSA.ha

How we are different

We developed a science-based approach to measure Spadel's biodiversity footprint on their site.

Impact

Spadel can communicate quantitatively and transparently what their efforts mean for Nature & Biodiversity in the region.

The Challenge

Spadel, the Belgian leader in natural mineral water brands, is on course to realize 100% sustainable operations and products. They asked Arcadis to assess the impact of their biodiversity measures taken at their location in Spa, to generate a scientifically quantified score and to help them articulate a clear vision for the future.

The Solution

Arcadis developed a science-based approach to measure Spadel's biodiversity footprint and used the Mean Species Abundance [per hectare], or MSA.ha, to calculate a score. The MSA is endorsed by the international scientific community (IPBES, IPPC) and is one of the most widely used indicators in biodiversity reporting. It assigns a value between 0 and 1 to individual factors: 0 represents a complete loss of original biodiversity, and 1 implies that the area is undisturbed. The Spa Monopole achieved an exceptional score of 31 MSA.ha. This means that Spadel is effectively and actively improving biodiversity in the region. We organized a management workshop to develop a vision and ambition for the future, in line with the guidelines of the Science-Based Targets Network. Based on the results, we created a visual communication brochure together with Spadel. These results were explained during a round table discussion with King Philippe and Queen Mathilde of Belgium, on Spadel's 100th anniversary. Arcadis was asked to moderate this discussion.

The Impact

Biodiversity is a major focus in tackling climate change, with many new biodiversity targets being formulated internationally. Biodiversity is also critical to Spadel's success and future, as clean water comes from a healthy environment, which depends on healthy biodiversity. Thanks to this collaboration, Spadel can contribute to a more sustainable world, taking very concrete and measurable actions for environmental protection: reduced carbon footprint, emphasis on recycling of packaging, protection of biodiversity, setting perimeters for the protection of water extraction areas, guarantees for the safety of employees and local actors. As a result, consumers can be sure they are buying a sustainable and environmentally conscious product.

Competitive landscape

Strategic context

We maintain a diligent awareness of our competition, the trajectory of our markets, and our overall industry so we can evolve to not just stay relevant but stay ahead. Our strategy is aligned with this aim.

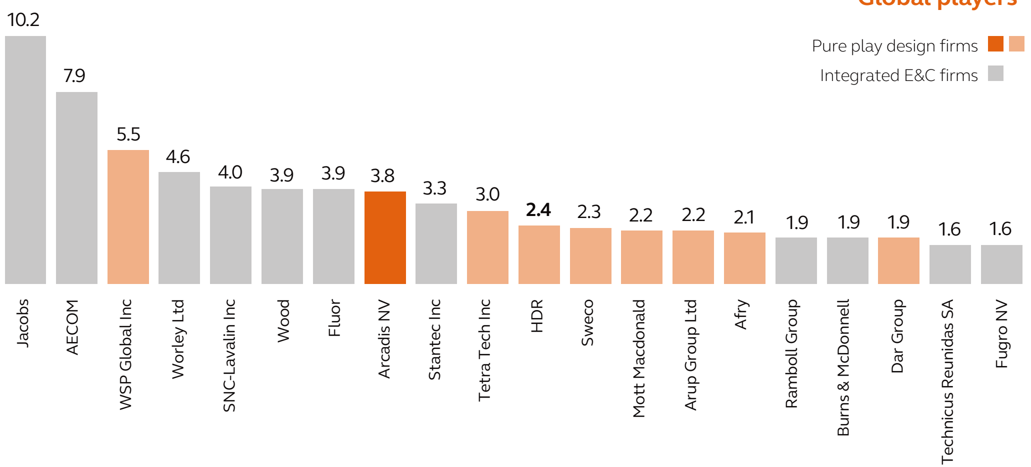
The global engineering services market involves the sale of services that apply the principles of engineering in the design, development, and operation of structures, processes, and systems in industries such as buildings, power and energy, transportation, manufacturing, natural resources, and others[1]. This market is anticipated to exceed $900 billion globally in 2021 and in the medium term continue growing at a Compound Annual Growth Rate (CAGR) of between 5% and 6%, reaching just over $1 trillion by 2025[1].

Our market is highly fragmented. This is demonstrated by the fact that in 2020 the combined revenues of 150 of the top global design firms represented approximately $174 billion or roughly 20% of the total market[2]. Arcadis is a top-10 global solutions provider (see chart) with a top-three position among pure-play Design & Consultancy firms. Amongst the top 150 firms, the bulk of the market growth is centered on the biggest firms, through a combination of industry consolidation and organic growth. These firms differentiate around insights / expertise, technology, and ecosystems that support efficiency, cost avoidance, and sustainability.

As an indicator of geographic trends, between 2016 and 2020 (published between 2017 and 2021) the revenues for engineering services companies that operate in global territories outside of their home country saw the greatest growth in the U.S., Europe, Canada, and Latin America (CAGR of 6.8%, 5.0%, 4.7% and 2.9% respectively). Asia Pacific was generally flat, while Africa and the Middle East saw attrition (CAGR of -8% and -10% respectively)[2].

With this in mind, our business is well positioned geographically to benefit from the long-term growth drivers and client trends in our market related to urbanization, climate change (mitigation and adaptation), digitalization, and societal expectations balanced across public and private sector clients. The combination of global presence, strong local positions, innovation, our asset expertise, and the integration of sustainability and digital technology in our solutions allow us to offer the greatest value and positive impact to our clients, our people, the communities we work in, and all our other stakeholders.

Global players[3]



1 Engineering Services Global Market Report 2021; Research and Markets April 2021
2 ENR The Top 150 Global Design Firms 2021 and 2017
3 ENR The Top 150 Global Design Firms 2021 (without state-owned firms), ranked by gross revenues in US$.

Connectivity matrix

The strategic context[1]

Mega trends
Urbanization & Mobility
Sustainability & Climate change
Globalization
Digitalization

Stakeholder dialogue
Employees
Clients
Suppliers
Civil society
Investors

SDGs relevant for Arcadis

Competitive landscape
Changing client patterns
Shift to digital
Industry consolidation
Scarcity of qualified people

Strategic messages	Strategic pillars	Principles	Related risks
We cultivate a workforce that is diverse, inclusive, and empowered to create a more sustainable world.	People & Culture	**People first** • Be a best place to work that is based on inclusion, fairness and equality • Create an environment to grow, perform, and succeed, building on the wealth of expertise and skills of our people **Living our values** • Foster a balanced culture that is driven by our core values and cultural pillars • Create business value through sustainable solutions **Attract, develop, and retain the workforce of the future** • Develop our people through clear career paths and recruit capabilities for future needs • Embrace diversity of capabilities and people to facilitate our success in the future	• People & Capacity risk • Capability & Innovation risk • Health & Safety risk • Regulatory & Policy Compliance risk
Accelerate the transition to Net Zero in a way that improves quality of life for all For our clients and in our operations	Sustainable solutions	**Advise & deliver sustainable solutions** • Support clients in the transition to Net Zero • Standardize sustainability across Arcadis practice by focusing on 5 themes **In our operations** • Eliminate carbon and other emissions while reducing harm to society and the economy	• Market risk • Client & Opportunity risk • Capability & Innovation risk • Sustainability risk
Bring digital in the core of existing business Target the right investments through innovation Introduce digitally driven business models through Arcadis Gen	Digital leadership	**Standardization then Automation** • Grow through standardizing then automating core services through digital technologies • Building new capabilities and a value creating Tech function empowering Digital leadership **Digital Solutions** • Create globally scalable digital client solutions, incorporating sustainability • Capture Arcadis' data for value creation, maximizing business impact • Expand our position in digital ecosystems **Digital Products** • Leverage technologies for business model innovation and launch new digital products • Work with start-ups and scale-ups to accelerate digitization pace in our industry	• People & Capacity risk • Capability & Innovation risk • Information security risk • Market risk • Client & Opportunity risk
We make careful choices where to compete, applying our capabilities and skills to deliver growth and margin improvement.	Focus & Scale	**Focus where we can lead** • Build leadership positions based on relevance for clients, local presence, and global positions • Leverage our sustainable heritage to drive growth **Client & project excellence** • Bring best of Arcadis to clients everywhere through global teams • Standardize then automate our existing core services **Competitive delivery models** • Optimize delivery across the entire value chain including digital ecosystems • Increase utilization of Global Excellence Centers	• Corporate financing risk • Client & Opportunity risk • Financial reporting risk • Liquidity & Working Capital Management risk • Project & Contract execution risk • Third Party Management risk • Information technology risk • Information security risk

1 The connectivity matrix looks at connecting 2021-2023 strategic targets to their delivery in the form of key performance indicators for the past year

	Material themes	No.	Key Performance Indicators (KPIs)	Strategic Targets 2021 -2023[1]		Results 2021	Results 2020	Page
People & Culture	**Attract, develop, and retain talent**	8	Voluntary turnover rate (as % of permanent employees)	Voluntary staff turnover < 10%	✓	14.9%	8.7%	57
		9	Employee engagement (Employee Net Promotor Score)	Employee engagement score improving annually	✓	+30	+27	59
	Diversity, equity, inclusion and belonging	7	Women in total workforce (as % of permanent and temporary employees)	Women in workforce > 40%	✓	38%	38%	60
	Health & Safety	4	Total Recordable Case Frequency (TRCF) per 200,000 work hours	Zero (no cases)	✓	0.14	0.13	70
			Lost Time Case Frequency (LTCF) per 200,000 work hours	Zero (no cases)	✓	0.05	0.05	70
Sustainability	**Energy & Climate**	6	Arcadis carbon footprint for our material Scope 1, 2 and 3 emissions (MT CO_2 per FTE)	Reduce emissions aligned with our 1.5°C-aligned science-based target	✓	1.17	1.48[2]	85
	Leading through sustainable solutions		% of revenues that relate to relevant SDGs	–		78%	80%	47
	Environmental and social compliance	4	Number of identified environmental non-compliances	–	✓	1	nil	88
	Ethics & Integrity	1	Assessed and, as needed, further investigated AGBP alleged breaches	100%	✓	100%	100%	94
		1	Employees passing Code of Conduct training (as % of total employees)	90%	✓	94%	91%	94
		2	Number of appointed privacy officers under the privacy policy	–	✓	14	13	95
Digital & Innovation	**Innovation and Digitalization**		% of revenues using BIM level 2	Digital adoption by our people and clients		78%	61%	100
			Arcadis Way implementation progress (as % of net revenues)	–		82%	64%	107
	EBITA/FTEs		Progression of switch to digital solutions (in € 1,000)			8.5	8.2	102
Financial performance	**Risk management framework**		Number of internal audits conducted in the year	–		12	16	167
	Brand awareness		Brand awareness score	Top-five brand awareness in markets we serve (share of voice)		7%	10%	19
	Client experience (CX)		Client experience score	Top-quartile performance for client experience		25	21	114
	Organic revenue growth	1	Organic net revenue growth (in %)	Mid single digit throughout the strategy period	✓	4%	-2%	114
			Book-to-bill ratio (net revenues)	–		1.04	1.04	116
			Organic revenue growth Global Key Clients (net revenues, in %)	Organic revenue growth for Global Key Clients two times overall growth	✓	12%	3%	114
	Direct economic value generated	4	Gross revenues (in € millions)			3,378	3,303	114
			Net revenues (in € millions)		✓	2,565	2,494	114
	Direct economic value distributed	4	Net Income from Operations, per share (EPS, in €)	–	✓	1.96	1.46	119
		7	Dividend per share (in €)	30-40% of Net Income from Operations, no dilution and additional returns when appropiate	✓	1.30[3]	0.60	118
	Profit & loss performance	4	Operating EBITA margin (as % of net revenues)	Operating EBITA margin more than 10% of net revenues by 2023	✓	9.6%	9.1%[4]	118
			Net Income from Operations (in € millions)	–	✓	175	130[4]	119
	Balance sheet performance	5	Net Working Capital (as % of gross revenues)	Net Working Capital < 15% of gross revenues	✓	10.7%	12.6%	119
			Days Sales Outstanding (DSO)	DSO < 75 days	✓	63	66	119
			Return on Net Working Capital	Operating EBITA / Net Working Capital: 40-50%	✓	64.7%	54.5%	120
			Net debt to EBITDA ratio (average)	Net debt to EBITDA ratio between approximately 1.0 and 2.0	✓	0.8	1.3	120
	Cash flow performance	6	Free cash flow (in € millions)	–	✓	234	324	120

1 See page 41
2 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals
3 €0.70 per ordinary share plus an additional €0.60 per ordinary share
4 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements

For definitions and methods of measure for these indicators please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.

People & Culture

We aim to be the best place to work in which all our people can realize their potential, work in inclusive and diverse teams, and impact the communities in which we operate in positive ways.

At Arcadis we strive on developing a People First Culture where we take an integrated approach to engaging our people as key contributors to executing our business strategy and our vision of improving the quality of life.

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Deterioration | Unchanged | Improvement

Total workforce
headcount as at
31 December
29,236
2020: 27,939

Voluntary turnover rate ✓
as % of permanent employees
14.9%
2020: 8.7%

Employee engagement[1] ✓
employee net promoter score
(scale -100 to +100)
+30
2020: +27

Women in total workforce ✓
as % of permanent and
temporary employees
38%
2020: 38%

Total Recordable Case Frequency (TRCF) ✓
per 200,000 work hours
0.14
2020: 0.13

Lost Time Case Frequency (LTCF) 2021 ✓
per 200,000 work hours
0.05
2020: 0.05[2]

1 Excluding Arcadis Germany
2 Not reviewed


29,236
Total workforce headcount as at 31 December 2021
People & Culture
Employee Net Promoter Score (scale -100 to +100)
+30

During 2021, there was a significant focus on culture as part of the implementation of our Maximizing Impact strategy. The Capabilities and Cultural Shifts program was established to bring a holistic approach to aligning all Arcadians to the business strategy. The program seeks to create an inclusive organizational culture enabling all Arcadians to bring their whole selves to work, build future-focused skills, and ensure they can deliver the best of Arcadis to clients. Underpinning this aim, are four cultural pillars: Inclusivity, Sustainability, Accountability and Human Centricity.

Culture: Being an Arcadian

The cultural pillars enhance the corporate values of: People first, Client success, Integrity, Sustainability and Collaboration, and bring to life further the aligned global company behaviours. In support, a cultural roadmap was built to guide all interventions within the Capabilities and Cultural Shifts program. The cultural roadmap was developed in a series of human-centred design sprints, a high-engagement, inclusive and human-centred approach. The process encompassed senior leader interviews, employee focus groups, and cultural jams attended by over 1,200 Arcadians across the business. Additional analysis came from over 20,000 qualitative comments in our global employee pulse survey Your Voice. These inputs were synthesized and workshopped through virtual sessions attended by over 70 senior leaders, and two co-creation sessions with over 80 employees.

In parallel, the Aligned Leadership Program launched in 2021 and the establishment of global affinity groups and a strategy for diversity, inclusion and belonging are key parts to embedding the cultural pillars and associated behaviours across the business. Collaborative work was also undertaken on embedding our global company culture and the cultural pillars into our Workstyle. More detail about these areas in forthcoming sections.

Arcadis will continue to invest in building the global company culture that enables all Arcadians to achieve their full potential, and deliver on our digital and sustainable solutions for clients.

Flexible working for everyone: Our Workstyle Promise

To amplify our four cultural pillars, and to take action from Arcadian feedback through Your Voice feedback on flexibility and empowering our people for success, we launched the Global Workstyle Promise in July 2021. We recognise that the way we work has changed over the past years and to support our People first value the Workstyle Promise was launched to provide a commitment to Arcadians around flexibility enabling workstyles that truly work for individuals and their roles. Our offices continue to provide us with space to collaborate with our teams and clients to solve problems; coupled with the flexibility of hybrid working for a positive effect from a wellbeing perspective. In 2021, 91% of employees have access to flexible working arrangements.

Talent Attraction – becoming an Arcadian

Attracting Arcadians of the future

The market for talent globally is increasingly competitive within the key skills, disciplines and core capabilities we need to operate successfully. As we drive digitalization into our business, the people we need to hire both now and in the future are in high demand.

We invested significantly in talent attraction and employer brand strategies to entice the best talent to join Arcadis in 2021. Our approach is global (LinkedIn, Glassdoor, Indeed), but deployed as needed across a range of country specific channels – to target and engage audiences where they spend their time – especially in their digital lives. We embraced digital and online events and developed a successful global approach for delivering best in class experiences that attract, engage and convert candidates to become Arcadians.

Our global careers website enables candidates to quickly find information and jobs in their chosen country across both Early Years and Professional roles. Candidates can also join the Arcadis 'Talent Community' which allows them to successfully be matched to opportunities by our global Talent Acquisition teams. In 2021 we launched our new global applicant tracking system – Recruit Cloud, enabling candidates to quickly apply by mobile or desktop, as well as 'Quick Apply' with a LinkedIn profile. Giving a seamless candidate experience across all touchpoints is critical if we are to hire the best talent.

We continue to communicate our Employee Value Proposition (EVP) based on four key pillars: People, Projects, Flexibility & Opportunities and engage our current employees through video, blogs and people stories.

Early Careers
Attracting and selecting Early Careers talent has evolved to include virtual as well as on campus and in workplace recruitment. The relationships we built with many of our target education institutions flourish, and we work closely with those partners and our strong alumni network to ensure that the best candidates are pipelined into the Arcadis talent pool.

Digital innovation was key in the success of our strategy to attract Early Career professionals into Arcadis. We introduced virtual Early Careers open days, utilised social media platforms to run live events enabling prospective candidates to hear from the experience of Arcadians, ask questions and learn about a career at Arcadis. In addition, we ran several targeted marketing campaigns. These digital strategies enabled us to reach wider pools of talent, especially in under-represented groups, and those who may never have considered a career in our industry previously.

In a historically man dominated industry, our focus on attracting women into our Early Careers opportunities is particularly critical. With a focus on diversity, we aim to ensure equal genders progressing through every stage of the recruitment process. Significant success in these focussed efforts has resulted in 47% of our new Graduates and Interns in the U.S. being woman, in the UK 50% were woman and in Australia 66% of our Early Careers new hires in 2021 were woman.

Science, Technology, Engineering and Math (STEM) Education
Through various regional initiatives, Arcadis is hosting and facilitating interventions to encourage and inspire young people to consider exploring a STEM career path and therefore contributing to our responsibility to attract future talent into our industry. As well as practical activities this also includes sponsoring several events focused on diverse candidates which has provided increased visibility of our recruitment brand to high potential candidates. In the UK we ran two weeks of insights and skills sessions which had 360 students registered, 49% were woman and STEM students or those interested in STEM careers.

In 2016 Arcadis began a relationship with Career Ready who are a charity transforming the life chances of 100,000 young people at risk of not achieving their full potential. The charity reduces inequality and tackles poverty through their structured careers programme. Through this we have helped increase young people's awareness of our industry, potential career paths and appreciation of the wider world of work. Our highlights to date include 86 unique mentoring relationships, running numerous masterclasses and insight days for over 1,500 students, provided seventeen students with paid Internships and we have four students who have joined us as Apprentices.

Talent Engagement and Retention – The Arcadian Experience

We believe that being recognised as a best place to work requires listening to, and acting on employee insight and this is also fundamental to Arcadis' ability to retain talent and enable people to flourish at work. Arcadis' Voluntary turnover rate KPI has a target of <10% by 2023. In 2021 the result was 14.9%. Some of the efforts in place to bridge the gap are the following:

- Employee Listening Program - Your Voice, so that we focus on engagement actions that matter most to our employees.
- The performance management framework, 'Grow Perform Succeed', continues to provide frequent and meaningful performance conversations, focused on the future, employee growth and career development.
- Learning and talent development programs, such as our Line Management experience to ensure our teams are lead by supported managers.
- Setting up our Global Affinity Groups to have a focus on Diversity, Inclusion to Belonging.

"We are proud that through personal employee engagement in our global employee pulse survey 'Your Voice' local teams can openly talk about motivators and inhibitors to personal, team and ultimately business success. When people openly share their experiences on what it is like to work at Arcadis, we listen, and we act. Arcadian voices influenced our strategic business priorities - including setting up a global Diversity, Belonging and Human Rights team to drive change and enhance our accountability towards all our employees."

Jacoline van Blokland Chief People Officer

Understanding the employee experience and expectations in a changing workplace is key as it impacts how we engage and deliver for our clients, supply partners, and the communities we work for. Through our integrated People Analytics platform we can combine the data on our people with the insights from our people team professionals and managers to help make more informed decisions around our people proposition. Monthly, we provide a robust set of people metrics that help inform us and guide actions to help improve our performance. In 2021, we upskilled the people function through a people analytics development program and this allowed them to inform retention initiatives as well us undertake focused retention discussions and action planning.

Employee Listening Approach – Your Voice

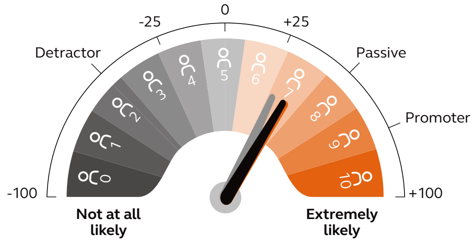
Over 20,000 Arcadians from across the global business engage in our quarterly employee pulse survey, Your Voice. Over the year the total 84% of employees trust us to listen, be respectful of personal points of view and to act to continuously improve the daily employee experience. Arcadian feedback through the Your Voice program has influenced:

- Our Workstyle promise embedding flexibility into the way people work;
- The way we engage in performance conversations through GPS (Grow Perform Succeed) empowering impactful engagement;
- The training priorities delivered through our line manager training and support system;
- Our talent attraction and talent management systems;
- Our global approach to wellbeing & resilience, understanding the unique wellbeing needs of our people;
- Line manager led conversations on how teams can grow using insight from the Your Voice tool, encouraging open conversations, idea creation and enhancing a sense of belonging and inclusion;
- Feedback into shaping our cultural shifts program.

To fulfil our goal and achieve top quartile performance for professional services (as measured by our survey platform) by 2023, our focus is to identify barriers preventing our people from fully engaging by embedding inclusive processes, systems, habits and behaviours that lift the workplace experience for everyone.

Our increased result of +30 finds Arcadis in the mid-range for professional service companies using the same survey platform.

Employee Net Promoter Score (eNPS)



■	Overall	+27 to +30
■	Woman	+24 to +28
■	Man	+30 to +31

% Promoters – % Detractors = Net Promoter Score

Arcadians told us through Your Voice that they want to feel part of our strategy implementation journey, to be actively involved in decisions that affect them, and communicated with in a timely and relevant manner. People want to see the business mission reflected in what they do every day. To connect Arcadians to our business strategy, our global CEO and business leaders undertook a series of virtual roadshows, our senior leadership group used skills from storytelling workshops to engage with their teams and we established an intranet site that enabled two-way communication on our strategy implementation.

Arcadis' Employee net promoter Score KPI has a target of Improving annually. Activities that are in place are highlighted in this chapter, with some key ones being:

- "Aligned Leadership Program" to activate the leadership team engage their teams on strategy implementation.
- Implementation of a global workstyle model to further Arcadians' employee experience in fostering a flexible working environment.
- Implementation of a Wellbeing and resilience strategy to enable all Arcadians to focus on their health and wellbeing while working.

We are making positive progress across our employee experience:

Net promoter scores from Your Voice[1] (on a scale of -100 to +100)	Dec 2021	Oct 2020	Dec 2019
I'm satisfied with the amount of flexibility I have in my work schedule	+49	+44	+38
My line manager cares about me as a person	+44	+38	+26
My line manager encourages and supports my performance and development	+36	+26	+9
I get enough feedback to understand if I am doing my job well	+16	+5	-9
I see a path to advance my career at Arcadis	+1	-6	-21
I see how my work contributes to positive outcomes for our customers	+38	+34	+25

1 Countries excluded from survey: Germany

Diversity, Equity Inclusion and Belonging

Arcadis' greatest embodiment of diversity and belonging, is first through the fair, accessible, inclusive experience we create for our people. Our mission is to improve quality of life, by promoting an inclusive, diverse, people-centred, accountable, and sustainable culture and work environment, where everyone can be their authentic selves. The launch of our strategy 'Maximizing Impact' in 2020 marked our intention to future-proof our commitment to strategically and purposefully create a culture where the richly diverse experiences of Arcadians would be channeled through all we do.

Throughout 2021 the percentage of women represented in the business remained stable around 38%. We also had a slight increase for women in technical roles keeping steady at about 34%. To bridge the remaining gap, in 2021 we launched the global Affinity Groups, including the Gender Affinity Group to drive gender diversity over the next few years by:

- Reviewing our global talent acquisition processes to identify how we can attract the broadest pool of women candidates from early years to senior leadership;
- Assessing our salary review processes to ensure we align pay, performance and recognition to be solely based on merit, skill, and talent and continue to close the pay gap;
- Creating a specific program to support women of color with progression in Arcadis;
- Reframing our our job descriptions to be gender neutral and adapting our current candidate screening process. We will introduce enabling tech that allows us to review candidates without bias at all levels.

We are taking an integrated approach to creating an inclusive and equitable work environment by also developing our employee well-being and safety; advocacy, education and awareness; leadership and professional development; and validation of best practices.

In 2021, we appointed a Global Diversity and Human Rights Director and supporting team, developed our core objectives to: Challenge; Empower and Change which are the foundation of our Global Diversity and Belonging strategy. The objectives and strategy are delivered across three focal global Diversity, Equity, Inclusion and Belonging (DEIB) and Human Rights interventions and underpinned by our foundational commitment, to create a work environment where all people are treated with respect, professionalism, and dignity.

Our Objectives

Challenge the status quo
By developing a global diversity and belonging strategy, underpinned by global reporting on our targets and ambitions.

Empower others to be their whole selves
By harnessing the power, passion and ideas of Arcadians and their lived experiences to foster a sense of belonging.

Change perception and create allyship
By developing a sustainable global cultural and behavioral change program.

Our Golden Thread

Dignity, Respect and Anti-discrimination
We are committed to creating a safe, equitable work environment where all people are treated with respect, professionalism and dignity for authentic self-expression and employee wellbeing, free from discrimination and harassment. This is our foundation with human rights, equity and anti-discrimination policies, transparent reporting and mechanisms at the core.

People & Culture

Our Interventions

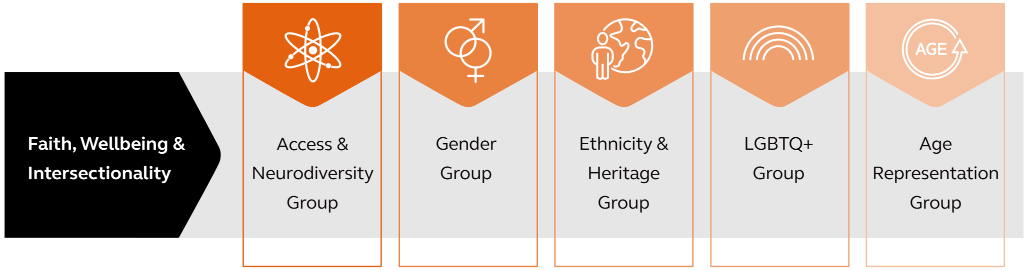
Diverse Recruitment, Development & Retention
We will actively leverage talent pools and listen to employees to attract Arcadians from underrepresented diverse backgrounds/characteristics; increasing proportion of hires into the business and retaining diverse talent at all levels by promoting access to opportunities for all.

Diversity Awareness & Training
We will create a people first culture of belonging, empathy and respect fostering a conscious interrupt bias mindset, through learning and development initiatives; equipping employees and leaders to be global ambassadors for diversity and belonging.

Human Centricity & Societal Impact
By taking a human-centric, inclusive and equitable approach to the design of our organizational ways of working, processes, spaces, and client solutions, we will foster equitable social mobility and sustainable societal impact to better meet the needs of all people in society.

In 2021, we mobilized various diversity and inclusion initiatives, for example:
- **We listened to our people** - Hosting global workshops and focus groups with colleagues supported by industry leading diversity and inclusion and neurolinguistic programming organizations to gather insights and employee feedback on our current position and future opportunities;
- **We developed a global diversity and inclusion data point** – Implementing diversity representation measures in our employee engagement survey Your Voice to better understand what influences employee experience;
- **We extended our stated diversity ambitions beyond women's representation** – Setting global commitments and priorities to improve representation from underrepresented groups (particularly Black, Asian, Latinx and Indigenous Peoples) in North America, the UK and Australia – through our early careers, employee population and in our senior leader group. We are also embracing intersectionality and ensuring that people's uniqueness is recognized and valued;
- **We launched a diversity and inclusion resource hub** – Accessible to everyone, enabling people to explore topics, connect with our global affinity groups and learn in a safe space;
- **We created five Arcadis global affinity groups** – Whose mission is to enable all Arcadians to flourish and feel a sense of belonging at work, wherever that is, to define and drive ambitions to increase representation, access to opportunities for underrepresented groups, ensuring that Arcadis' diversity reflects our clients, communities, and society at large. Each group has developed a roadmap to improve engagement and representation, with overall responsibility for implementation of diversity initiatives coming from an Executive Leadership team member and an elected Arcadian for each affinity area;
- **We engaged with our clients** – In open dialogue to identify how to drive engagement and integrate diversity and inclusion business practices that create lasting societal impact, equity, sustainability, and economic opportunity.

Our aspirations extend beyond diversity representation targets and statistics, this is about each employee being seen, where a truly diverse community can thrive by being themselves.



Understanding our Diversity representation

Every employee experience is unique, and we know that people's daily interactions can be influenced in a myriad of ways because of personal characteristics. For the first time we have one evidence-based, accurate source of data on the demographic composition of a large cohort of our people and how their personal characteristics may impact their employee experience. We achieved this by launching a series of diversity representation questions in our employee engagement pulse survey Your Voice. This information enables us to look at the nuances between and across different under-represented groups of Arcadians and to further conversations with employees, our global affinity groups and our line managers on how to deepen inclusion every day.

Diversity representation

The following statistics are based on the percentage of people who optionally responded to diversity representation questions – 66% of our workforce. The base number omits those who preferred not to disclose.

59%	14%	8%	17%	69%
of Arcadians identified as having an ethnicity / heritage background	identified as LGBTQIA+	live with a physical or hidden health or neurodivergent condition/ disability	are care givers to someone with a disability or health condition, or an older person	identify as having a faith

Diversity spotlight - Pay equality

One factor influencing the Arcadian employee experience is reward. Arcadis is aware that a gender pay gap exists given our legal requirement in some countries to proactively analyze and reduce the gap. Arcadis has reported the gender pay gap in countries where this is a reporting obligation – specifically Arcadis Australia and UK with an identified a gender pay gap[1] of 24.4%, and 21.4% respectively. Our approach in these countries will help us inform gender pay analysis globally. We are also working to better understand and act on pay disparity for other minority Arcadians. For example, in the UK the mean ethnicity pay gap[2] is 11.6%, a reduction of 3% from 2020.

Over 2021 we have proactively moved towards improving pay parity in a coordinated way including:

- Investing in developing leaders' inclusive mindset to influence fairer outcomes in decision making;
- Gaining accreditation in Australia for our gender-neutral policies and our strategy in closing the gap;
- Mentoring to support empowerment and confidence through our company wide MentorLoop system;
- Reviewing succession for senior positions, where we have identify Arcadian women, ethnic minorities and underrepresented groups for roles and development opportunities.

[1] Gender pay gap measures the difference between the average pay of women and men in the Arcadis workforce.
[2] Ethnicity pay gap measures the difference in the average pay between white employees and employees from minority ethnic communities.

Employee Wellbeing and Psychological Health
Our employee wellbeing and resilience vision is to empower each Arcadian to live at optimum health and thrive, whilst ensuring that we are listening to and considering the individual and unique wellbeing needs of every employee.

In 2021 we implemented new global wellbeing and resilience initiatives and strengthened our commitment to encourage and support the physical, mental and social wellbeing of each Arcadian. This included appointing a Global Wellbeing & Resilience Manager to give real focus and drive to this area globally. Our approach includes a harmonized, accessible and equitable global program of wellbeing initiatives and activities as well as encouraging a culture of enjoyment and belonging. After listening to employee feedback from a number of sources, a key focus area of our framework is around creating a mentally healthy workplace and in 2021 we did this by:

- **Expanding our Employee Assistance Provider (EAP)** in every country we have employees based, ensuring every Arcadian and their family members have access to 24/7 confidential psychological support;
- **Globally expanding our Mental Health First Aid training program**, equipping Arcadians with the skills to look out for each other and provide initial support, creating a network of mental health champions within arm's length to help drive our strategy;
- Hosting **impactful quarterly global webinars** on resilience with inspiring external guest speakers – including award-winning human rights advocates and Olympians to share their lived experiences, impacting over 12,000 Arcadians attending;
- Asking Arcadians with **lived experience around mental health challenges** to share their stories. We are creating a culture at Arcadis where everyone feels comfortable talking about mental health.

Talent development: Developing as an Arcadian

Providing our people with access to quality learning opportunities is critical to enhance their ability to perform in their current roles and prepare for future opportunities and maximize their impact. In Arcadis, we offer a range of learning opportunities for our people ranging from building core capabilities and initiatives that empower our leaders and managers to lead with impact. Also, this year was typically punctuated with online and virtual learning events.

Grow Perform Succeed
Grow Perform Succeed (GPS) is our global approach to performance development and focuses on continuous and meaningful performance conversations between line manager and their direct reports. It aims to create a safe environment focusing on growth and learning, developing a culture of feedback and recognition. In 2021, we continued to evolve our GPS approach by introducing Year End Summary (YES) conversations. YES conversations will facilitate summarizing the conversations that happen throughout the year, focusing on the impact and contribution of Arcadians and identifying their strengths to plan the following year. A continued focus on training and communication at both global and regional levels contributes to embedding GPS as a part of Arcadis culture.

In 2021, we had 68% of Arcadians undertake performance and career discussions with their line manager. To date, Arcadians continue to improve from the tools, guides, and learning available on our GPS intranet platform. Arcadis employee engagement results show consistently positive feedback on how their managers encourage and support their performance and ongoing development. Furthermore, they are more likely to discuss their career goals and take responsibility for their progression.

Empowering our leaders in driving our strategy and cultural development – Our Aligned Leadership program
To deliver our strategy and business development, we need to continue to develop our senior leadership group building on previous years development initiatives. For that reason, the Aligned Leadership Program (ALP) was launched in 2021 with the ambition to better equip our most senior leaders to embed and lead the strategy. The program was designed with interventions at group, team and individual level for maximum impact.

The first part of the Aligned Leadership Program focused on 160 senior leaders developing their storytelling and impactful communication skills to speak about the new strategy, adapt their stories to their audiences, and bringing clarity and minimizing anxiety in others. As a result, inspiring strategy stories from senior leaders have been emerging and leaders reported a significant improvement in their confidence and ability to authentically communicate the new strategy.

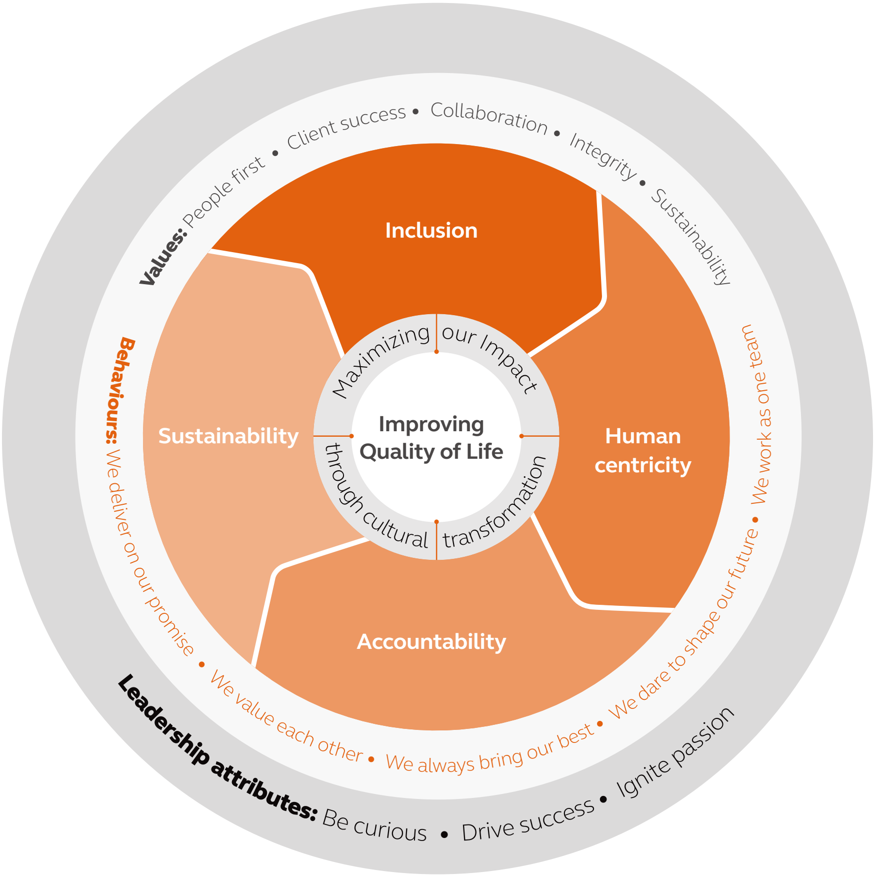
The second part of the year the program supported our leaders in the transition to a global business. Starting with clear Executive Leadership Team expectation setting about what it means to lead with impact in a global context, 230 senior leaders and champions were immersed in various highly interactive and virtual learning experiences to build the required capability and mindset to lead with our four cultural pillars of human centricity, sustainability, inclusion, and accountability in mind, and role model our leadership behaviors of being curious, driving success and igniting passion in others.

To maximize the impact of these newly formed global leadership teams, the Aligned Leadership Program supported multiple senior leadership teams in accelerating and further strengthening the team forming process. This was through facilitated sessions, individual reflection and team missions where the teams built up an understanding of each other and those they lead.

Furthermore, a total of 55 senior leaders went through an individual development process, using an assessment to provide personal insights into their leadership style, preferences, traits and drivers and continuous coaching conversations. This process gives our leaders an opportunity to reflect on their journey to date, their personal profile and further shape their growth and development at Arcadis. The insights that they will gain are valuable for development in their current leadership role and further success in Arcadis. The insights on group level are invaluable to get a better understanding of the group strength and development areas of our senior leadership group informing group development interventions as part of ALP.

Succession and progression planning for future leadership
The disruptive business landscape and unparalleled speed of change makes it even more that we have the right talented people, in the right roles, at the right time. This, in addition to the transition to the new global operating model confirms the importance of having a robust leadership pipeline with leaders who can take on a variety of senior leadership positions and are fit for multiple possible futures, rather than a sole focus on succession.

For executive leadership roles and key leadership roles that directly lead our business, a talent pool exists with potential candidates and future succession. To mitigate risk, emergency replacement plans, by way of a person that can immediately take the position in cases of emergency, are in place for our critical roles.



As we progressed in our global led organization, internal candidates were selected and appointed into the new global structure (87% internal appointments).

To build our leadership pipeline, in 2021 senior leaders and potentials have been supported in their individual development, with personal insights assessments, conversations about their multiple possible futures and targeted development and action plans providing the required experiences to further develop their career and take on other positions in Arcadis.

Improving the experience of our managers worldwide through the Line Management Experience
Our managers are pivotal in realizing our ambition to become the best place to work in the market and the best place to work for our people. The Line Management Experience (LMEx) is based on the premise that our managers are key to the evolution of our business and are key to the engagement of those they manage.

In 2021, we continued the implementation and embedding of our six promises for approximately 4,500 Arcadis managers worldwide. Local implementation teams focused on creating clarity about the manager role, implementing a structured onboarding process for those transitioning into a manager role, ensure managers can connect and join a community with other managers and mentors for sparring, sharing, learning and informal advice, and provide ongoing support and tools via the manager support hubs, and insights into their manager effectiveness via the LMEx insight tool, continuous GPS conversations with their teams, and team analytics from Your Voice.

This year there were many opportunities to develop life skills in highly interactive and virtual sessions empowering our managers to lead their teams with impact. To date, close to 200 training sessions took place as part of the Management Essentials curriculum with approximately 4,400 attendees, as well as 99 sessions as part of the Advanced Management curriculum for more experienced managers with over 1,600 attendees. The sessions were well received with an excellent NPS score of +53 overall.

Also, four globally led virtual LMEx Labs were organized on business relevant topics, such as using storytelling skills to bring the strategy to life, and managing ambiguity in your team. These sessions were specifically intended to empower managers to drive the strategy and attracted more than 1,750 Arcadis managers in total.

For the second year in a row, engagement scores show that Arcadians have a more positive perception about their manager than last year, amongst others in terms of how their managers care about their team and communicate open and honest with them.

Mentoring available to all Arcadians
In Arcadis, we recognize that many of us, at some point in our careers, have benefited from a mentor or a mentee, someone to provide you with guidance and advice on difficult decisions, key milestones in your careers, or be a sounding board for new ideas. Recognizing this value, we have launched a global mentoring platform this year providing Arcadians from all over the world with an opportunity to create their own mentoring relationships via Mentor Connect.

Mentor Connect is a global mentoring platform to help Arcadians make greater connections across the business and support their development. A platform to create valuable mentoring relationships best suited to Arcadians, wherever they are in the world, and whatever their role may be. With the launch of the platform, Arcadians can now experience the power of mentoring, being it more traditional mentoring, reverse mentoring or even reciprocal mentoring.

To date, 1,650 Arcadians have signed up on the Mentoring platform, resulting in 650 established mentoring relationships via the platform – a number that will grow even further over the coming years.

Preservation of historic mill ‘Lehmannsmühle’

Protecting Social Heritage

Places

“Heritage assets like Lehmannsmühle bear witness to the resilience and sustainability strategies of our ancestors. It's worth protecting them.”

Thomas Kunz | Dept. Head Highways and Intelligent Transportation Systems

Preserving a

450 years

old mill for future generations.

How we are different

Using the skills of today to preserve the heritage of yesterday.

Impact

Preserving a precious heritage asset and thus connecting the past of renewable energy with it's future.

The Challenge →

In Saxonias Saubachtal valley near Meißen, water-driven mills once formed the cornerstone of the regional agricultural economy. Twelve grinding mills along the Saubach riverbank provided a steady food supply for the local population. Over a period of 500 years, the region suffered from sporadic droughts, causing low water levels and putting the local mill economy under stress. Just a handful of these mills still exist. Keeping these historical landmarks and popular tourist attractions in good shape, requires constant maintenance, commitment, time and energy.

The Solution →

Arcadian Thomas Kunz has been taking care of the 450-year-old Lehmannsmühle for over than 30 years now. Teaming up with 175 like-minded locals, unified in the mill preservation association, he checks the mill's timber, maintains the integrated museum and keeps the wooden oak wheel running - now producing renewable energy on microscale level for internal use. Each year on Whit Monday (mill's day in Germany), hundreds of guests visit the historical facility.

The Impact →

Thomas’ engagement for the Lehmannsmühle is far more than just a passion for local history. It creates a link between ancient expertise in water management and our present acticivities (Arcadis provides flood protection services in the region). It preserves the sustainability heritage of past generations for future ones. It connects our ancestor's approach to living and working aligned and harmonized with the natural environment with our contemporary perception of sustainability. It inspires us to make use of our natural environment and resources without destroying and exploiting them.

City Shapers

"Some might consider it crazy, but I lead two different City Shapers chapters in 2021 (Atlanta and NYC) with projects in the field of mobility as well as sustainability. The journey was challenging but gratifying at the same time. I got the opportunity to collaborate with talented and dynamic Arcadians. Regardless of the pitch sessions outcome, both teams are planning to address comments/suggestions from judges and further develop the concepts."

Georges Bou-Saab Transportation engineer at Arcadis, U.S.

City Shapers is a global incubator program as part of the Global Cities program, offering the opportunity for early career professionals to solve complex urban challenges in their own habitats. Over the course of one year the City Shapers chapters develop their projects, with a project pitch at the end of the year. City Shapers focusses on our Global Business areas: Resilience, Places and Mobility. Many of the projects aim to improve liveability, sustainability, or end user experience in major cities.

The City Shapers program has three objectives: personal and professional development, Arcadis acceleration and client outcomes. The program establishes early career professional networks in and between regions, create mentoring relations across experience levels and provide development opportunities while working agile, building new generation solutions, and learning new skills along the way. Participating cities are spread over the world, such as Atlanta, Birmingham, Chicago, Hamburg, Hong Kong, Manila, New York City, Paris, Rotterdam and Sao Paolo.

In 2021, 23 City Shapers chapters globally started exploring the global mega trends which resulted in seventeen chapters pitching their city projects on varying topics including homelessness prevention in Chicago, blockchain technology for traceability of household waste in Santiago, Using Drones to Assess Roadway Safety and Assets in Atlanta and Addressing the participation paradox with a digital approach in Rotterdam.

All end-year pitches were evaluated by at least five business representatives from across the business, such as representatives from our innovation and sustainability function, solutions directors and board members of the Lovinklaan Foundation. The Lovinklaan Foundation is allowing the top five evaluated teams to invest in their projects to be brought to market.

Human and Labour Rights

Our 'Maximizing Impact' strategy, essentially rests on two pillars: taking care of people and planet. Foundational to focusing on people is treating them with dignity and respect, something which Arcadis has based its purpose – improving quality of life. Understanding that society increasingly expects businesses to respect human rights, Arcadis is choosing to revise our approach to align more closely with the UN Guiding Principles on Business and Human Rights (UNGPs).

In doing so, our aim is not simply to meet international expectations, but also to act in a manner that allows us to bring our core purpose into full realization. Our long-term human rights objective is to embed purposeful actions and behaviors within and around Arcadis that create a positive impact for people, communities, and our planet. We aim to do so because we understand that such positive impacts to people flow directly from attending to human rights risks, as respecting human rights is the key to unlocking a sustainable present and future, meeting the Sustainable Development Goals, and tackling significant societal challenges like inequality and discrimination.

In 2021, we worked with an external human rights consultancy in conjunction with our employees, clients, investors, suppliers and others to develop a refreshed and more robust approach. This included:

1. Conducting a high-level assessment of potential adverse human rights impacts across our value chain (e.g., impacts as they relate to our workforce, clients, and suppliers);
2. Beginning what will be a continuous and transparent dialogue with stakeholders (both internal and external) around key learnings from human rights programs;
3. Refreshing and publishing an enhanced human rights policy consistent with the UNGPs; and Developing a three-year roadmap for how to monitor and improve our human-rights efforts going forward.

In addition to the above, we continued to focus on targeted human-rights initiatives. These included:

- **Continuing our collaborative efforts:** in order to confront systemic challenges that no actor can alone solve. This chiefly included our CEO and other employee's ongoing participation in the World Business Council for Sustainable Development's programs. In particular, signing up to be CEO commissioners to participate in The Business Commission to Tackle Inequality - an initiative that seeks to tackle inequality and generate shared prosperity for all investing in building the BCTI's position and paper on 'The Case for Equity Action'; and Healthy People Healthy Business, which explores how businesses can play a pivotal role in supporting the long-term promotion of health and wellbeing. The latter initiative also aligns with our internal Wellness efforts;
- **Diversity, Equity, Inclusion and Belonging:** Consistent with the UNGPs expectation that indicates business enterprises need to pay special attention to particular human rights impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalization, we continued its DEIB work;
- **Attending to COVID-19 challenges** through our COVID-19 taskforce;
- **Go-No-Go process:** Defining our expectations around our client and pursuit opportunities considering human rights aspects;
- **Speaking and promotional engagements:** to further the awareness and education of respecting human rights and 'do no harm';
- **Resourcing human rights work:** embedding the updated human rights policy into our operations and decision-making.

To ensure society can meet the needs of the present without compromising future generations to meet theirs, we all need to contribute. We believe that respect for human rights by business is fundamental to living in a sustainable society and going forward we are committed monitoring and embedding a stronger approach to human rights.

Communication of Rights

Arcadis respects the rights of works councils as employee representation bodies and the role of works councils and/or trade unions in collective bargaining. Arcadis actively works with these groups in countries in which they are present and in 2021, 28% of the Arcadis workforce is covered by a collective labor agreement. In 2021, we proactively engaged with our European Works council to discuss and inform them on transnational matters that significantly affected employees interests across Europe. The consultation across a number of topics resulted in employees ideas and thoughts being part of the overall Arcadis strategic direction and taken into consideration as part of the decision making process.

Health & Safety

The health, safety, and wellbeing of employees and stakeholders is central to everything we do at Arcadis. The Health & Safety (H&S) Global Vision and Policy focuses on a culture that strives for zero incidents using the TRACK process (for an explanation on TRACK, see the box in this section with our six fundamental Health & Safety principles), see page 71.

The global H&S Management System Standard (GHSMSS) identifies and requires us to record and investigate work-related risks and incidents through annual risk identification and assessment at business level. Based on the definitions in the management system, two KPI's have been identified to monitor our mission of TRACKing to 0: Total Recordable Case Frequency (TRCF) and Lost Time Case Frequency (LTCF). Evolution of TRCF and LTCF in 2021 compared to previous years is described later in this chapter (section "Performance 2021"). To reduce future TRCF and LTCF, we continue to embed the GHSMSS and organize training and awareness raising campaigns in line with the Year Action Plan that has been developed for the period 2021-2023. The global objectives for 2022 are described later in this chapter (section "Objectives for 2022 and beyond") and include amongst others an expansion of our mental health and wellbeing program and further sustainable digitalization to optimize knowledge sharing, client focus and awareness raising.

The Health & Safety Program is the responsibility of a Global team, led by the Global H&S director, who directly reports to Glenn Lutz, the Global Operations Projects Services Officer (GOPS) accountable for H&S. The GOPS officer reports to Alan Brookes, Chief Operating Officer and the Executive Leadership Team (ELT) member responsible for Project Services. The Executive Board, Senior Leadership, and all Arcadis staff understand, believe in, demonstrate, and communicate the H&S commitments and engage in continuous improvement under the auspices of the global H&S Management System standard, which has been designed to harmonize H&S processes across the Company. It focuses on proactive hazard recognition, risk assessment, and risk control to prevent accidents, and allows for the nuances of local culture, client expectations, and regulations. It includes comprehensive education and training (through internal and external seminars, amongst others) to provide employees with the knowledge and tools to enable them to eliminate injuries and illness at work and at home. Best practices and lessons learned from incidents relating to the workplace and travel are shared via documentation or information systems. In addition, by teaming up with an external travel safety, security, and health services company, employees always have constant access to information on preventive measures to eliminate or minimize risks. Effective management (e.g., assessment, mitigation, and prevention) of work-related H&S risks is ensured through:

- Prioritization and action plans with quantified targets for regional CEOs and leadership;
- Involvement of leadership and business managers on a regular basis, as well as engagement between H&S leadership and regional executive management on at least a quarterly basis;
- Review of work-related incidents (see step six of the principles as described on the next page);
- Conducting internal inspections and consultations by H&S specialists;
- Independent external verification of health, safety, and wellbeing;
- H&S targets being embedded in performance appraisals;
- Safety culture through behavior-based observations and shared information;
- Celebrate successes through safety competition, recognition, and rewards.

The global H&S Management System identifies and tracks work-related risks through annual risk identification and assessment at business level (e.g., tracking incidents). Actual performance of each region is captured in a consolidation tool and reported monthly to Arcadis' headquarters. Data is measured using standard definitions and measurement techniques that typically match those of regulatory bodies that are relevant to Arcadis' operations and those of clients. Definitions are explained in the Global H&S Management System standard and the H&S performance monitoring and reporting guideline. H&S professionals review the data before submission, including assessing comparisons to other operating companies, historical performance, and targets and objectives. The aggregate result is presented to the ELT and included in quarterly reporting to the Executive Board and Supervisory Board.

Performance 2021

For the first time in ten years, Arcadis' 2021 Total Recordable Case Frequency (TRCF) increased from the prior year (0.14 compared to 0.13 in 2020). Despite this small increase, 2021 represents the second safest year since Arcadis began collecting global H&S data in 2004, when TRCF was 1.13. Overall, Arcadis' TRCF has decreased by 50% over the past five years.

Comparing 2021 to 2020, the following observations were noted:

- The global COVID-19 pandemic continues to present an ongoing health risk to Arcadians. There were continued impacts to Arcadis' operations, workplaces, customer expectations, and employee mental health and wellbeing. Offices continue to open and close with the evolution of the pandemic, and in accordance with local guidance and regulations. These changing conditions complicate operations and distract from H&S;
- Arcadis' core business activities remained substantially the same in 2021 and, as such, the risk of health and safety incidents occurring did not significantly change. However, 2021 saw an increase in field hours vs. 2020 when some countries restricted access to client sites for certain periods of time. More time in the field resulted in an increased exposure to higher hazard environments and more recordable incidents;
- Until August 2021 we saw fewer recordable incidents in 2021 compared to the same period in 2020. Due to a substantial amount of biological recordable incidents over the 2021 US summer that correlation changed;
- A spike in recordable incidents in North America in December 2021 has been partially attributed to COVID-19 fatigue and an elevated level of distraction because of the Omicron outbreak.

Our Lost Time Case Frequency (LTCF) for 2021 (0.05) stayed the same as in 2020. Arcadis' LTCF has decreased by 61% over the past five years. There were no appreciable differences in the nature or type of lost-time injuries between 2020 and 2021. There were no work-related fatalities in 2021, nor any over the preceding five-year period.

Arcadis' injury rates continue to remain far below the average injury rates of the publicly available US benchmarks for the architecture and engineering industry, which were 0.50 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2020).

Near miss reporting, a key process in helping to prevent incidents, continues to increase (up 20% since 2018), which is indicative of a continued improvement in hazard recognition and greater stewardship for sharing experiences to help prevent future injuries.

Global H&S objectives for 2021 were for all Arcadis leaders' level 10 and 11 to complete at least one leadership H&S stewardship activity annually, for leaders' level 12 and higher to perform at least 2 leadership H&S stewardship activities, and for 50% of all staff to perform a documented proactive health and safety action. These objectives were identified to drive health and safety engagement by leadership and staff to encourage further development of our proactive health and safety culture. Engagement by both leadership and staff was strong. 89% of leaders performed one or two leadership H&S Stewardship activities (a light decrease from 91% of leaders in 2020) and 78% of staff performed a documented proactive H&S action in 2021 (an increase from 70% of staff in 2020). An additional objective required all projects that take place outside of an office environment to have a well-defined H&S Plan in place before actual site activities begin; this goal was met for all regions.

In addition, we aligned our People first commitment with our People & Culture value by focusing on the health and wellbeing of our people in 2021. A mental health, wellbeing and resilience manager was appointed, and a global wellbeing & resilience framework was designed. The overall purpose of our program is to develop people-centric solutions that improve quality of life for Arcadians. We endeavor to nurture the physical, mental, and social wellbeing of Arcadians to create a psychologically safe and heathy workplace where all can thrive. Improving employee wellbeing & resilience is fundamental to Arcadis to create the following benefits for our employees:

- Happier, healthier, and more engaged employees, which in turn benefits Arcadis and our clients through improved performance, productivity, and creativity investment in effective health initiatives by directly addressing employees survey feedback being an employer of choice and Great Place to Work, which allows us to attract and retain Arcadians because of our sustained focus.

Our approach to wellbeing & resilience embodies a holistic view by encompassing physical, social, and mental health. The program itself is harmonized and equitable for all Arcadians, and addresses the following components:

- Physical wellbeing as it relates to someone's ability to perform daily activities free of physical limitations, in addition to having enough energy levels to function optimally.
- Social wellbeing as it relates to social connections, a feeling of purpose and meaning, giving to others and being grateful.
- Mental or psychological wellbeing to encourage a state of wellbeing in which every individual realizes their own potential and can cope with the normal stresses of life.

Health & Safety awareness key in an ongoing COVID-19 crisis

Protecting our people, their families, and our clients from the dangers of the COVID-19 pandemic has been an important topic for the Health & Safety team during 2020 and 2021. H&S was a fundamental element in the Global Task Force that was set up to manage the COVID-19 crisis. A travel ban, followed by a mostly mandatory work-from-home approach, were important initial steps in our response. At the same time hygiene protocols, cleaning protocols and awareness campaigns were developed and activated to ensure our people were well informed about the risks. Due to global differences in COVID-19 approach, Arcadis developed a global policy that gets adapted at country level to cope with continuously changing local legislative requirements, vaccination status and quarantine measures. More than 80% of Arcadians continue to work from home and the focus has shifted to mental health awareness, as prolonged periods of isolation may lead to new forms of stress or pressure.

Objectives for 2022 and beyond

The global H&S objectives for 2022 have been defined to further raise awareness with all employees and challenge Arcadis leadership to further increase their stewardship of health and safety. They focus on embedding a proactive H&S culture and ensuring we are prepared for the safe execution of all our projects. For 2022, we expect Arcadis management levels 10 and 11 to complete at least two leadership H&S stewardship activities annually, and our senior leaders (levels 12 and up), to perform at least one leadership H&S stewardship activity per quarter (four annually). Next to that, we expect at least 90% of all staff to perform a documented proactive H&S action. We will also continue to require that all projects that take place outside of an office environment have a well-defined H&S Plan in place before actual site activities begin. These objectives are bolstered by our continued commitment to the mental health and wellbeing of all Arcadians. To that end, all countries will be expected to roll out the wellbeing and resilience framework that was created in 2021.

The six fundamental Health & Safety principles

1 **Demonstrate Health & Safety stewardship daily** Make sure that you and every member of your team goes home safely every day, no matter what your role is in the Company.

2 **Use TRACK** Apply TRACK every day when planning tasks and before starting any task, and use TRACK again when conditions change. Our emplyees use the TRACK process to:
Think through the task
Recognize the hazards
Assess the risks
Control the risks
Keep health & safety first in all things

3 **Exercise Stop Work Authority** It is your responsibility to stop your own work, the work of other Arcadis staff, or work under Arcadis control, if you believe it to be unsafe.

4 **Practice 'If Not Me, Then Who?'** Be accountable for keeping yourself and others around you safe by acting immediately to prevent harm. If you see something unsafe (or not right), say something!

5 **Undertake Health & Safety Planning** Prepare and maintain a Health & Safety Plan for all work activities performed outside of an office environment.

6 **Report injuries and incidents immediately** Report all incidents, significiant near misses, and unsafe acts and conditions immediately so that they can be investigated, corrected to prevent reoccurrence, and the lesson learned shared.

Expedition DNA

People & Culture

2021 has been a significant year, with the Expedition DNA program being fully relaunched with a new curriculum that brings together digital and sustainability, ensuring Arcadians are fully equipped to deliver on the 2021-2023 Maximizing Impact strategy. The relaunch of Expedition DNA has also seen an evolution of the format of the program to support our business focus on global collaboration and hybrid working, with the program being delivered fully virtually throughout the year. Expedition DNA continues to be formed of two key programmatic elements: an online engagement and awareness-building platform known as Base Camp, and experiential learning journeys known as expeditions.

In December 2020, a sustainability module was launched in Base Camp to build awareness and engagement amongst Arcadians for the Maximizing Impact business strategy. This module focuses on building digital solutions that enable our business, and our clients, to be more sustainable. In the year since its launch, over 2,550 Arcadians (8.5% of employees) have completed this module. Continuing the focus on digital skills development, a further module focusing on Advanced Data, Analytics and Automation will be launched in December 2021. The new module also provides development and guidance to Arcadians on citizen development, reflecting the maturity of data and analytics skills development across the business.

As with previous years, there has been a steady increase in engagement across Arcadis in Base Camp. Presently 19,460 Arcadians are participating in the program, which represents 71% of the total employee headcount. This is a further 12% increase in employee engagement in the program during the 2021 year.

In addition to the continuous engagement of Arcadians in Base Camp, the relaunched Expeditions have been a significant success in 2021. The exciting new curriculum and format have been redesigned in collaboration with the Lovinklaan Foundation and in line with their mission to ensure the continuity of the enterprise, whilst ensuring Arcadians enjoy their journey and reach their full potential. The new curriculum incorporates a world-first development of a virtual escape room as a gamified approach to “learning through play” to build skills in complex problem-solving, creativity and collaboration.

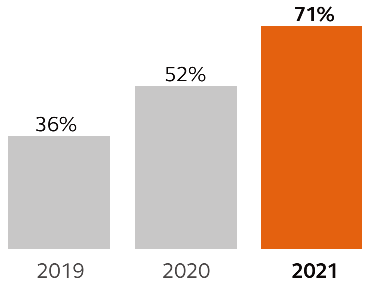
During the 2021 year, over 200 Arcadians joined the fully-virtual Expeditions where they had the opportunity to deep dive into six-specifically designed Skill Labs focusing on Sustainability, Customer experience, Data, Platforms, Ecosystems and Business Models.

In addition, the program participants applied their learning through a business simulation, were further inspired by plenaries with world-class speakers showing them the art of the possible in sustainability and digital within our sector. Upon completion of the program, participants are equipped with new digital and sustainability skills, as well as transformational capabilities, and they are eligible to join the network of Ambassadors driving organizational change, engaging clients in new approaches and building sustainability into everything we do.

The newly launched Expeditions have been very well received by participants, who have rated the program 4.8 out of 5 for overall satisfaction. Participants highly rated the quality of internal and external facilitators, drawn from around the world, the quality of the content including the balance of technical and human-skills development, and the high-engagement, inclusive culture established throughout the program.

The Lovinklaan Foundation, and Arcadis, are aligned on ensuring Expedition DNA continues to be the cornerstone program that enables Arcadians to develop future-focused skills that ensures the realization of our business strategy. Expedition DNA will continue to be invested in over the coming two years of the Maximizing Impact strategy, with six further Expeditions planned over the coming two years, along with further development of Base Camp to enable greater digital accessibility and continued engagement of all employees in new digital and sustainability content.

Participants in Base Camp Program
as a % of total workforce



Sustainability

At Arcadis, we have a specific sustainability ambition – we want to accelerate the transition to Net Zero in a way that improves quality of life for all.

We can change the pace and direction of our industry, through the commitments we make in our own operations and the end-to-end solutions we provide our clients, whether that's developing holistic and comprehensive sustainability strategies, or turning them into action through practical solutions we implement on every project.

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Deterioration Unchanged Improvement

Arcadis carbon footprint 2021[1]
(MT CO_2 per FTE)

1.17

2020: 1.48[2,3]

Revenues that relate to relevant SDGs
as % of net revenues

78%

2020: 80%

Number of identified environmental non-compliances 2021

1

2020: nil[2]

AGBP alleged breaches 2021
assessed and, as needed, further investigated

91 (100%)

2020: 72[2] (100%)

Employees passing Code of Conduct training 2021
as % of total employees

94%

2020: 91%[2]

Number of appointed privacy officers under the privacy policy 2021

14

2020: 13[2]

1 For our material Scope 1, 2 and 3 emissions
2 Not reviewed
3 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals


1
Rank in Sustainalytics ESG performance in our industry
Sustainable solutions
Arcadis' carbon footprint 2021[1]
MT CO_2 per FTE
1.17
[1] For our material Scope 1, 2 and 3 emissions

It's time. When we launched our 2021-2023 Strategy, we reinforced our commitment to put sustainability at the heart of everything we do. This commitment was not only a logical evolution of the journey which began when Arcadis was founded more than 130 years ago, it was also the result of increased collaboration with all our stakeholders, including clients, investors, as well as our own people, who have the skills and expertise to match their passion for sustainability.

Climate change is the biggest challenge we face and the sectors in which we operate are some of the biggest emitters. So, we have a fundamental role to play in changing the pace at which climate change is tackled and how we achieve Net Zero greenhouse gas emissions around the world. At Arcadis, we have a specific sustainability ambition – we want to accelerate the transition to Net Zero in a way that improves quality of life for all. We can change the pace and direction of our industry, through the commitments we make in our own operations and the end-to-end solutions we provide our clients, whether that's developing holistic and comprehensive sustainability strategies, or turning them into action through practical solutions we implement on every project.

Throughout the last 12 months, we've made great strides towards our ambition. In the following sections, we will explain how we have set our own ambitious target to be Net Zero in our global operations, how we have unified and grown our sustainability advisory team to be a truly global advisory practice that can meet growing client demand, and how we have been recognized for our leadership in sustainability by being ranked number one by Sustainalytics in the 'Construction & Engineering' category.

This is our crucial decade. It's time to accelerate to a better world.

Introduction to our pillars

2021 has been a time of rapid growth for Sustainability at Arcadis. Our new global operating model reflects our constant drive to meet changing client needs and offer solutions that the world critically needs now, and in the future. As part of this and to deliver on our sustainability ambition, our Global Sustainability Team was reorganized around the following pillars:

- **Client Solutions:** building on the insights generated by the Impact & Systems team, Client Solutions generates new sustainable solutions to bring to clients and pilots sustainable innovations that can be built into our existing Solutions;
- **Impact & Systems (formerly Business Operations):** assessing the impact of our own operations and of our clients' operations, driving the development of the accompanying systems and methodologies required to address operational impact, reporting on our performance, and setting global policies related to sustainability;
- **Integration & Transformation:** overseeing our sustainable business transformation, ensuring our sustainable solutions are integrated into country-level and Global Business Area practices;
- **Education & Engagement (formerly People & Communities):** upskilling all 29,000 Arcadians and inspiring them on our sustainability journey. This team also oversees our grassroots and volunteer engagement, supporting our sustainability outreach.

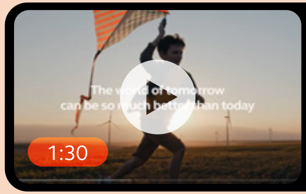
It's time

The world of tomorrow can be so much better than today. Healthier lives; thriving nature; effortless transport; enjoyable places. A more resilient future. To get there, we must reinvent economies and rethink business, to help regenerate our communities and restore our world. Because sustainability isn't just about fixing things, it's about improving quality of life.

Together, we can

At Arcadis, we are Dutch by heritage, and problem solvers by nature. We've got 133 years of experience in developing pioneering solutions from across the world to share with you. We are passionate thinkers, designers and engineers, ready to put our talents to work on your challenges today, and your aspirations of tomorrow. Together, we can safeguard your business, inspire your communities, and open up new markets. Let's create a world others could only imagine. This is our crucial decade to rethink, rebuild and regenerate. No matter where you are on your sustainability journey, it's time to get real.

It's time to accelerate to a better world.
It's time to improve quality of life with Arcadis.



It's time!

Watch video here →

Sustainability Governance

At Arcadis, sustainability is at the heart of everything we do. This means that from the leadership of our company, down to the Arcadians delivering projects for clients, sustainability is embedded in our organizational structure. To make sure our strategic direction and decisions are clear and aligned to the Arcadis 2021-2023 strategy, we have several governance bodies that make these decisions and cascade information across our business.

The Supervisory Board has established a separate Sustainability Committee (SusCo) that is described in the Corporate Governance section of this report. The SusCo, consisting of three members of the Supervisory Board, assist and advise the Supervisory Board in the area of sustainability. Sustainability is defined as the various Environmental, Social, and Governance topics that demonstrate or measure the Company's commitment to improving quality of life. The SusCo assists the Supervisory Board by preparing the plenary discussion and decision-making by the Supervisory Board on major items within the Sustainability Committee's scope of work. The task and procedures of the committee is outlined in the committee charter, which can be found on our website. The present composition of the Supervisory Board and its Sustainability Committee is included in the Governance section of this Annual Integrated Report.

The Sustainability Program is the responsibility of a Global team led by the Chief Sustainability Officer who directly reports to the Executive Leadership Team (ELT) member accountable for Sustainability. The Global Sustainability Team is supported by the SusCo and the Sustainability Steering Committee (SteerCo). The SteerCo reviews progress made in Arcadis' sustainability program, drives change management, and provides strategic direction as plans and objectives are developed. The SteerCo has at least four meetings per year and consists of the (ELT) member accountable for Sustainability, three additional ELT members, and the Chief Sustainability Officer .

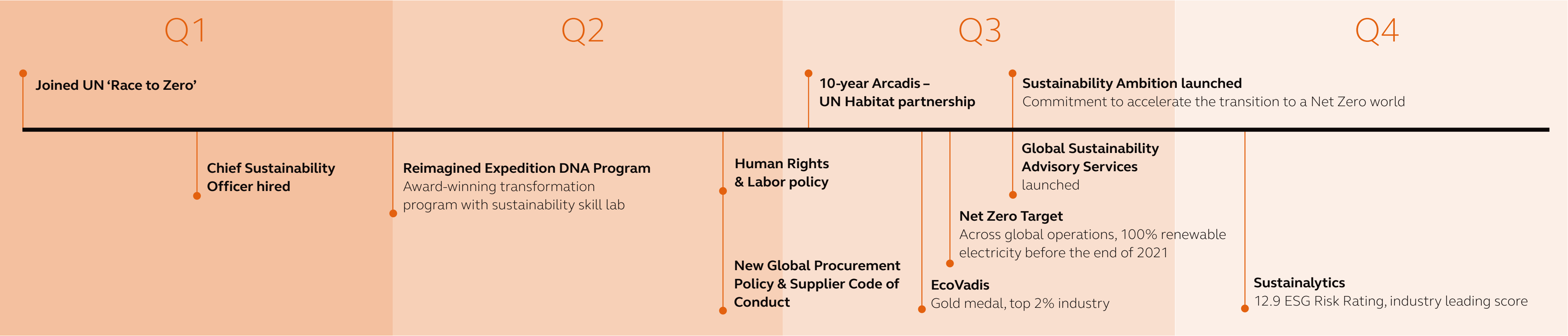
Sustainability in Remuneration & Finance

Sustainability is further integrated into our business operations through remuneration programs and in financing structures. For several years, one third of the variable long-term remuneration (LTI) of the Executive Board and Executive Leadership Team members has been dependent on a sustainability target measured by our score on the Sustainalytics ESG (Risk) Rating. In addition, 10% of the variable short-term remuneration (STI) of 25% of Arcadians depends also on a Sustainalytics target score. Sustainalytics is a leading independent global ESG ratings and research firm which provides a robust analytical framework that addresses a broad range of Environmental, Social and Governance (ESG) issues and trends that have a significant and material impact on industries and companies.

In 2021, Arcadis has further integrated sustainable thinking into its finances. In October, Arcadis formally closed a Sustainability-linked Revolving Credit Facility of €500 million. Arcadis can benefit from an interest-discount when it reaches a target Sustainalytics ESG Risk management score. In October 2020, €150 million in Schuldschein loans were renewed under similar sustainable terms.

By sharing our progress, we stay accountable to ourselves, our clients, our stakeholders, and the rest of the world. Arcadis complies with the Non-Financial Reporting Directive (NFRD 2014/95/EU) by disclosing our business model, and information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters.

Sustainability Highlights 2021



About this report

This Annual Integrated Report 2021 has been prepared in accordance with the GRI Standards: Core option. Arcadis GRI Content Index and UN Global Compact Communication of Progress (CoP) can be found in our non-financial reporting website. Unless noted otherwise, all metrics reported on in this report are global in scope, covering all business units that Arcadis operates globally.

Arcadis adheres to the Guidelines for Multinational Enterprises as issued by the Organization for Economic Cooperation and Development (OECD). We report to a variety of rating agencies including Sustainalytics, MSCI, ISS and EcoVadis. Arcadis EU Taxonomy Disclosure can be found in the Impact & System section of this report.

Arcadis climate-reporting can be found in Arcadis' Task Force on Climate-related Financial Disclosures (TCFD) section of this report on pages 300 to 307 and the CDP disclosures in our Non- Financial reporting website.

Embassy Village

Tackling city centre homelessness

"Embassy Village will make a huge difference to the lives of the many vulnerable homeless people in Manchester city centre and it is fantastic that Arcadians are playing their part in supporting this innovative project."

Joelle Ivett | Project Manager at Arcadis

New modular homes

40

How we are different

It demonstrates our organizational values and approach to driving social value.

Impact

The village will not only provide residents with a home but also teach them life skills that will enable them to live more fruitful and happier lives.

The Challenge →

Meeting the growing demand for emergency accommodation to support people vulnerable to homelessness is a major challenge. An innovative initiative, launched by Manchester-based charity, Embassy, in partnership with developers Peel L&P and Capital & Centric, and supported by Arcadis, is tackling city center homelessness and driving our social value agenda.

The Solution →

Embassy Village, which has recently achieved planning permission, will provide up to 40 new permanent modular homes, all of which will be made from repurposed shipping containers. Together, we will create a new community on a currently derelict site owned by Peel L&P, below the railway arches between the Bridgewater Canal and River Irwell in Manchester city center. The creative project, which will see Arcadis provide pro-bono quantity surveying and project management work as part of our Social Value commitment in the region, will also include a range of support to enable the city's homeless and vulnerable men to find work, and truly get back on their feet. Providing safe and secure homes for those in need, the proposed new village will take up residence on the currently derelict site below the railway arches between the Bridgewater Canal and River Irwell in the city center.

The Impact →

Our support will include designing a community hub where residents will be able to undertake training and mentoring, socialize, make use of a sports area and even grow vegetables. Support workers will also ensure each resident is given six hours a week of dedicated time, as well as provide them with the life skills needed to move forward such as shopping and budgeting, cooking, how to manage a home, interview preparation and help applying for jobs.

Client solutions

The biggest and most obvious impact we can make on the world's climate emergency is addressing and minimizing the carbon impact of our clients. This could be a flood defence scheme in Limburg or Louisiana, or an energy transition project in Scotland or Sydney. Arcadians put their talents to work on our clients' challenges of today, and their aspirations of tomorrow. We take every opportunity to help clients make Net Zero a reality through the practical solutions we implement across every project.

The Client solutions team standardizes sustainability across Arcadis' practice, embedding sustainability in all the solutions and services we provide and making it part of every bid, project and client engagement through The Arcadis Way process. This accelerates the transition to Net Zero.

Arcadis takes an open-source approach, bringing together the best minds inside and outside our company to solve problems. We want to be bold, fresh, and agile; constantly challenging industry norms. For example, we have committed to not engage in projects that have a net, long term negative impact on quality of life, block advancement of the SDGs, or are not in line with the Paris Agreement. By exploring ecosystem partners, new business models, and technologies, we develop pioneering solutions that help us mitigate and adapt to our changing climate.

Our deep industry and asset knowledge, combined with the strength of our sustainability advisory, makes us uniquely placed to deliver end-to-end sustainability services and solutions to our clients. The Arcadis KPI for Leading through sustainable solutions is the % of revenues that relate to relevant SDGs. In 2021 the result was 78%. (For more information on our contribution to the SDGs refer to the Supporting the Sustainable Development Goals section of this report.) In 2022, we will refine our methodology in line with our refreshed set of Services and Solutions, and advance the measurement of sustainability outcomes and impact we deliver to our clients through the projects we work on.

Helping clients transition to Net Zero

The construction industry today consumes roughly half of virgin resources globally and accounts for almost 40% of carbon emissions and solid waste streams. It's not hard to see why substantial changes are needed in this industry if we are to limit warming to 1.5°C globally.

At Arcadis, we understand the outcomes reducing our clients' carbon impact brings and are proud to stand side-by-side with our clients, guiding them on how to make this a fast and fair transition.

Whilst our process is standardized – our approach is not – we identify each client's individual needs considering sustainability at every stage of every project we work on. This starts with asking if we are doing the right project in the right place, and progresses to considering sustainability in the design, build, operation, and end of life of the projects we work on. We identify opportunities for our clients to accelerate their own transition to a Net Zero future. We use current research - such as the IEA Net Zero by 2050 Roadmap, Project Drawdown Solutions, and the WBCSD Vision 2050 , among others - to guide our insights and innovations, and ensure that each project we work on is aligned with the sustainable future that we want to see. Each conversation we have with a client is an opportunity to promote awareness around sustainability and encourage a behavior shift towards a Net Zero future. Having these conversations early in a project, when design decisions are still being made, is particularly important. Continuing these conversations throughout the project allows us to partner with our clients to discover new ways to be sustainable at every stage of the project. To help realize this, our Client solutions pillar therefore works with our Solutions and Service leads to ensure sustainability is comprehensively integrated into every solution we bring to the table.

As a response to the growth in our client's demand for comprehensive sustainability strategies that could guide the next several decades of corporate sustainability action, we strengthened our global Sustainability Advisory Practice. Global Sustainability Advisory will ensure that the strategies needed for our clients are in place, so our offices globally can continue to deliver the sustainability planning and execution they do so well through our Solutions.

Five sustainability themes

If we are to succeed in tackling climate change, we need to make discussing and accessing sustainable solutions straightforward. We focus on five key themes to embed and standardize sustainability in everything we do. The themes were developed from the UN Sustainable Development Goals that we prioritize, continuous stakeholder engagement and alignment to our own global business structure:

Sustainable solutions

In 2021, we refined these sustainability themes to match our ambition and more commonly used terminology in the industry.

Energy & Carbon

To limit global warming to 1.5 degrees, industries and governments need to transition to clean and renewable energy, significantly reduce their general GHG emissions and work towards a Net Zero future. Arcadis partners with clients to identify various initiatives to decarbonize their operations, evaluate and implement smart solutions to reduce energy consumption or change to renewable energy sources, and help them achieve their emission goals.

Climate adaptation

Arcadis conducts climate risk assessments and designs adaptation strategies in cities, along rivers and coasts. Using nature-based solutions, creating room for the rivers, strengthening coastlines, developing multifunctional flood protection, designing water retention and other measures to mitigate impacts on communities and ecosystems.

Circularity

Arcadis provides circular economy consulting to our clients to reduce waste of resources and adverse impacts on the environment. By performing thorough cradle-to-gate and cradle-to-grave life cycle assessments (LCA) Arcadis identifies eco-design opportunities to reduce, reuse and recycle resources such as energy, materials, and water. Additionally, Arcadis provides strategic support regarding packaging and has aided clients with developing packaging policies aimed at reducing packaging waste during the life of their products.

Nature & Biodiversity

Environmental management aiming at restoring nature and promoting biodiversity is a significant portion of Arcadis' global business. Services include site and corporate level biodiversity footprint assessments, supporting clients to set biodiversity targets and define a nature-positive strategy, advisory services in the field of ecosystem restoration, nature-based solutions and valuation of ecosystem services. These solutions are aligned with Arcadis' sustainability mission as they contribute to a sustainable preservation or restoration of ecosystems.

Transition

Arcadis provides their clients with comprehensive social performance management consulting services including regulatory compliance, management systems and compliance, health and safety programs social audits (labor standards, indigenous rights, ecological compliance, employee and other stakeholder assessments), industrial hygiene programs (indoor air quality, asbestos), and advises on inclusivity assessments, among other topics.

"Global Sustainability Advisory brings together numerous areas of our business, enabling Arcadians to support clients in their transition to Net Zero. We provide front-end expertise focused on strategy, performance management, and reporting, both in operations and throughout the value chain. By doing so, we help our clients establish bold sustainability ambitions, and identify opportunities to help them succeed in an uncertain future."

Josh Nothwang Sustainability Advisory Lead

Sustainability strategy and Program development

Arcadis supports clients at all stages of maturity – from those who are just beginning their sustainability journey to others who have prioritized sustainability for decades – in sustainability strategy and program development. We benchmark peers, conduct materiality assessments, determine priorities, structure programs, and develop policies, all to help clients further advance their sustainability ambitions.

Carbon management

We help our clients develop GHG emission inventories across the value chain (scope 1, 2, and 3), select and implement data systems, set science-based and Net Zero GHG reduction targets, and report progress via frameworks including GRI, CDP, and TCFD. Arcadis has a suite of proprietary carbon tools including GRASP, which optimizes carbon reduction opportunities in support of target achievement roadmaps.

Energy transition

Arcadis supports our urban and regional clients in their transition towards local low-carbon and renewable sources of energy by providing advisory in energy demand reduction, storage, distribution and more sustainable forms of energy, such as electricity, heating and cooling. We help develop spatial energy strategies, smart energy networks and planning and design for energy efficiency.

EV transition

Arcadis supports our clients in EV transition, including zero-emission vehicle transition strategy, charging network planning, charging infrastructure design and delivery, as well as fleet electrification from capital planning, to implementation. Bringing together our expertise in energy transition, mobility advisory and behavioral changes, we help clients accelerate the zero emission transition with end-to-end services.

Sustainable mobility

Arcadis helps cities and organizations reduce carbon footprints in mobility by providing road transport operation services to increase traffic efficiency and reduce congestion; making multi-modal mobility policy and travel demand management plan to promote sustainable modes usage and reduce car dependency; providing safe streets and high-quality biking and walking space to encourage more active mobility activities.

Restoration and remediation

Arcadis has a long history of being a leading provider of restoration and remediation services. We bring together our remediation, engineered treatment systems and deactivation, decommissioning, decontamination and demolition disciplines to maximize project value. Arcadis applies sustainable remediation concepts in its projects, promoting efficient remediation with the smallest carbon footprint.

Biodiversity and nature-based Solutions

Arcadis has cutting-edge expertise in the field of corporate biodiversity measurement and valuation, due to its involvement in international initiatives on standardization and external disclosure of corporate biodiversity performance. We translate this expertise into a range of advisory services for supporting businesses in the field of corporate biodiversity strategy development and target setting. We help clients with measuring and valuing their biodiversity impacts and with identifying and implementing actions to mitigate adverse impacts and to enhance ecosystem restoration. We know how to design and value nature-based solutions in the built environment.

Water optimization

Arcadis supports in the water optimization of existing assets through machine learning, develop the most efficient designs for new assets, and support use of recycled material and water reuse through construction and operation while incorporating societal drivers.

Waste management

Arcadis has experience across a suite of solid waste management solutions including developing solid waste master plans, waste to energy advisory, feasibility studies and due diligence services. The solutions are directed towards greater sustainable waste management practices, shifting from a linear to a lifecycle-based and circular approach. We advise on reduction, reuse, recycling, and recovery solutions that contribute towards a transition to zero waste to landfill.

Strengthening Operational EHS

We partner with our clients to help them run safe, reliable and compliant operations via the implementation of commercial enterprise-wide software solutions. This allows organizations to define, organize, simplify, interpret and report their progress, performance and risks in challenging areas such as Energy & Carbon, Circularity and Climate/ Environmental Justice.

Product Stewardship

These services aim to understand and manage the environmental and human health impacts of products during their entire life cycle (production, use, and disposal). Successful product stewardship sustainability programs include hot spot analysis, life cycle assessments, product carbon footprinting/environmental product declarations, material screening for restricted substances, pro-active regulatory monitoring, regulatory analysis and compliance reporting, hazard and exposure assessments and supply chain communications.

Net Zero / Circular Buildings Design

We advise on sustainability measures needed to achieve Net Zero operational carbon and provide sustainable design advisory to incorporate considerations to reduce embodied carbon, such as through adopting circularity principles. We take a holistic approach through system thinking and by using innovative smart digital solutions, not only for new buildings and retrofit, but also for large programs, urban development and new cities.

Built Asset Lifecycle Optimization

We advise on the re-use and repurposing of vertically constructed assets through evaluation of the desirability and viability of a retrofit solution, the latter of which not only considers financial metrics, but also considers embodied and operational carbon. All of our solutions incorporate innovative energy solutions, minimizing building energy use, then ensuring that multiple usage of energy. We also provide continual optimization solutions through digital enabled assets.

Social Performance Measurement

We also support clients by conducting transparent community engagement processes, to integrate the lived experiences of communities impacted by the project into planning and design. The needs and priorities of socially vulnerable populations are addressed in our work to promote not only equitable processes, but equitable outcomes as well.

Enterprise Decision Analytics

Arcadis Gen developed a range of asset investment planning, asset management and asset performance management products help organizations and governments better understand and utilize their data to plan, predict and optimize for greater sustainability, efficiency and resilience, across the asset lifecycle. Enterprise Decision Analytics for example, offers clients access to advanced analytics and machine learning to navigate ESG challenges of climate resilience, energy transition, water optimization, sustainable operations, and regulatory and reporting demands in the face of extreme weather events.

Biodiversity: foundation for social and economic prosperity

Sustainability

Climate change captures the headlines and global action. Meanwhile, another dramatic development, perhaps even more threatening is happening in relative silence. Humankind currently overuses biocapacity by 56%, meaning we are fast depleting the world's natural resources, rapidly reducing the abundance of species that once roamed our planet. Meanwhile, our economies, livelihoods and the safe supply of food and water all depend on biodiversity.

The loss of biodiversity is more than an environmental crisis, explained Victoria Leggett, UBP's Head of Impact Investing, since the global economy is highly dependent on nature and its services, such as water purification and pollination. UBP is an investor in Arcadis since 2021.

Johan Lammerant, Arcadis', Lead Expert on Natural Capital and Biodiversity has worked on ground-breaking biodiversity projects and was one of the authors of the Natural Capital Protocol. In 2021 he contributed to a UBP seminar on biodiversity. Regulation around biodiversity performance disclosure is in development, such as the new Corporate Sustainability Reporting Directive (CSRD) of the EU, the Task Force on Nature-related Financial Disclosures (TNFD) – which is developing a common reporting framework for nature-related risks, and the European Central Bank's recommendation to price in climate and biodiversity risks.

"Frontrunner businesses are not waiting until the legislation is there [...] but they are looking for innovative approaches on how to measure biodiversity," says Lammerant calling on corporates to, "take action today" rather than waiting for the perfect approach. Although biodiversity is often perceived to be a more complex challenge than climate change, especially as there is no one single indicator to measure biodiversity compared to carbon emissions, there are many reasons for making faster progress on biodiversity.

"Healthy ecosystems absorb a lot of carbon (CO_2), provide cooling in cities and reduce the risk of flooding. So, we need healthy ecosystems to make our society more resilient towards the impacts of climate change. In addition, they offer many other benefits such as pollination, air purification and the provision of food and water. Biodiversity therefore forms the foundation for social prosperity and a healthy economy. All businesses ultimately depend on biodiversity", he said.

"Healthy ecosystems absorb a lot of carbon (CO_2), provide cooling in cities and reduce the risk of flooding."

Johan Lammerant Lead Expert Natural Capital and Biodiversity

Arcadis helps both companies and investors to make well-founded choices. We assist companies like Alpro (agrifood), Spadel (drinking water) and Eneco (power supply) in the development of their biodiversity strategy. "We know which tools and metrics are available to measure the impact and we guide them to limit, restore and compensate for biodiversity loss. We can also assist financial players with the right insights, data and indicators to assess investments and investments, Lammerant concludes.

Arcadis is also involved in various international networks. We are a member of the Science Based Targets Network, which provides support in establishing scientifically robust biodiversity targets for businesses. We are participating in the European Commission's ALIGN project to develop an international corporate standard for measuring biodiversity. And last but not least, as a member of the Expert Working Group supporting the upcoming CSR Directive in the EU, we provide expertise on how businesses should disclose information on biodiversity performance.

Impact & Systems

The Impact & Systems team, previously Business Operations, works together with other teams such as Procurement, Workplace, and Travel to ensure environmental, social and governance (ESG) considerations are embedded into our operations and value chain, assessing our own impact, reporting on our performance, and setting global policies related to sustainability. In line with our ambition to accelerate the transition to Net Zero in a way that improves quality of life for all, we are committed to operating our company in a way that eliminates carbon and other greenhouse gas emissions in our operations while reducing harm to society and the economy.

To do this, we have committed to achieve Net Zero greenhouse gas emissions within our global operations (Scopes 1-3). In addition to the valuable preparedness this will bring our organization regarding adapting to and mitigating the effects of climate change, we are confident this Net Zero own operations plan will also help to maintain and improve our top- quartile performance as ranked by our core rating agencies, and contribute to key insights we will share with our clients. From 2023, we will include updates on our progress (relevant non-financial KPIs) in quarterly disclosures. The scope of this team has been expanded to activities such as Impact assessment (including life cycle assessment), hotspot analysis, impact tracking systems development and modelling. As of 2021, we also report on Task Force on Climate-Related Financial (TCFD) Disclosures.

In June 2021, we updated our Sustainability Policy Statement that was originally published in 2020 to better align with the business strategy we published in November 2020, and with our new global operating model. Regular reviews of this Sustainability Policy Statement will continue, to ensure alignment with our Sustainability ambitions.

Our approach to the UN Sustainable Development Goals (SDGs) and Human rights

With our Sustainability ambition of accelerating the transition to Net Zero, in a way that improves quality of life for all, in 2021 we strengthened our approach to the SDGs and to Human Rights, to further demonstrate how we improve quality of life.

We focus on those SDGs that are the most relevant for Arcadis, identified by leaders and sustainability specialists in every region where we operate. We have selected ‘focused impact’ SDGs, where we can leverage our skills, expertise, and global scale to make an outsized, positive contribution to their achievement through our core business. We have also selected three ‘specialized impact’ SDGs, where we can make a positive contribution through specific services and solutions. (For more information refer to the SDG section in this report).

In 2021 we refreshed our Human Rights and Labor Policy to align with international expectations for our own operations, our supply chains including procurement and for the project work we do for clients. Our human rights and labor policy also includes a three -year roadmap, through which we will implement the policy and continue taking concrete steps to further embed respect and the promotion of human rights in all our activities. For more information refer to the Human Rights section in this report.

Energy & Climate

The science is clear, the effects of climate change will have an increasing impact on our way of life for this generations and those to come. Climate change has been identified by Arcadis as one of the four mega trends driving business growth, so to ensure our strategic direction remains aligned to the latest developments in the market, we consider climate change a trend shaping our operating environment For more information refer to the Mega Trends section of this report.

It’s time to create the world of tomorrow, one that is much better than today. We aim to create a more resilient future both through our solutions and services, and through the way we manage our own company. We recognize our responsibility to eliminate carbon and other greenhouse gas emissions in our operations.

At Arcadis we quantify and track our Energy & Climate KPI by calculating our carbon footprint for our material Scope 1, 2 and 3 emissions (MT CO_2 per FTE). The target for this KPI aligns with the Science Based Targets initiative (SBTi) 1.5°C scenario. Our 2021 estimated Carbon Footprint can be found in the Emissions and Environmental Management section of this report. The efforts in place to bridge the gap and reduce our emissions are described below in the section Net Zero Commitment.

Arcadis Net Zero Commitment
In September 2021 Arcadis announced the commitment to accelerate reductions to achieve Net Zero faster within the company's global operations (Scopes 1-3). The step is part of the ambition the company set out last year in its three-year strategy to build on Arcadis' pioneering heritage and maximize its impact by reinforcing sustainability at the heart of client solutions, business operations, and the communities of today, tomorrow and the future.

Arcadis supports the aims of the Paris Agreement and Glasgow accords and has committed to reduce scope 1 and 2 GHG emissions 74% per full time employee by 2035 from a 2019 base year. Arcadis also commits to reduce scope 3 GHG emissions 74% per full time employee by 2035 from a 2019 base, focusing on our largest categories of emissions. Additionally, Arcadis commits to increase annual sourcing of renewable electricity from 6.8% in 2019 to 100% by 2022. These targets were approved by the Science Based Targets initiative (SBTi), a partnership of four leading NGOs who collectively validate organizational greenhouse gas (GHG) reduction targets, in February 2022.

In addition, as an interim step to Net Zero, we invest in high quality Gold Standard and VCS certified offsets for all material Scope 1, 2 and 3 emissions that protect and restore ecosystems in Cambodia and improving quality of life, and abating emissions by providing cookstoves in India to help mitigate climate change.

The Keo Seima Wildlife Sanctuary (KSWS) helps restore and protect the home of over 950 wild species, including 75 globally threatened species. The project is vital in the preservation of the region's vulnerable wildlife, and the sustainable development of its local communities through securing of legal title to their traditional lands.

Working with the Fair Climate Fund, Arcadis is looking to invest in 136,700 of the forest's carbon credits in the next three years (2020-2022), saving approximately 110.5 hectares of protected forest land – an important step in our journey to mitigate climate change and reach our Net Zero ambition.

The contribution will also positively impact Keo Seima's indigenous people through support in the land titling process; as well as sustainable management of the forest, protecting it and its wildlife against the imminent threats of deforestation and forest degradation.

Annually our Dutch operations invests in cookstoves, helping families on the India countryside. The project saves energy and supports local employment since the ovens are fabricated and serviced locally. Since this project is closely related to the Carbon Footprint of Arcadis the 2021 investment in cookstoves will be determined once the final footprint is published. You can check our website for updates.

Emissions and Environmental Management
Since 2010, we have consistently reported on our global emissions and energy consumption, based on the Greenhouse Gas (GHG) protocol. This initiative is led by our Global Impact and Systems Lead and embedded and monitored via our Global Environmental Management System Standard (EMSS). By using this standard, each region has flexibility on how to approach their roadmap to achieve set targets and reduce environmental impact, but all regions consistently report progress using the Global Standard as a minimum requirement. In these guidelines Arcadis requires regions to report on metrics that were determined "material" to our organization's environmental impact. For more information refer to the Materiality section in this report. Metrics are compiled globally and summarized in the Annual Report; additional details are published publicly via the Carbon Disclosure Project (CDP). Carbon footprint data are reported by the operating companies to environmental engineering professionals, who review the data. This review includes a comparison to other operating companies and historical performance. Before data is released in our Annual Integrated Report (AIR) it is third party verified (see page 299). Currently, 68% of Arcadis Operating Companies run a certified ISO 14001 Environmental Management System, although all Operating Companies are required to run a system this does not have to be certified.

Due to COVID-19, 2021 was not a typical year in terms of energy consumption. This means there are little to no guidelines or references available on the effects of a pandemic on energy consumption. To be able to measure this impact a calculation methodology was developed in 2020 that improves consistency across our regions. It also gives additional insight in the effects in our scope 3 emissions since some of our scope 1&2 emissions (heating, cooling, electricity consumption, etc.) moved to our scope 3 (energy consumption at employee's homes) with these different circumstances.

Since the release of our Annual Integrated Report is before we have received full year energy consumption data the energy consumption and carbon footprint mentioned in the following tables are estimations based on measured data from January 2021 to November 2021. The most up to date releases regarding information on energy consumption and footprint will always be posted on our website.
The total material emissions for 2021 will be offset as soon as we have finalized our full year reporting cycle.

Estimated scope 1, 2 and material 3 emissions 2021

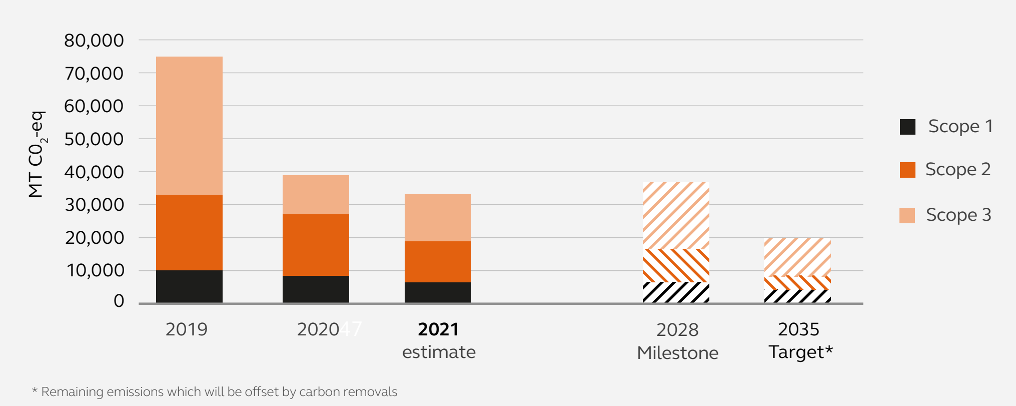
	MT CO_2e	MT CO_2e/FTE
Scope 1	7,581	0.27
Scope 2 (location-based)[1]	12,138	0.44
Scope 2 (market-based)[1]	*490*	*0.02*
Scope 3	12,945	0.46
Total (location-based)	**32,664**	**1.17**
Total (market-based)	***21,016***	***0.75***

1 Our market-based scope 2 is 490 MT CO_2e absolute and 0,017 MT CO_2e/FTE

The above mentioned 2021 estimates for scope 2 are shown as location- and market-based emissions. For the market-based emissions, the renewable electricity we purchase via appropriate certificates (e.g., GO's and i-REC's) is considered.

The following image shows our reported emissions from our new baseline year (2019) compared to our 2035 targeted emissions. Please note that the COVID-19 pandemic has had a major reducing impact on our emissions in 2020 and 2021.

Arcadis Global Carbon footprint



In 2021 Arcadis rolled out its global travel policy targeting reductions of domestic and international flights. In addition, since 2017, Arcadis NV and the Netherlands have participated in KLM's Corporate Biofuel program. Through this program, Arcadis pays a surcharge to the airline that covers the cost difference between sustainable biofuel and traditional kerosene. A large-scale shift to sustainable biofuel has the potential to decrease carbon emissions from the airline industry by up to 80%. Participating in this program helps us demonstrate demand for more sustainable solutions and ensure sustainability up and down our supply chain.

We also updated our procurement policy and included sustainability and energy reduction as one of the key components. Both policies have been included in our EMSS.

2021 was also the year we focused on developing sustainable workplace guidelines, including energy efficiency in our buildings, which will be finalized, rolled out and embedded in the EMSS in 2022.

Pledge to Race to Zero

To further reiterate our commitment to becoming a Net Zero company, Arcadis became a signatory to Pledge to Net Zero. Through this commitment we joined the Race to Zero, a UN backed global campaign aimed to rally leadership and support from businesses, cities, regions, investors to take action to shift to a decarbonized economy that prevents future threats, creates jobs, and unlocks inclusive, sustainable growth.

Taskforce on Climate-related Financial Disclosures (TCFD)

This year, we integrate our TCFD disclosures in the Annual Integrated Report. The disclosures assess the risk and opportunities for Arcadis related to climate change. In 2021 we carried out a qualitative Climate-Scenario Analysis (CSA). The qualitative CSA outputs have helped us to identify and assess climate-related Physical and Transition risks and opportunities for the business. The insights generated from the qualitative CSA engagement will feed our internal teams and will help us set a course of actions for next year. The complete TCFD Disclosures can be found in the section Additional information at the end of this report.

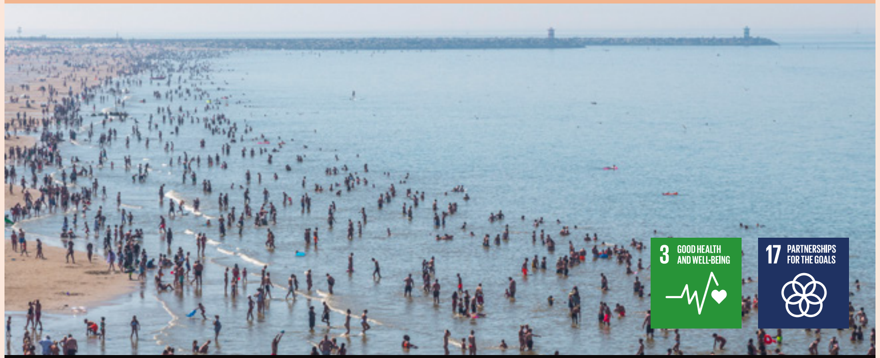
The Hague Heat Plan

Protecting the cities' most vulnerable

Resilience

"The heat plan forms the basis for crisis management. All involved parties now exactly know what to do when a heatwave occurs."

Rogér Derksen | Climate Advisor Arcadis Netherlands



Cooperating organizations

25

How we are different

Adressing the needs of the most vulnerable.

Impact

Effective control of heat-related health effects.

The Challenge

Heatwaves occur more often due to climate change, creating a health risk for cities' most vulnerable inhabitants. As an extension of the National Heat Plan, the municipality of The Hague needed a local heat plan to better inform and protect vulnerable groups against the consequences of heat stress symptoms that can occur during extremely hot summer days.

The Solution

Our project team teamed up with 25 organizations in The Hague that work with people who may experience health risks in the event of heat, but who are beyond the reach of healthcare institutions. These groups consist mainly of senior citizens living alone, people suffering from chronic illness and the homeless. Following an extensive survey of existing initiatives and a webinar with all involved parties, we worked out a plan to address the issue. The plan consists of measures aimed to reduce heat-related health and wellbeing problems, promoting self-sufficiency and cooperation, as well as the exchange of knowledge and experiences. It contains a practical scenario that can be implemented when a heatwave occurs. Part of the plan is the implementation of an elaborate information campaign designed to inform vulnerable groups and their immediate circle of the health risks that may occur during periods of prolonged heat. In addition, a so-called 'cooled locations' pilot project was launched, which focused on finding locations that can serve as 'cooling centers' during a heatwave, such as places of worship, libraries and government buildings. This pilot produced valuable insights and identified areas requiring attention.

The Impact

Thanks to the plan, the local Municipal Health Service (GGD), Red Cross and various social, welfare and healthcare organizations can operate in an effective and structured way when the National Heat Plan is activated. The heat plan provides The Hague with a solid basis for efficiently controlling heat-related health effects. It enables authorities to quickly offer effective assistance to people who are most affected by heatwaves.

Sustainable Procurement
Arcadis is committed to meeting the highest standards of business conduct. These commitments extend to our supply base since Arcadis' suppliers represent an important part of our sustainability impact. We seek to establish a sustainable supply chain that is enabled by digital tools, supported by clear policies, and empowered by best practices, serving as a key enabler of success.

In 2021, we initiated the centralization of our procurement function to provide a foundation to organize and implement our actions and commitments on a global level. A Global Sustainable Procurement Manager was hired into the Global Procurement Organization in 2021 to focus specifically on the integration of environmental, social, and governance (ESG) factors into Arcadis' supply chain, in close collaboration with the Sustainability and Human Rights functions.

We redefined our core principles that guide Arcadis' Sustainable Procurement practices:
- Global Procurement Policy Statement outlines our ambitions on how to achieve a sustainable supply chain through a center-led and global strategic procurement operating model;
- Global Supplier Code of Conduct outlines the collaborative approach we have with our supply base. It details expectations that suppliers need to meet regarding ESG topics.

As part of our broader program and ambitions, we publicly articulated our Net Zero and human rights ambitions for the value chain:
- In our Net Zero commitment, our value chain emissions have a central role (scope 3) through reduction of scope 3 (GHG) business travel related emissions and a range of short- and medium-term milestones that also relate to our scope 3 emissions;
- Next, our human rights program explicitly addresses the supply chain and our expectations from business partners, including suppliers for key human rights issues.

Arcadis purchases a varied mix of goods and services:
1. Direct spend: acting on behalf of a client
2. Indirect spend: acting on our own behalf

Our supply base includes global but also often local markets for products and services, involving a wide array of stakeholders. This requires a customized approach, and we seek to prioritize this approach based on impact.

To strengthen our management, we follow ISO20400 guidelines for the planning and implementation of sustainable procurement and the Arcadis Risk & Control Framework regarding Third Party Management includes internal guidelines to engage with suppliers.

Environmental non-compliance
Our efforts in sustainability are guided by the UN Sustainable Development Goals and by the Arcadis General Business Principles (AGBP) which set guidance for our business decisions and actions throughout the world at all levels and apply equally to company actions and to individual behavior of all our employees in conducting Arcadis' business.

In 2021 there has been 1 environmental violation or notice of violation from a regulatory environmental authority where a monetary civil penalty of an amount higher than €10 K was imposed on Arcadis.

Ratings and Recognition
In line with our Global Sustainability Policy, we measure, monitor, and communicate our sustainability performance in a manner that is transparent and responsive to the needs of our stakeholders. Our progress is reflected in several Environmental, Social and Governance (ESG) performance benchmarks and assessments, including Sustainalytics, CDP, MSCI, ISS and EcoVadis. We take a pro-active approach in disclosing our policies, programs, actions and results. We welcome feedback from these ESG rating agencies on our journey to continuously improve and maximize our positive impact to society, through the projects we undertake for our clients, in our own business operations and through the way we engage with people and communities.

The table below shows our scores for several key Environmental, Social, Governance (ESG) related rating agencies over the last three years. Our Non-Financial Reporting webpage includes more information and details on these assessments.

	Score 2021		Score 2020	
	Score	Rank	Score	Rank
Sustainalytics (Lower ESG Risk Rating score = lower risk)	ESG Risk Rating: 12.9	Top 1% (1st place) in industry Top 4% all companies	ESG Risk Rating: 17.9	Top 1% (1st place) in industry Top 14% all companies
EcoVadis	Overall: 69 points, Gold medal	Top 2% in industry Top 4% all companies	Overall: 64 points, Silver medal	Top 5% in industry Top 7% all companies
MSCI	TBD Q1 2022	TBD Q1 2022	AA ('Leader')	Top 21% of industry
ISS ESG Corporate Rating	C+ 'Prime' status	Within top 10% (1st decile) of industry	C	Within top 20% (2nd decile) of industry
CDP Climate change questionnaire	B	Above industry and Global average	B	Above industry and Global average
S&P Global Corporate sustainability assessment	54	Top 14% in industry	55	Top 18% of industry

Arcadis EU Taxonomy disclosure

At Arcadis we support the transformational objectives of the EU Taxonomy Regulation. We are committed to achieve its benefits that are so close to our ambition to accelerating our industry's transition to a Net Zero world, while improving quality of life for everyone. When it comes to establishing eligibility and alignment with the EU Taxonomy, we are taking the following factors into account.

We recognize that the Taxonomy Framework will develop over time. Given the urgency of the climate crisis, the Regulation currently prioritizes activities with a large share of overall emissions and reduction potential, among which manufacturing, transportation and construction. This approach by default excludes many activities at the forefront of the value chain and asset lifecycle in our industry, where the impact potential on the regulation's environmental objectives could be significant as well. We believe that at some point the fundamental role of design, engineering, architecture and technical consultancy in the quality of our environment, should be better reflected in the Taxonomy Regulation in order to fully leverage the expertise required to achieve the transformational benefits we all aspire to.

We estimate that, by design, given in addition that for 2021 the EU Taxonomy focuses only on activities related to two of the six environmental objectives (climate change mitigation and climate change adaptation), the potential percentage of eligible activities for Arcadis would probably not be representative of our contribution to climate change mitigation and adaptation.

The current systems do not allow the Group to split nor to pinpoint revenues, Capex and Opex to specific EU Taxonomy activities. A manual exercise is not feasible notably due to the size of the project portfolio and the EU Taxonomy does not allow to make use of estimates. The company is working on a specific reporting that will allow to produce the KPI's requested by the EU Taxonomy. This project embeds notably the auditability requirements as defined in the Taxonomy.

Education and engagement

To truly deliver on our sustainability ambition of accelerating the transition to Net Zero, in a way that improves quality of life for all, Arcadis recognizes that success will require every employee to have the knowledge, skills, and behaviors to proactively deliver on this through the work we do with our clients, through our partnerships and through the grassroots activities that 29,000 Arcadians regularly take part in. Our people believe in our mission to improve quality of life and want to play their part.

We commit to providing appropriate, practical training to empower and equip all Arcadians to deliver sustainable outcomes for clients and help make our own operations more sustainable. The Education and Engagement team aims to make both this training and broader skills building opportunities available, working with our teams globally to make sure it is accessible to all our employees, regardless of location.

Diverse and inclusive workforce

Engineering, along with other STEM professions, has a history of being insufficiently diverse. As part of the Sustainability strategy that we launched in November 2020, Arcadis committed to building a workforce that is 40% woman by 2023. We are particularly interested in increasing the representation of women across all STEM (Science, Technology, Engineering and Math) roles. In 2021 the percentage of women represented in the business rose slightly and remained stable around 38%. We also had a slight increase for women in technical roles keeping steady at about 34%. An update on our progress towards this goal can be found in the People & Culture section of this report.

Basecamp sustainability module Roll out of a Sustainability engagement module

Available to all employees since 2020, Expedition DNA Basecamp educational program covers basic sustainability topics, Arcadis' operations, sustainability for clients, the impact of urbanization, and ways that we can maximize our impact. As of 2021, 2,772 Arcadians have completed the sustainability module of Basecamp, equivalent to 9% of our workforce. Once Basecamp has been completed, the more advanced 'Expedition' portion of the training becomes available. In 2021, 206 Arcadians completed the advanced sustainability training through Expedition DNA. See page 72 for more information on Expedition DNA. Our goal over the next three years is to upskill 100% of Arcadians on applicable sustainability topics.

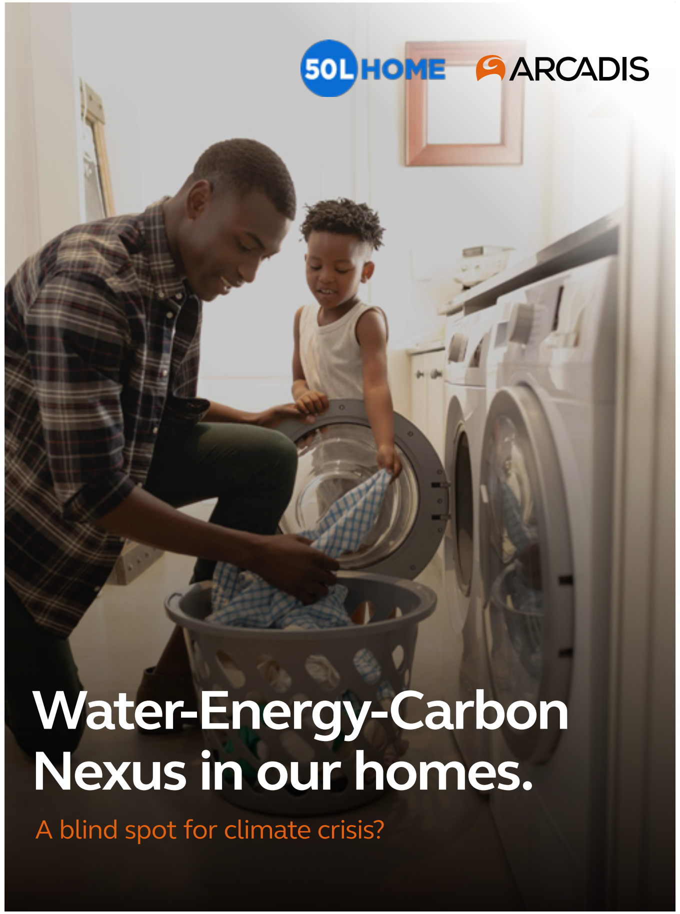
Sustainability partnerships
Collaboration is key to creating the best and most sustainable solutions. The UN Sustainable Development Goal number 17 'Partnerships for Goals' supports this belief, which we practice at Arcadis through active involvement in several global, regional and local partnerships in which we collaborate with other businesses, governments, NGOs, and societies.

World Business Council for Sustainable Development (WBCSD)
Arcadis has been a member of the WBCSD since 2014, with our Global CEO Peter Oosterveer being on the Executive Committee. This partnership gives us the ability to collaborate and learn from business leaders across different industries and countries to promote sustainable business practices. Some highlights from 2021 are listed below. For more details, you can visit our WBCSD webpage.

- In 2021, Arcadis contributed to the updated WBCSD Vision 2050 to provide comprehensive, reliable and ambitious guidance on how the business community can accelerate the sustainable transition that the world urgently needs;
- Arcadis is proud to be supporting the Business Commission to Tackle Inequality. The commission, comprised of more than 20 CEOs and more than 10 key stakeholders, will, over the next year and a half, create a business narrative and action agenda towards a more inclusive and equitable society;
- Arcadis was a key contributor to the value framework for sustainable charging infrastructure to help business and policymakers understand how to play a leadership role in transitioning to 100% electric fleets;
- Together with the WBCSD, Arcadis developed the Digitalization of the Built Environment report that evaluates the role that digital tools have in the shift to sustainability in the built environment;
- In 2021 Arcadis was a key contributor in the development of a long list of use cases, as part of the Commuting Behavior Change project. The project objective was to help businesses adopt sustainable corporate mobility policies, highlighting practical solutions for inciting a shift to cleaner transportation.

UN Global Compact
Arcadis has been a member of the UN Global Compact (UNGC) since 2009 and is committed to its objectives and to the ten universal principles regarding human rights, labor standards, environmental stewardship, and anti-corruption. We post our annual Communication of Progress to our Non-Financial Reporting webpage.

50L Home Coalition
Arcadis is a partner member of the 50L Home Coalition, a collaborative of private, public, and civic leaders who aim to reinvent the future of urban water use through innovations that enable people to live comfortably using only 50 liters of water per person per day at home. In November, Arcadis published a white paper on the connection between water, energy and carbon in our homes and the ways that water use contributes to climate change.



Tent

In 2019 Arcadis committed to offering employment opportunities to 45 refugees across Europe over the next three years, as part of its commitment to attracting diverse talent and providing an inclusive working environment. Arcadis offers an internship program that provides training and/ or coaching to help refugees adjust to their new working environment. The most appropriate candidates will be offered a job with Arcadis. Arcadis is committed to encouraging its network, including suppliers, vendors, clients, and investors, to hire refugees who are not offered employment with Arcadis at the end of the internship.

When COVID-19 and associated restrictions emerged in 2020, we suspected that we would have to slow down our hiring. However, Arcadis teams were committed to this program and able to evolve the internships and coaching to the new way of working. In 2021, 26 refugees were hired in Europe for a total of 56 program participants in the three years since we made our original commitment. Arcadis plans to continue this program in the future and have dozens of staff members across Europe already committed to acting as a mentor for future refugee hires.

Institute for Sustainable Infrastructure

In 2013, Arcadis North America became a charter member of the Institute for Sustainable Infrastructure (ISI). Since then, Arcadis has embraced ISI's Envision rating system for civil infrastructure and developed an in-house training program before the system even launched to prepare our people to become credentialed in its use. This rating system provides a basis to evaluate and rate the social, environmental, and economic benefits of all sizes and types of infrastructure, such as water, power and transportation. Hundreds of North American employees have completed the ISI Sustainability Professional credentialling. Through our partnership, we have strengthened our commitment to delivering positive business outcomes to our clients while doing the right things for our planet and for society.

World Green Building Council

We work with Green Building Councils in several of the countries where we operate in an effort to always stay current with sustainable best practices in the building and construction industries. Notably, we are Silver Members of the U.S. Green Building Council, the group responsible for LEED building certifications. We are also active in the UK Green Building Council and the Dutch Green Building Council.

Community engagement

Arcadis and its people dedicate time, expertise and money to local community engagement initiatives. We perform volunteer-based activities and projects around:

- **Create today** - providing hands on assistance, through a range of one-day activities such as performing riverside clean ups and organizing charity events to raise money or collect goods for those in need;
- **Create tomorrow** - helping local communities by sharing our knowledge and experience to improve their quality of life. Our support consists of process consulting, technical advice, financial know-how and access to our extensive network;
- **Create the future** - nurturing future talent. We bring together present-day experts and the talents of the future to promote the positive impact our profession can have on the world.

In 2021, COVID-19 continued to affect the ways that our Community Engagement programs operated. Many activities shifted to be virtual, and a greater focus was placed on helping our communities recover from and become more resilient to threats like COVID-19. In 2022, we will develop a globally coordinated community engagement program to deliver more sustainable outcomes for our communities.

Local Sparks

Local Sparks is a global Community Engagement program where Arcadis employees can create their own volunteer programs. It is made up of three components:

- **Local Sparks Platform:** A place where people can upload their own community engagement work and be inspired by others;
- **Local Sparks Challenge:** A one year challenge for Arcadians interested in setting a goal around community engagement with a 1000 Euro reward;
- **Local Sparks Accelerator:** A 2-year development program for larger community engagement projects with a funding opportunity of up to 40,000 Euros provided between the Global and Regional management teams.

During 2021, the main focus of Local Sparks was COVID-19 Recovery. Nine workshops were held around the globe to brainstorm together on ways that our offices could help their local communities recover from COVID-19 and be more prepared for the future. Over 450 Arcadians participated in these workshops and 27 Challenge/Accelerator ideas were generated. In the end, ten of these ideas (five Challenge projects and five Accelerator projects), located in 7 different countries, were awarded a total of €206,000. These projects kicked off in the final month of 2021 and will continue into 2022.

Shelter

Working in partnership with UN-Habitat, the Arcadis Shelter program is addressing one of the world's most urgent sustainability challenges: urbanization. Since 2010, more than 2,200 Arcadians have participated in one of the more than 100 Shelter missions, in 31 countries, improving living conditions for some of the world's most vulnerable people. In 2021, Shelter operated as a virtual program but in many ways, the reach of Shelter was even greater than it has been in the past. Seventeen workshops, including nine in collaboration with Local Sparks, were held throughout the year to introduce Arcadians to Shelter and work together on generating ideas that address urbanization challenges. A total of 1,189 Arcadians participated in these online workshops. Arcadis also was able to offer virtual support to 9 UN-Habitat missions in 2021. Through these missions, 46 Arcadians provided pro bono expertise to communities around the world.

Business ethics

Today's complex business environment demands that we firmly embed integrity in our values, our culture and our daily business practices. Integrity means that we always work to the highest professional and ethical standards and establish trust by being transparent, honest and responsible. Integrity is a fulfilment of our high standards of responsibility to our clients, shareholders, business partners and our people, the public, and to governments and the laws and culture of the countries in which we operate. The Arcadis General Business Principles (AGBP) further define our interpretation of business ethics and form our Code of Conduct. The AGBP have been developed by global leadership at Arcadis and set guidance for our business decisions and actions throughout the world at all levels and apply equally to company actions and to individual behavior of all our employees in conducting Arcadis' business. Arcadis recognizes that true integrity in our daily business will be underpinned by the commitment to the principles of the AGBP of our employees and the third parties we do business with.

Governance

Arcadis acknowledges that the ultimate responsibility for the implementation and application of the AGBP lies with the Arcadis Executive Board and the primary responsibility with the operating entities (first line of defense). The Corporate Compliance Committee is composed of the Global General Counsel, the Chief People Officer (member of the Executive Leadership Team) as well as the Global Compliance Officer. The Global Compliance Officer reports on AGBP integrity, compliance and related (alleged) issues to the Corporate Compliance Committee, to the CEO of Arcadis and the Arcadis Audit and Risk Committee of the Supervisory Board (AARC) or directly to the Supervisory Board. At Regional level the Compliance function is composed of a Compliance Officer and a Compliance Committee. Each Compliance Committee includes the Compliance Officer as well as Legal and Human Resource/People expertise. The Compliance function is the second line of defense that assists and supports the first line of defense with identification and analysis of key Regulatory & Policy Compliance risks, trend spotting, mitigation of compliance risks through the introduction of policies, standards, procedures, and guidelines, providing training and awareness and with periodic assessment of the effectiveness of the risk mitigating controls. The Internal Audit function provides the third line of defense and the priorities for Internal Audit are defined in an annual audit plan which could include AGBP integrity or compliance related risks.

Anti-Corruption

Specific Anti-Corruption Standards (SACS) provide specific guidelines related to gifts, hospitality and payments to third parties. Arcadis has embedded its commitment to the UN Global Compact principle on anti-corruption by referencing the SACS in the AGBP. Targeted anti-corruption training sessions by leadership and by Compliance Officers were held in various regions and countries throughout the year, tailored to local laws and regulations.

Dealing with dilemmas
The AGBP cannot anticipate the array of dilemmas we may face in our day-to-day operations in each jurisdiction and sector in which we operate. An active policy in this area means recognizing dilemmas and taking responsibility for resolving them. Arcadis encourages its employees to recognize and discuss business dilemmas with each other and with their management, to make integrity an integral part of our culture. Real life AGBP related scenarios are worked into anonymized dilemmas which are fed back into the business via training to raise awareness and ensure lessons learned are impactful and effective.

Value for customers
We are a reliable partner for our clients and aim to deliver our services without jeopardizing stakeholder interests. We offer services under terms that do not compromise our independent professional judgment and aim to create value for clients. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.

Responsible employment practices
Arcadis employees are key to its success, and we respect human and labor rights so that our employees may work in a safe, healthy, professional and supportive environment. We encourage engagement and support personal development through comprehensive policies and initiatives. Every Arcadis employee has an equal opportunity for personal recognition, advancement, career development and compensation, regardless of background or beliefs. No form of discrimination is tolerated. The human and labor rights policy has been updated in 2021 and applies equally to recruitment, our supply chains and procurement. The policy is supported by a three-year Human Rights Roadmap to drive implementation. This policy lays out our ambitions aligned with global expectations for our own operations, our supply chains, including procurement, and for the project work we do for clients.

Monitoring and accountability
Arcadis requires all employees to understand, sign off on and comply with the AGBP and SACS every other year when Arcadis employees complete online training aimed at increasing awareness of our AGBP and values. This training specifically addresses issues like corruption, bribery, conflicts of interest, anti-competitive practices, and other risks to which our people may be exposed. It was rolled out in November 2020 and made available in 16 languages. Employees that join Arcadis must successfully pass the AGBP training within 30 days of joining. In 2021, a total of 94% of all employees passed the AGBP training[1]. The next round of integrity training for all our employees will be organized in 2022.

Arcadis monitors compliance with the AGBP in all operating companies on a quarterly basis through reporting on AGBP (alleged) issues and mid-year reporting on progress against the annually established Global Integrity & Anti-Corruption Program. In addition, management of all operating companies certify compliance and the effectiveness of global controls relating to the Arcadis Risk Category of Regulatory & Policy Compliance through an annual Document of Representation.

Integrity Lines
Arcadis has a reporting procedure which includes an anonymous global Integrity Line managed by a third party for the event people are uncomfortable reporting through their line manager or further in the line, to their Compliance Officer or the relevant Compliance Committee. The Integrity Line is available to our employees 24 hours/7 days a week in 16 languages. Reports of potential or suspected misconduct or other AGBP issues can be made in native languages.

In 2021, a total number of 91 alleged breaches of the AGBP were reported through the various reporting channels, including to the Arcadis Corporate Compliance Committee (2020: 72). All alleged breaches were assessed and, where necessary, further investigated or advised upon, except for 24 alleged breaches that are still being assessed or, where necessary, investigated. In addition, there were 5 reports of alleged breaches from before 2021 which were still being assessed or, where necessary, investigated during the year. Inappropriate behavior (employment-related) was the category with the most reported issues. There were no confirmed corruption or bribery incidents in 2021 based on our assessment and/or investigation. Violation of the AGBP may lead to sanctions, up to and including termination of employment. Company-wide Arcadis had 13 dismissals on grounds related to breaches of the AGBP. Arcadis will not hold employees accountable for any loss of business resulting from compliance with the AGBP and its reporting requirements.

1 Employees who onboarded during the month of December or are on long term leave of absence on 31 December, possibly have not yet passed the AGBP training and test by 31 December. As a consequence, it is likely that Arcadis will not be able to reach a 100% success rate on 31 December of the relevant reporting year.

Arcadis has also introduced a reporting procedure available for its external stakeholders (suppliers, clients and other third parties) to report any concerns they may have that the AGBP and/or related policies are being breached. This procedure includes an anonymous global Integrity Line managed by a third party. This anonymous external Integrity Line is available 24 hours/7 days for the event our stakeholders are uncomfortable raising a concern or reporting suspected misconduct or irregularities related to the cooperation with Arcadis directly with their contact person within Arcadis. The availability of Arcadis' External Integrity Line also ensures our compliance with new regulatory requirements (incl. the EU Whistleblower Directive) and UN Guiding Principles for Business and Human Rights. Reporting can be made in native languages and can be accessed through local telephone numbers or the internet.

Privacy (and personal data protection)

In 2021, the change program in Digital matured and the demand around digital products from our clients has also grown. This reinforced the importance of effective embedding of Arcadis' Privacy Standards (also called Binding Corporate Rules) and enhanced controls through privacy-by-design in our core business processes. The Global Privacy Program focused on further supporting the business by integrating the online Privacy Impact Assessment Tools into the global standardized operational programs (Arcadis Way) and the digital compliance frameworks. The Privacy Task Force set up in 2020 with senior leaders to further explore and identify actions in response to the ruling of the European Court of Justice (July 2020) on the validity of mechanisms for personal data transfers outside Europe ('Schrems II') has been continued in the form of the Global Personal Data Transfer programs with ELT sponsorship.

A global awareness campaign was rolled out which included interactive sessions with, among others, the Senior Leadership Group on the importance of embedding privacy in all projects and solutions based on the Privacy behavioral framework: 'identify, assess, action & monitor' and the six privacy rules. Also, privacy has been further introduced in the additional online Basecamp awareness programs that were developed as part of the Expedition DNA program to support our people to deliver the future strategy of the business. The Privacy function, with the Privacy Officer Network, has collaborated closely with the Information Security function in assisting and supporting the business (first line of defense) with identification and analysis of key privacy and personal data security risks. Such risks have been mitigated through the introduction of standards, procedures, and guidelines, providing training and awareness, and assessing the effectiveness of the risk mitigating controls.

Redesigning intersection ‘Funkturm Berlin’

Smart design for smooth mobility

Mobility

“Reconstructing one of the busiest traffic hubs in Germany feels like heart surgery. Meticulous design work is paramount.”

Ralf Schiller | Head of Division Highways & ITS Germany

Cars passing each day

230,000

How we are different

Applying sophisticated digital tools and Building Information Modeling for a highly complex design challenge.

Impact

Reduced congestions and and smoother traffic flow with improved CO_2-footprint.

The Challenge →

The Funkturm motorway junction links the A100 and A115 motorways and is one of the busiest junctions in Germany. After many years in operation, its structure cannot keep up with modern mobility demands. Rising maintenance efforts reached the threshold of economic efficiency. Approximately 1.9 kilometers of urban motorway of the A115 and the A100, as well as the necessary connecting ramps and 25 bridges will be renewed. It will be a highly complex endeavor, performed right in the heart of one of Europe's most prestigious big cities.

The Solution →

Redesigning a junction, whilst ensuring optimal traffic flow and reducing footprint, is a complex task. With the intricate nature of the remodelling in mind, a highly sophisticated and digitalized design process – created in collaboration with engineering form Schüssler Plan – is the key to success. Building Information Modeling (BIM) at level 5.0, as well as a 3D overall modelling with consistent data management have been applied. The digital twin model allows for simulation and analysis of the dynamic behavior of a real transport infrastructure structure, including its technical facilities. The thorough and integrated digitalization focus lays solid groundwork for maximum efficiency along the entire lifecycle of the mobility asset.

The Impact →

As a result of smart design optimization, the all new motorway intersection “Funkturm Berlin” will serve as a milestone on Berlins path to a more sustainable, efficient and people-oriented future urban mobility. Perfectly integrated into the urban fabric, smooth and low-emission traffic flow will meet both citizen demands for a livable environment as well as high-performance transportation systems.

Digital & Innovation

Providing clients with integrated, sustainable and digital solutions which maximize their effectiveness and impact and drive growth for our company.

Our focus on digital and innovation stems from the ambition to improve our relevance, to exceed client expectations and to protect our planet and the communities in which we work. Innovation for us is a means to a better end. It helps us bring the best of our digital knowledge and skills, combined with our sustainable capabilities to bring superior solutions to our clients. We see digital technology and scalable solutions as a major opportunity. To enable this Digital transformation, we are investing in our Tech function to deliver business growth by developing digital solutions and empowering Arcadians through the latest technology.

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Deterioration Unchanged Improvement

% of revenues
using BIM level 2

78%

2020: 61%

Arcadis Way implementation progress at constant perimeter
as % of net revenues

82%

2020: 64%

EBITA / FTEs
switch to digital solutions
in € 1,000

8.5

2020: 8.2


78%
% of revenues using BIM level 2
Digital leadership
82%
Arcadis Way implementation progress at constant perimeter as % of net revenues

We plan to maximize our impact by leveraging our global scale, by embedding sustainability in everything we do and by continuing our drive to be a digital leader. With regards to Digital leadership, it is our ambition to build on our existing digital platforms and capabilities while heavily investing in new areas and cultivating the skills of Arcadians, empowering them to create enduring digital solutions that meet our client's greatest challenges.

Ambition

To drive digital products, we have created Arcadis Gen to bring new digital driven business models towards our existing and new clients. Besides that, we are bringing Digital in the core of our existing business by making the business responsible for automating our services and augmenting these services with digital solutions. Our Tech function will enable and empower this, while the Innovation function will support the business in targeting the right investments. The business itself takes further ownership of the investment decisions based on client needs and the implementation, change management and monetization of the automated services and digital solutions.

Tech mission

The technology function has in 2021 further changed its strategic from a traditional IT function into a function which co-creates digital value with the business for our clients. To provide effective technology that empowers Arcadians to deliver high value services and solutions to our clients that will ensure that Arcadis thrives in an increasingly digitally driven business environment and be that digital frontrunner.

Innovation mission

In 2021 we created a Global Innovation and Ecosystem team. The mission of this team is to create an environment that enables Arcadians to explore new possibilities that can clearly be distinguished from business as usual, working towards discovering our clients' needs and opportunities and daring to imagine bold propositions, embedding Arcadis in the ecosystems that will disrupt our industry working together with our partners.

Governance

In line with our ambition to Focus & Scale, leveraging our global capabilities and global footprint, we started to globally centralize the governance for our investments in automated services and digital solutions. This for both new ideas as existing services and solutions, and to ensure that we focus our investments on those ideas and solutions which have the biggest return on investment.

New ideas go into our global innovation pipeline called Quick Launch and enabled by an innovation platform. Ideas are being reviewed and tested before further investments decisions are being made by the governance. In 2021 all new investments for mentioned solutions have been made through this governance.

Not only new ideas are led through this governance. Decisions like scaling, migration or elimination of existing services and solutions, are being made by the same governance. In 2021 we have assessed around 175 digital solutions. Based on the business value and technical quality we have defined a path forward. Based on the viability this can lead either towards scaling or elimination. All to ensure maximum return of investment.

Arcadis Gen is part of the governance structure to ensure that ideas for external scalable Digital Products with new business models, are being captured and shared with Arcadis Gen for further assessment.

About this report (progress)

100% BIM

Based on global quarterly figures for design and engineering (D&E) revenues in 2021 Arcadis achieved 78% transformation for projects that could achieve a digital maturity that is in accordance with the Arcadis BIM level 2 metrics. Across the Arcadis regions, no single country that is part of the D&E metrics was found to be under the threshold of change to be considered a majority, with many in the final 10-15% necessary for full transformation completion in relation to BIM Level 2. This diversity in transformation is in part due to client, market and geographical maturity in relation to the constructs of BIM, but for those nearing completion new metrics in relation to BIM are being developed in support of the Standardization & Automation Strategy.

For Arcadis, BIM has been found to have had a substantial impact on efficiency due to information-sharing. Improving production time, supporting how we can assure and optimize our design and engineering outcomes, and ultimately promoting sustainable practices through linking with other data sources such as cost and carbon databases. While the use of BIM across all levels is improving not only how natural and built assets are designed and constructed, but how they are operated as we move closer to our corporate Arcadis vision of the Digital Asset Lifecycle.

Data Analytics

Data and Data Analytics is increasingly driving value for our clients. It redefines both our clients as how we deliver and do business as Arcadis.

We are empowering Arcadians to expand their skillsets by exploring their potential, digital capabilities, future proofing their career and business with the assistance and guidance in order to have an impact with our clients with Data and Data Analytics. We run digital Communities of Practitioners for data visualization, data management and data science to share knowledge. At an enterprise level, we are investing in among others a Data Platform, Data Governance and learning platforms, which will ultimately improve the way we operate, focusing on data-driven decision making, using facts, metrics, and data to drive business decisions which are aligned with our goals, objectives, and initiatives.

Digital client achievements

In 2021, Arcadis' core technology team successfully delivered digital solutions to many global clients. In Germany, we delivered a key Program Management solution to the multinational automotive manufacturer Stellantis N.V. that allows this client to track the building and refurbishment of their retail outlets from concept through implementation. Arcadis' solution streamlines communication between Stellantis and their retailers, ensures that a "single version of the truth" is available to all stakeholders, and that Stellantis branding standards are met.

In the Netherlands, Arcadis continued to deliver its Dyndash (Dynamic Data Sharing) solution to ProRail, the government organization responsible for the maintenance and extensions of the Dutch national railways. Dyndash, an Object Type Library (OTL) for the rail industry, allows our clients to store standard design components in a uniform way that makes retrieval and reuse simple and easy thus eliminating duplicative work and ensuring compliance with design and safety standards. Dyndash also tracks design changes over time ensuring clear version control and allowing an inventory of upgrades to be maintained. Partnering with ProRail as the pilot client who provides immediate feedback from the market, Dyndash is being developed with a view to scaling to additional rail clients in other geographies.

In Australia, across Asia and the UK, Arcadis continued to deliver Cost and Commercial Management (CCM) services to a growing number of key clients via its Cost Clarity platform. Launched late 2021 there are already over 200 projects benefitting from the system. Cost Clarity is a single platform where Arcadis CCM clients can access all the information pertaining to their current engagement with Arcadis – scopes of work, communications, schedules, and cost estimates – track KPIs in easy to digest dashboards and reports and, importantly, gain valuable insights to improve decision making. In 2022 the functionality of Cost Clarity will be expanded to deliver standard benchmarking services that clients can use to develop preliminary cost estimates for their projects and that can be used to compare with bid prices to help inform the contractor selection process.

Mobility as a Service Pilot

Enabling transport in rural Scotland

Mobility

"It is an ambitious region-wide solution that has the potential to make a significant contribution to improve accessibility for residents and visitors."

Cllr Allan Henderson | Chair – HITRANS

Integrated transport solution	How we are different	Impact
1	We build on the knowledge we have – through data and technology – to create bespoke user experiences that lead to long term behavioural change.	Rebalances how people travel, giving better access to integrated transport options to ultimately reduce the number of vehicles on the road.

The Challenge →

An over-reliance on car ownership, particularly in rural areas of Scotland, is leading to a rise in harmful emissions. Finding alternatives is easier said than done, especially in rural areas where transport options are often limited. The challenge is particularly acute in the highlands and islands of Scotland; an area covering half of the countries' land mass and hosting 600,000 tourists every year, 75% of whom travel by car or motorhome.

The Solution →

MaaS, or Mobility as a Service, brings together multiple modes of travel, combining options for different transport providers into a single service. From bike hire to car clubs, taxi and ride sharing, to public transport, including bus, rail, aviation and even ferries and flights, MaaS allows access to all modes of transport via a single payment platform. But it's about more than just an app. While a MaaS app makes it much easier to plan, book, pay for and access different transport services, it will only work and create the necessary behavioral change if there are reliable, affordable transport services available in the first place. There is a very direct link between supply and demand. If many customers use the MaaS app, it can give transport service providers the confidence to add additional services, so over time MaaS can be one of the most effective enablers when it comes to driving change.

The Impact →

GO-HI is the largest MaaS program to date in the UK. It will increase the accessibility of integrated transport for residents, visitors and business travelers in some of Scotland's most rural areas. As the pilot progresses, participating transport providers will be able to access data about the demand for their services. This will help them to better understand the needs of people in the region and to make more informed decisions about the provision of services. It has already resulted in initiatives such as the Enterprise Car Club, and the Bewegen and Brompton Bike Hire system, gaining the confidence to provide more transport choices for customers in the region. Ultimately, this will play a significant part in helping to reduce the number of vehicles on the road, cutting congestion and limiting harmful emissions.

Partnership with Techstars

Since 2019 we have worked in partnership with Techstars Accelerator program, we have continued to work closely with starts up from 2019 and 2020 programs such as Irys, Niricson and Cobalt Water. In 2021 we have successfully scaled our partnership Irys from North America into the UK, showcasing project examples and the value of our partnership at COP26. In 2021 we shifted to Techstars' Pathfinder program, participating in global innovation challenges with other likeminded organisations on the theme of Net Zero leading to new relationships for Arcadis with start-up and scale-up businesses who are innovating to further improve the AEC industry and explore new technologies.

Digital Studio

Arcadis Digital Studio is an Amsterdam based multidisciplinary team approaching problem solving in an agile way, with design thinking methods and the three lenses of desirability, feasibility and viability. We are creating scalable digital products by combining global trends and Arcadis' current experience and expertise. Ultimately, we want to better serve our clients by providing new offerings that will allow them to remain competitive in the digital age.

In 2021 the team has explored exciting opportunities in the areas of data and analytics and digital twins, working closely with our clients to test and validate new digital solutions. An example is how Arcadis is helping reduce water leakage by consistently developing and delivering sustainable solutions to address the current and future challenges of our water clients, based on new and emerging technologies. Arcadis is conducting research into innovative approaches to reduce water leakage and believes that leakage can be reduced significantly using digital twin technology. This technology can be used to bridge the gap between the modelled world and the physical world. Arcadis identifies five maturity levels of digital twins. In the next 2 to 5 years, it is expected that the technology landscape will evolve towards simulation, autonomous and cognitive digital twins, which could be used to predict and prevent water leaks.

Technology function

The Tech Function is transforming itself to be able to co-create value with the business for our clients and with that grow the business. This while continuing with providing conventional IT services to run the business. To achieve this, we are investing in our Tech function. We are recruiting external Tech talent, setting-up new Tech services and investing in new Technologies.

We have established Digital Services and Solutions within the Tech Function in which we developed the automated Services and Solutions in collaboration with the business. We have around 12 development teams (scrum teams) active we are working Agile and are fully responsible for end-to-end development and operations (DevOps) of a solution. In 2021, these teams have been working on approximately 25 new and existing digital services and solutions which have been identified across the business and prioritized by global governance. Local project related developments are being supported by our Citizen Development team. Empowering Arcadians in a managed way to create specific digital solutions to meet client challenges and at the same time mitigating risks like cyber security.

We started the development of the Data Platform where all our federated data will be connected to monetize this data and have a platform in place on which we can develop and scale our services and solutions thought-out Arcadis including CallisonRTKL and Arcadis Gen. The first services and solutions are currently running on the Data Platform.

We are moving away from a conventional server environment towards the Cloud to host all our own hosted data. The migration started mid-2021 and by the end 85% of all our data has migrated without business disruption. Having all our data in the Cloud will lead to cost reduction through optimization of our processes and will allow for further utilization and monetization of our data.

Digitalizing Global Solutions

Environmental services

In 2021, Arcadis evolved its FieldNow™ solution beyond the 100% data collection vision towards a suite of standard, end-to-end solutions that address project needs from the planning phase through reporting. One of the early wins is the end-to-end groundwater monitoring and reporting solution currently being rolled out in North America. This will enable greater efficiencies and financial gains for Arcadis and our clients with one of the largest volume services delivered in the Resilience Environment global business area. An automated Quality Assurance/Quality Control dashboard offers real time feedback to field teams to ensure scope completeness and eliminate field remobilization costs that occur if gaps are identified.

Arcadis' investment and development of a Data Platform is foundational in the success and ability to scale the solution across services. Ultimately, the Data Platform will be used to store all Arcadis data and help unlock the promise of data analytics across all Arcadis business for us and for our clients.

Design & Engineering

In our Design and Engineering solutions we remained laser focused on standardizing and automating design processes and strengthening global alignment within all engineering disciplines. In addition, in line with our strategy emphasis has been put on the fundamental step change towards a data-centric design process. With the development of the Arcadis Object Type Library (OTL), we globally structure our design information and navigate towards semantic linked data models with unambiguous terms, definitions and relationships across language barriers, service areas and disciplines, which will be instrumental to increasingly benefit from the wealth of benchmark data in and across projects. The availability of unambiguous information on user requirement specifications, material properties, sustainability performance criteria and other relevant design information in our BIM models facilitates seamless and automated connections with other data sources such as cost and carbon databases. The automated design processes in combination with integrated cost and sustainability performance assessment introduce the next level of opportunity framing and value engineering to identify the best outcomes and enhance client value.

Sustainability by design is in our DNA, through this we aim to incorporate the latest (proven but also experimental) technology to reduce carbon emission and put a hold to exhausting natural resources. Our digital transformation journey enables us to maximize our impact and monitor our progress by recording our carbon emission but also allows us to provide our assets with material passports to underpin that the assets of today are not only designed to comply to the relevant user requirement specifications but also need to anticipate a next life or be a material storage for the future.

Our clients increasingly recognize and appreciate the benefits of digital tooling for model-based system engineering, such as creating a data-centric platform with one version of the truth for all stakeholders, allow traceability of specifications, control complexity and particularly perform design verification and validation with respect to the user requirements specifications and deliver an evidence-based assurance.

Program & Project Management

The way we deliver our Program & Project Management services is evolving at pace linked to our ability to leverage advances in digital technologies available in the marketplace and allowing us to better tackle complexity and scale. Our continued investment in our people, in the applications and products that we use, has generated scalable and reusable solutions. We are migrating our delivery tools to a common data environment resulting in improved governance and access to information from anywhere, allowing us to apply analytics to deliver global insights for our clients. We have undertaken a review of our technology real estate and we are forming deeper relationships with eco-system partners allowing us to increase consistency, capability, and mobility. Leaning on our heritage we continue to build on our environmental, social and governance goals and these are embedded into our service delivery as we focus on financial and non-financial outcomes for our clients.

We have recently completed and deployed an evolved approach for a global program of works; we have identified and implemented new technology solutions to drive efficiencies, support decision making and improve overall business performance. Our ethos has been to implement digital solutions that deliver tangible benefits. These solutions are embedded within our program management platform that provides an improved user experience and captures all data ensuring consistency and accuracy in the insights delivered in real time to our client.

Digital cost management

Cost & Commercial Management services continue to be in high demand due to the value to our clients. The volatility, disruption and disputes arising from the pandemic has added to the importance of close budget, cost, and commercial control of investments across all assets in the build environment. In particular the disruption to supply chains, materials and changing working conditions as well as tail winds from stimulus packages increasing demand has exacerbated pressures on resources – invariably this has led to inflationary pressures, uncertainty and risk which if not controlled and managed proactively can lead to commercial issues affecting projects and client objectives.

We focused on the continued digitalization of our service offering, leveraging the data and insights we have to create value for our clients. This also includes the development of new digital solutions in the form of **Cost Clarity** which enhance our client's user experience of our services but also provides the opportunity for increased retention of clients and repeat business. The growing focus on sustainability objectives across all investments and projects in the built environment posing a huge opportunity but also a fresh cost challenge on the viability of projects. As these new measures often lead to increased capital cost but lower operational costs, helping our clients to make their projects investible, affordable, and optimized will be increasingly important in the short to medium term and our growing capabilities in whole life costing, carbon quantification and our ability to support clients make data led decisions based on cost and benefit will be in demand as industry makes the journey towards a Net Zero economy.

Asset management

Over the past year, our asset management solution team has focused on standardizing and automating our services to make our deliverables more consistent and efficient. We have streamlined our processes to enable the use of digital tools throughout the globe. By focusing on standardization, teams in Latin America are utilizing the same risk assessment tools that were developed for the North American market. In addition to developing in-house applications, our team has developed several ecosystem partners to bring new applications to the market. One example is how the asset management team collaborated with Arcadis Gen to develop several new applications that are now available on the Applied Insights platform. These applications leverage the power of machine learning and artificial intelligence to predict better outcomes for our clients. We are driving change in the industry through the adoption of digital technologies and the use of advanced analytics.

By leveraging digital solutions, our research shows that clients will save billions of dollars annually in the North American water market alone. There is overwhelming evidence that digital solutions offer productivity and efficiency savings to our clients. There is a wave of digital solutions hitting our market annually. Our clients are now incorporating digital strategies into their asset management plans to leverage the latest digital product advancements. These products eliminate data silos and provide our clients with better insights to meet their business goals.

We are more proficient in digital technologies and now differentiate ourselves as frontrunners. Our team routinely leverages the latest technology in business visualization to put our client's data to work and make more informed decisions. Our team has shifted from static paper-based plans to online asset management plans that tie in real-time data streams to allow for better decisions.

Our team leverages the skillsets of data scientists and developers to make better solutions for our clients. We are realizing the value of change by utilizing advanced asset management principles. We see a shift in the market to incorporate the concepts of innovation, resilience, and sustainability into asset management programs. By leveraging these advancements, we are helping our clients optimize spending decisions to reduce the infrastructure funding gap while maintaining assets at an acceptable service level.

Innovation & Digitalization

At Arcadis innovation is in our DNA, from deep roots in engineering to the new shoots from the data science, software engineering and technology advancements. We continuously strive to maintain an environment where innovation serves to challenge the status quo enabling us to work with our clients to explore and discover wicked problems and work with them, daring to imagine bold solutions.

Working together across our industry, across our global business and with our ecosystem partners to push the AEC Industry forward whilst respecting its complexities. Our strategy, Maximizing Impact, further advances our position as a digital frontrunner and an organization whose sole mission is to Improve Quality of Life. We are laser focused on delivering sustainable outcomes in all that we do.

Innovation occurs in many places in our business, and our focus homes in on digital and sustainability-led solutions that challenge the way we and our peers deliver solutions today across three key business areas – Resilience, Places and Mobility.

At Arcadis we have consciously embedded an end-to-end innovation value chain into our operating model. This is important to enable the right people to participate in idea creation, development and implementation, avoiding pilot purgatory, reframing failure and enabling bold moves that can be implemented at scale and deliver benefits to our clients and their customers at pace.

The work we do in innovation epitomizes the passion, talent and ambition of Arcadis. We continue to learn, explore and evolve and dare to shape the future of our industry.

Network Rail Digital Solutions

Supporting Intelligent Infrastructure Vision

ARCADIS gen

"These solutions will optimize asset investment planning, help the frontline workforce maximize productivity, but most importantly support safety and reliability at the heart of this critical national infrastructure."

Rachel White | CEO at Arcadis Gen

Train journeys annually

40 million

How we are different

Holistic asset and workforce planning, done in one team with the client.

Impact

Ensure the right people are assigned to the right job, on the right assets, in the right location, at the right time.

The Challenge

Network Rail owns and operates the UK's railway network. They are in the midst of a multi-year digital transformation program to turn data into intelligent information to improve services for passengers. As part of this journey, Network Rail is looking to develop the next generation of asset and workforce planning solutions.

The Solution

In 2021, Network Rail appointed Arcadis Gen to deliver two large digital programs: Asset Lifecycle Planning and Work Planning and Scheduling solutions, using Gen's Enterprise Decision Analytics (EDA) software. Asset Lifecycle Planning will deliver an integrated, strategic asset management planning system with the capability to optimize investment plans across asset disciplines, based on a common value framework of service measures. Work Planning and Scheduling will enable the workforce to efficiently plan and deliver commitments through an optimized industry leading maintenance regime.

The Impact

With the use of Gen's Enterprise Decision Analytics (EDA) platform, Network Rail's asset management staff are able to optimize their asset investment planning, maximize productivity for their frontline workforce, but most importantly, support safety and reliability at the heart of this critical national infrastructure. Through tackling asset and workforce planning holistically using Arcadis Gen solutions, Network Rail are ensuring the right people are assigned to the right job, on the right assets, in the right location, at the right time.

Progress report 2021 on Information security

The increase of digitalization implies an increase of cyber risk: the more we depend on information technology systems and industrial control systems, the more impact it has on our organization and our clients when these systems are not available or do not work properly. For this reason, we have further invested in Information security in 2021.

We recruited an experienced Global Information Security Officer and positioned the Information security function outside Technology reporting directly into our Executive Leadership Team. This enables the Information security function to work independently from Technology and any other function.

We matured capabilities to identify risks, prevent incidents, detect anomalies soon, have a response ready when something happens, and be able to recover quickly to limit the impact for the organization if an incident occurs. We continued to invest in educating our people all over the world about the right behavior when handling client and Arcadis' data, about reporting anomalies and incidents and about recognizing social engineering attempts like phishing emails. All these maturity improvements are described in our security roadmap which is based on the latest developments within and outside Arcadis and on the latest threat insights.

We updated our security control framework. It is now aligned with the international ISO27001 standard, and it contains forty-seven controls to keep track of implementation and effectiveness of our information security measures. To increase our control, we installed a Security Committee steered by our CEO, Peter Oosterveer. The role of this committee is to oversee Arcadis' information security risk posture and provide binding recommendations to ensure and facilitate that the risk-posture is kept in line with our risk appetite.

We believe that implementing and maintaining Information Security requires cooperation with peer companies, partners, and government bodies. Therefore, we became a member of the Multinationals ISAC[1] from the National Cyber Security Center (NCSC) of the Dutch government and joined FERM-Rotterdam[2]. Both partnerships provide access to non-public threat intel from the NCSC and best-practices and new insights from peer companies.

1 Information Sharing & Analysis Center.
2 Public-private partnership around Rotterdam harbor to share threat intelligence and best practices.

The Arcadis Way

Implementing harmonized business processes, supporting technologies and behaviors, creates a global way of working. The Arcadis Way enables employees to grow and provide superior value to clients, realize their potential, and work jointly towards common goals, based on core values.

2021 was another significant year for Arcadis on the Arcadis Way journey as we went live in European countries adding just over 5,000 employees to our one way of working and Oracle ERP solution. In addition Arcadis started to add additional Oracle functionality to the core products that had previously formed part of the Arcadis Way by rolling out Oracle Recruitment Cloud which allows a consistent experience for all applicants who wish to join Arcadis as well as Oracle Advanced Procurement in our North America Business (go-live early 2022) as well as moving our Australian and North American businesses onto the Oracle Compensation Cloud allowing a consistent and transparent approach to how we facilitate the annual employee compensation process.

Relative progress of the Arcadis Way implementation in segments can be negative as countries without Arcadis Way in a given region may outgrow countries where it has already been rolled out.

Gearing up through standardization then automation

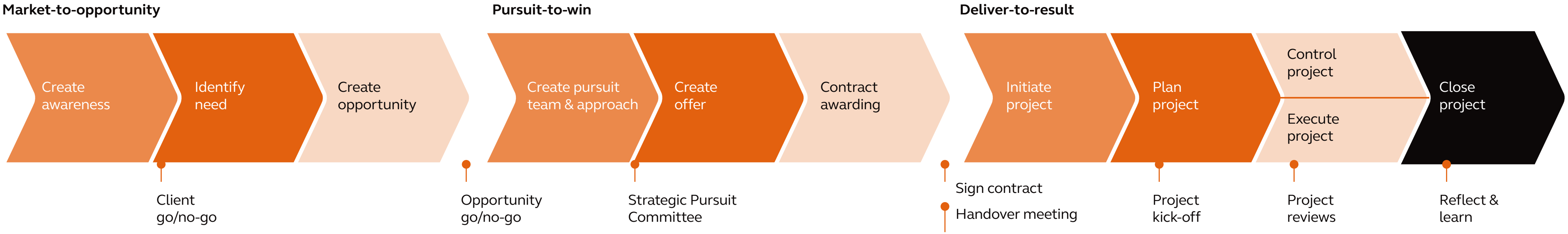
As Arcadis develops its worldwide organization, it seeks to reap additional benefits from its global presence. One way of improving performance is to standardize and then automate processes. This can increase efficiency and effectiveness, improve the user experience for both employees and clients, increase the consistency and quality of our solutions and reduce cost.

Taking one Arcadis to the next level

The Standardization then Automation program (StA) was launched in 2021 in support of our Maximizing Impact strategy. The program seeks to identify, develop, and reap the benefits from globally aligned processes, definitions, and ways of working.

Examples of such benefits include better insights in global performance and development of the organization – which becomes more relevant now that we introduce Global Business Areas to govern our business. This will also allow us to benchmark performance across geographies, supporting the further improvement of our solutions. The program helps reduce manual labor in standardized business processes, freeing up time for our people to work on other more complex or more creative tasks. As we standardize remuneration and benefits, the program can drive equality, transparency, and fairness towards our people, while also allowing them to develop their careers quicker and easier. It will improve seamless delivery towards our clients while enhancing the quality and consistency of our solutions in,

The Arcadis Way - Key processes and operational control points for projects



for example, design or Cost Management. Standardized processes also make it easier to increase collaboration with our Global Shared Service Center and Global Excellence Centers. All these benefits, plus the economies of scale associated with having fewer local systems and associated maintenance, produce considerable cost savings.

Room for creativity

An important element for the success of the program is the knowledge that eliminating repetitive tasks and other work that can be automated, will free up time for our staff to do more value added and interesting work. While it must be acknowledged that such benefits accrue over time, once repetitive parts of jobs are automated and obsolete parts removed, the saved time can be used for more creative, innovative or collaborative activities. One difference going forward is that we will need to manage creativity within the confines of a common environment, such as ensuring that new ideas provide benefit for the entire organization (at scale) rather than just a single country or client. Once new or improved work processes are proven, we will also ensure they are embedded into our standard work processes and made available to the entire organization. This way, not only do we continue to benefit from the creativity of our global organization, but we also obtain the improvements in deliverable quality that comes from employing repeatable processes.

Supporting people development and employability

Once fully deployed, the StA program will also support increased mobility of our staff and better utilization of our people. Once versed in the standard processes and procedures, our people will be able to deploy their skills wherever there is a need, working seamlessly with colleagues in other locations. This way, global clients receive a consistent experience, the company can leverage its senior leaders to deliver at international scale, and many employees will have the opportunity to live and work around the globe.

Process steps

The StA program has two work streams, one for corporate enabling functions, such as HR, Finance, Legal and Marketing, while the other is for the services we provide in support of our projects.
The approach to StA is comparable for both parts. While the end focus is to automate all suitable processes, to get there we need to first collaborate to identify best practices, eliminate obsolete or redundant activities, and then maximize efficiency by simplifying the remaining process. We will then harness technology to automate as much of the process as is practical to further improve the quality, consistency and efficiency of our work.

Digital & Innovation

Scalable and data driven: Arcadis Gen

Arcadis Gen, our global digital business, is at the forefront of Arcadis' commitment to Digital leadership and sustainable development. Since its creation in 2020, Arcadis Gen has focused on growing its recurring revenue model, building scalable data-driven products. By creating products in an expert software organization, Arcadis Gen helps to accelerate the Arcadis digital transformation, providing a launch and growth platform for sustainable innovations.

In 2021, Arcadis Gen has enhanced Arcadis' offerings and ability to solve complex client challenges with advanced analytics, in a repeatable, scalable way. Arcadis Gen's unique combination of analytics expertise and deep sector knowledge means their software is tailored to unique market needs, helping clients improve reliability, performance, efficiency, and safety across their operations.

Arcadis Gen is committed to helping asset management companies looking to develop their ESG strategies. Their products are built to help organizations and governments better understand and utilize data to plan, predict and optimize for long-term sustainability and resilience.

Investing in growth

In 2021, Arcadis Gen has focused on investing in growth to achieve its purpose of unlocking the power of data for a more sustainable, efficient, and resilient world. They are now realizing the benefits of the acquisitions of EAMS Group and SEAMS, investing in People & Culture to build a single organizational culture and seamless client-centric experience. Arcadis Gen is now leveraging the full capability of its integrated organization across the whole asset management lifecycle. As well as expanding or continuing major contracts with existing clients, Arcadis Gen has seen strong pipeline growth and their client base has increased significantly, with new clients globally across Resilience, Places and Mobility; including District of Columbia (DC Gov), Wessex Water, and Network Rail.

Arcadis Gen has also invested in digital talent, growing Arcadis' software and product development capability. Located around the world, this diverse workforce represents the best digital talent in the market. This headcount growth has enabled Arcadis Gen to invest in developing both new and existing products, continuing to productize their intellectual property to create modular products that can be rapidly consumed, to deliver insight to organizations of any size.

Growth in the North American market has been a key focus, where Arcadis Gen continues to support Amtrak with their multi-million-dollar transformation program and has secured additional new contracts with local governments as well as utilities, also new to Arcadis. This North American growth has been further supported by new strategic ecosystem partnerships, with companies such as Canada-based, Enterprise Asset management services company, Conectado Solutions.

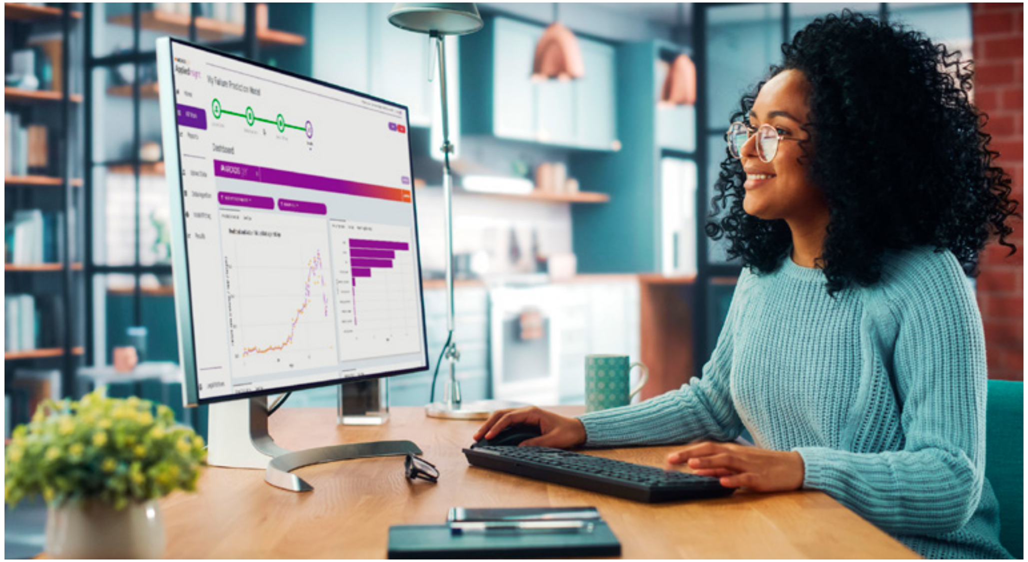
A key 2021 milestone in fostering scalable and repeatable business growth, was the official announcement of Arcadis Gen's SaaS-first business model: the market launch of AppliedInsight. Underpinned by the technology behind Arcadis Gen's Enterprise Decision Analytics software, AppliedInsight offers asset intensive organizations an accessible, affordable, first step towards digitalization, through Cloud-based app subscriptions, available for direct purchase from Arcadis Gen's e-commerce Marketplace, also launched in 2021. This commitment to client-centricity has been reinforced with Arcadis Gen's investment in a Digital adoption platform to provide scalable, digital first, customer onboarding.

Digital & Innovation

ARCADIS gen

Unlocking the power of asset data
Arcadis Gen differentiates itself from others in the market through its ability to optimize value across the asset lifecycle, with products that can work together, or individually, depending on a client's needs. Arcadis Gen's strategy is comprised of two business models: selling established software solutions to complement the offerings of Arcadis' Global Business Areas; and Software as a Service (SaaS).

AppliedInsight is a SaaS analytics platform and online marketplace designed to make advanced asset analytics available to organizations of any size. Utilities face growing pressures from customer demand, aging assets, extreme weather events and increased regulatory expectations of digitalization. The generation of actionable insights using AppliedInsight helps utilities enhance their service to consumers, increasing quality and value. Apps like the Water AI Pipe Predictor use artificial intelligence and machine learning to help utilities predict pipes most like to fail; while simple data repair and visualization apps help organizations take a first step towards digitalization.



Enterprise Asset Management (EAM) helps asset-intensive organizations create sustainable asset management practices that maximize asset information value for more efficient operations and maintenance activities. Arcadis Gen's EAM solutions support proactive maintenance, reducing the risk of asset failure, extending the useful life of assets, and helping clients achieve more from their assets, with a critical focus on resilience, safety, reliability, affordability, and capacity. Arcadis Gen's EAM solutions are used by some of the world's largest asset owners and operators including Transport for London, Amtrak, and Dublin Aviation Authority.

Arcadis Gen's Enterprise Decision Analytics (EDA) software has long been recognized as a market leader in the rapidly growing Asset Investment Planning market. EDA helps organizations navigate ESG challenges of climate resilience, energy transition, water optimization, sustainable operations, and regulatory and reporting demands. Client-centric service measure frameworks generate a comprehensive view of risk and impact across a broad asset base, optimizing portfolios and programs in real-time. In 2021, organizations including DC Gov, Network Rail, and Severn Trent Water used EDA to aggregate and analyze data to support operational, tactical, and strategic decision-making and align value to their service and performance commitments.

The InvestSmart product helps organizations manage their investment outcomes making data-driven decisions across the property life cycle, providing critical asset information, commissioning asset evaluation services, and capturing asset history in a single digital platform. Clients can make faster decisions about property investments through better collaboration and oversight, while speeding up technical and environmental due diligence transactions and increasing deal capacity. InvestSmart creates more robust, data-driven, and compliant asset management plans to support sustainable asset management practices and efficient resource management.

Digital & Innovation

ARCADIS gen

Wessex Water, UK

Providing water services to over 2.8 million customers across South West England, Wessex Water is keen to maintain a leading position within the UK water sector through compliance with and exceeding regulatory targets, improving sustainability and taking action to provide best value and quality services to customers. Wessex Water appointed Arcadis Gen in 2021 to provide their Enterprise Decision Analytics software for an Asset Investment Planning solution that allows Wessex Water to make optimal decisions, quicker and with more confidence, to achieve both their five-year and 25-year business targets. Through creation of adaptive plans to account for the impact of possible shocks and stresses in achieving its long-term outcomes, Wessex Water will be able to ensure improved service performance and reliability, comply with regulations, meet environmental and safety targets, as well as ensuring customer bills are kept as low as possible.

District of Columbia (DC Gov), U.S.

Home to nearly 700,000 residents, Washington, D.C., formally the District of Columbia and also known as D.C. or just Washington, is the capital city of the U.S. Unlike most local governments, DC Gov operates as, has to finance and provide the infrastructure needs of: a state, county, city and school district, making their asset management system one of the most complex in the U.S. DC Gov is on an asset management journey to produce a more data driven capital improvement program. For this, they sought to replace their Capital Asset Management System with a vendor committed to the public sector, that provides a leading Asset Investment Planning solution that is flexible with strong visualization capabilities. They have appointed Arcadis Gen to provide their Enterprise Decision Analytics for assets and projects to address Capital Asset Management needs and investments. Due to the strength of this customer relationship, there has been additional growth into other areas, such a Facilities Utilization Approval systems and Fleet Electrification studies, totalling 13 different areas in which DC Gov is utilizing Arcadis Gen solutions.

Financial performance

Healthy organic growth, solid margins and a strong balance sheet that will allow us to further invest into 2022.

With our new strategy fully in place, plus a sustained pipeline of opportunities, driven by increased investments from both public and private sector clients in growth areas such as smart mobility, energy transition and climate adaptation, we are confident in our ability to deliver on our strategic targets.

For definitions and methods of measure for the indicators included on this spread, please refer to page 320. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 299 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Deterioration **Unchanged** **Improvement**

Net revenues ✓
in € millions
2,565
2020: 2,494[3]

Net Income from Operations ✓
in € millions
Per share in € ✓
175/1.96
2020: 130[1]/1.46[1]

Dividend per share ✓
proposed, in €
1.30[2]
2020: 0.60

Operating EBITA margin ✓
as % of net revenues
9.6%
2020: 9.1%[1]

Net Working Capital ✓
as % of gross revenues
10.7%
2020: 12.6%

Days Sales Outstanding ✓
(DSO)
63
2020: 66

Return on Net Working Capital ✓
64.7%
2020: 54.5%[3]

Net debt to EBITDA ratio ✓
(average)
0.8
2020: 1.3[3]

Free cash flow ✓
in € millions
234
2020: 324[4]

[1] Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
[2] €0.70 per ordinary share plus an additional €0.60 per ordinary share
[3] Not reviewed
[4] The level of 2020 cash flow was outstanding due to exceptional working capital improvement driven by high level of cash collection resulting from group cash management program launched in Q1 2020, early client payments during covid crisis and tax deferrals under COVID-19 programs


3,378
Gross revenues in € millions
Focus & Scale
9.6%
Operating EBITA margin as % of net revenues

2021 has been a strong and prosperous year for Arcadis. The business is in an excellent position, with healthy organic growth, solid margins and a strong balance sheet that will allow us to further invest into 2022. Organic net revenue growth for the full year was 3.5% with an improved operating EBITA margin of 9.6%. Sustained good order intake is resulting in organic backlog growth of 5.1% year-over-year.

Full year results:

- Organic net revenue growth of 3.5% to €2.6 billion (gross revenues of €3.4 billion)
- Operating EBITA margin improved to 9.6%
- Strong free cash flow of €234 million, leading to net debt of €168 million
- Further improvement of Net Working Capital to 10.7% and DSO to 63 days
- Organic backlog growth year-over-year 5.1%, record backlog of €2.2 billion
- Dividend proposal of €0.70 per share, special dividend of €0.60

The strong improvement in our results, including the strong cash generation over the last couple of years have created our solid financial position. This will allow us the opportunity to continue with our investments in people, in sustainable solutions, and digital capabilities. Additionally, we will embrace opportunities for bolt-on and medium sized acquisitions to enable us to increase the return to shareholders.

Organic revenue growth

Gross revenues for the year amount to €3,378 million. Net revenues totaled €2,565 million and increased organically by 3.5%, with a currency impact of -1%. Revenues increased in all segments, partly offset by COVID-19 related decline in CallisonRTKL and the Middle East, driven by our decision to further reduce our footprint in that region.

Order intake in the year was €2.7 billion leading to a book-to-bill of 1.04. The book-to-bill ratio was greater than 1 in all regions, except for the Middle East, driven by our decision to reduce our footprint, and for CallisonRTKL. Exceptionally strong was the order intake in Australia due to some significant project wins. Organic backlog increased by 5.1% to a record amount of €2.2 billion. Backlog at the end of December 2021 was €2.2 billion (2020: €2.0 billion), representing more than 10 months of net revenues (9 months last year).

Key Clients Program

Our Key Clients Program closes the year with a net order intake of €1.4 billion, which is 5.5% above 2020 level. Net revenue for key clients is with €1.3 billion, 9.9% ahead of 2020. Organic net revenue growth was 11.8%. Backlog for key clients increased substantially versus last year to a level of €1,022 million (2020: €989 million). Through the program we focused in 2021 on 180 local, regional, and global key clients by prioritizing our resources to work on strategic pursuits and strategic projects for them: bringing the best of Arcadis together to meet the most complex challenges of the markets and clients we serve. The program represents more than 50% of Arcadis revenues and has shown again an excellent performance in 2021. After review, we will continue in 2022 with an adjusted key client selection of 148 clients aligned with our strategy and open to build partnerships with us. By selecting our largest clients, and those with most promising growth potential, we trust that we will again bring together approximately 50% of net revenues and net order intake. We win because our client account leaders are well equipped to offer clients excellent service, industry best practices and cutting-edge digital innovation.

Developments in 2021 - Global Sectors

Industrial Manufacturing

Following the global pledge to decarbonize, many of our manufacturing clients have set up their own Net Zero carbon goals and are now requiring the implementation of these strategic plans. Giga-factories producing batteries that match the replacement demand for electric vehicles are booming. We expect massive investments in this area until 2030.
The pandemic has had varying impacts across sectors. Life Sciences is stable with continuous investments. Manufacturing was resilient to the economic downturn in 2020 and 2021, and is getting back into growth mode. Aerospace expects a recovery in 2022 and beyond. Meanwhile, the global hydrogen market is projected to grow massively. In various end-user sectors such as Chemicals, hydrogen (storage) has become a critical enabling technology for the advancement of hydrogen and fuel cell technologies. Moreover, the global semiconductor chip shortage continues to affect the Automotive sector. Due to chip shortage, the production of nearly half a million automobiles has been disrupted, affecting distribution chains. There is currently massive investment in chip production.

Technology

Growth in the data center market remains bullish despite the omicron variant undermining investor confidence and capital expenditure. Lockdowns and liquidity pressures sustained microprocessor shortages. Combined with shared prosperity policies, Real estate issues have significantly impacted the ability for our Chinese clients to invest. To grow the sector, we created compelling materials around the biggest issues we see for 2022 and how we can support clients through them. The team has planned introductions to new businesses to diversify our technology portfolio.

Energy & Resources

As clients strive to meet their short-term sustainability goals and prepare for future Net Zero carbon requirements, they come to Arcadis for help in managing their energy transition initiatives. As a trusted partner, we offer them digital tools for asset management. In the Oil & Gas Sector, oil prices are fluctuating from $70 to $80 per barrel. Gas prices in Europe came down nearly 50% as exports from the U.S. increased without the challenges of the hurricane season, thus offsetting the decreased volume from Russian imports. Stability in oil prices and demand drives clients to spend more on traditional OPEX projects. Conversely, CAPEX spend is primarily focused on energy transition. The divestment and sale of assets, specifically in the Gulf Coast region of the U.S. and the Permian Basin, continue, and may accelerate.

In the Power Sector, power delivery during a catastrophic event is one of the core concerns of our Power clients globally. Reliability as a brand and commitment to Net Zero carbon goals are also important to keep the clients in this sector satisfied. Our digital services, combined with our focus on sustainability and energy transition, won us a partnership position with many of these clients in the fourth quarter of 2021.
In the Mining Sector, late into 2021, the demand for certain commodities decreased due to Chinese loan defaults. Mining companies took 2020-2021 to reduce costs, and balance sheets are strong. Commodity prices are expected to stay stable through 2022, drawing similarities with 2021 in terms of our mining clients continuing to spend to reduce their environmental liabilities. CAPEX spend is lower than pre-pandemic; however, planning for capital projects continues. Miners see demand for their products due to energy transition, causing them to support sustainability initiatives.

Contractors

Contractors finished the year on a high note with our team booking several large wins in the fourth quarter. We have been particularly successful in Australia and in several major pursuits across the globe, striving to bring our global Arcadis experience to the local office. Our working relationships with global contractors are strong, and clients in the contractor sector seek our added value in the complex projects they're engaged in. This is a testament to our strong account management and continued relationship building. Our pipeline remains strong, and we are positioning well for some major pursuits with our contractor partners. The market outlook for 2022 is positive, and we see more projects being procured by alternative delivery methods. Digital and automation are dominating the sector, and the pipeline is healthy.

Property & Investment

The 2021 United Nations Climate Change Conference (COP26) reinforced client's focus on delivering sustainability ambitions. This is evident across all P&I subsectors. Demand for Arcadis' sustainability advisory services also continues to grow. Understanding climate change impact on existing assets and achieving resilient returns are driving increased client demand for services. Significant liquidity remains in the market, and sustained demand is expected from investor clients for new asset acquisitions.

We continue to focus on core and alternative asset classes, as well as those that align with sustainability such as renewable energy solutions. Ongoing recovery is happening across retail, mixed use, and commercial developments in prime locations as post-pandemic optimism continues. The China property market remains turbulent and has decelerated due to restrictions, finance availability, and investor concerns.

Developments in 2021 Expertise areas & Solutions

Infrastructure

Our strong book-to-bill and order intake in 2021 are clear indicators of the vitality in Infrastructure. Proper resourcing for our projects remains a core challenge and opportunity for us. With the approval of the $1 trillion Infrastructure Investment and Jobs Act in the U.S., we get more visibility on opportunities with Contractors, Design & Build, and pursuits driven by the Department of Transportation. Record infrastructure investments in the UK contribute to a healthy pipeline. Australia ended the year with an outstanding order book and a lineup of large pursuits. Netherlands delivered an excellent order intake, and together with Belgium, won an important contract extension. Key wins with cross-country collaboration show the strength of our global operating model. Healthy industry trends continue to favor our business. Large public investments will renew aging infrastructure and stimulate growth in government work. Private sector investors and liquidity push increased interest for public-private partnerships. We are actively engaged with global and local contractors on all key pursuits.

Water

Demand in municipal water grew in many regions as supply assurance becomes an issue now that climate change is increasingly affecting precipitation pattern. Upgrades also include steps to decarbonize or reuse in-process methane for energy production. Network optimization and loss reduction in delivery remains an opportunity to reduce municipal water expenditure. Coastal resilience is driven by the growing threat of sea level rise.

Environment

IPCC, COP26, and other developments make the environmental market vibrant. We organize our market development, campaigns, and innovations, which allow us to have the right focus on market trends, both regionally and globally.

Buildings

We have seen a strong market demand in Buildings throughout the year, specifically in giga-factories, manufacturing facilities, and data centers. Client needs continue to evolve as businesses try to obtain quicker, more dynamic, and assured levels of advice and insight. This demand is higher than ever. Following COVID-19 and COP26, clients have increasingly prioritized sustainability in their internal and market commitments to cut carbon. Within this landscape, clients are focusing on sustainable solutions, Net Zero carbon designs for buildings, retrofit for greener estates, and energy efficiency improvements. Moreover, across all countries, clients are concentrating on digitalizing project delivery to achieve greater efficiency and productivity. Digital products and platforms, along with digitally enabled services, have been deemed as key to addressing client needs.

Developments in 2021 - Global Cities

The global pace of change increases as earth's rapidly growing population flocks to urban centers, placing ever-increasing pressure on resources, space and safety. Our cities need to respond to these stresses and quickly – their livability and competitiveness depends on it. Arcadis works with cities across the world, giving them a competitive edge and improving quality of life for their residents, visitors and businesses by building programs that expand resiliency, encourage regeneration, and maximize mobility.

Each of our selected Global Cities has its own unique DNA, cultural life, and wow factors. And as their populations increase, so too does their need for regeneration, resiliency, and mobility, to compete and attract investment, as well as protect and improve the city. Arcadis is proud to work alongside some of the world's most innovative city bodies to improve quality of life. Our Global Cities Program brings together a significant portion of our solutions with a large number of our selected key clients in a highly successful combination around the city agenda. Behind this unique success story is a world-class example of a high performance, collaborative team who has mastered the skill of thinking globally and acting locally.

Throughout 2021 the pandemic impacted cities, businesses and infrastructure in many different ways. As a response to the tough conditions many of our city clients have been facing, our Global Cities Program developed -in close collaboration with our Solution Leaders - a series of thought leadership pieces and case studies including 'The road to Net Zero', 'Future mobility is people-centric', 'How to bring a strategic CAV program to life', and several others.

Make Every Project Count

The Make Every Project Count (MEPC) program, which aims to significantly improve project financial performance by aligning our people, behaviors, processes, and systems with The Arcadis Way continued in 2021. It remains a fundamental lever to drive continuous improvement in our financial performance and deliver our Capital Market Day commitments. Using detailed Maturity Assessments – performed on a business unit level – evaluations of each business unit's maturity is completed against ten fundamental business principles. The principles cover the whole project lifecycle: from pursuit identification, through project delivery towards, project close-out and capturing lessons learned. Improvement areas are identified, action plans outlined and implementation monitored to facilitate performance improvement. In addition to the maturity assessments, a core MEPC community continues to develop tools (or 'building blocks') to support the dissemination of best practices and the standardization of methodologies. Examples of building blocks prepared in 2021 include an updated framework for Risk management and new tools to facilitate the identification and tracking of Project changes.

In 2021, we witnessed a further reduction in both the number of loss-making projects as well as their collective impact to performance. The improvements were widely dispersed and evident across all business areas. As with previous years, the number of negative surprises in project performance also declined in 2021. Efforts to inculcate the importance of structured (monthly) reviews, transparency of issues, effectively managing scope changes, and engaging senior leadership for assistance when warranted have proven highly effective.

Building upon the initial success of the MEPC program, the decision has been made to invest further in these efforts under a refreshed program entitled Make Every Project Count Plus (MEPC+). While retaining most aspects of the initial program, MEPC+ has been structured to ensure accountabilities for further refinements are split between Growth (Sales Excellence and Project Pursuits), Operations (Processes and Procedures, Training and Resource Management) and Projects (Project delivery). In this manner, leaders with direct oversight of specific aspects of the Arcadis Way have been empowered to identify and embed improvements based on the insights of MEPC+. As before, MEPC+ retains the approach of ensuring participation from Finance, Legal, and Risk management, to leverage the entire breadth of the company's expertise.

Arcadis shares in general

Arcadis shares are listed on Euronext Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX). The average daily trading volume in Arcadis shares on Euronext Amsterdam in 2021 was 189,225 shares (2020: 182,950). Of the total volume traded, 80% of the shares were traded via Euronext, 18% via BATS, and 2% via Equiduct. On 31 December 2021, and pursuant to the Dutch Financial Supervision Act, the largest shareholders in Arcadis were:

Stichting Lovinklaan	18%
APG Asset Management	14%
Impax Asset Management	4%
Vereniging KNHM	4%
UBS	3%
Fidelity Management & Research	3%

Arcadis has an active investor relations policy aimed at supporting the Company's long-term plans by keeping existing and potential shareholders fully abreast of its strategy and latest operational and financial developments. To emphasize its focus on the long term, Arcadis releases a trading update for the first and third quarters of the year, and a full set of financial results for the full and half-year. Four times a year, at the presentation of its results, Arcadis hosts an analyst webcast, which is broadcasted live over the internet. As part of its communications policy, Arcadis regularly keeps the public informed about important developments, such as significant project wins or acquisitions, through press releases. In 2021, Arcadis held investor roadshows and participated in virtual investor conferences in the world's major financial centers including Boston, Brussels, Frankfurt, Paris, London and New York. Approximately 200 virtual investor meetings were held in the year. Arcadis is currently covered by five financial analysts. The Annual General Meeting is scheduled for 12 May 2022 at 2.00 p.m. CET. The agenda for this meeting will be made available in March 2022 will be published on the Company's website.

Number of outstanding ordinary shares

The total number of outstanding ordinary shares at 31 December 2021 was 89,009,239 (see note 26 of the Consolidated financial statements). During 2021, 2,316,830 shares were repurchased to cover obligations related to incentive plans and stock dividend, while 590,501 previously repurchased shares were used for the exercising of options and vesting of Restricted Share Units. A number of 616,854 shares were cancelled. The average number of shares, used for calculating earnings per share, decreased to 89.4 million (2020: 89.6 million). For more information on the number of outstanding shares and options, and on share purchase plans, see notes 10, 13 and 26 to the Consolidated financial statements.

Share price development

On the last trading day of 2021, the Arcadis share price closed at €42.34 (2020: €27.04), a year-on-year increase of 57%.

The development of the Arcadis share compared to the peer group companies is shown in the graph on page 108. The peer group consisted of the following publicly listed companies in the consulting and engineering industry with activities and size comparable to those of Arcadis: Aecom (New York Stock Exchange); Hill International (New York Stock Exchange); Jacobs (New York Stock Exchange); AFRY (The Nordic Exchange, Stockholm); RPS (London Stock Exchange); SNC-Lavalin (Toronto Stock Exchange); Stantec (New York Stock Exchange); Sweco (The Nordic Exchange, Stockholm); Tetra Tech (NASDAQ); John Wood Group (London Stock Exchange); Worley (Australian Securities Exchange); WSP (Toronto Stock Exchange). Cardno (Australian Securities Exchange) was excluded from the peer group given that its engineering and consulting businesses in North America and the Asia-Pacific region were acquired by Stantec.

Earnings per share

The basic Earnings per Share (EPS) for 2021 amounted to €1.88 (2020: €0.21[1]). Earnings per Share based on Net Income from Operations amounted to €1.96 (2020: €1.46[1]). See note 13 to the Consolidated financial statements for further details.

Dividend per share (policy and proposal)

Arcadis' dividend policy is aimed at dividend stability and a pay-out of 30-40% of Net Income from Operations, to provide shareholders a respectable dividend yield, to maintain a healthy financial structure, and to retain sufficient earnings in order to grow both organically and through acquisitions. In line with our policy, a dividend of €0.70 per share (2020: €0.60) is proposed, being 36% of Net Income from Operations. On top of the regular dividend the Board will also propose a special cash dividend of €0.70 per share. Both the regular dividend as well as the special dividend will be paid in cash.

Profit and loss performance

Our EBITDA in the year was €338 million (2020: €337 million).

EBITA increased by 8% to €237 million (2020: €221 million[1]). Operating EBITA increased by 9% to €246 million (2020: €226 million[1]) and the operating EBITA margin increased to 9.6% (2020: 9.1%[1]). This increase was mainly driven by a strong improvement in the segment Europe and Middle East.

Non-operating costs were €9 million (2020: €5 million); mostly relating to restructuring at Middle East and CallisonRTKL.

Personnel costs

Personnel costs were €1,996 million, a 3% increase compared to the previous year (2020: €1,931 million[1]). Our global total workforce was 29,236, up 4.6% versus last year (27,939).

Other operational costs

Other operational costs were €240 million (2020: €235 million[1]) and increased due to a partial reversal of COVID-19-measures taken in 2020 reflected in higher IT-related cost and consultancy services.

Net finance expense

Net finance expenses decreased to €19 million (2020: €27 million). The interest expense on loans and borrowings of €11 million (2020: €18 million) reduced due to lower average gross debt and lower interest rates.

Results for associates and joint ventures

Income from associates increased to €11.2 million (2020: €1.0 million) due to a favorable outcome of a commercial litigation.

[1] Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements

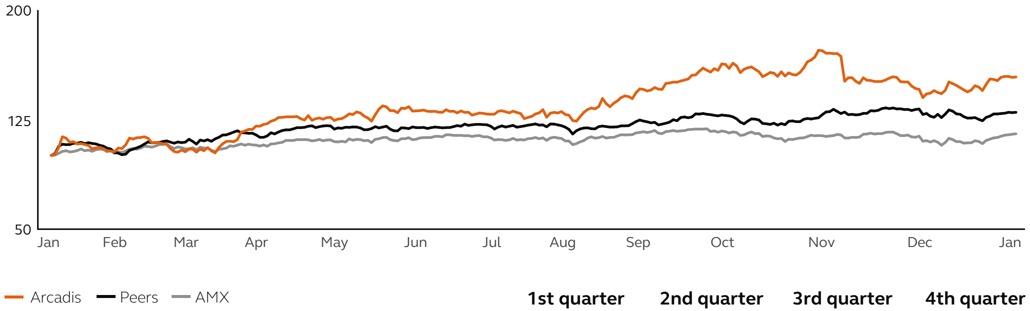
Income taxes

The underlying income tax rate was 25.1% (2020: 33.2%), excluding impact of investments, ALEN and goodwill impairments. The tax rate was impacted by, amongst other things, non-deductible expenses, updates to tax positions from previous years, and unrecognized losses.

Net income from Operations

Net income from Operations increased by 35% to €175.4 million (2020: €130.5[1] million) or €1.96 per share (2020: €1.46[1]).

Share price



	1st quarter	2nd quarter	3rd quarter	4th quarter
High	€ 34.76	€ 36.92	€ 44.92	€ 47.36
Low	€ 27.62	€ 34.06	€ 34.04	€ 38.48

Balance sheet performance

Year-on-year, the balance sheet total increased to €2,736 million (2020: €2,707 million[1]).

(Net) Working Capital and Days Sales Outstanding (DSO)

Net Working Capital as a percentage of annualized Q4 2021 gross revenues further improved to 10.7% (2020: 12.6%) and Days Sales Outstanding improved to 63 days (2020: 66 days) both well within the strategic targets set for 2023.

Net Working Capital, and Net Working Capital as a percentage of Gross revenues was calculated as follows:

In € millions	2021	2020
Trade receivables (excl. receivables from associates)	520	467
Contract assets (unbilled receivables)	500	466
Contract liabilities (billing in excess of revenues)	(381)	(296)
Provision for onerous contracts (loss provisions)	(26)	(40)
Accounts payable	(232)	(183)
Net Working Capital	**383**	**414**
Q4 gross revenues, annualized	3,560	3,278
Net Working Capital as % of Gross revenues	**10.7%**	**12.6%**

Cash and cash equivalents

Cash and cash equivalents at year-end amounted to €351 million (2020: €449 million).

Equity

The movements in total equity are summarized in the Consolidated statement of changes in equity on page 206.

Loans and borrowings

Long-term loans and borrowings decreased to €188 million (2020: €401 million). Short-term loans and borrowings, including the current portion of long-term debt, decreased to €76 million (2020: €99 million).

[1] Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements

Net cash (debt)
Net cash excluding lease liabilities was €87 million (2020: net debt of €48 million). The net debt position including lease liabilities amount to €168 million (2020: €330 million), and decreased mainly due to the strong cash collection.

Financial covenants
The leverage covenant for the €500 million syndicated Revolving Credit Facility and for the Schuldschein loans issued in October 2020 prescribes that the average net debt to EBITDA ratio is not to exceed the maximum of 3.5, which is confirmed to the Lenders twice a year. This leverage covenant is aligned to IFRS 16.

At 31 December 2021 the average net debt to EBITDA ratio calculated in accordance with the credit documentation of the Schuldschein loans issued on October 2020 and the €500 million syndicated Revolving Credit facility is 0.8. No other financial covenants exist for these credit facilities. Both the €500 million syndicated Revolving Credit Facility and the €150 million Schuldschein loans issued in October 2020 do not contain an interest coverage ratio.

The leverage covenant for the 2015 Schuldschein loans prescribes that the average net debt to EBITDA ratio is not to exceed the maximum ratio of 3.0x, which is confirmed to all lenders twice a year. At 31 December 2021, the average net debt to EBITDA ratio calculated in accordance with the agreements was 0.0x (2020: 0.7x). These financial covenant ratios are not impacted by IFRS 16.

The lease-adjusted interest coverage ratio for the 2015 Schuldschein prescribes that EBITDA to Relevant Net Finance Expense (Net Finance Expense plus Operating Lease Expense) must exceed 1.75x. At 31 December 2021, this ratio calculated in accordance with agreements with the lenders was 3.8x (2020: 3.2x).

Cash flow performance
Free cash flow in the fourth quarter was €129 million, leading to a full year free cash flow of €234 million (2020: €324 million). In 2020, the full year free cash flow was exceptionally strong due to the cash program undertaken and a significant improvement in the invoicing process in the U.S. following the Oracle implementation.

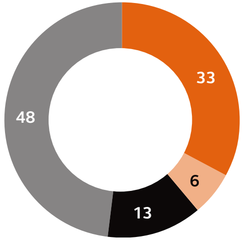
Performance by segment
The four Segments of Arcadis (Europe & Middle East, The Americas, Asia Pacific, and CallisonRTKL) reflect the operating model applicable for 2021. The performance and developments of these Segments are described in more detail in the next sections of this Annual Integrated Report.

Financial dates
The financial publication dates for Arcadis NV in 2022:

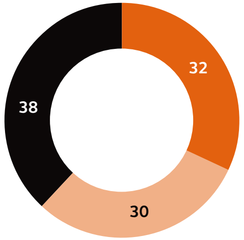
4 May 2022	Trading update Q1
12 May 2022	Annual General Meeting
28 July 2022	First half year results
27 October 2022	Trading update Q3

Performance by segment: **Europe & Middle East**

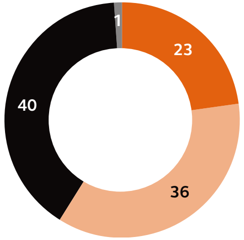
Performance by segment: Europe & Middle East



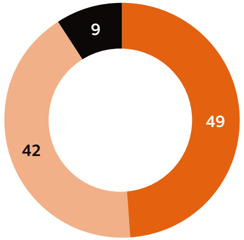
Expertise in %
- Infrastructure
- Water
- Environment
- Buildings



Clients in %
- Public
- Regulated
- Private industrial



Services in %
- Consultancy
- Design & Engineering
- Program, Project & Cost Management
- Architectural design



Segments in %
- Continental Europe
- United Kingdom
- Middle East

All percentages based on FY'21 net revenue

Total workforce
headcount as at 31 December

11,627

2020: 11,275

% of net revenues
of total Arcadis

47%

2020: 45%

Performance in 2021

Performance by segment: Europe & Middle East

People & Culture

Total workforce
headcount as at 31 December
11,627
2020: 11,275

Employee engagement
employee net promoter score (scale -100 to +100)
+26
2020: +22

Voluntary turnover rate
as % of permanent employees
12%
2020: 7%

Total Recordable Case Frequency (TRCF)
per 200,000 work hours
0.05
2020: 0.09

Women in total workforce
as % of permanent and temporary employees
33%
2020: 32%

Sustainable solutions

Arcadis carbon footprint 2021
(MT CO_2 per FTE)
0.77
2020: 1.14[1,2]

Number of identified environmental non-compliances 2021
Nil
2020: Nil[1]

Investigated AGBP alleged breaches 2021
100%
2020: 100%[1]

Number of appointed privacy officers under the Privacy policies 2021
8
2020: 7[1]

Digital leadership

% of revenues
using BIM level 2
83.1%
2020: 71.7%

Arcadis Way implementation progress
as % of net revenues
89.3%
2020: 50.1%

EBITA / FTEs
switch to digital solutions in € 1,000
9.8
2020: 6.7

Focus & Scale

Gross revenues
in € millions
1,448
2020: 1,339

Net revenues
in € millions
1,201
2020: 1,119

Operating EBITA margin
as % of net revenues
10.1%
2020: 7.9%[1]

Net Working Capital
as % of gross revenues
11.0%
2020: 11.1%

Days Sales Outstanding
(DSO)
57
2020: 54

1 Not reviewed
2 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals and including our Global Excellence Centers in Romania

Excellent UK, improvements Continental Europe

Performance by segment: Europe & Middle East

Strong public investment continued throughout Europe and the UK with governments confirming programs supported by increased tax revenues resulting from the recovery. Infrastructure development and the energy transition, driven by ambitions to reduce carbon outputs, are main areas of growth.

- Organic net revenue growth in Europe & Middle East was mainly driven by significant growth in the UK and several countries in Continental Europe, compensating for an expected and planned modest decline in the Middle East, driven by our decision to reduce our footprint in this region.
- The operating EBITA margin for the segment improved to 10.1%. (2020: 7.9%[1]) due to an excellent performance in the UK and the Netherlands and further improvements in Germany, Belgium and France.

"Our focus is on finding sufficient people to undertake the high quality projects we are securing. So, I am pleased that our inclusive and sustainable business practices are attractive to potential colleagues."

Alan Brookes
Chief Operating Officer

[1] Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements

Continental Europe

Market dynamics

In Continental Europe infrastructure development, the energy transition, and European Green Deal incentive programs, are drivers for strong public investment.

In the Netherlands, construction execution remains challenging due to yet unresolved nitrogen issues. This is also because no new government was installed since the election in the spring of 2021. Issues with the power grid are becoming urgent and will require substantial national investments to allow for alternative energy sources to be connected to the grid. Also, other parts of the energy transition and the urgent need for housing (one million additional houses needed) are driving demand. The flooding in the South of the Netherlands, Belgium and Germany in July underlines the importance of investments for climate adaptation.

Germany continues to see growth across key industries. GDP is expected to increase by 4.6% in 2022 after growing 2.7% in 2021. We see strong client demand in the Energy & Resources Sector, in the Life Sciences Industry, in Automotive, Technology and Transportation. Improving Rail, Road and Energy Grid Infrastructure are key themes in addition to transforming automotive production facilities for Electric Vehicles, rolling out EV-charging stations across Germany, enabling online retailers' logistics and designing laboratory and production facilities for pharmaceutical products.

In Belgium Arcadis does large mobility projects and is an enabler of new mobility and modal shift for better traffic flows and livability. Arcadis grew in asset management and applies digital tools to extend the life cycle of bridges, tunnels and roads. In the largely private buildings market, industrial investments offer opportunity in supply chain transformation (logistic hubs, ports…). Product Stewardship Services (EHS) shows growth potential, while the share of the environmental planning services has increased over the last two years (public and private investments). Incremental growth and better profitability are expected as we shift towards more strategic consulting, including sustainability (and climate) advisory services.

Rail and energy sectors remain very dynamic in France with specific COVID-19 stimulus plans to support a national rail upgrade program and encourage private investment in renewable energies. Arcadis is now recognized as a tier-one player in rail in the French market. The real estate market recovers to its pre-COVID-19 level of activity, mainly in the Greater Paris area. Low-carbon design and decarbonization of existing assets or industrial sites generates numerous short-term opportunities for Arcadis.

Developments in 2021

In Continental Europe we experienced steady organic net revenue growth with demand from public and private clients on the rise. Climate change related work, energy transition and mobility challenges are key drivers. This is illustrated by significant project wins.

- In the Netherlands, Arcadis will begin the decommissioning of 28 gas extraction plants for the NAM. Arcadis and partners will help NAM investigate site redevelopment opportunities like energy hubs to support the energy transition. Examples include solar parks, heat networks or large-scale electricity storage;
- For the City of Amsterdam, Arcadis and geo-data specialist company Fugro, were selected for the restoration of bridges and quay walls in the city center over the coming years. This six-year contract with two two-year extension options is worth approximately 30 million euros. Amsterdam is working on a major program to replace or renovate approximately 850 bridges and 200 kilometers of quay walls;
- In October, Arcadis announced that it, BNP Paribas Nederland, and G&S Vastgoed plan to move into a joint new headquarters building at the Zuidas in Amsterdam by mid-2024. The shared ambition is to achieve a new standard for healthy and future-proof office buildings. The building has been acquired by a.s.r. real estate, which will add it to the portfolio of the ASR Dutch Mobility Office Fund. In the project, Arcadis is responsible for the sustainable design and engineering;
- Energy Transmission Line "Fulda-Main-Linie". Assigned by power grid operator TenneT, a partnership of Arcadis and Bernard Ingenieure is providing EPCM services for a 130 km long 380kV grid reinforcement and expansion project to better connect the German states of Hesse and Bavaria – another milestone for Germany's ambitious "Energiewende";

- The premium automotive brand Porsche relies on Arcadis' expertise on its way to a fully electrified product portfolio. We are providing comprehensive project management and design services for 120 high-performance charging stations at Porsche plants and in the dealer network throughout Europe;
- Deutsche Bahn is renewing and expanding its climate-friendly rail network between the cities of Bremen, Hamburg and Hanover. Arcadis is contributing its rail experience to a joint venture for the 23km new line to bypass the city of Lüneburg. The estimated annual CO_2 savings from the entire expansion project amount to approximately 58,000 tons;
- In France, we completed and delivered the new Port of Calais in September, the biggest port infrastructure project in Europe and the largest D&B contract ever for Arcadis in France.
- Work continued on the restoration of Notre-Dame Cathedral with Arcadis providing technical expertise on the cathedral's structure and its medieval construction;
- In the Greater Paris area, Arcadis demonstrated it know-how in circular construction, winning 6 different projects of recycling former car parks or offices into housing.

The number in Arcadians in Continental Europe increased to 6,129 (2020: 5,881) where 37% of these employees are woman. We have 557 employees in the Global Excellence Centers/Global Shared Service Center supporting Continental Europe, and this is expected to increase in the future. In our Your Voice engagement measurement system Continental Europe saw improvement across engagement areas to +19 in 2021. However we did see a consistent increase in voluntary turnover across all our European countries (2020: 6.7%).

United Kingdom and Ireland

Market dynamics

Recovery from COVID-19 downturn has been much faster than expected in both the UK and Ireland, with positive implications for our markets. In the UK, GDP is forecast to grow by 6% in 2021, whilst in Ireland it is forecast to grow by 14%. Brisk recovery including strong tax revenues have given governments the confidence to sustain investment programs. The implementation of Brexit has been running in the background during 2021. COVID-19 disruptions masked the full extent of impacts on trade, travel and other aspects of UK/EU relations. Uncertainty associated with the detailed implementation is likely to continue into 2022, which will act as a drag on UK economic performance. 2021 has been marked by widespread supply chain disruption and concentrated bouts of high inflation affecting critical materials and components. Construction has been very exposed to some of these trends particularly those affecting raw materials like steel. Construction prices have increased by up to 6% in the UK in 2021, putting pressure on public sector programmes. So far there is little sign of investments being scaled back.

The UK has enshrined a new carbon reduction target into law, requiring emissions to be reduced by 78% compared to 1990 levels by 2035. The UK's route to Net Zero includes a raft of policy covering the decarbonisation of transport, industry and buildings. Long-term government commitment to investment in infrastructure has been confirmed by funding announcements in both UK and Ireland. Infrastructure spend in the UK has increased by 20% in 2021 and is at its highest level in real terms since the 1970s. High investment will continue after the completion of HS2, with spending focused on the North of the UK and Midlands. Energy investment is accelerating across multiple fronts including wind, nuclear and carbon capture and storage. 2022 will see strong growth and the end of the post COVID-19 bounce as most of the gap between current and pre-pandemic activity is closed. Public sector investment will grow rapidly, and the recovery of the real estate sector is likely to continue.

Developments in 2021

The UK continued strong organic net revenue growth as conditions for investment have improved. The government commits to a £120 billion, 5-year investment program including economic and social infrastructure in regions where Arcadis has a strong presence.

Examples of important new project wins, achievements and/or projects that were completed during 2021:

- In line with the UK Government's commitment to reduce carbon, Arcadis was appointed by Leicester City Council to deliver the UK's first carbon neutral bus station. The new design includes LED lighting, mechanical ventilation with heat recovery, air source heat pumps and 750 square metres of solar panels, which will generate enough energy to power the station and feed extra energy back into the grid;
- In partnership with the Highlands & Islands Statutory Regional Partnership in Scotland, Arcadis helped to launch the largest integrated transport programme in the UK to date. The Mobility as a Service pilot project will help to rebalance how people travel by increasing access to integrated transport options, ultimately helping to reduce the number of vehicles on the road, cut congestion and limit harmful emissions;
- In the West of England, Arcadis was named as Bristol City Council's new strategic partner to aid the delivery of new infrastructure, homes and regeneration across the city. The long-term Capital Strategic Partnership will accelerate a range of infrastructure and building projects and create new jobs across the city;
- Across Northern cities, Arcadis is supporting Transport for the North (TfN) on its first decarbonisation strategy. Our 'gap analysis' identified the key actions that TfN can take to decarbonise, including low emission vehicles, hydrogen, freight transport logistical improvements, rail decarbonisation, a shift to active travel and better public transport;
- In Wolverhampton, Arcadis has secured planning consent for a new solar farm. To be delivered by the City of Wolverhampton Council, the farm will supply energy directly to New Cross Hospital, making it the first hospital in England to be fully powered by renewable energy. Savings will be reinvested straight back into frontline healthcare;
- In Manchester, Arcadis is working with developers Peel L&P and CAPITAL&CENTRIC on Embassy Village. As part of our social value commitments, the pro-bono project will provide up to 40 new permanent modular homes, all of which will be made from repurposed shipping containers, to help tackle city centre homelessness;
- In London, Arcadis opened and managed the fit-out of our own new office space at 80 Fenchurch Street (80Fen). In creating a more modern, functional workplace that can adapt to our evolving needs, 80Fen emphasizes sustainability, flexibility and choice; all enabled by technology and digital innovation thanks to our own Building Intelligence solution.

The on-going impacts of the pandemic have continued to lead to new ways of working and greater collaboration which have been fully adopted by colleagues across the UK and Ireland. In recognition of the 'people first' culture and flexible approach to returning to the workplace, the business was ranked #3 in the 2021 Best 25 Big Companies to work in the UK. Arcadis also made it into nine regional shortlists, achieving #1 place in London, #3 place in Wales and #3 place in Yorkshire & The Humber. The company came #2 place in Construction and Engineering's Best Companies to work for.

These achievements have seen employee numbers in the UK and Ireland grow to 4,502 employees (2020: 3,804), 26% of whom are woman, while the number of employees in the Global Excellence Centers (GECs) supporting the UK business stands at 1,004. With a competitive labor market and skills shortages in some areas, the GEC capability continues to boost the UK business and has already led to the adoption of new technologies and efficiency gains.

We continue to monitor COVID-19 developments including new variants and any impact this could have on our people, clients and markets, ensuring we learn from our success in previously responding to the changing situation.

Middle East

Market dynamics

The Middle East region market conditions improved in 2021, more evident in KSA and UAE with the economy recovering at a faster pace than previously estimated, due to the continuation of the high oil prices, which recovered from the previous years impact from COVID-19. This rebound has been felt across almost all sectors, notably commercial development, construction, travel, and hospitality. Mega programs in KSA underpinning the KSA 2030 vision continue to go ahead full steam. In the UAE, the delayed Expo 2020 has opened and will continue until March 2022, which has seen a rebound in all sectors from tourism, construction, and all other sectors. In Qatar, construction continues in preparation for World Cup 2022.

Reduction footprint

As part of continuous reorientation to focus on regions which support the new strategic framework, a decision to reduce footprint in the Middle East was announced in October 2020 by Arcadis. The decision to minimize exposure has been progressive. The region has already reduced focus in Oman, Bahrain and more recently in Qatar as part of the 2018 strategy. Arcadis will continue to satisfy the contractual obligations committed to, as well as balancing employees' interests, which means that we expect this process to take several years to complete. It's expected that revenues will further reduce by approximately 40% in 2022. Headcount reduced from 1,126 to 996, a 17% reduction, with design Headcount reduction the greatest at 25%. Voluntary attrition went up to 18.6% in 2021, previously it was 9.2% in 2020, in line with the expectations of the strategy implementation. Despite our continued focus on our people during uncertain times, our employee engagement score remains high but dropped to +31 from +41 in 2020.

Entity restructuring progressed steadily in 2021 with closure for four entities, further closures will happen in 2022 as expected. Project closure progressed very well, from 600+ at the start of 2021 to under 400 at the end of 2021.

Segment financial results

The overall financial results of the Segment in 2021 were as follows:

Segment financial results

	Revenues		Revenue growth			
In € millions	2021	2020	Total	Organic	Acquisitions	Currency
Gross revenues	1,448	1,339	8%			
Net revenues	1,201	1,119	7%	6%	0%	1%

	2021	2020[1]
EBITA	117.4	82.5
EBITA margin	9.8%	7.4%
Operating EBITA[2]	121.2	88.1
Operating EBITA margin	10.1%	7.9%

1 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
2 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

80 Fenchurch Street (80Fen)

Creating a new workspace for our people

Places

"A really great workplace enables great work. 80Fen does this like no other – it is an inspiring, uplifting and sustainable place to spend my time."

Peter Hogg | UK Cities Director at Arcadis

Amount of fit-out waste diverted from landfill

97%

How we are different

80Fen emphasizes sustainability, flexibility and choice; all enabled by technology and digital innovation.

Impact

A fully flexible, functional space built around the needs and preferences of our people.

The Challenge

The way we work is changing. At Arcadis, we are shifting the emphasis from 'where' to 'how', and needed a more modern, functional workplace that could flex and adapt to our evolving needs. We wanted to create an environment that works for everyone - providing a more inclusive experience; enhancing wellbeing; improving collaboration and innovation; and driving a culture of trust, respect and ownership.

The Solution

80Fen has been purpose-built around the needs and preferences of our people. It supports the concept of 'activity-based working' by providing greater diversity of settings, with 20 different types of workspace. 'Smart' features have been embedded as a key design principle, and the space is equipped with Arcadis' own Building Intelligence Software, recording 1.85 million data points every day to show how well the building is operating and how people are engaging within it. The 80Fen office also reflects best practice in sustainable design, and supports health and wellness. It features a range of social and wellbeing environments, maximizes natural and atmospheric light and incorporates biophilic design and planting.

The Impact

Building Intelligence helps people find the right spaces for their tasks. The desk booking system means available spaces can be turned 'on' and 'off' as required, managing capacity and reducing space requirements by over 30%. It also enables us to optimize energy and maintenance use and reduce operational impact. Sensors monitor the indoor environment and help cut energy and water consumption, or turn lights off when an area is unoccupied. Meanwhile, air quality and thermal comfort sensors regulate the environment and ensure people are comfortable. This reduces energy needed for heating, ventilation and air conditioning by as much as 75%, and a 25% reduction in lighting energy. 80Fen is the embodiment of our strategy and ways of working, in which choice and flexibility are key.
It isn't just a one-time fit-out, it's a step change in how we use and curate space. By putting sustainability and Digital leadership at the heart of 80Fen's design we can be adaptable to our clients', colleagues' and business needs.

Reopening Senne river

Water reinforcing Brussels again

Resilience

"We give Brussels back its river and the many benefits that come with it."

Guillaume Poquette | Project Leader Arcadis

Reuse of broken concrete

4,400t

How we are different

Urban planning and technical specifications. Natural design and reuse of material.

Impact

Improving the quality of the water, better infiltration and restauration of biodiversity.

The Challenge

The river Senne was historically the main waterway of Brussels. In the second half of the 19th century, two-thirds of the river was covered as a remedy to solve pollution. Now that pollution is no longer and issue and the river banks have been remediated, Bruxelles Environnement is able to reopen parts of the Senne. Transforming the completely encapsulated watercourse into a natural watercourse will improve the ecological quality of the Senne and allow the river to function as a natural coolant for the city.

The Solution

Water offers great added value for cities and towns, and is an important asset for climate adaptation. Arcadis conducted the feasibility studies that were needed to reopen and renature 800 meters of the Senne River. Several options were examined, considering bank stability under hydraulic impact. In the first phase, approximately 200 meters of the river was opened and green verges were landscaped. Arcadis prepared the urban planning permit and technical specifications for the design. The design includes shallow puddle berms, micro-meanders (natural curves), increasing the soil roughness and the installation of landfill stones in the bed. Native planting on the banks and natural stones increases local biodiversity. In addition, the design provided sustainable opportunities to reuse materials, such as crushed concrete for the creation of the shallow pond berms. In total, 4400 out of 5300 tons of demolished concrete could be reused on site. The nearby canal was optimally used for the supply and removal of materials during the execution phase.

The Impact

Reopening the encapsulated Senne in the north of Brussels and restoring its green verges will allow water to infiltrate again and allow plants and animals to thrive. The zone thus becomes a natural climate buffer and helps the city to cool down naturally in the summer. It increases the livability of the city and offers a pleasant resting place for the citizens of Brussels.

Rainwater Management Berlin

Climate resilience for Germanies' capital

Resilience

"Urban resilience relies on sustainable water management. Berlin is committed to lay the strategic groundwork."

Judith Kraft | Head of Division Urban Water

Annual reduction of sealed urban surfaces

8,910sqm

How we are different

Merging expertise in urban water management with complex local building regulations.

Impact

Paving the way to a sustainable and resilient "Sponge City Berlin".

The Challenge →

Climate change is already taking its toll. Droughts and sudden flooding pose a severe threat to health, safety and quality of life of residents in Berlin. Stormwater can overload sewer systems during heavy rain while urban vegetation can't cope with unusually long dry seasons. Sustainable water management is a huge challenge for public authorities. This problem is magnified by urbanization, densification and continuous decline of open green areas. Local authorities and stakeholders wanted to establish a long-term, strategically embedded water management system to solve the problem. But setting up Berlin to become a "sponge city" demands interdisciplinary expertise in infrastructure, urban design, architecture and project management.

The Solution →

There is a wide range of technical tools and solutions available to create a sustainable urban rainwater management system. These tools and solutions include green roofs, facades and walls, unsealed and semi-permeable pavements, infiltration systems, artificial water basins, and cisterns for rainwater storage and reuse. In close cooperation with experts in engineering, landscape architecture and urban planning, Arcadis was able to support Berliner Regenwasseragentur in developing an orientation guide for the integration of these tools in regulations, urban planning and permitting procedures. This solution will provide stakeholders involved in shaping urban spaces and buildings with valuable planning and construction assistance to achieve water-sensitive designs for their projects.

The Impact →

The new rainwater management guidance resulted from close collaboration between a wide variety of stakeholders in the urban environment. It will lay the groundwork for an ambitious landmark project – the future: "Sponge City Berlin". In the long term, residents, visitors, employees and business owners in the city will benefit substantially from Berlin's new official guidelines for water-sensitive urban design. Negative consequences of climate change such as heavy rain and droughts will be handled much better. Air quality and urban climate will also be improved. The inhabitants of Germany's capital will enjoy a safer, more resilient, more sustainable and more comfortable place where they can live and work.

Marker Wadden Islands

Bringing life back to Lake Markermeer

Resilience

"The Marker Wadden Islands are not only attractive for fish, birds, and plants, but also for people. A sustainable and fully self-sufficient visitor area has been opened for visitors on one of the islands."

Robbin van Santen | Senior Project Manager at Arcadis

Hectares of new land	How we are different	Impact
1,000	Resilient, climate responsive, sustainable, Animal wellfare.	5 new islands where vegetation can grow, fish can spawn and birds and other wildlife can flourish.

The Challenge →

The Afsluit and Houtrib Dikes protect millions of people in the Netherlands from flooding, but they also created Lake Markermeer, a closed ecosystem that does not support vegetation and wildlife.

The Solution →

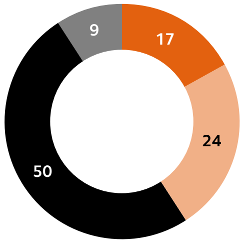
The construction, dredging, and marine services company Boskalis devised a plan to build a number of islands in the lake, with the goal of creating a new nature reserve: a place for plants and animals to flourish. Boskalis asked our experts to help with the design of the islands and help ensure they won't be blown or washed away over time. The islands also needed to be outfitted with various dunes, mudflats, jetties, and other natural barriers to help create a safe environment for fish to spawn and birds to feed and nest. The Marker Wadden Islands are also a treasure trove for science, as the islands form a living laboratory for researchers studying how best to develop new natural systems. Arcadis experts worked together with Boskalis, Witteveen+Bos and Vista in order to deliver this revolutionary project. Arcadians contributed to the design of the islands, maintenance of the sandy shores, stakeholder engagement. We also managed the licensing procedures.

The Impact →

The construction of the Marker Wadden Islands transforms Lake Markermeer into a more dynamic environment that enriches animal and plant life. The first phase of the project was completed in 2020 with the establishment of five new islands and the surrounding shallow wetlands. The largest part of the Marker Wadden consists of closed nature reserves. However, one of the islands is also open to the public and includes a visitor center, a play area for children, hiking trails and a watchtower. The intended results were already visible during construction, when scores of birds descended upon the project site, including numerous endangered species. The new nature reserve has also helped with the recovery of the underwater landscape. Arcadians have contributed valuable expertise, which has helped transform a desolate, manmade lake, into a marine environment that is teeming with life.

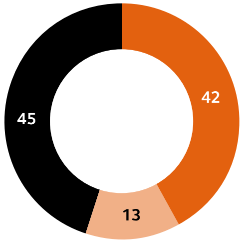
Performance by segment: The Americas

Performance by segment: The Americas



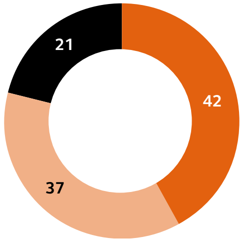
Expertise in %

- Infrastructure
- Water
- Environment
- Buildings



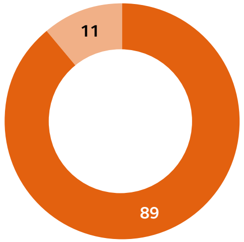
Clients in %

- Public
- Regulated
- Private industrial



Services in %

- Consultancy
- Design & Engineering
- Program, Project & Cost Management
- Architectural design



Segments in %

- North America
- Latin America

All percentages based on FY'21 net revenue

Total workforce
headcount as at 31 December

8,060

2020: 7,733

% of net revenues
of total Arcadis

34%

2020: 35%

Performance in 2021

Performance by segment: The Americas

People & Culture

Total workforce
headcount as at 31 December
8,060
2020: 7,733

Employee engagement
employee net promoter score (scale -100 to +100)
+37
2020: +40

Voluntary turnover rate
as % of permanent employees
12%
2020: 7%

Total Recordable Case Frequency (TRCF)
per 200,000 work hours
0.35
2020: 0.24

Women in total workforce
as % of permanent and temporary employees
37%
2020: 37%

Sustainable solutions

Arcadis carbon footprint 2021
(MT CO_2 per FTE)
2.34
2020: 2.45[1,2]

Number of identified environmental non-compliances 2021
1
2020: Nil[1]

Investigated AGBP alleged breaches 2021
100%
2020: 100%[1]

Number of appointed privacy officers under the Privacy policies 2021
3
2020: 3[1]

Digital leadership

% of revenues
using BIM level 2
55.3%
2020: 24.7%

Arcadis Way implementation progress
as % of net revenues
89.1%
2020: 91.7%

EBITA / FTEs
switch to digital solutions in € 1,000
12.6
2020: 13.4

Focus & Scale

Gross revenues
in € millions
1,372
2020: 1,370

Net revenues
in € millions
884
2020: 876

Operating EBITA margin
as % of net revenues
11.0%
2020: 11.7%[1]

Net Working Capital
as % of gross revenues
8.3%
2020: 11.9%

Days Sales Outstanding
(DSO)
61
2020: 70

1 Not reviewed
2 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals

Sustained growth and strong financial results

Performance by segment: The Americas

Across The Americas we saw strong market conditions in several sectors that drove significant client opportunities. Supply chain issues associated with COVID-19 impacted the economic recovery of some sectors such as manufacturing, while stimulus funding created increased opportunities in a number of public sector markets. There was an increased demand in sustainability-led solutions to support client's carbon reduction ambitions.

- The North America region capitalized on strong economic conditions while managing the ever-changing requirements from the COVID-19 pandemic to deliver year-over-year organic growth in all core business lines. The operating EBITA margin for the segment was strong at 11.0% but was slightly lower than last year due to a partial return to normalized costs levels.
- In Latin America, the net organic growth exceeded 30% led by large infrastructure and environment projects in Brazil.

"The Americas segment once again delivered year over year organic growth by bringing the best of Arcadis solutions and expertise to our clients. Our teams focus on quality, sustainability, and innovation delivered world class projects and an exceptional client experience."

Mary Ann Hopkins
Chief Growth Officer

North America

Market dynamics

- Although overall market conditions were favorable, the ongoing COVID-19 pandemic presented significant challenges across society including for our clients, people and Arcadis.
- Strong market conditions across the private sector are driving significant client opportunities in multiple segments, with some delayed economic recovery in manufacturing associated with chip shortages.
- Opportunity rich federal market resulting in multiple bidding opportunities, new project awards, and expanded funding on existing contracts.
- A slightly depressed infrastructure market in 2021 with a strong outlook for 2022 in rail, highways and new mobility due to the passage of the federal Infrastructure Investment and Jobs Act.
- Overall steady market conditions in the State and Municipal sector with new project slow-downs in some larger cities due to COVID-19 coupled with the loss of commercial revenue and tax receipts as well as due to a lack of contractors to perform construction work. We anticipate further rebound in 2022.

Developments in 2021

Capitalizing on strong economic conditions while managing the ever-changing requirements from the COVID-19 pandemic, North America delivered strong financial results. Net revenue increased organically from 2020 in all core business lines. The operating EBITA margin was strong and improved in 2021 as was our working capital. We also stayed focused on our strategic programs and initiatives and importantly our clients and our people which are at the core of everything we do.

Examples of important and diverse new program/project wins that contributed to our success include:

- Arcadis in partnership with the New York City Department of Environmental Protection (DEP) launched a $53 million program designed to engage property owners across the city with resiliency measures that improve local and regional environmental health. Targeting properties over 50,000 square feet, the program will seek out private properties with large, impervious areas and offer funding, guidance and installation of green infrastructure practices. In addition to greening the city, green infrastructure helps reduce and manage stormwater runoff and provides urban heat island reduction, healthier air and habitats for birds and pollinators;
- Arcadis assists the Los Angeles County Metropolitan Authority (Metro) in operational and capital improvements targeted at increased sustainability, transit accessibility and expanded service opportunities in advance of the 2028 Olympic Games. As part of this three-year contract, Arcadis will provide support for Metro’s storage tank program, existing operations and select capital improvement programs. Specifically, Arcadis will deliver environmental services for a wide range of projects that support solid waste, recycling and hazardous waste compliance at Metro sites. The work will span Southern California, including some of the region’s most economically disadvantaged areas.
  The contract has two one-year optional extensions and to ensure its technical services meet the needs of the community, Arcadis has integrated social impact and environmental stewardship goals into its service delivery plan;
- For the Chemung County Sewer District (CCSD) Arcadis will consolidate its two wastewater treatment plants to modernize the county’s infrastructure and save costs. Arcadis will provide design and construction services to upgrade one plant and decommission the other. The upgraded plant will have a permitted capacity of 28.2 million gallons per day and is expected to be complete by 2026. Designing consolidated plants typically takes three years. Arcadis will fast-track the project to deliver designs within a year, helping reduce CCSD’s capital costs by up to $15 million. To meet the county’s deadline, Arcadis will use an entirely virtual approach. Building Information Modeling (BIM) process experts and engineers around the world will work to develop 3D models. Those digital models will then guide the decision-making process for final delivery;
- For Howard County Arcadis worked to deliver a new state of the art circuit courthouse. After weighing the costs between renovation and new build, officials opted for new construction. But when funding constraints kept the county from issuing the bonds necessary to fully cover expenses, it sought a more cost-effective public-private partnership (P3) option. Arcadians analyzed alternatives on behalf of the county, provided technical and operation and maintenance requirements for the solicitation, developed the contract, and performed technical reviews of proposals received. To unlock the funding needed, the ultimate P3 procurement structure took an innovative approach not often used for courthouses. The team applied a hybrid P3 model called a design-build-finance-operate-maintain (DBfOM) delivery method, where a project company finances construction and Howard County makes a milestone payment at occupancy to repay short-term construction costs. Then, the project company operates and maintains the facility for 30 years, receiving an availability payment from the county;

- More states in the U.S. are targeting zero-emissions goals by electrifying public transit fleets. Battery electric buses (BEBs) are four times more fuel efficient than buses that run on diesel or compressed natural gas, and they hold the potential for lowering long-term operations and maintenance costs. For NJ TRANSIT, Arcadis developed a data-driven dive into different BEB conversion scenarios to build an effective plan. The collection of findings allowed the agency to prioritize routes to be electrified. Then, an electric load analysis showed how usage and rates for those routes would vary based on different levels of BEB implementation.

The workforce in in North America slightly increased in 2021 to 5,443 (2020: 5,418), whereby 37% of employees are woman. North America has grown its use of Global Excellence Centers/Global Shared Service Center to 481 employees. We also saw voluntary turnover rate increase to 11.5% (2020: 7%), while engagement levels decreased to +33 (2020 +35).

Latin America

Market dynamics

- Pandemic related uncertainties plagued the first half of the year, but vaccinations in Brazil and Chile, gradually helped a return of economic activities;
- Latin American governments kept important economic stimulus measures in place, including tax breaks, household subsidies and temporary labor subsidies;
- The regions' GDP is expected to increase by 5.2% in 2021, but current projections for 2022 are less optimistic due to concerns related to the Chinese economy, which directly impacts markets and economies in South America;
- A positive cycle of commodities started in the second half of the year related to the Net Zero global agenda (energy transition / renewable energy) boosting investment in mining, renewable energy and green hydrogen in the region. Public policies were implemented to guarantee financial support to companies and people: agribusiness and energy transition, especially in Brazil, power generation in Chile, and mining across the region;
- Infrastructure concessions in roads, ports, and energy assets presented less opportunity in 2021, but are expected to pick up in 2022, when US$ 2 billion dollars in investments are expected in new auctions planned, mainly on transmission and natural gas. In parallel, Metro and Airports pre-investment studies see a steady demand in Chile and Peru;
- Climate risk analysis is now on the routine agenda of banks, green bonds issuances increasing 700% in two years in Brazil, creating a new agenda of investments. Major investments in water infrastructure started in Peru forced by climate change effects deploying major multilateral investments among Peru and other governments;
- COP-26 outcomes can bring opportunities to the Region. For instance, Brazil is one of the countries with the greatest potential for the sale of carbon credits in the world. Chile provides solid grounds for Green Hydrogen generation and Lithium production for EVs batteries, and Brazil started the path to be also one of the largest providers for green hydrogen. Arcadis is well positioned to support clients in new strategies in this line;
- Elections may impact growth predictions. in Brazil and Chile, while Peru also faces political uncertainty.

Developments in 2021

In Latin America, we achieved double digit organic growth led by large infrastructure projects and critical environmental assignments in Brazil. In Chile and Peru infrastructure was also the growth driver, particularly in mining projects. Latin America now has its highest backlog in six years.

Latin America delivered strong growth rates despite still strong effects from the pandemic and economic fallout. ESG is a strong agenda in the region, with many clients focusing on reaching their sustainability goals, mainly related to Net Zero carbon and energy transition. Net revenue increased organically from 2020 by more than 30% with all core business lines recognizing growth. The operating EBITA margin improved in 2021.

Examples of important new project wins and/or projects that were completed during 2021 include:

- Arcadis Brazil was recognized by local ranking O Empreiteiro, as Top 3 largest companies in Design & Consultancy / Project Management / Design;
- Arcadis Brazil has joined CEDBS, local representative of WBCSD. Arcadis Chile became member of Pacto Global, a group of leading companies working towards accelerating the SDGs;
- Development of permitting and mine closure programs to key mining clients, implementing a digitally scalable platform raising the Digital leadership and delivering a sustainable solution;
- Towards a more sustainable operation of a major mining company in Brazil, Arcadis engineered a mine waste reduction solution, using an innovative approach for iron ore magnetic separation, strong tailings densification and filtering. Tailings dewatering and reducing the mine waste allow minimal tailings dam requirements;
- In mine closures, Arcadis Chile is helping BHP to pave the way with communities that demand a non-externality demobilization process of their asset with processes never seen in Chile to achieve this goal;
- In line with global trends on a human-centered approach to plan for more sustainable and resilient cities, balancing the social, environmental and economical spheres, Arcadis Brazil has developed strategic master plans for important Brazilian cities, such as Itabira (MG), Ilheus (BA) and Caitites (BA) and others. In these projects, we support clients and governments in understanding the impacts and changes in the territory resulting from the implementation of projects and their suitability for future use;
- Arcadis Chile along with Arcadis UK were successfully awarded the master plan for Arturo Merino Benitez Airport, the main entrance to Chile. Design and considerations foresee 30 years in the future and explore new technologies such as Green Hydrogen to enhance the carbon footprint for the future operations;
- During 2021, Arcadis Chile broke into the water management market locally. It was awarded a Water Desalination Engineering Study and teaming up with Dutch Arcadis experts, is delivering a Waterfootprint study of the Chilean Mining industry to provide a benchmark in water usage at an international level;
- Arcadis Brazil played a prominent role in actions related to the energy transition. Supported by colleagues from Europe, Arcadis Brazil led important actions to structure a clear market offer in Offshore Wind and Green Hydrogen in 2021;
- Arcadis Chile was awarded its first Green Hydrogen project in November 2021. A preliminary study consisting of a multifacility complex in southern Chile: electrolysis plant, port, water desalination plant and wind farm, complementing the sound EIA delivered for key renewable power generation and major transmission lines projects across the country;
- Natural gas plays an important role as a transition fuel between more polluting sources and renewable energies. Delivering Design Assistance and Owner's Engineering services, Arcadis is supporting New Fortress Energy with the implementation of a new Natural Gas Maritime terminal and Pipeline;
- To meet the new government criteria related to the baseline of environmental data for reviewing the Emergency Action Plans for Mining Tailings Dams (PAEBM), ARCADIS Brazil structured a multidisciplinary team to develop several projects, bringing integrated solutions to the main mining companies in Brazil. Aspects of fauna, flora, water, soil, water supply and communities have been studied by a team of more than 500 collaborators and consultants. The digital solutions supported everything from field data collection, automated reports, dashboards, and a robust database, which will organize one of the largest sets of environmental information ever generated in the state of Minas Gerais, allowing for complex analysis and management of information in the coming years.

The total workforce in Latin America increased in 2021 to 2,617 (2020: 2,231) which was largely due to consistent revenue increase. 38% of the employees are woman. Our employee engagement results were very high throughout the year (+49) and we saw voluntary turnover increased to 14.1% (2020: 6.4%).

Segment financial results

The overall financial results of the Segment in 2021 were as follows:

	Revenues		Revenue growth			
In € millions	2021	2020	Total	Organic	Acquisitions	Currency
Gross revenues	1,372	1,370	0%			
Net revenues	884	876	1%	5%	0%	-4%

	2021	2020[1]
EBITA	96.0	105.7
EBITA margin	10.9%	12.1%
Operating EBITA[2]	97.3	102.4
Operating EBITA margin	11.0%	11.7%

1 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
2 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

NJ TRANSIT Bus Fleet Electrification

Planning for 100% zero-emission goals

Resilience

"Using simulations, data analysis and discussions with BEB manufacturers, our experts determined optimal strategies for incorporating charging infrastructure and other key program elements as part of a phased approach."

Mike Kleczkowski | Project Manager at Arcadis

Buses to be converted	How we are different	Impact
400	Human-centric, inclusive infrastructure design, comprehensive data analysis.	Drastically reduce greenhouse gas emissions and modernize mobility.

The Challenge

More states in the U.S. are realizing zero-emissions goals by electrifying public transit fleets. Battery Electric Buses (BEBs) are four times more fuel efficient than buses that run on diesel or compressed natural gas, and have the potential to lower long-term operations and maintenance costs. The New Jersey Transit Corporation (NJ TRANSIT) wanted to use BEBs to provide a more sustainable option for riders and residents, especially those in communities disproportionately affected by climate change and vehicle pollution. With more than 400 buses and four large garages to account for, the NJ TRANSIT needed a data-driven dive into different BEB conversion scenarios to build an effective plan.

The Solution

Our feasibility analysis investigated conversions from every angle, with considerations for full and partial electrification. It simulated bus routes and garage operations to see how BEBs might be affected by weather, route design, driver behavior, peak hour conditions and in-route charging needs. The collection of findings allowed the agency to prioritize routes to be electrified. An electric load analysis showed how usage and rates for those routes would vary based on different levels of BEB implementation.

The Impact

With the feasibility studies complete, NJ TRANSIT has established its foundation for bus electrification. The phased approach will initially prioritize zero-emissions bus use in areas that have bore the brunt of climate impacts from the transportation sector, with a goal for a 100% zero-emissions fleet by 2040. Riders and residents will breathe easier knowing the zero-emissions fleet will drastically reduce greenhouse gas emissions and modernize a crucial link in the mobility network.

Southern California Edison Grid Modernization

Hardening the electric grid

Resilience

"We consider it an honor to be partnering with Southern California Edison on their grid modernization goals and increasing the safety of the electrical system with our environmental permitting, transmission engineering and geotechnical engineering expertise."

Geetha Shanmugasundaram | Power & Utility Sector Leader (North America)

Individual transmission line clearance discrepancies cleared or remediated

4,134

How we are different

Holistic engineering solutions, environmental impact mitigation.

Impact

Strengthening reliability for customers, safeguarding against climate risks and preparing for a clean energy future.

The Challenge →

Southern California is famed for its year-round sunny weather. But in recent years, Californians have experienced hotter and drier summers, driving peak energy demands and leading to historic wildfires across the state. One of the nation's largest electric utilities, Southern California Edison (SCE), is eager to lead the charge for modernization. The utility is partnering with our engineering experts to research, redesign and rebuild more than 650 linear miles of transmission and distribution lines to prepare the system for a greener future. However, upgrading a grid that serves more than 15 million people means navigating challenges around climate adaptation, evolving regulations and maintaining service during construction.

The Solution →

Our team is bringing together electrical and structural engineers, environmental experts, GIS specialists, geotechnical engineers and CAD designers to develop holistic grid resilience measures. The coordination is critical with such a large grid – SCE's coverage areas vary wildly in terms of topography and weather across the 430 cities and communities it serves. There are lines located in remote mountainous terrain that challenge accessibility. Some areas support industrial clients that need to account for a larger and consistent energy supply. Solutions applied, from raising the height of structures to rebuilding entire circuits, require unique combinations of the team's expertise. Our specialists assist SCE with designing solutions, obtaining permits and mitigating environmental impacts for every upgrade.

The Impact →

SCE's grid modernization strategy is blazing a trail toward a clean energy future in a state reeling from climate change impacts. Using a diverse team of experts from across engineering and environmental disciplines will allow it to maximize long-term reliability for customers and resilience against climate risk.

Managing Biodiversity

Rich land for future generations

Resilience

“Protecting biodiversity is key to a sustainable future. We’ve supported our client to engage the community and the public and private sector to support protected areas management and a resilient future for generations.”

Bruna Pasquini | Environment Project Coordinator at Arcadis

Protecting an area of over

75,000 acres

in State Parks of Brazil Minas Gerais

How we are different

Digital tools and collaborative solutions to engage community, and public and private parties to maximize positive impact on natural assets.

Impact

Protecting biodiversity to create a place to live and enjoy for present and future generations.

The Challenge →

Developing Protected Areas Management solutions in 8 State Parks, located in more than 10 municipalities, with the aim to preserve biodiversity. The project took place in Brazil, in the north of the Minas Gerais State, in a semi-arid area, in the Alto Médio São Francisco River region, one of the most important waterways in South America.

The Solution →

For territorial planning and management of protected areas, a Management Plan is required. The Management Plan includes strategies for management of publicly protected areas, zoning of these areas seeking to conserve biodiversity, maintaining environmental assets, managing ecosystem services, ensuring the recovery of degraded areas and the opening of specific spaces for ecotourism and knowledge of natural beauty by the population. Arcadis' team of specialists led the process of elaborating 8 Management Plans for 8 different protected areas and, as a safety measure due to the pandemic, facilitated participatory process by using digital tools to carry out workshops with various stakeholders, including civil society and communities that are connected, directly or indirectly, with these protected areas.

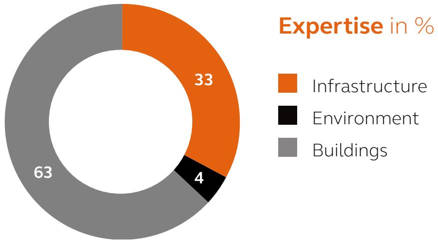
The Impact →

By taking a holistic approach, studying the context of surroundings and ecosystems, considering the municipality and the rural properties, as well as neighboring urban areas, we contributed to a meaningful dialogue between communities, public and private institutions. With this approach and the plans that are subsequently elaborated, we reduced the impact of potential threats such as urban expansion, logging, forest fires, free range cattle, agricultural practices, hunting and fishing, conflicts over land (environmental cornering of traditional and nontraditional communities) and unsustainable mining operations. A relevant aspect of the project is the public use of the protected areas – to investigate and promote the possibilities of ecotourism, but also to facilitate environmental and cultural education, welcoming society into the natural environment, spreading knowledge about cultural and natural heritage and the importance of its preservation. The process of elaborating Management Plans for protected areas contributes for the reduction of biodiversity and natural environment loss.

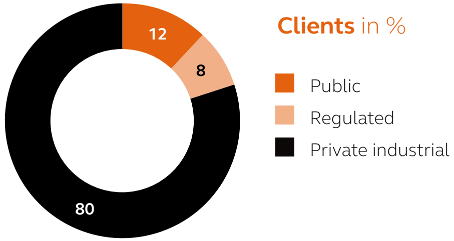
Performance by segment: Asia Pacific

Performance by segment: Asia Pacific

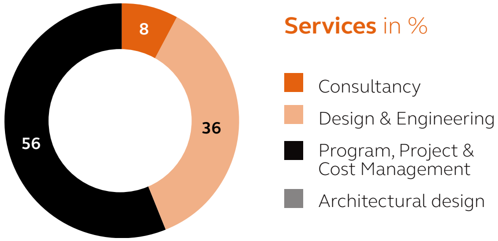
Expertise in %



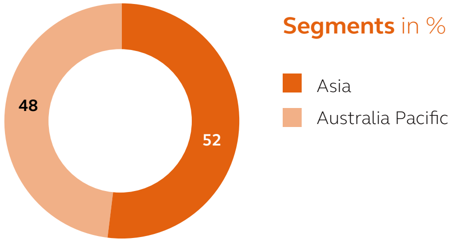
Clients in %



Services in %



Segments in %



All percentages based on FY'21 net revenue

Total workforce
headcount as at 31 December

4,676

2020: 4,612

% of net revenues
of total Arcadis

13%

2020: 13%

Performance in 2021

Performance by segment: Asia Pacific

People & Culture

Indicator	2021	2020
Total workforce headcount as at 31 December	4,676	4,612
Employee engagement employee net promoter score (scale -100 to +100)	+24	+11
Voluntary turnover rate as % of permanent employees	24%	15%
Total Recordable Case Frequency (TRCF) per 200,000 work hours	0.07	0.12
Women in total workforce as % of permanent and temporary employees	47%	46%

Sustainable solutions

Indicator	2021	2020
Arcadis carbon footprint 2021 (MT CO_2 per FTE)	0.42	0.88[1,2]
Number of identified environmental non-compliances 2021	Nil	Nil[1]
Investigated AGBP alleged breaches 2021	100%	100%[1]
Number of appointed privacy officers under the Privacy policies 2021	2	2[1]

Digital leadership

Indicator	2021	2020
% of revenues using BIM level 2	81.9%	65.5%
Arcadis Way implementation progress as % of net revenues	72.1%	73.4%
EBITA / FTEs switch to digital solutions in € 1,000	3.6	6.6

Focus & Scale

Indicator	2021	2020
Gross revenues in € millions	362	358
Net revenues in € millions	334	323
Operating EBITA margin as % of net revenues	8.0%	10.5%[1]
Net Working Capital as % of gross revenues	21.2%	22.2%
Days Sales Outstanding (DSO)	83	87

1 Not reviewed
2 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals and including our Global Excellence Centers in Philippines and India

Strong Australia, COVID-19 impact Asia except China

Performance by segment: Asia Pacific

China witnessed good growth in Cost & Commercial Managment and Program Management driven by technology clients who are expanding in logistics hubs and data centers to cater to the growing global online markets. In addition, our presence is growing in the Chinese environmental and water markets with the help of global expertise. The rest of Asia continued to feel the impact of COVID-19 with prolonged lockdowns reducing activity and resulting in lower margins on projects.

- In Australia, infrastructure demand was high driven by government stimulus programs and good demand for logistics and data centers. The energy transition offers significant opportunity in response to climate change imperatives.
- Revenues increased in China, Hong Kong and Australia. The operating EBITA margin for the segment decreased to 8.0% due to the impact of COVID-19 in the rest of Asia.

"We are well positioned to assist our technology clients to grow their online demand and deliver their required infrastructure. We are also well placed to enable both public and private sector clients across the region to deliver on their Net Zero carbon commitments. I am very pleased with the result we achieved in Asia Pacific in 2021."

Greg Steele
Global President Mobility

Asia

Market dynamics

Leveraging the successful launch of **Arcadis' 2021-2023 Strategy "Maximizing Impact"**, our Greater China organization has delivered strong financial performance via Focus & Scale across the Services of Cost & Commercial Management, Program Management, Environment and water. Despite the ongoing COVID-19 impacts and the Chinese government actions to cool off the mainland China property market, the business still achieved strong annual organic growth +13% while meeting EBITA expectations and delivering improved free cashflow.

The team further strengthened its market leading position in Cost & Commercial Management and Program Management with new awards with several leading property developers in both Hong Kong and mainland China, prominent Chinese technology clients and leading investors on for logistics and data centers. Further balance was brought to the business with the continued expansion of our Business Advisory services, with specific emphasis on Digital leadership, smart cities and sustainability.

Developments in 2021

Highlights for the year include:

- Tencent is a world-leading internet and technology company that develops innovative products and services to **improve the quality of life of people** around the world. In 2021, Arcadis has been appointed by Tencent as cost and commercial management consultancy company on Tencent's two-million-square-meter "Net City". This "City of the Future" development in Shenzhen, China, places the needs of people and the environment before cars in an interconnected, organic ecosystem. Our Arcadis teams also proactively supports Tencent's vision of "Value for Users, Tech for Good" through **Tencent Charity's ESG (environmental, social and governance)** and carbon reduction initiatives on Guangdong Heyuan Tencent Smart Agriculture & Tourism Charity project;
- Arcadis continues to improve project outcomes by leveraging our digital capabilities. Arcadis' China team has provided implementation plans and helped BMW to integrate smart digital applications within our Project & Cost Managment on construction delivery of its 400,000m^2 Shenyang Dadong factory in northern China. Our team, working together with BMW and the contractors, have successfully secured a 1st class award for this project under the 2021 China North-East Design & Construction BIM technology application competition. These multiple smart digital applications and succussed implementation of BIM have added great value to BMW.

By leveraging Arcadis' global expertise, but customizing project delivery for the local market, the China team was also able to deliver strong organic growth in both environmental and water services. Work was undertaken across both private and public sectors supporting both the remediation of existing facilities as well as the incorporation of more sustainable, nature-based solutions for water management and flood protection.

- Arcadis China successfully and safely completed the Guangzhou Panyu Exxon Chemical Plant Demolition project for our global key client ExxonMobil in 2020 and 2021. It is ExxonMobil's first major demolition project in Asia, which Arcadis provided integrated services spanning from project management, safety management to environmental consulting support over a 10-month duration. The project is an exceptional showing of the across-the-board delivery capability of the entire project team, realizing 39,884 safety man hours with zero incident records and returning the property to a clean and marketable site for **sustainable re-development** in local area. The project team's efforts have also helped ExxonMobil to successfully manage their Panyu Plant having no Loss Time Injuries (LTIs) from the start date to the plant closure for 8,001 days. Along with the positive feedback from the client commenting that "Arcadis had completed an uneventful project where Nobody Got Hurt, expenditure was under budget and completion was ahead of time", ExxonMobil has awarded Arcadis three outstanding awards: Best Project Manager, Best Safety Performer and Best Third party Service Provider.

The workforce of Asia stayed moderately the same at 3,494 (2020: 3,495), whereby over half the workforce, 52% of the employees are female (2020:52%). The number of employees in the Global Excellence Centre/Global Shared Service Centre supporting Asia is approximately 190. Over the year we saw voluntary attrition increase to 25.2% (2020: 17%) and engagement over the year had a solid increase which is now at +19 (2020: +2).

Australia Pacific

Market dynamics

The region continues to perform strongly despite a challenging year managing multiple lengthy lockdowns in response to COVID-19. Trends and opportunities include:

- Infrastructure pipeline remains very strong with both Federal and State Governments committed to ongoing economic stimulus particularly through delivery of road and rail (including Metro) projects;
- Residential property market remains strong, with commercial property beginning to show signs of recovery;
- Precinct developments continue strongly in association with creation of new transportation hubs;
- Solid demand for logistics related projects as well as data centres;
- Significant opportunity in energy transition as Australian Government responds to climate change imperatives;
- Australia's internal borders started to re-open in Q4, and International Borders in December 2021 Border closures due to COVID-19 have led to a challenge in the labour market to find and retain talent;
- Pressures of a closed labour market constrained organic growth in 2021. The opening of borders will help to ease this issue in 2022, however significant upward salary pressure will continue across many industries.

Developments in 2021

Pressures of a closed labour market constrained organic growth in 2021, however business performance was strong across profit, cash and project performance key metrics. Order intake and book to bill reached record highs in 2021, demonstrating the success of our focused client program. The re-opening of state and international borders will improve access to skilled labour, however significant upward salary pressure will continue through 2022.

Examples of new project wins and/or projects that were worked on in 2021 include:

- Arcadis (in a JV with Jacobs) has been chosen as the lead designer for the Warringah Freeway Upgrade project, one of the busiest and most complex roads in Australia. This pivotal major project for Sydney is part of the NSW Government's commitment to reduce traffic on local roads, and it help create better connections for communities to the future Western Harbour Tunnel and Beaches Link. The four-kilometres Upgrade will also reduce the amount of merging required, improving safety and traffic flow and create improved public transport links, with a continuous southbound bus lane from Miller Street to the Sydney Harbour Bridge. Active transport links will also form part of the project with around 2.5 kilometres of new and upgraded cycleways and pedestrian paths, ensuring that there is an integrated road and public transport network that gives you the freedom to choose how and when you get around, no matter where you live and work;
- A large multidisciplinary team continued to deliver the Sydney Metro upgrade of the T3 Bankstown Line between Sydenham and Bankstown and provide support during the construction phase. Arcadis' role as part of a JV partnership included the design upgrade services for the stations and the railway corridor. This heavy rail line conversion to a Metro line between Marrickville and Punchbowl stations, included making 11 stations fully accessible by delivering lifts and configuring platforms to be level with train doors. The corridor works component of the project included the design of cabling systems, track, upgrades to bridges including anti-throw screens, retaining walls and security fencing along the corridor. In 2024, customers using the upgraded Bankstown Line stations will benefit from increased reliability and improved capacity through – a major boost to train services for customers;
- A pilot project working with Ampol to create 121 EV Fast Charging Stations in Australia. This program is a starting point for the largest service station operator in the country focussed on giving confidence to vehicle purchasers to embrace EV's to assist Australia's decarbonisation efforts, and has significant potential for expansion. The project further reinforces Arcadis' global position as leading partner for EV rollout programs through our unique blend of engineering, project delivery and digital implementation capabitity.

The workforce of Australia Pacific slightly increased to 1,182 (2020: 1,086), whereby 32% (2020:28.5%) of the employees are woman. The number of employees in the Global Excellence Centre/Global Shared Service Centre supporting Australia is 378. Over the year we saw voluntary attrition increase to 20.4% for the past 12 months (2020: 9.9%) and Engagement was at +39 (2020: +38).

Segment financial results

The overall financial results of the Segment in 2021 were as follows:

Segment financial results

	Revenues		Revenue growth			
In € millions	2021	2020	Total	Organic	Acquisitions	Currency
Gross revenues	362	358	1%			
Net revenues	334	323	3%	2%	0%	1%

	2021	2020[1]
EBITA	26.2	32.8
EBITA margin	7.9%	10.2%
Operating EBITA[2]	26.7	33.8
Operating EBITA margin	8.0%	10.5%

1 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
2 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

Daintree Renewable Microgrid

Protecting the environment

Resilience

"This project is a shining example for Australia and the globe of what a 100% renewable microgrid can look like."

Luke Keys | Business Area Sales Director, Resilience

Power to be supplied

8MW

How we are different

Complex engineering and design expertise applied to environmental solutions.

Impact

Using renewable energy to protect a delicate environment

The Challenge →

Burning diesel to generate electricity in the World Heritage protected Daintree Rainforest is harming the health of locals and is damaging the local environment. Additionally, cost of generation using small domestic diesel generators is very high.

The Solution →

Arcadis partnered with Volt Advisory to develop electrical and civil designs for the implementation of the 100% renewable energy Daintree Microgrid to provide consumers and regional tourism operators with the benefits of a renewable, low emission and reliable electricity supply. The team will use its expertise to deliver high-level designs for an underground cable network, eliminating the need for overhead power lines which affect the pristine ecology of the region. The project will also include a fibre optic network to supply the region with fast and reliable broadband internet capacity through integration with the microgrid's underground cable network.

The Impact →

The Daintree Microgrid is a transformative, high-profile project for the Australian renewable energy sector and regional Australian communities, and a strong move towards a sustainable future. The microgrid allows for renewable energy to supply over 90% of power to the region and up to 100% where severe weather events are not included. Critically, the microgrid will protect the natural environment from the current risks associated with the consumption of 4 million liters of diesel a year for electricity generation. The microgrid will provide up to 8MW of power to over 300 residential customers and multiple tourist accommodation facilities. The implementation of the project will support the residential, business and tourism industries to operate using energy from a reliable renewable energy grid and provide them with fast reliable broadband. It will be a shining example of a highly successful approach to the sustainable generation and storage of energy.

Australian Bushfire Relief

Helping native animals survive disasters

Resilience

"We will always have bushfires and floods. To have the opportunity to make a small, positive difference for wildlife is pretty exciting."

Henry Tancred | Graduate Engineer at Arcadis

Bush destroyed in 2019-2020

17m acres

How we are different

The digital capabilities of Arcadis add value to community partner in pro bono project.

Impact

Helping animal populations remain viable after a bushfire.

The Challenge

When devastating bushfires swept through millions of hectares of bushland in New South Wales and Queensland in the summer of 2019/20, as many as a billion native animals were killed. The animals that survived the fire face an uncertain future, because the habitats they relied on for food and breeding areas had been destroyed. Many mammals, birds and reptiles were at risk of dying before their habitats regrew enough to accommodate them.

The Solution

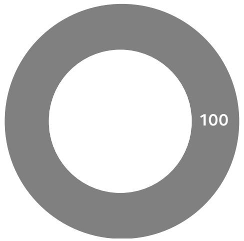
In a pro bono project, Arcadis partnered with Scouts Australia to design and install nesting boxes and feed stations for the animals to use while their natural habitats regrew. The boxes were designed by a team at Arcadis, and local scout troops are building and deploying them to nearby bushfire-affected areas. About 30cm high and 15cm deep, the boxes are hung from trees for species including lorikeets, gliders and possums to use for feeding and for breeding. Arcadis also created a digital app to record and monitor the species using the boxes. Once a box is deployed, its location is tagged along the type of box, which direction its facing and so on. When the scouts go back to check on the boxes, they can record the number and species of animals which are inhabiting the boxes.

The Impact

The boxes will help animal populations remain viable in several bushfire affected areas of New South Wales and Queensland. Additionally, the digitization of the data from the boxes and the species using them will assist the Arcadis ecologist to provide insights and advice on how the boxes can be most effectively deployed. Additionally, the data will give a broad indication of which species have survived the fires and which haven't. The long-term impact will be wider than just the 2019-20 fires. Arcadis and Scouts Australia plan to roll the project out nationally in preparation for the inevitable next bushfire or flood. The ultimate goal is to have a 50,000-strong team of scouts ready to respond to a natural disaster as quickly as possible and give a wide range of species the best chance of survival. Finally, the project is demonstrating STEM (Science Technology Engineering Mathematics) roles to young Australians and providing them with insights into careers in these much-needed skills.

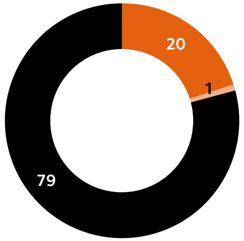
Performance by segment: CallisonRTKL

Performance by segment: CallisonRTKL



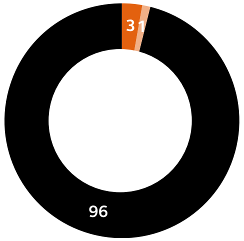
Expertise in %

- Buildings



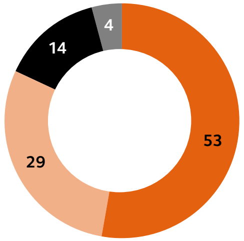
Clients in %

- Public
- Regulated
- Private industrial



Services in %

- Consultancy
- Design & Engineering
- Architectural design



Segments in %

- North America
- Asia
- Middle East
- UK/Europe

All percentages based on FY'21 net revenue

Total workforce
headcount as at 31 December

1,038

2020: 1,245

% of net revenues
of total Arcadis

6%

2020: 7%

Performance in 2021

Performance by segment: CallisonRTKL

People & Culture

Total workforce
headcount as at 31 December
1,038
2020: 1,245

Employee engagement
employee net promoter score (scale -100 to +100)
+7
2020: not measured

Voluntary turnover rate
as % of permanent employees
23%
2020: 10%

Total Recordable Case Frequency (TRCF)
per 200,000 work hours
Nil
2020: 0.14

Women in total workforce
as % of permanent and temporary employees
48%
2020: 32%

Sustainable solutions

Arcadis carbon footprint 2021
(MT CO_2 per FTE)
2.40
2020: 2.38[1,2]

Number of identified environmental non-compliances 2021
Nil
2020: Nil[1]

Investigated AGBP alleged breaches 2021
100%
2020: 100%[1]

Number of appointed privacy officers under the Privacy policies 2021
1
2020: 1[1]

Digital leadership

% of revenues
using BIM level 2
N/a
2020: N/a

Arcadis Way implementation progress
as % of net revenues
N/a
2020: N/a

EBITA / FTEs
switch to digital solutions in € 1,000
(2.3)
2020: (0.2)

Focus & Scale

Gross revenues
in € millions
196
2020: 236

Net revenues
in € millions
146
2020: 176

Operating EBITA margin
as % of net revenues
0.8%
2020: 0.8%

Net Working Capital
as % of gross revenues
7.7%
2020: 12.4%

Days Sales Outstanding
(DSO)
76
2020: 93

1 Not reviewed
2 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals

A year of turnaround and business repositioning

The significant impact of COVID-19 on the global design space affected the CallisonRTKL business in 2021. CallisonRTKL initiated a strategic transformation process and developed a 3-year strategy to transform and position the business for the future. For 2021, the focus centers on foundational repositioning and turnaround.

Highlights of the actions taken:

- Aligned around a common vision and developed a three-year strategy with a clear purpose.
- Realigned growth markets and locations, strengthening sales conversion, marketing and collateral aligned with new vision, grow into a rigorous firmwide sales strategy and training program.
- Implemented a Project Management Office with rigorous training across the firm.
- Provided clarity and accountability in leadership, creating a robust succession plan and a focused and tiered leadership development program.
- Implemented rigorous project review process and additional focus centered around reduction of indirect costs, including the reduction of their real estate portfolio.

In 2022 CallisonRTKL will be aligned with the new Places business area to optimize synergies and maximize impact for clients.

"After the significant impact of COVID-19 on the business in 2021, CallisonRTKL, now in it's 75th year, is focused on a strategic transformation process that repositions the business for the future. The new vision of People, Planet and Positive Design, further embeds sustainability in all of our offering and aligns with clients increasing ESG goals."

Mary Ann Hopkins
Chief Growth Officer

Market dynamics
There is a convergence occurring across our practices – healthcare and retail, wellbeing in workplace, a mix of uses for sustainable development – all of these require the expertise of the collective markets CallisonRTKL serves. Commercial facing markets are focusing on customer experience and ESG. Changing consumer attitudes, perceptions and behaviors require investment in research, customer insights and new strategies to capture market share. The residential segment continues to see a surge in senior housing with a renewed interest in blending uses within residential communities.

Specialty Retail saw a dramatic return in opportunities and projects from the drop-off in 2020. Repeat multi service agreements and rollout work is coming back in the post COVID-19 environment for both renovation and new flagship stores. New submarkets like food and beverage, pet care and start-up ventures continue to present new opportunities. The retail market’s biggest challenge is capturing the opportunities presented is continually impacted by the “great resignation” with talent turnover to both client-side and competitors.

Residential market share decreased in 2021 both in U.S. and abroad. Though, many projects on hold in 2020 completed in 2021. This positions us for new work in 2022 in a growing residential market in the U.S. The market focus in 2021 for residential included momentum in the booming senior living market. The UK is trending in a similar fashion with uncertainty in funding plaguing the marketplace. Partial releases of capital for early phases haven’t transferred to complete projects.

Workplace including (corporate end-users, U.S. federal government) was slow to recover from the impacts of the pandemic throughout 2021. This year has solidified the need to grow and diversify our federal capabilities as it has contributed to the steadiest revenue as the practice rightsized and refocused on core markets and capabilities in the U.S. Commercial office owners and occupiers have a critical need for design consulting services which CallisonRTKL is well positioned for in the year ahead.

Healthcare continues to struggle with uncertainty as new strains of COVID-19 threaten further shutdowns and decrease elective surgeries impacting capital.

Hospitality remained challenging in 2021 due to changing travel restrictions. It is anticipated the market will begin to recover in 2022.

Retail Mixed-Use experienced a significant slowdown in new work in 2021 in both the U.S. and the APAC. eQ4 of 2021 showed signs of strong recovery, leading the firm in booked backlog for 2022.

Strategy Implementation
Most significantly, as part of our own CallisonRTKL transformation, and to propel us for the next 75 years, we aligned under a new vision that gives us a focus and commitment to **People, Planet, Positive Design**. CallisonRTKL commits to designing a climate positive, equitable, inspiring future. People, Planet, Positive Design captures what the firm holds most sacred to positively impact the future.
As a global firm, CallisonRTKL designs hundreds of millions of square feet of work over six continents each year, making our impact critical to sustainability and resiliency. This year is also significant for CallisonRTKL as we implement our firmwide commitment to designing all buildings for zero-carbon operations by 2030 and carbon-neutral, including embodied carbon, by 2040. CallisonRTKL also focuses on holistic resiliency beyond environmental to include socio-economic resiliency to drive the necessary changes needed for our planet's survival.

Developments in 2021
The significant impact of COVID-19 on the global economy, especially the design space, continued to affect CallisonRTKL. The focus in the year has therefore been on business turnaround and foundational repositioning and creating deeper alignment the existing MEPC+ and Risk Management programs. CallisonRTKL implemented a more rigorous project review process and focused on reducing indirect costs, including restructuring in the U.S. and Asia and a reduction of the real estate footprint. The total amount of the turnaround and restructuring cost in 2021 was approximately €10 million. Important projects wins in 2021 included:

Institutional

- Over $3M add service for a renovation and modernization of a confidential high-profile U.S. federal project
- A $4M NR four-story, 100,000 SF Ambulatory Care Center with a 360-car Parking Garage for a new academic medical client
- International investment company retained CallisonRTKL for medical planning design consulting services from concept through design development expanding our geographic reach in healthcare and institutional practices.

Global Clients / Workplace

- Confidential Tech Company offices workplace and data center a prototype for future work
- CRE client with multiple projects including three new offices and delivery and roll-out TI.

Residential Market

The Senior Housing segment of the residential market continues its upward growth trend. The concept for Senior Living will focus on aging in place by blending both independent and assisted living.

New commissions include:

- 82-units in an existing senior-friendly neighborhood campus
- 105-unit development blending independent, assisted living, and memory care
- Three large projects for Comstock Commerce Metro Center featuring 475-traditional residential units, Midline, 1 million SF mixed-use residential and retail, and Loudoun Station, 350-residential units in two phase.

Marketplace Growth

- Raleigh, NC – a target growth market – building on our recently completed Boxyard RTP's success, CallisonRTKL won the Downtown South Architecture block and office tower redevelopment
- Puerto Rico – a $475k New Diagnostic and Treatment Center Puerto Rico in Maunabo, Puerto Rico
- Tianjin China – Healthcare, Baodi International retained CallisonRTKL for medical planning design consulting services from concept through design development.

Retail Strength

- Global Executive Architect Services for an automotive company, individual locations will be scattered across multiple EU/UK countries
- Key retail accounts continue to flourish in the retail and specialty segments with multiple luxury retail flagships awarded and petcare flagship design represent notable project win.

Segment financial results

The overall financial results of the Segment in 2021 were as follows:

Segment financial results

	Revenues		Revenue growth			
In € millions	2021	2020	Total	Organic	Acquisitions	Currency
Gross revenues	196	236	-17%			
Net revenues	146	176	-17%	-15%	0%	-2%

	2021	2020[1]
EBITA	(2.3)	(0.2)
EBITA margin	-1.6%	-0.1%
Operating EBITA[2]	1.2	1.4
Operating EBITA margin	0.8%	0.8%

1 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements

2 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

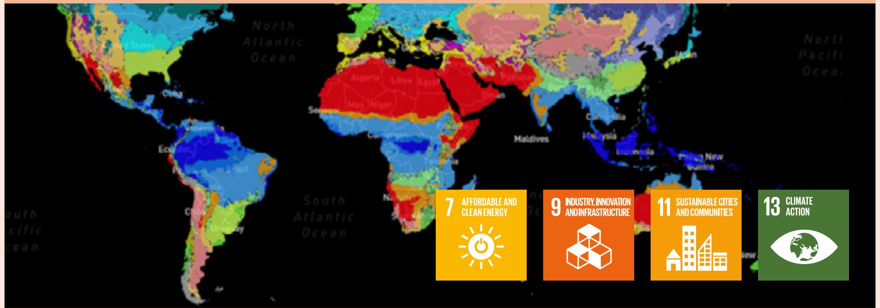
CLIMATESCOUT

Living our vision by imparting sustainable solutions for all

Resilience

"Architecture, as a practice, needs to be at the forefront of the fight against the climate emergency – buildings are responsible for 40% of GHG emissions. If we want to win this fight, we have to work together. To do our part, we developed this free, easy-to-use tool that's accessible anywhere in the world."

Pablo LaRoche | Ph.D., Principal and Global Sustainability Leader, CallisonRTKL



1,400
views globally in less than a year

How we are different

Through images and data, CLIMATESCOUT enables the visualization of low carbon, regenerative, resilient, and adaptive buildings.

Impact

The current version is also publicly available on Society of Building Science Educator's (SBSE) website worldwide.

The Challenge

Understanding the climate and developing an appropriate architectural response is a critical first step in the design process to positively impact the earth. CallisonRTKL aimed to create a tool to encourage sustainable, responsible design.

The Solution

CLIMATESCOUT is an open-source, web-based climate application helping users design buildings that uniquely respond to a site by providing climate-specific design advice at scale using the Köppen-Geiger climate classification and building design strategies from Architecture 2030's Palette. The Köppen-Geiger climate classification system empirically maps biome distributions worldwide, organizing regions by similar vegetation characteristics. Additionally, it enables establishing further connections between the building and its surrounding ecology. This system classifies climate into five main classes and 30 sub-types. The five main climate groups are A (tropical); B (dry); C (temperate); D (continental); and E (polar). Each group and subgroup include different seasonal precipitation and temperature patterns. Twenty-seven building scale strategies taken from the Architecture 2030 palette are then paired with the 30 climate subtypes to determine their applicability for each of the Köppen-Geiger climates (CallisonRTKL_Figure 1). The user can filter out, select and combine appropriate strategies for a selected climate. As the user selects these curated strategies, they appear in real-time overlaid in diagrammatic form – providing an immediate visual connection between climate and building response.

The Impact

CLIMATESCOUT is an equitable, open-source application. It is proven valuable to architects and designers practicing globally, with almost 14,000 views in less than a year since launch. Several faculty members at U.S. architecture institutions have initiated its use as a teaching tool. Expanding this tool will serve design professionals in small and large firms globally and instructors and students in architecture and interior design academia. The app is a substantive resource for design studios and courses in building sciences such as Environmental Control Systems, Daylighting and Passive Heating-Cooling.

360 Kuwait

Expanding one of the region's largest malls into its premiere mixed-use sport and leisure destination

Places

"360 Kuwait represents the future of retail locations and their evolution into mixed-use lifestyle and entertainment destinations. Fuelling the local economy and advancing sustainable design solutions, this project exemplifies the new principles of experience design and consumer engagement."

Hernan Molina | Associate Principal at CallisonRTKL

25%
reduction of solar heat gain on hotel tower façade.

How we are different

Use of Performance Driven Design, Wellness, Biophilia and Mimicry on the design process.

Impact

360 Kuwait is a unique Mix-Used development in Kuwait. A pioneering public-private partnership project.

The Challenge →

This project was about setting a new benchmark for immersive retail experiences and mixed-use development, as it was creating a reason for people to visit Kuwait. What would pique the interest of the international traveler, shopper, guest, and athlete? How could the urban heat island effect be offset? How could we push the boundaries within the design to create elevated moments that capture the essence of regional culture, tastes, and preferences?

The Solution →

An expansion includes a 20,250m^2 of additional retail space, 13 anchors, 15 cinema screens, a Grand Hyatt 5 Star Hotel, the largest multi-purpose arena in Kuwait, and the second Rafa Nadal Tennis Academy in the world. The Shaikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex and Rafa Nadal Academy features a 5,000-seat multi-purpose arena, a world-class Tennis Academy with a 1,500-seat center court. This is in addition to new luxury retail opportunities and the Threesixty Foodhall, Kuwait's first local food hall supporting local Kuwaiti talents with over 21 artisanal and specialized concepts. From a vast oasis replete with flora, and water pools, cliff gardens, shop fronts within vertical gardens, 420m internal green wall and a focus on wellness in open spaces, to the integrated leisure facilities, 360 Kuwait brings life's luxuries and necessities together. The circular design of the center is configured as a journey that celebrates Kuwait's past and the Arabic art of navigation.

The Impact →

Combining upscale retail, offices and entertainment, 360 MALL's striking design elements, state-of-the-art technology and circular layout have garnered multiple awards. They have made it one of the top luxury shopping centers in the Middle East. Today 360 Kuwait Expansion is 100% leased and stands as a blueprint for future retail development. Its expansion illustrates how a single-use asset or traditional mall can be repositioned to serve its local community better and attract an international audience. Meanwhile, the environmental features and micro-climates created here will serve as a case study to reduce urban heat island effects and operate more sustainably in a warming world.

Governance & Compliance Operating responsibility

Composition of the Executive Board

Peter Oosterveer
Dutch nationality,
1957
BSc
Term 2021 - 2025

Chief Executive Officer and Chair of the Executive Board
Business Transformation, Legal & Compliance, Internal Audit
Other positions: Executive Committee Member of the World Business Council for Sustainable Development

Peter Oosterveer was appointed Chief Executive Officer and Chair of the Executive Board of Arcadis NV in 2017. He successfully led the company in achieving its 2018-2020 strategic goals, strengthening its balance sheet, significantly reducing the voluntary turnover and closing out several legacy issues. Additionally, he led the company to become a frontrunner in using data and digital platforms, and an industry leader in delivering sustainable solutions to client challenges.

At the end of 2020, Peter unveiled Arcadis' corporate strategy for 2021-2023: Maximizing Impact. In it, Arcadis has committed to addressing global mega trends like Climate change, Urbanization, and evolving Societal expectations, by making sustainability the common thread, by preserving and expanding its Digital leadership, and by focusing on the global delivery of scalable solutions. This strategy is underpinned by Peter's conviction that by embedding sustainability into all that Arcadis does, the company can further improve its financial performance, while having an outsized, positive impact on the environment and helping to create resilient communities. A significant part of this impact will be created through Arcadis' commitment to be Net Zero.

Before joining Arcadis, Peter worked for Fluor Corporation, which he joined in 1988 as Control Systems Engineer. His evolving responsibilities included leading Fluor's global SAP implementation, General Manager Fluor Netherlands, Business Line Leader Chemicals and ultimately becoming part of the Corporate Leadership Team, initially as President of Energy & Chemicals and ultimately as Chief Operating Officer. Peter has a bachelor degree in information technique from the HTS Leeuwarden.

Peter Oosterveer is also a former Director of the U.S.-China Business Council and a former Director of FMC Technologies.

Virginie J.H. Duperat-Vergne
French nationality,
1975
Term 2020 - 2024

Chief Financial Officer and Member of the Executive Board
Financial Planning, Reporting & Business Appraisal, Tax, Treasury, Risk & Control, Investor Relations and M&A
Non-Executive Board position: Non-executive Independent Director, Audit Committee Chair and Member of the Strategic Committee of Elior Group, representing Fonds Strategique de Participations.

Virginie decided to join Arcadis partly because of the inspiration she took from discovering the many innovative projects the company does that create a tangible, positive impact on the world. In her role as Chief Financial Officer, Virginie is tasked with ensuring the company's financial stability and growth, so that Arcadians can continue focusing their creativity and expertise on improving quality of life.

Virginie started her career in 1997 as an external auditor and spent more than ten years at Arthur Andersen and Ernst & Young (now EY), before joining the French television broadcaster Canal+ as Compliance Officer for Accounting Standards. Virginie held several finance positions at Technip, and then TechnipFMC, where she became Group Deputy Chief Financial Officer and a member of the Senior Leadership Team. Directly before joining Arcadis, she was the Chief Financial Officer of the publicly listed company Gemalto and led the defence process of that group in 2017, which resulted in the acquisition of Gemalto by the Thales Group.

Virginie Duperat-Vergne has a master's degree in finance and management from Toulouse Business School.

Governance & Compliance

Composition of the Executive Leadership Team[1]

Stephan Ritter
German nationality,
1968
MB
In ELT since
11 March 2018

Chief Innovation Officer
Global Technology, Global Sustainability, Global Innovation and Ecosystems, Arcadis Way, Corporate Engagement, Global Business Services

Mary Ann Hopkins
U.S. nationality,
1965
MS
In ELT since
11 March 2018

Chief Growth Officer
Global Account Management, Global Commercial Excellence, Global Strategy and Development, Global Marketing and Communications, Global Sales

Alan Brookes
British nationality,
1961
MBc, FRICS
In ELT since
1 April 2018

Chief Operating Officer
Global Places, Global Mobility, Global Resilience, Arcadis Gen, CallisonRTKL, Global Operations (Project) Services

Jacoline van Blokland
Dutch nationality,
1964
MSc
In ELT since
1 October 2019

Chief People Office
People Strategy & Culture

1 The full Executive Leadership Team includes the CEO and CFO

Composition of the Supervisory Board

Governance & Compliance

Niek W. Hoek
Man,
Dutch nationality,
1956
Term 2013 – 2023

Chair Supervisory Board, Selection Committee (Chair), Audit and Risk Committee, Remuneration Committee, Sustainability Committee

Current other non-Executive Board positions:
- Chair of the Supervisory Board of Van Oord
- Member of the Supervisory Board of Anthony Veder (Netherlands Antilles N.V.)
- Member of the Supervisory Board of BE Semiconductor Industries N.V.
- Chair of the board of the foundation Preference Shares NEDAP N.V.

Current other positions:
- Managing Director of Brandaris Capital
- Executive Director Dutch Star Companies TWO

Previous positions:
Chair of the Supervisory Board of Stadsherstel Amsterdam N.V. (2011-2015; member SB 2003-2015); Chair of the Supervisory Board of Stichting Zuiderzeemuseum (2011-2015; member SB 2008-2015); Member of the Supervisory Board of NIBC Bank N.V. (2003-2015); Chair Executive Board Delta Lloyd (2001-2014; member EB 1997-2014); Member of the Supervisory Board of Euronext N.V. (2010-2013); Several functions within Delta Lloyd and Shell.

Michiel P. Lap
Man,
Dutch nationality,
1962
Term 2015 – 2023

Vice-Chair Supervisory Board, Audit and Risk Committee (Chair)

Current other non-Executive Board positions:
- Member of the Supervisory Board of ABN Amro Bank N.V.
- Non-Executive Director Rijn Capital B.V.
- Member of the Supervisory Board (Raad van Toezicht) of Stichting Het Nederlands Kanker Instituut-Antoni van Leeuwenhoek Ziekenhuis

Previous positions:
Industrial Advisor to EQT Partners (2014-2019); Member Supervisory Board Janivo Holding (2015-2018); Non-executive director Royal Brompton & Harefield Hospitals Charity in London (2012-2015); Managing Director and Partner Goldman Sachs Inc. (2004-2014); Executive Vice President Orange SA (2001-2003); Managing Director Morgan Stanley and Co., London (1988-2001); Assistant Vice President JP Morgan (1984-1988).

Deanna L.M. Goodwin
Woman,
Canadian nationality,
1965
Term 2016 – 2024

Audit and Risk Committee, Sustainability Committee

Current other positions:
- Member of the Board of Directors Kosmos Energy
- Member of the Board of Directors Oceaneering International, Inc.

Previous positions:
President TECHNIP North America (2013-2017); Chief Operating Officer, Offshore TECHNIP North America (2012-2013); Senior Vice President Operations Integration, TECHNIP (2011-2012); Chief Financial Officer North America, TECHNIP (2007-2011); Various positions at Veritas DCG Inc. (1993-2007).

Wee Gee Ang
Man,
Singaporean nationality,
1961
Term 2017 – 2025

Remuneration Committee, Selection Committee

Current other non-Executive Board position:
- Advisor to TVS Motor Limited (Singapore branch)

Previous positions:
Board member Building and Construction Authority of Singapore (2016-2019); CEO Keppel Land Limited (2013-2017); Board member Raffles Institution (2015-2017); Board member Keppel REIT Management Limited (2013-2017); Executive Vice-Chair Keppel Land China (2010-2012); Executive Director and Chief Executive Officer Keppel Land international (2006-2009); Various positions in hotel, real estate, and strategy consulting industries in the U.S., Hong Kong and Singapore.

Michael C. Putnam
Man,
British nationality,
1960
Term 2018 – 2022

Sustainability Committee (Chair), Audit and Risk Committee

Current other non-Executive Board positions:
- Non-Executive Director Network Rail Ltd
- Non-Executive Director Southern Water Services Ltd
- Non-Executive Director 'Tideway' Bazalgette Tunnel Ltd

Current other positions:
- Acceleration Unit Expert Panelist of the UK Department for Transport

Previous positions:
Member of the Advisory Board of the Association of Consulting Engineers (2012-2018); Specialist Advisor to the House of Lords Science & Technology Committee, assisting their Report on 'Offsite manufacture for Construction' (2018); Member of the UK Government's Construction Leadership Council (2012-Jan 2018); Chair of the UK Government's Green Construction Board (2012-2017); CEO Skanska UK PLC (2009 - 2017); Several leadership positions within Skanska UK PLC (1995-2009); Area Manager and Contracts Manager Balfour Beatty Plc (1988-1995); Trafalgar House (1982-1987).

Carla M.C. Mahieu
Woman,
Dutch nationality,
1959
Term 2021 – 2025

Remuneration Committee (Chair), Selection Committee

Current other non-Executive Board positions:
- Member Supervisory Board Royal DSM
- Member Supervisory Board VodafoneZiggo

Current other positions:
- Board Member Stichting Continuiteit PostNL

Previous positions:
Member of the Management Board at Aegon N.V. (2016-2021), Executive Vice-President and Chief Human Resources Officer Aegon N.V. (2010-2021, Member Supervisory Board Royal BAM Group (2011-2020), Board room consultant, senior HR leader en interim executive, Talent Management (2008-2010, Senior Vice-President HRM, Royal Philips N.V. (2003-2008), Senior consultant People, Organizational change, Talent management (2001-2003), Consultant and principal, Spencer Stuart (1999-2001), Various leadership roles HRM, Communication and Corporate Strategy, Royal Dutch Shell (1984-1999).

Corporate Governance report

Arcadis is committed to the principles of good governance: integrity, transparency, accountability, and proper supervision. It has complied with the Dutch Corporate Governance Code since it was first introduced in 2003, with few deviations. In 2021, Arcadis worked on the implementation of a new operating model based on three Global Business Areas, which went live per January 1, 2022. This step had no effect on the corporate governance structure of the organization which therefore remains unchanged.

The core topics of the Corporate Governance Code are all explicitly addressed in various chapters of this Annual Integrated Report. For example, diversity in the Executive Board, Executive Leadership Team and Supervisory Board is addressed in this Corporate Governance report on pages 163 and 164. Long-term value creation within Arcadis is addressed on pages 14 and 15 in the Executive Board report. Our company culture is discussed in the section People & Culture starting on page 54. The section on Enterprise Risk Management can be found on page 167.

An overview of the corporate governance structure of Arcadis in 2021 is provided below. Arcadis applies all principles and best practice provisions of the Corporate Governance Code, with one historical exception. This is described on page 166.

For additional information about corporate governance at Arcadis, please visit our website.

www.arcadis.com/governance

Organizational structure

The Executive Board is entrusted with the management of the Company, under supervision of the Supervisory Board. The Executive Leadership Team is accountable for the successful delivery of all components of the strategy.

Since 2003, Arcadis NV has been an international holding company. Members of the Executive and Supervisory Boards are appointed and dismissed by the General Meeting of Shareholders. The General Meeting can amend the Articles of Association if and as proposed by the Executive Board, with prior approval of the Supervisory Board and the Arcadis Priority Foundation. Such a decision requires a majority of at least three-quarters of the votes cast in a meeting in which at least three-quarters of the issued share capital is represented. If the quorum is not met, a second meeting is required, in which the resolution can be adopted by a majority of at least three-quarters of the votes, regardless of the share capital represented in the meeting.

Executive Board

The Executive Board consists of the CEO and the CFO. The Executive Board is responsible for the management of the Company as well as the continuity of the Company and the Company's goals, objectives, long-term value creation strategy, policy, and results.

The General Meeting appoints the Executive Board members. For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by the Supervisory Board by a resolution adopted by a majority of at least two-thirds of the votes, representing more than half of the issued share capital. On a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss an Executive Board member. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least half of the issued share capital. The Supervisory Board appoints one of the members of the Executive Board as Chair and determines, in consultation with the Executive Board, the division of tasks.
The composition of the Executive Board and information about its members is provided on page 157 of this Annual Integrated Report.

Executive Leadership Team

The Executive Leadership Team consists of the CEO, the CFO and four executives including the Chief People Officer, the Chief Operating Officer, the Chief Growth Officer and the Chief Innovation Officer.

The composition of the Executive Leadership Team and information about its members is provided on page 158 of this Annual Integrated Report.

The CEO determines the number of members of the Executive Leadership Team with approval of the Supervisory Board. The members of the Executive Leadership Team who are not Executive Board members are appointed and dismissed by the CEO, subject to approval of the Supervisory Board.

At least once a year, the Executive Leadership Team evaluates its own functioning as a whole and that of individual members of the Executive Leadership Team. At least once a year, outside the presence of the Executive Board and the Executive Leadership Team, the Supervisory Board evaluates the functioning of the Executive Leadership Team, the Executive Board and that of the individual Executive Board members, and discusses the conclusions that must be attached to the evaluation, also in light of succession.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board and the Executive Leadership Team on the performance of its tasks and supervises the overall development of the Company and its affiliates. In doing so, the Supervisory Board is guided by the interests of the Company and its stakeholders. Pursuant to the Articles of Association of the Company, the Supervisory Board consists of at least three members. Members are appointed by the General Meeting.

For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination of the Supervisory Board by a resolution adopted by a majority of at least two-thirds of the votes, representing more than one-third of the issued share capital. In the case of a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss a member of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least one-third of the issued share capital.

The Supervisory Board appoints one of its members as Chair and one as Vice-Chair[1]. In the case of an appointment or reappointment of Supervisory Board members, the Supervisory Board profile is taken into account. Members are appointed for a maximum period of four years. Pursuant to best practice provision 2.2.2 of the Corporate Governance Code, a Supervisory Board member may be reappointed once for a second maximum period of four years, and subsequently for a maximum period of two years, which reappointment may be extended by a maximum of another two years. In the event of a reappointment after eight years, reasons will be given in the report of the Supervisory Board.

The Supervisory Board has established the following committees from among its members: an Audit and Risk Committee, a Selection Committee and a Remuneration Committee and – since 2020 – a Sustainability Committee. The task of these four committees is to assist and advise the Supervisory Board in fulfilling its responsibilities. The tasks and procedures of the committees are outlined in their charters, which can be found on our website. The composition of the Supervisory Board in 2021, its committees, and information about the Supervisory Board members are provided on pages 159 and 160 of this Annual Integrated Report.

1 In 2021, Niek Hoek was Chair and Michiel Lap was Vice-Chair

At least once per year, outside the presence of the Executive Board, the Supervisory Board evaluates its own functioning, the functioning of the Supervisory Board committees, and that of the individual Supervisory Board members, and discusses the conclusions that are attached to the evaluation.

Diversity in the Executive Board, Executive Leadership Team and Supervisory Board

Arcadis believes that diversity and inclusion should extend to all areas of its organization[1]. Arcadis believes that the organization gains from a broad range of skills and a variety of backgrounds. Based on the nature and complexity of the Arcadis business, the markets in which Arcadis operates, and the diversity of the client base of Arcadis, Arcadis identified the diversity aspects of gender, nationality/geographical provenance, and background (education and/or (work) experience) as being most relevant for Arcadis and its business.

Based on these diversity aspects, several diversity targets have been identified for the Supervisory Board, the Executive Board and the Executive Leadership Team. The paragraphs below describe these specific diversity targets and their implementation and results against the targets. Going forward, Arcadis will continue to identify and search internal and external candidates for positions in the Executive Board, the Executive Leadership Team and the Supervisory Board from a variety of backgrounds, whilst at the same time not compromising quality, expertise, and experience. In the event that a global recruitment firm is engaged, Arcadis gives search instructions in line with the diversity policies.

Gender – targets & outcome

The Supervisory Board has set the following gender diversity targets: for both the Executive Board and the Executive Leadership Team at least 30% shall consist of women, and at least 30% shall consist of men. Likewise, for the Supervisory Board at least 30% shall consist of women, and at least 30% shall consist of men. The Executive Board consists of one woman (50%) and one man (50%). The Executive Leadership Team consists of three women (50%) and three men (50%). The Supervisory Board consists of four men (66.7%) and two women (33.3%). With this Arcadis achieved its gender diversity targets.

Nationality/geographical provenance – targets & outcome

Arcadis is active in many countries worldwide. For 2021, Arcadis set the following targets in terms of nationality/geographical provenance. In the Executive Leadership Team, nationalities from at least three geographical regions where Arcadis is active shall be represented. In the Supervisory Board, at least three geographical regions where Arcadis is active shall be represented. Based on the composition of the Executive Leadership Team and the Supervisory Board in 2021, Arcadis meets these diversity targets.

Background: education and/or (work) experience – targets & outcome

The background target for the Executive Leadership Team requires that at least three members shall have experience in the global design, the engineering and/or the consulting industry or an industry adjacent thereto. Arcadis meets this target as six members of the Executive Leadership Team have this type of experience.

The background target for the Supervisory Board consists of two requirements.

The first requirement, which also follows from the Dutch Decree Establishing Audit Committees, is that at least one member of the Supervisory Board shall have a financial background. As three of the six Supervisory Board members have a financial background, Arcadis meets this requirement.

The second target set by Arcadis requires that at least one member of the Supervisory Board shall have experience in the global design, the engineering and/or the consulting industry or an industry adjacent thereto. This target is also met with five members having this type of experience.

[1] For more information about Diversity and Inclusion within Arcadis globally, please see page 60

Diversity in the Executive Board and the Executive Leadership Team

	Year of birth	Gender	Nationality
Mr. Oosterveer	1957	Man	Dutch
Ms. Duperat-Vergne	1975	Woman	French
Ms. Van Blokland	1964	Woman	Dutch
Mr. Brookes	1961	Man	British
Ms. Hopkins	1965	Woman	American
Mr. Ritter	1968	Man	German

	International experience	Professional service/ engineering and consulting experience	Legal, Tax and Risk management	Finance	Client relationship and external stakeholder management	People & Culture
Mr. Oosterveer	●	●	●		●	
Ms. Duperat-Vergne	●	●	●	●	●	
Ms. Van Blokland	●	●			●	●
Mr. Brookes	●	●	●		●	
Ms. Hopkins	●	●	●		●	
Mr. Ritter	●	●			●	

Diversity in the Supervisory Board

	Year of birth	Gender	Nationality
Mr. Hoek	1956	Man	Dutch
Mr. Lap	1962	Man	Dutch
Ms. Mahieu	1959	Woman	Dutch
Ms. Goodwin	1965	Woman	Canadian
Mr. Ang	1961	Man	Singaporean
Mr. Putnam	1960	Man	British
Former members of the Supervisory Board[1]			
Ms. Markland	1953	Woman	British

[1] Ms. Markland was a member of the Supervisory Board until 29 April 2021.

	International experience	Professional service/ engineering and consulting experience	Legal, Tax and Risk management	Finance	Client relationship and external stakeholder management	People & Culture
Mr. Hoek	●	●	●	●	●	
Mr. Lap	●		●	●		
Ms. Mahieu	●	●				●
Ms. Goodwin	●	●		●	●	
Mr. Ang	●	●	●		●	
Mr. Putnam	●	●			●	
Former members of the Supervisory Board[1]						
Ms. Markland	●	●	●		●	●

For more information about nationality/geographical provenance and the background (education/work experience) of the members of the Executive Leadership Team and the Supervisory Board of Arcadis, please refer to their biographies on pages 157 to 160 respectively.

General Meeting of Shareholders

At least once a year, Arcadis NV convenes a shareholder meeting. Meetings are convened by the Executive and/or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least 10% of the Company's issued share capital if authorized by the relevant Dutch court. Shareholders who hold at least 3% of the issued share capital have the right to propose an item for inclusion on the agenda. The Company will in principle include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 60 days prior to the meeting date. Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and to exercise voting rights with due observance of the provisions in the Articles of Association. Each outstanding share entitles the holder to one vote. Resolutions are adopted by simple majority unless the Articles of Association or the law provide(s) otherwise. Arcadis advocates active shareholder participation at shareholder meetings.

Since 2007, the Articles of Association allow for communication and voting by electronic means. For more information about the powers of the General Meeting as well as the Company's Articles of Association, please visit:

www.arcadis.com/governance

Share capital
The authorized share capital of Arcadis NV consists of ordinary shares, cumulative financing preference shares, priority shares, and cumulative preference (protective) shares, each with a nominal value of €0.02. At year-end 2021, the total number of ordinary shares issued was 89,009,239. Currently, only ordinary shares and 600 priority shares have been issued. See note 26 to the Consolidated financial statements for further details. Priority shares and cumulative preference shares have an impact on the governance of the Company.

Priority shares
The 600 priority shares, held by the Arcadis Priority Foundation (Stichting Prioriteit Arcadis NV), entitle the holder to a right of approval regarding certain important decisions. These include the issuance, acquisition or disposal of shares, amendments to the Articles of Association, dissolution of the Company, as well as certain major co-operations, acquisitions, and divestments.

Pursuant to the articles of association of the Priority Foundation, the Priority Foundation Board is comprised of two members of the Executive Board, one member of the Executive Leadership Team, seven members of the Supervisory Board, and ten members who are Arcadis employees. All resolutions of the Board require a majority of at least 60% of the votes cast, meaning that both employee support and Board support is needed for those far-reaching decisions.

Cumulative preference (protective) shares
Currently, no cumulative preference shares have been issued. However, an option agreement to acquire and transfer such shares has been entered into between the Arcadis Preferred Stock Foundation (Stichting Preferente Aandelen Arcadis NV) and Arcadis NV, further to the delegation on 31 May 1995 by the General Meeting to the Supervisory Board of the authority to issue shares. The objective of the Arcadis Preferred Stock Foundation is to protect the interests of Arcadis, its enterprises, and all of those involved. In the event of any hostile situation, preference shares can be obtained by this Foundation. This would allow the Executive Board and the Supervisory Board time to duly consider the situation and the interests involved. For more information, please see note 26 to the Consolidated financial statements.

Regulations concerning Arcadis securities transactions
Arcadis has put in place regulations regarding transactions in Arcadis securities that apply to all employees unless stipulated otherwise. These regulations also prohibit Executive Board members and (other) members of the Executive Leadership Team from executing transactions in the securities of certain identified listed peer companies, regardless of whether they have inside information or not. Members of the Supervisory Board are required to obtain prior approval from the Compliance Officer if they wish to execute transactions in the securities of such companies.

Financial reporting and role of auditors
Before being presented to the General Meeting for adoption, annual financial statements as prepared by the Executive Board must be examined by an external certified public auditor.

The General Meeting has the authority to appoint the auditor. Each year, the Supervisory Board nominates the auditor for (re-)appointment by the General Meeting, taking into account the advice of the Audit and Risk Committee. The auditor's assignment and remuneration are resolved on by the Supervisory Board, on the recommendation of the Audit and Risk Committee. Prior to publication, the half-year results and reports are discussed with the Audit and Risk Committee in the presence of the external auditors, and subsequently with the Supervisory Board. The (quarterly) results and reports of the first and the third quarter are discussed with the Audit and Risk Committee, in the presence of the external auditors, prior to publication.

The external auditor attends all Audit and Risk Committee meetings and the meetings of the Supervisory Board in which the annual financial statements are to be approved and the year-end audit report of the external auditor is discussed. The Arcadis Auditor Independence Policy contains rules and procedures for the engagement of the external auditor, in order to ensure its independence. The Audit and Risk Committee annually reports to the Supervisory Board on the functioning of the external auditor and the relationship with the external auditor, whilst giving due consideration to the Executive Board's observations. The desirability of rotating the external auditor's lead partner is also evaluated. In 2014, PricewaterhouseCoopers Accountants NV was appointed as the new auditor for the financial year. PricewaterhouseCoopers has been reappointed by the General Meeting every year since then.

Arcadis has an internal audit function which operates under the responsibility of the Executive Board, (with lines to the CEO, CFO, and the Audit and Risk Committee). The role of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The scope of work of the internal audit function is regulated in an Internal Audit Charter. In line with the Corporate Governance Code, both the appointment and dismissal of the Head of Internal Audit shall be submitted to the full Supervisory Board for approval, with a recommendation issued by the Audit and Risk Committee. In line with the Corporate Governance Code, the Executive Board, the external auditor and the Audit and Risk Committee are involved in the preparation and approval of the annual internal audit plan.

The annual internal audit plan is submitted to the Executive Board and Supervisory Board for approval. Internal Audit Reports are discussed with the Executive Board and with the Audit and Risk Committee in the presence of the external auditor.

Compliance with the principles and best practice provisions of the Corporate Governance Code

Arcadis applies the principles and best practices of the Corporate Governance Code, except for the following and for the reasons set out below:

4.3.3: In 2003, the Articles of Association of the Company were amended to abandon the structure regime. At that time, provisions were included in the Articles of Association that prescribe that binding nominations for the appointment or dismissal of members of the Executive and Supervisory Board can only be overruled by the General Meeting by a qualified majority rather than an absolute majority. This was done in view of the percentage of share ownership of the Lovinklaan Foundation. As the percentage of share ownership of Lovinklaan is still significant (18% on 31 December 2021, see page 117), the reasons for this deviation are still applicable and the deviation is expected to continue to apply as long as Lovinklaan has a significant ownership.

It was further stipulated that nominations to the Executive Board would normally be binding, whereas nominations to the Supervisory Board would, under normal circumstances, be non-binding. The General Meeting explicitly approved this practice in 2003 by adopting the resolution to make the related amendments to the Articles of Association.

Relevant documents on our corporate website

1. Dutch Corporate Governance Code — Download PDF →
2. Arcadis NV Articles of Association — Download PDF →
3. Executive Board and Executive Leadership Team Rules — Download PDF →
4. Regulation Supervisory Board — Download PDF →
5. Diversity Policy for the Executive Board and the Executive Leadership Team of Arcadis NV — Download PDF →
6. Diversity Policy Supervisory Board — Download PDF →
7. Regulations regarding transactions in Arcadis securities — Download PDF →
8. Arcadis policy on bilateral contacts with shareholders — Download PDF →

Enterprise Risk Management

Exposure to risk is unavoidable in pursuit of Arcadis' strategy. Well controlled risks can present new opportunities, resulting in value creation, however, uncontrolled risks can hinder the achievement of long-term strategic objectives and Arcadis' ability to succeed. The Arcadis' Risk and Control (ARC) Framework enables a culture of risk awareness across the organization by identifying risks and defining controls which mitigate or manage these risks in line with Arcadis' risk appetite. It helps Arcadis' leadership identify, evaluate, communicate, and address risks.

The Changing Risk Universe

Arcadis' Executive Board is responsible for maintaining a comprehensive system of risk management and internal control, and for regularly reviewing its effectiveness. Each year, the Executive Board performs a review of the risks that Arcadis is subject to and of the ARC Framework. Following this review and based on its risk assessment, the ARC is updated and communicated to the wider leadership team.

The ARC Framework identifies sixteen key risks, divided into three risk categories – Strategic, Operational and Compliance. It includes the business controls which are supported by policies, standards, procedures and guidelines, all of which target risk mitigation in accordance with Arcadis' risk appetite and the successful pursuit of Arcadis' strategy. The ARC framework is the cornerstone of Arcadis' risk management approach and supports Arcadis in embedding a risk conscious way of working in all layers of the organization.

Arcadis embeds the ARC Framework into how it does business, managing its risk exposure in accordance with its risk appetite. This has allowed the company to evolve its business in line with its risk appetite, execute strategic priorities in a controlled manner and experience less surprises in business performance.

- Market
- Capability & Innovation
- Acquisition & Divestment
- Corporate financing

- Client & Opportunity
- Project & Contract execution
- People & Capacity
- Transformational programs
- Third Party Management
- Health & Safety
- Liquidity & Working Capital Management
- Financial Reporting
- Information Security
- Information technology
- Sustainability

- Regulatory & Policy Compliance

Risks at a glance the Arcadis Risk and Control Framework

Risk Area	Risk	Risk Description	Business Impact	External Risk Trend	Risk Appetite
Strategic	**Market**	The risk that market developments have an adverse effect on Arcadis' growth	Not meeting revenue and profitability targets set in business plans	Stable	Medium–High
	Capability & Innovation	The risk that the knowledge and technical capability and capacity of Arcadis' employees does not always match prevailing market needs and that Arcadis is not developing or applying new, innovative solutions for the market effectively	Lack of presence in growth sectors of the market and inability to replace obsolete service offerings	Stable	Low–Medium
	Acquisition & Divestment	The risk that acquisitions do not deliver the intended return on investment or that assets to be divested are not divested in a timely fashion, for the right values	Value destruction, negative impact on profit, deterioration of employee morale	Stable	Low–Medium
	Corporate financing	The risk of having inadequate access to capital from external sources	Inability to invest in organic growth or business acquisitions	Stable	Low
Operational	**Client & Opportunity**	The risk that too large a proportion of net revenue comes from a small group of clients and/or that an insufficient number of strategic pursuits are converted to profitable wins	Growth in revenue falls short of business objectives or declines	Stable	Low–Medium
	Project & Contract execution	The risk of underperformance in the delivery of projects	Shortfalls in project financial results (multipliers/margins, cash collection), dissatisfied clients, and legal claims against Arcadis	Stable	Low–Medium
	People & Capacity	The risk that the business has insufficient talent to win and deliver client projects and to lead the business to achieve its fullest potential	Ineffective delivery of projects, management of operations and leadership of the business	Increasing	Low
	Transformational programs	The risk that major change programs are not delivered effectively or cost efficiently	Impedes the achievement of business objectives including growth, collaboration, and operational efficiency	Increasing	Low
	Third Party Management	The risk of inadequate performance by third parties (e.g. suppliers, agents, sub-contractors, joint venture partners, equity partners)	Financial performance negatively impacted; disruption to business operations; reputational damage	Increasing	Low
	Health & Safety	The risk of health and safety incidents which adversely affect Arcadis' people or the business	Harm to employee(s), personal liability, financial loss and reputational damage	Increasing	Averse
	Liquidity & Working Capital Management	The risk that the business has insufficient free cash flow to fund its operations and stay within acceptable debt ratios	Inability to pay liabilities, including suppliers and payroll, on time	Stable	Low
	Financial Reporting	The risk that the financial statements contain material misstatements	Loss of confidence in the accounts by key external and internal users	Stable	Averse
	Information Security	The risk that confidentiality, integrity and availability of data is compromised	Loss of critical business information or availability of systems leading to financial losses and/or reputational damage	Increasing	Averse
	Information technology	The risk of critical IT systems being unavailable or having restricted availability to the business	Financial loss or negative reputational impact due to business disruption; inability to support the business with providing its services in an effective and efficient manner	Stable	Averse
	Sustainability	The risk that Arcadis does not contribute effectively to the advancement of sustainable development either for its clients or within its own business	Reputational damage with key stakeholders; revenue growth falling behind strategic plan	Increasing	Low–Medium
Compliance	**Regulatory & Policy Compliance**	The risk of non-compliance with laws and regulations in applicable jurisdictions in which Arcadis operates or with internal authority schemes and other company standards, policies or guidelines	Fines, claims, or reputational damage have a negative effect on Company culture	Stable	Averse

Averse Low Medium High | Decreasing Stable Increasing

Responsibility for risk management

In addition to creating and maintaining an internal risk and control system, the Executive Board is responsible for ensuring that such a system is integrated and embedded into the way Arcadis works. The Executive Board is supported in this by the ELT members. In order to strengthen risk oversight at a functional level, each ELT member is given overall responsibility for one or more of the sixteen key risks in the ARC Framework.

The Risk Management function, headed by the Global Risk Management Director and supported by a Corporate Risk Management team and Regional Risk Managers, provides guidance and assistance to the Executive Board. This includes driving risk awareness across the organization and supporting the assessments of the design and operating effectiveness of the ARC Framework across the global business (see next page: 'Arcadis Risk Assurance Program').

The Risk Management function provides both risk assurance and proactive risk support to the business. In 2021, Risk Management continued its contribution to the business through playing an active role in Pursuit Boards, which ensure the selection of the clients and opportunities are line with the strategy; engaging Senior Leadership across the organization to identify, evaluate and mitigate enterprise risks; and identifying and assessing risks in the pursuit of the strategy, for example, the management of risk as the organization moves to its Global Business Area operating model.

The quarterly Risk Management Committee, chaired by the Chief Financial Officer (CFO), advises the ELT and the Executive Board on strategic, operational and global risk matters in the context of Arcadis' risk appetite. It assesses whether Arcadis has identified and mitigated or managed known and emerging risks to ensure that robust risk management is in place across Arcadis. The Chair nominates the other members of the Risk Management Committee, to include (at least) five members: at least one Senior Business Representative(s), Global General Counsel, Head of Internal Audit, Global Operations Project Services Officer and the Global Risk Management Director. Their appointment is confirmed by the Executive Board/ELT.

In 2021, Arcadis established a Security Committee to oversee Arcadis' information security risk and provide recommendations to ensure and facilitate that the risk posture remains in line with its risk appetite.

Risk appetite

The amount of risk the Executive Board is willing to take in pursuit of its strategic objectives is referred to as the risk appetite. The ARC Framework balances risk and opportunity and helps define the Executive Board's appetite for risk. To facilitate the communication of the risk appetite to the business, Key Risk Indicators, based on both qualitative and quantitative metrics, are in place for each of the key risks.

The Key Risk Indicators are measured on a quarterly basis to provide an early warning as to where exposure to certain risk exposures may be exceeding the appetite. Where risk exposure is outside of the appetite range, existing mitigating actions may have more focus placed on them, additional controls may be introduced, or Arcadis may tolerate that the current level of risk is outside its appetite in which case leadership monitors the situation closely. The Key Risk Indicators are reported to both the ELT and Audit and Risk Committee on a quarterly basis.

Arcadis' risk appetite changes over time reflecting strategic objectives and developments in society, legislation, geopolitics, the client landscape, and changes within Arcadis.

Risk management in action

Arcadis adopts a three-lines of defense model. The operating entities are the first line, embedding risk management as a formal part of all major decision making via tools such as risk registers, project watch lists and client and opportunity Go/No-Go assessments.

The Risk Management function is part of the second line of defense along with other enabling functions including People, Legal, Compliance & Privacy, Health & Safety, Finance and Information Security. These functions assist and support the first line with identification and analysis of key risks (including assessing the impact and probability of the risks faced); mitigation of risk through the introduction of policies, standards, procedures and guidelines; providing training and promoting awareness; and with the periodic assessment of the design and operating effectiveness of the risk mitigating controls. The function is led by the Global Risk Management Director, reporting directly to the CFO with a dotted line to the COO. This allows the function to retain appropriate focus on project risks, financial reporting risks and wider enterprise risks.

Arcadis encounters risks during the implementation of its strategy. Critical to managing these risks has been the governance and risk management process which allows Arcadis to balance the benefits from programs within the strategy, investments required to realize the benefits and risks managed during the implementation of the programs.

Arcadis completes a Fraud Risk Assessment (FRA) in each region annually. The objective of the self-assessment is to give leadership a deeper understanding into the extent of fraud risk and effectiveness of mitigating controls, and to highlight where further intervention, controls or other improvements (for example, further awareness raising on possible fraud scenarios) may be required. The FRA comprises a detailed review into the potential types of fraud faced by the business against the related mitigating controls and the overall management of fraud risk in the regions. The FRA is an element of the fraud related controls in the ARC Framework. Within each region, the Regional Risk Manager facilitates an FRA workshop with the following functional leaders: Finance, Operations, Procurement, People, Legal, and Compliance. The Regional CFO reviews and signs-off the FRA report. The reports from each region are consolidated to provide a global view to Senior Leadership of fraud risk and, where needed, further intervention and controls or other improvements.

Arcadis' Internal Audit function provides the third line of defense. Its role is explained in more detail on the next page.

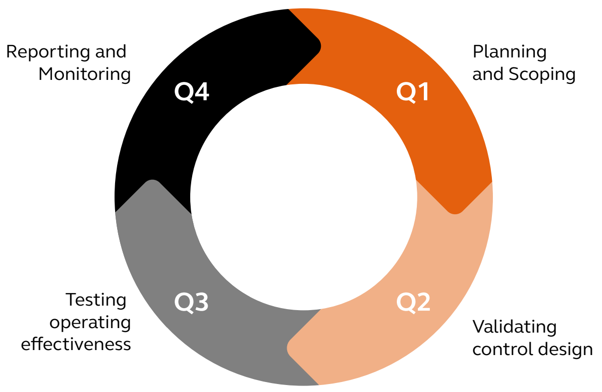
Arcadis' Risk Assurance Program

A key part of Arcadis' risk management process is the Risk Assurance Program which is designed to periodically and systematically assess whether the controls, as defined in the ARC Framework, are designed and operating effectively across the business. Action plans for controls found not to be designed or operating effectively are formed with deadlines established for remediation to be complete.

The Risk Assurance Program provides for a continuous annual cycle for testing the design and operation of the controls to ensure that the key risks are being effectively mitigated or managed. The Risk Assurance Program operates at both a Corporate and Regional level with each Region reporting the results of its annual assessment at the end of the financial year to the Global Risk Management Director and Group Controller.

Attention is given to observed weaknesses, instances of misconduct and irregularities, concerns from whistle blowers and findings and recommendations from the Internal Audit department and the external auditor. Where needed remediation of the controls by the regions or functions are identified, these are captured in a tracker. The tracker is periodically monitored by Corporate Risk Management to ensure that the remedial actions are on track. The status of actions within the tracker are reported to the ELT and AARC on a quarterly basis.

Phases of the Risk Assurance Program



The Risk Assurance Program helps identify new and evolving risk causes which require the design of controls to be updated and/or strengthened. These changes are actioned and communicated by Corporate Risk Management.

Each Regional CEO and CFO is required to sign-off an annual Letter/Document of Representation (DOR), which is addressed to the Group CEO and CFO. In addition, each ELT member is required to develop and sign off a Functional DOR that addresses the key risks in their areas of responsibility. They are supported in this by relevant functional leaders and Corporate Risk Management. The DORs include a statement regarding the design and operating effectiveness of controls based on the results of the Risk Assurance Program.

Based on the Regional and Functional DORs, Arcadis NV issues a DOR (including an In-Control Statement) to the external auditor.

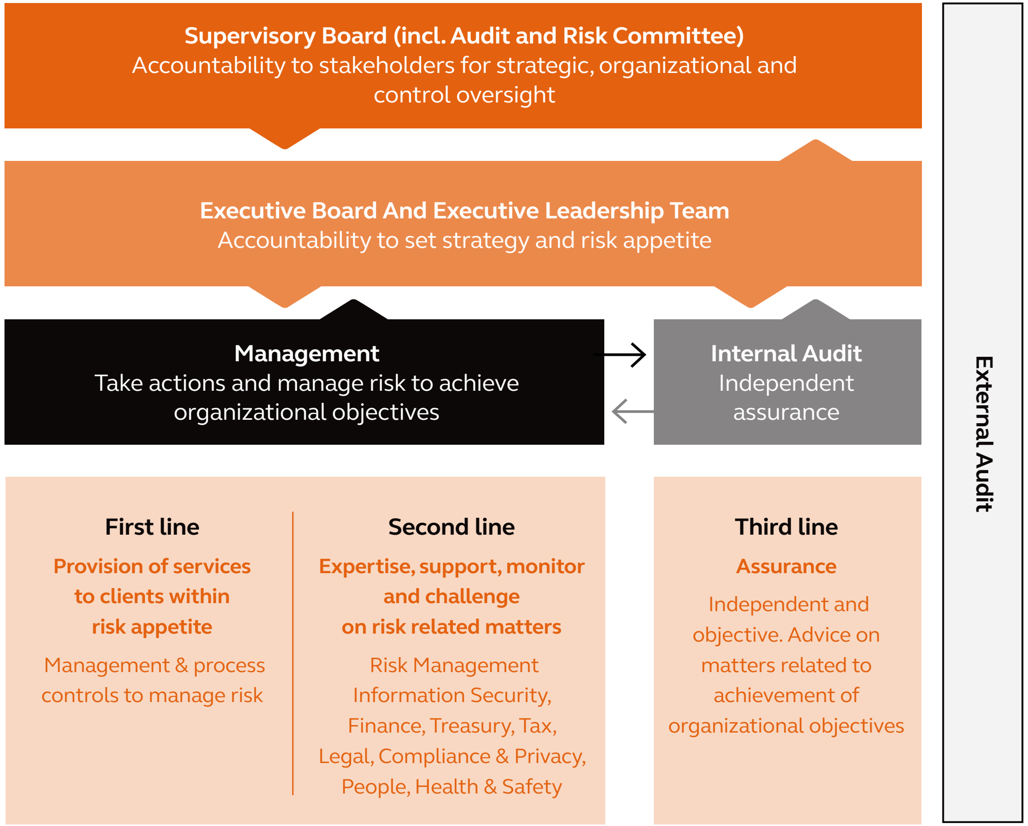
Internal Audit

Arcadis' Internal Audit function operates under the responsibility of the Executive Board. Its vision is to enhance Arcadis' performance through assurance.

The Head of Internal Audit has direct access to the Executive Board, Chair of the Audit and Risk Committee and is a permanent invitee to the Audit and Risk Committee meetings.

The priorities for Internal Audit are defined in a dialogue with the ELT and the Audit and Risk Committee and are approved by the Executive Board and the Supervisory Board. They are based on the results of an overall assessment of the audit and risk universe of Arcadis which focuses on the main risk management and internal control systems. Additionally, the Internal Audit plan is discussed with the external auditor. Ongoing interaction exists between Internal Audit and the external auditor regarding the progress of execution of the plan and main results. The audits of Internal Audit are aligned with the relevant second line functions.

Three Lines Model at Arcadis



In 2021, Internal Audit updated its annual plan on a quarterly basis to respond to changes in the global risk and internal control environment. Changes have been discussed with the external auditor and approved by the Executive Board and Audit and Risk Committee on behalf of the Supervisory Board. It conducted all audit engagements as scheduled. It continued to focus its activities on the three main audit areas being Arcadis Way including the transition of the organization to Oracle ERP Cloud, global business processes and Technology.

During 2021, Internal Audit observed certain deficiencies and areas for improvement, however, collectively these do not materially impact the overall effectiveness of the risk and control systems.

Observations and recommendations as reported by Internal Audit are submitted to management of the operating entities or global functions including appropriate regional leadership and reported quarterly to the ELT. Regional leadership is responsible for executing and monitoring the progress of remedial measures put in place to mitigate and manage the reported risks.

The Executive Board and Audit and Risk Committee receive, on a quarterly basis, the results of audits and activities as performed by Risk Management, Internal Audit and the external auditor, and the main results and progress on actions are discussed. The role of the Audit and Risk Committee includes monitoring the progress of management follow up on audit findings.

Main risks table

Enterprise Risk Management

Strategic risks

Market risk

Arcadis continues to operate in a competitive market that is exposed to economic cycles, geopolitical shifts, societal and legislative change and the consolidation of both competitors and client supplier bases. In 2021, global economic growth was in a recovery mode as the world continued to navigate the pandemic, and while the projections point to further growth through 2022 there continues to be uncertainty in many markets. This uncertainty will likely decrease as governments learn to deal with the instability that a pandemic brings, pass legislation to drive government spending in green infrastructure, and address inflation. That said, a sustained weakened market could put pressure on Arcadis' financial performance in the medium-term. To counter this, the Arcadis strategy was developed to evolve with global megatrends, embracing the opportunity presented by sustainability and digitalization.

Specific risk-mitigating actions in 2021

1. A global Growth organization was put into place to support the goals set for the strategy on Capital Markets Day, by promoting commercial excellence, a uniform growth culture linked to the brand, and enablement of strategy/development through both organic and inorganic means. These areas of focus will allow the organization to identify and respond to market opportunities as they arise.
2. By focusing on relationships with key clients, Arcadis broadens the scope and value of what it provides which in turn helps create a stronger market connection.
3. Continuous scenario planning has helped Arcadis navigate the impact of specific market events.

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. Bringing together the strength of Arcadis' global capability within its Global Business Areas will allow us to expand beyond regional constraints, to better serve clients as needs arise.
2. Arcadis will continue to perform regular portfolio assessments aligned with its Global Business Areas, to be enhanced through the inclusion of non-financial performance and external factors affecting market landscape.
3. Monitoring of the progress under its strategy relative to Capital Markets Day goals, to include the effectiveness and speed of important enabling initiatives, will allow the company to maintain momentum in areas that can counter market headwinds.

Capability & Innovation risk

Market needs continue to evolve at pace and maintaining a comprehensive understanding of what is needed to achieve a sustainable future using digital capabilities remains imperative. Arcadis must select the right digital products and solutions, and time their launch correctly. Traditional competitors are transforming and new entrants threaten the market. In 2021, software-based solutions in Arcadis' space have been heavily backed by investors. Arcadis is aware that it must innovate based on the changing client demands and not by relying on its traditional capabilities. It is developing the knowledge and the technical capability of its people to match those market needs. Leveraging existing, and obtaining new, knowledge is fundamental to balancing risk and return. Arcadis is putting management of ecosystems at the center of its response to this risk. Combining the vast experience of Arcadis and the agility of its ecosystem partners increases the pace at which the wider enterprise can innovate. This also allows increased access to technology resources.

Specific risk-mitigating actions in 2021

1. With the continued support of the Lovinklaan Foundation, Expedition DNA, Arcadis' award-winning online program, has been updated to include a data, automation and analytics module. Expedition DNA enables Arcadians to act upon digital client opportunities in a more effective and consistent way. It also facilitates the company to resource in an effective manner when it comes to projects that require an innovative mindset, sustainability focus and digital capabilities. The vast majority of Arcadians have taken part in Expedition DNA.
2. A shift in the operating model has allowed Arcadis to further embed innovation into the business. The Innovation Framework continues to allow Arcadis to maximize the potential of innovative ideas globally. In 2021, Quick Launch 2.0 was launched and remains the global innovation platform that brings the Innovation Framework to life for all Arcadians, enabling ideas to be launched, validated and developed with the support of experts. Idea generation is facilitated by pilots and a focus on being able to implement at scale. Failing fast is a key part of the agile approach the company is embracing in this regard.
3. Arcadis continued the digitalization of core solutions. Additionally, continual guidance was provided to the business on how to commercialize automation in traditional and innovative pricing models.
4. Extending relationships with major technology resource providers, Arcadis is positioned to maximize the speed and quality of the technical and commercial journey from envisioning, to launch and growth

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. Expedition DNA will continue to evolve with increased focus on standardization and automation across the global business.
2. Further investment in common development platforms across the business will enhance control, implementation of common application standards and development guidelines, providing the base building block for standardization, automation and solution development.
3. Continued implementation of the ecosystems strategy with further expansion of its ecosystem relationships will drive tangible revenue streams as Arcadis shares competencies with partners.
4. Implementation of the innovation value chain which will allow implementation at scale across the global business. Development of a backlog of ideas allows Arcadis to be selective and to react quickly where ideas do not go as planned.

Averse Low Medium High Decreasing Stable Increasing

Acquisition & Divestment risk

In 2021, Arcadis did not undertake mergers or acquisitions. However, based on the strength of its balance sheet, there are opportunities to consider how inorganic growth can contribute to the achievement of targets presented for the 2021-2023 strategy during Arcadis' Capital Markets Day.

Specific risk-mitigating actions in 2021

1. The Finance and Strategy teams have strengthened their support for corporate development in alignment with the Global Business Area structure.
2. Arcadis continued to review its portfolio in certain regions to consider approaches for certain markets and sectors aimed at reducing the overall risk profile and better alignment with the new strategy.
3. Arcadis continues to carefully monitor the integration and value creation of past acquisitions with a formal review of past acquisitions after one and three years to help optimize in process and capture lessons learned to benefit future integrations.

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. In the event of considering a potential acquisition, Arcadis would systematically apply its process for reviewing targets and assessing the potential for increasing value for its stakeholders, and appropriately crafting a robust approach to post-merger integration including the managerial resources required.
2. In addition to traditional financial value, Arcadis will include consideration of impact on non-financial targets and cultural fit for any potential acquisition.
3. As part of its strategy implementation and in order to focus on strategic markets and opportunities, Arcadis will continue to review its portfolio.

Corporate financing risk

Debt capital markets continue to be impacted by the global pandemic, however, debt markets are at the same time heavily supported by government stimulus packages, presenting both risk and opportunity. Arcadis' ability to access capital from external sources remained strong. On-going and frequent discussions with existing and potential lenders maximize financing flexibility for the organization. Significant cash generation enabled Arcadis to repay the US$ 110m U.S. Private Placement issued in 2011 according to its maturity schedule and to early repay a part of the floating interest rate Schuldschein loan issued in 2015. In October 2021, the Syndicated loan market was revisited to refinance all outstanding Syndicated credit facilities into a EUR 500m Sustainability-linked Revolving Credit facility.

Specific risk-mitigating actions in 2021

1. Arcadis continues to perform financial scenario analysis to provide continuous insight into the impact of material changes, such as business underperformance, the financial impact of acquisitions and divestments, and/or an increase in Net Working Capital.
2. Arcadis refinanced all its outstanding syndicated credit facilities into a EUR 500m sustainability-linked, syndicated revolving-credit facility. The sustainability-link allows Arcadis to benefit from an interest discount if its ESG management score from Sustainalytics improves. The maturity of the new Revolving Credit facility is October 2026, with two additional options to extend for one year. The terms and conditions of this new Revolving Credit Facility have further improved due to the strong financial profile of Arcadis and the favorable market circumstances. The Total Leverage ratio was expanded to 3.5x (from 3.0x) to allow for a like-for-like adjustment based on IFRS 16.
3. Centralized expertise is ensured over all corporate financing activities by Group Treasury approving all such facilities.
4. The Global Treasury policy was updated and implemented across the organization which includes defining the risk appetite, guiding principles, corporate finance and liquidity management policy, interest rate management policy, and foreign exchange management policy of the organization. Additionally, the policy includes guidance on lease contract obligations to be reported as debt under IFRS 16. All lease obligations are reported to Group on a regular basis to allow the monitoring of developments in the portfolio and to ensure accurate and complete reporting of IFRS 16 right-of-use asset and lease liabilities.

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. Continued exploration to diversify sources of financing and access to debt capital markets.
2. The implementation of the new Investment committee in 2021, will assist in management of Capex and Operational expenditure in 2022 in areas such as IT, Learning and Development, digital investments and workplaces.

Averse Low Medium High Decreasing Stable Increasing

Enterprise Risk Management

Client & Opportunity risk

Both client buying patterns and how Arcadis engages with clients have changed. Working with clients in non-traditional, increasingly virtual ways has become the new normal. Account leaders are finding new creative and effective ways to interact with clients. With uncertainty in economies across the globe, maintaining a robust diversified pipeline of opportunities and a healthy book-to-bill ratio has been imperative in 2021. Arcadis is working increasingly for asset owners and contractors which present an increased risk profile with both transferring risk to their supply chain. Bringing governance to pursuits allows for all aspects of working with such clients to be considered early in the project lifecycle. Arcadis does not pursue opportunities that exceed its risk appetite.

Clients are looking for integrated thinking to solve complex problems in a digitized and sustainable way. Through fostering an environment that promotes innovation, digital integration into core services is achieved. Sustainability moves forward with Arcadis being well positioned to serve all of its clients in this regard. Sustainability is many client's top priorities over the next three years.

Specific risk-mitigating actions in 2021

1. Increased focus by client development teams to understand the changing needs of clients while also performing sector analysis, allowed Arcadis to drive sales efforts and organic growth.
2. A further concentration within the Key Client Program achieved a reprioritization of sales efforts on the Top 180 clients, facilitating revenue growth and achieving improved payment arrangements. The addition of new clients in this Top 180 made the business increasingly resilient to changing market conditions. Within the Top 180, Arcadis has selected contractors with whom it will team for large design and build projects which positions the organization for the increased infrastructure spending planned across the globe.
3. Monitoring government stimulus packages in the markets in which Arcadis operates allowed it to pursue new and/or accelerated projects.
4. Pursuit Committees involve senior stakeholders, creating increased focus on pursuits by ensuring that leaders on strategic and high value opportunities have access to Arcadis' world-class experts, best in class experience and knowledge. By connecting the right people to the right opportunities within the new Global Business Area operating model, Arcadis manages risk from the opportunity inception stage in the project lifecycle for the benefit of its own performance and its client outcomes. Within the Pursuit Committees, win themes are identified that increase Arcadis' win and capture rates. Pursuit Committees also provide guidance in both sustainability and digital innovation.
5. Performance of the 2021 Client Experience Survey has allowed Arcadis to track its performance with clients, including at a global business level. Arcadis clients' overall satisfaction and Net Promoter Score (NPS) improved compared to the 2020 survey. Better practices have been shared across client account teams and plans put in place to address areas for improvement.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2022

1. Continuation of the Key Client Program and a focus on top clients will result in a concentration of Arcadis' sales efforts. This also allows the company to manage the emerging risk that any resource constraints may present. Arcadis must remain selective in the work it chooses to pursue ensuring that it can provide effective resourcing to client projects for the right level of reward.
2. The results of the 2021 Client Experience Survey will allow Arcadis to enhance the Client Experience program. This program has proven to result in increased client satisfaction.
3. The Arcadis Growth organization will be fully aligned with the Global Business Area operating model. This will increase the effectiveness of the overall function allowing for harmonization of processes while staying close to clients, enabling an increase in service levels and profitable growth.
4. An Emerging Client program will be established to focus on clients where Arcadis sees high potential for growth.

Project & Contract execution risk

Arcadis manages a variety of risks in project delivery including service delivery quality, schedule compliance, commercial and contract terms, and the impact of external factors on project performance.

Project delivery risk continues to be affected by COVID-19 necessitating Arcadis to execute work in a largely remote working arrangement. Arcadis' risk profile is also affected with the provision of new services, the requirement to adopt alternate service delivery models and with by the engagement of new clients.

Governments in key markets around the world are increasing their spending on infrastructure programs resulting in both increased opportunities and potential risk exposure given the size and complexity of these programs. Accessing these opportunities necessitates understanding, mitigating and managing additional risks, including the requirement to provide bid guarantees, performance bonds and accepting penalty clauses, with minimal opportunity to renegotiate.

Specific risk-mitigating actions in 2021

1. The MEPC program which aims to significantly improve project performance by aligning Arcadians, their behaviors, processes and systems continued in 2021. Arcadis witnessed a further reduction in both the number of loss-making projects as well as their collective impact to financial performance.
2. The MEPC program has been enhanced to "MEPC+", extending beyond loss-making projects to optimizing project performance. Key building blocks have been established including performance monitoring, risk management, bid handover, governance & change control, and cash collection. MEPC+ ensures participation from Finance, Legal, and Risk Management, to leverage the entire breadth of the company's expertise.
3. A Global Operations (Project) Services organization has been established to institutionalize the application of a consistent, structured project delivery model across the global business. This organization allows Arcadis to achieve improved outcomes in terms of quality, health & safety, project performance, resource management and project risk management. The organization will also oversee the implementation of increased levels of standardization and automation within project services.
4. The adoption of the Global Business Area operating model provides Arcadis an improved ability to effectively deploy the best skills and experience to its projects, regardless of geography, and thereby improve client service, project risk management and project performance.
5. Maturity Assessments were performed on a business unit level with evaluations of each business unit's project and contract execution maturity being completed against ten key principles. Improvement areas are identified, action plans outlined and implementation monitored to facilitate performance improvement.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2022

1. The MEPC+ program will be further embedded into the organization as the Global Operations (Project) Services function becomes the central point for collating and sharing best practice and global standards. Leadership have identified specific areas of focus for project improvement in 2022.
2. Project reviews will be further enhanced to ensure alignment with the new strategy and operating model. Client service will remain the core of the reviews with a focus on project performance, sustainability, and digitalization.
3. A global Quality Management system will be developed and implemented. This development will see quality move from being regionally managed to a global system with a centralized center of excellence at its base.
4. Further improvements to project performance dashboarding and analytics to allow project performance to be increasingly visible both in detail at the project level and in aggregate across the global business.

Averse | Low | Medium | High | Decreasing | Stable | Increasing

People & Capacity risk

Effective delivery of projects and strong leadership of Arcadis is dependent on attracting a diverse workforce and retaining employees with the appropriate capabilities. Providing opportunities for employees to develop new capabilities is key to Arcadis' success, particularly as it pursues its strategy and increases its digital and sustainability focus. Keeping the workforce engaged while also looking after their mental resilience, health and wellbeing has been critical in 2021. There is strong competition for technical and leadership talent in the sectors in which Arcadis operates. Arcadis must be able to attract and retain sufficient technical and leadership employees to successfully achieve its growth plan and therefore needs to continue to attract quality people and keep a focus on the rise in attrition rates. The importance of workplace has increased as employees return to the office and work from home in a hybrid manner and Arcadis remains flexible to the individual needs of employees.

Specific risk-mitigating actions in 2021

1. Arcadis remains committed to being proactive in engaging with employees and acting on feedback. The employee listening platform, 'Your Voice', is operated globally to help measure employee engagement and lived organizational culture. This global program increases levels of insight into shaping engagement with employees with a more inclusive and people-led experience.
2. Through the appointment of a Global People Director – Diversity, Belonging and Human Rights, development and implementation of a Diversity & Inclusion strategy supported with a clear governance structure and reporting framework, demonstrates Arcadis' commitment to understand the diverse needs of its employees across the globe.
3. Development programs enhanced the professional and management capabilities needed to differentiate Arcadis in the marketplace and achieve strategic aims. Adapting to the increasingly hybrid nature of employee's workstyle there was continued online delivery and virtual attendance of such programs.
4. Arcadis launched its "Aligned Leadership Program" to activate the leadership framework by allowing identification and development of Senior Leadership talents with the goal of positioning the most senior leaders to embed and lead the strategy implementation through the organization.
5. The performance management framework, 'Grow Perform Succeed', continues to provide frequent and meaningful performance conversations, focused on the future, employee growth and career development. The program has helped develop a more feedback-oriented culture with continuous quality dialogue between employees and their line managers.

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. Revising the operating model of the People function to align with the Global Business Area structure which supports a more consistent employee experience throughout the organization.
2. Arcadis will continue refining its employee value proposition as a key part of retaining talent and attracting it in the market.
3. Close monitoring of attrition rates across the business with actions taken as and when required to address areas where attrition is higher than expected.
4. Implementation of a global workstyle model to further Arcadians' employee experience with a focus on evolving organizational culture and capabilities. A balance will be maintained in fostering an environment of belonging in how, when and where teams work, connect and socialize while aligning to business needs.
5. Implementation of a Wellbeing and resilience strategy to enable all Arcadians to focus on their health and wellbeing while working.

Transformational programs

A global strategy implementation program has been launched to deliver the objectives of the current strategic cycle, mobilizing Arcadis to a Global Business Area operating model as an enabler to focus and scale. The strategy implementation program will accelerate Arcadis' response to client needs and scale up its digital and sustainable solutions. This program is designed with a clear focus on management of interdependencies, risk and the impact of change. As in all strategy implementation programs, Arcadis must prioritize and phase its efforts in order to achieve the expected strategic outcomes. Arcadis is gaining competitive advantage by digitizing its business at pace, achieving standardization and automation of its core services and serving clients with innovative digital solutions that solve their complex needs. Arcadis recognizes that in pursuit of the benefits of such programs, there can be potentially negative impacts that require managing which are related to the disruption they can cause if not handled well. Poor communication across the business or excessive change load may negate or reduce the intended positive impact the program brings, with people potentially becoming confused, disengaged, or distracted from their day-to-day activities.

Specific risk-mitigating actions in 2021

1. The Global Strategy Implementation Officer oversees the strategy implementation, reporting directly to the CEO to ensure that the new strategy benefits are realized. All strategy implementation programs have an ELT sponsor who assist in driving the outcomes of each program.
2. In addition to operational governance, significant investments are brought forward to an Investment Committee for evaluation and approval in the context of achieving strategic goals, with both financial and non-financial criteria considered, thus ensuring a balanced portfolio of projects.
3. An Implementation Engine has been established to act as an extension of the ELT to ensure that the scope of the program is managed with a clear focus on schedule risk, interdependencies, effective change management and communication, driving towards the committed business outcomes. A portfolio risk management process has been adopted which allows for prioritizing the right projects to fulfill the Arcadis strategy and balancing the change loads within the organization with the pace at which it wants to achieve program objectives while maintaining current business performance.
4. Arcadis has adopted an agile approach to change management to allow for benefits to be realized sooner in the project lifecycle with iterations providing increased benefits as it progresses.
5. As part of the "Aligned Leadership Program", Senior Leaders have been formally trained on change management. This facilitates leaders in leveraging Arcadis' unique skills and technology to help the business to maintain a leading position through continuous change.

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. Enabling functions will be globalized to support the Global Business operating model.
2. Building on the Leadership Program roll-out, Arcadis will Increase the depth of change management through the Line Management community, with client experience considerations being a key element of the program.
3. The Implementation Engine will act as a center of excellence for change management to create a sustainable capability across the organization.
4. Further embedment of a rigorous approach to scope management and to risk management techniques within the strategy implementation program to drive successful outcomes.

Averse Low Medium High Decreasing Stable Increasing

Enterprise Risk Management

Third Party Management risk

Inadequate performance by third parties (e.g. suppliers, agents, sub-contractors, joint venture partners, ecosystem partners) can negatively impact financial and non-financial performance, disrupt business operations and result in reputational damage. Arcadis strives to appoint third parties which are financially stable, and which align with its business principles and core values, including integrity, human rights, and putting sustainability at the core of everything it does. Client, market and societal awareness of the potential risks of poor third party selection and management and the impact it could have on projects is increasing, therefore clients are looking in more detail at the measures and controls that Arcadis has in place. Major infrastructure projects in certain key markets have increased opportunities to enter into teaming arrangements with third-parties which requires Arcadis to effectively manage risks around such arrangements.

Specific risk-mitigating actions in 2021

1. Arcadis developed a supplier due diligence questionnaire that suppliers are required to complete. Additionally, Arcadis' partners are required to adhere to the requirements of the Engagement with Third Parties Standard.
2. Best practices and lessons learned from regional procurement teams are being scaled globally to achieve increased levels of Cost Management and Third Party Management compliance.
3. A refreshed Global Procurement policy and Supplier Code of Conduct was developed and implemented reflecting alignment with Arcadis' strategy. This increased the focus on sustainability and human rights factors and digital considerations in Arcadis' supply chain.

Risk Appetite: Low External Risk Trend: Increasing

Further activities planned for 2022

1. A Global procurement function has been formally established, positioned to support the Global Business Area operating model.
2. The Procurement function will continue to work with the system implementation team to develop Cloud-based modules covering supplier pre-qualification/due diligence, e-sourcing, supplier self-service portal, contract creation and performance management which will replace legacy systems. The system will be rolled out to certain regions on the Oracle ERP Cloud platform. Supplier screening will be automated and the decision-making process will be globally aligned where possible.
3. Supplier categorization and optimization will follow the implementation of Oracle Procurement Cloud in regions that implement the Cloud-based modules.

Health & Safety risk

The global pandemic presents an ongoing health risk to Arcadians. There was a continued impact to Arcadis' operations, workplaces, customer expectations and employee mental health and wellbeing. Offices continue to open and close with the evolution of the pandemic, in accordance with local guidance and regulations. In order to manage the impacts of the pandemic, Arcadis supports the hybrid workstyle demands of its employees, helping them bring the best to clients wherever they work. Arcadis' core business activities remained substantially the same in 2021 as such the risk of health and safety incidents occurring has not significantly changed this year. Health and safety concerns on potential projects are raised at an early stage during the Go/No Go process. This enables the health and safety function to provide input more consistently and for health and safety controls to be fully scoped and priced into projects.

Specific risk-mitigating actions in 2021

1. Arcadis appointed a Mental Health & Wellbeing Resilience leader. Employee mental health and well-being programs were expanded across the global organization. There was a specific focus on the mental health impacts of COVID-19 on the workforce given the many of the changes that the pandemic brings to both working, and society in general.
2. The online delivery of monthly H&S communication campaigns, Take Time for Safety calls and Track to Zero Awards successfully promoted the Arcadis Health & Safety culture to employees. Monthly campaigns increased awareness across the organization contributing to a decrease of reportable incidents and lost time injuries.
3. Global Health and Safety day was supported by weekly leadership videos. During the week of Health & Safety day, various workshops were held, covering a multitude of Health & Safety topics. Some of the covered topics were "the new normal way of working", "adaption to COVID-19 at client sites", "digital ways of working to reduce risk", "workplace of the future", "mental health", etc.
4. Travel has been reduced to a minimum, with only business critical travel taking place and with each journey supported by a COVID-19 Health and safety plan.
5. Arcadis defined its 3-year strategic plan for Health & Safety with a focus on simplification, global collaboration, digitalization and management of expectations of internal and external stakeholders.

Risk Appetite: Averse External Risk Trend: Increasing

Further activities planned for 2022

1. An expanded Global Mental Health and Wellbeing program will be rolled-out across the globe, including a mental health first aid program which will be launched in Q1 2022. This program provides first line support to employees by trained mental health first aiders.
2. Rolling out digital support systems for Arcadian's health & safety experience in their day-to-day work. Regional Health & Safety field assessment applications will be consolidated to decrease the complexity of managing multiple applications, improve knowledge sharing and integrate reporting.
3. Incorporating health & safety into the Arcadis Way by developing the Oracle ERP system to support health and safety management through the project life cycle.

Averse Low Medium High | Decreasing Stable Increasing

Liquidity and Working Capital Management risk

Insufficient free cash flow could prevent Arcadis from being able to fund its operations. The Total Leverage Ratio continues to decrease, due to improving EBITDA performance and decrease of net debt. Free cashflow generation is more predictable as markets normalize to the effects of the pandemic. The debt markets remained strong in 2021 and Arcadis took the opportunity to refinance its syndicated facilities at improved terms and conditions, therefore increasing financing flexibility, expanding its debt maturities and reducing its cost of debt. Governments have increased liquidity and credit during the pandemic but Arcadis expects that this will reduce going forward. Arcadis is firmly embedding the better Working Capital Management implemented in the past two years to continue the improved performance.

Specific risk-mitigating actions in 2021

1. Arcadis runs a program across all regions on focusing on unbilled and overdue receivables. At the center of these efforts is increased analytical reports, stricter monitoring, changes in commercial behavior and operating procedures to better manage net working capital and free cash flow performance. Cash performance is discussed every month with leadership, with extended monthly reviews where specific attention is needed.
2. Financial scenario analysis, looking at most likely outcomes, was performed through 2021 to ensure that Arcadis monitored its liquidity effectively. This analysis tracks financial performance over a rolling three year period providing leadership with a clear view of the financial and cash plan.
3. Arcadis has established an Investment Committee to increase rigor and a more stringent governance around investments. Cash impacts are considered in all projects both individually and collectively as part of the investment appraisal process.
4. Account leaders work with key clients to better understand their payment cycles therefore increasing the predictability of collections. This has facilitated a decrease in DRO with key clients.
5. As Arcadis decreases its footprint in the Middle East, the exposure to late payment risks experienced in that region also decreases.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2022

1. A controlled handover of the cash management process to the new Global Business Area operating model will present an opportunity to further improve the organization's liquidity and free cash position as a result of increased consistency and effectiveness from the new way of working.
2. There will be a continued focus on overdue and aged receivables, including standardized reporting and analysis provided to the Global Business Area and in-country leadership for their consideration.

Financial Reporting risk

As a globally operating publicly listed company, Arcadis is required to comply with financial reporting requirements. Material misstatements in reporting could significantly affect Arcadis' reputation and/or its stock market value which in turn may result in shareholder issues. It is critical that all operating entities report to the same standards and deliver the same transparent, high quality of reporting, in line with accounting and reporting principles applicable to Arcadis NV (IFRS as adopted by the EU). Arcadis continues to work towards ensuring compliance with new and amended IFRS standards and interpretations. PwC is the statutory auditor for the Arcadis group. The Independent Auditor's Report on page 289 reflects the significant financial reporting risks as identified by the external auditor.

Specific risk-mitigating actions in 2021

1. Continuous monitoring of upcoming and effective changes in accounting and/or reporting standards, laws and regulations, and periodic discussions of comprehension and compliance with senior finance leaders and supervisory functions. Embedding specific guidance on topics such as government grants, rent concessions and the potential impact of COVID-19 on revenue recognition in internal accounting policies/guidance has been critical in 2021. Additionally, Arcadis has revised its treatment of configuration and customization costs related to Cloud computing arrangements (in line with the scope of IAS 38, Intangible Assets and IFRS 16, Leases) and continued preparation for the InterBank Offered Rates (IBOR) reform and its financial accounting and reporting impact.
2. Assessment of cross-functional financial risk and control matrices to support changing financial accounting and reporting processes within Arcadis has allowed for centralized and regional assurance activities to underpin the accuracy, timeliness and reliability of internal and external financial reporting. Centralized testing of the operating effectiveness of financial accounting and reporting controls on the Oracle Cloud platform has been performed, with a focus on the development of an increased number of automated controls.
3. Financial modelling and sensitivity testing to identify any material uncertainty that may cast significant about on Arcadis' ability to continue and report on a going concern basis was performed.
4. As the organization moves to a Global Business Area model, a controlled approach has been adopted to the reporting changes required for the move from regional reporting to Global Business Area reporting. This has included detailed design of reports, development of reports, testing of reports and shadowing of reporting.

Risk Appetite: Averse | External Risk Trend: Stable

Further activities planned for 2022

1. Preparation for tagging the notes to the consolidated financial statements with XBRL-tags.
2. Establishing an accounting Quality Control review function and appointment of Global Process Owners to lead standardization and automation of processes.
3. Implementation of a new Enterprise Management system to enhance Arcadis' planning, forecasting, consolidation and reporting.

Averse | Low | Medium | High — Decreasing | Stable | Increasing

Information Security risk

Information Security risks continue to present a threat to day-to-day business activities. The threats are rapidly changing and constantly evolving and the potential impact increases with more of the workforce working remotely, with Arcadis fulfilling its digital ambitions and bad actors becoming more sophisticated. Market requirements have changed with increasing client expectations. Regulators and clients are taking a greater interest in how organizations protect their data and will choose to do business with organizations which have the best security ratings.

Specific risk-mitigating actions in 2021

1. To further strengthen Information Security, Arcadis recruited an experienced Global Information Security Officer. Information Security has been positioned independent from Technology reporting directly into the ELT.
2. Arcadis grew its capabilities to identify risks, prevent incidents, detect anomalies as soon as possible, formalize incident response and be able to recover quickly to limit the impact to the organization if an incident occurs. Additionally, Arcadis has built partnerships with the Dutch and UK National Cyber Security Centers, providing access to threat intelligence which feeds security detection systems.
3. Continued investment in educating Arcadians across the globe regarding the correct behaviors when handling client and Arcadis' data, recognizing social engineering attempts like phishing emails and reporting anomalies and incidents.
4. Arcadis established a Security Committee to oversee the organization's information security risk posture. The security control framework was updated and aligned with the international ISO27001 standard.
5. Standard components for Identity and Access Management have been developed together with Microsoft as part of Microsoft Azure Cloud. This component allows single sign-on for both internal and external use, allowing developers to create solutions that consistently meet Arcadis' security standards.

Risk Appetite: External Risk Trend:

Activities planned for 2022

1. Continue to invest in educating Arcadians regarding the right behavior when handling client and Arcadis' data, recognizing social engineering attempts and reporting anomalies and incidents.
2. Further mature security detection and response capabilities, keeping up-to-date with the latest risk trends to recognize security incidents in time and to quickly react so as to limit the impact to Arcadis and its clients.
3. Implement ISO 27001 and similar security certifications in additional countries across the global business.

Information technology risk

The risk of critical IT systems being unavailable, or having restricted availability to the business leading to loss of operational functionality and business disruption is a constant threat to Arcadis. The potential for a disruptive event with significant business impact is pervasive as Arcadis maintains its global presence and advances its Digital leadership position. The increasing reliance on remote work arrangements as a means of keeping all Arcadians safe due to the continued COVID-19 pandemic, requires constant vigilance. Arcadis is pursuing a series of initiatives to protect its digital assets, both those that it currently relies on and those that are being developed to improve its competitive position and to meet client demands. Development of software and technologies to support Arcadis' innovative digital solutions requires the management of risks that, if not mitigated effectively, could impact the quality of those solutions.

Specific risk-mitigating actions in 2021

1. An Infrastructure Operations Center (IOC) was established, consisting of a team of Arcadis Network and Systems Engineers, which improves the ability to scan, monitor, and remediate and ultimately prevent vulnerabilities identified in the Arcadis network.
2. A holistic approach to registering Technology assets and solutions was launched increasing the speed with which Technology assets are registered and monitored with regards to cyber security threats.
3. A new set of tools was made available to improve Arcadis' ability to check the quality of code as it is being developed and positioned for promotion to production.
4. A common platform and standard technologies for building digital solutions were established across both the Technology function and Arcadis Gen.
5. A global Technology operating model was implemented which defined clear ownership and standardization of core technology processes, complemented by a Technology function-wide risk assessment being performed.

Risk Appetite: External Risk Trend:

Further activities planned for 2022

1. Citizen Development will be a priority in the next year to enable Arcadians to use low- / no-code platforms to automate project-based challenges in a safe and secure way. Among other similar initiatives, a "make-a-thon" will be hosted to promote the secure platform, tools, and processes available for Arcadis' citizen developers. This will allow the embedment of an environment in which the business collaborates with the Technology function to share knowledge and gain experience on this new platform.
2. Improving the management of Technology assets and solutions by implementing a centralized Technology asset management system allowing Arcadis to act even quicker in relation to cyber security threats.
3. Additional fortification of the full complement of the hardware and software on the Arcadis digital estate will continue to be a priority with an emphasis on reducing known, and preventing new, vulnerabilities and continued strengthening of user account management practices.

Averse Low Medium High Decreasing Stable Increasing

Sustainability risk

Society, shareholders, and markets have increasing attention to and demand for delivery of sustainability. To maximize its impact, Arcadis drives sustainability into end-to-end solutions provided to clients and through the commitments made in its own operations. This focus on sustainability performance gives Arcadis the opportunity to differentiate from competitors, to innovate and to grow. Arcadis must provide sustainability-driven solutions to help clients achieve their sustainability goals whilst also meeting the challenging sustainability targets set for its own operations. As markets' sustainability requirements and aspirations evolve, Arcadis will continue to deliver innovative solutions that accelerate the transition to a sustainable world.

Specific risk-mitigating actions in 2021

1. The appointment of the Chief Sustainability Officer drives strategic impact across the business, amplifying achievements and accelerating the implementation of the sustainability ambition and strategy. Arcadis has re-defined its operating model to deliver its sustainability ambition. A formal sustainability strategy was defined with four strategic pillars; impact and systems, client solutions (to accelerate clients' transition), integration and transformation and education & engagement to make sustainability in the heart of everything Arcadis does.
2. Arcadis has unified and grown its Global Sustainability Advisory team to offer its expertise on a global scale, supporting clients and the communities we serve. The Client Solutions team standardizes sustainability across Arcadis' practice, meaning sustainability is embedded in all the solutions and services we provide.
3. Arcadis held a virtual Sustainability Day event in September 2021, during which it announced its commitment to GHG emission reductions by 2035 for scope 1, 2, and 3, having already achieved sourcing 100% renewable electricity globally by the end of 2021. This commitment, and the resulting plans, prepares Arcadis for future developments, while supporting its clients in effectively addressing the consequences of climate change.
4. Arcadis measures and sets targets to reduce its environmental impact from business operations. To deliver consistency and quality of environmental data, a global platform has been developed in accordance with the ISO 14001 Environmental Management System Standard.
5. To ensure leadership engagement, Arcadis included ESG Risk management ranking as one of the 3 performance criteria in the long-term incentive remuneration for its EB and ELT members. In addition, the Supervisory Board Sustainability Committee drives improved governance.

Risk Appetite: Low External Risk Trend: Increasing

Further activities planned for 2022

1. Arcadis is committed to make sustainability part of every bid, project and client engagement through a standardized processes with the Arcadis Way process. Arcadis will further embed ESG considerations into opportunity Go/No-Go decisions with potential realignment of its portfolio if required.
2. Arcadis will review existing client obligations for the alignment with its sustainability strategy and global business strategies. This will facilitate a comprehensive integration of the sustainability strategy into existing client services.
3. The Sustainability function will work with Global Business Area leadership to integrate sustainability into their strategy, ensuring sustainability is embedded in all processes and services, guiding teams towards existing tools and resources around sustainability, tracking progress within across the organization and leading the change management and awareness around sustainability throughout operations and project delivery teams.
4. Arcadis will use the Science Based Targets as foundation for the local plans and targets in the Environmental Management System Standard.

Compliance risk

Regulatory & Policy Compliance risk

Arcadis does business in accordance with its General Business Principles, laws and regulations including human rights and labor laws, privacy regulations, sustainability and climate regulations, accounting standards, tax laws, health and safety regulations, as well as governance and periodic filing and disclosure requirements, relevant in the jurisdictions in which it operates. Management is responsible for raising awareness of, and applying laws and regulations. Global, Regional and in-country policies are developed and implemented to support operating entities. The Task Force on Climate-Related Financial Disclosures, European Climate Law and the imminent impacts of the EU Corporate Sustainability Reporting Directive, among others, change both how Arcadis does business and its reporting requirements. Arcadis is experiencing an increasing need to provide positive assurances to clients in bids regarding topics such as sustainability, privacy, information security and human rights.

Specific risk-mitigating actions in 2021

1. Arcadis employees undertake training on the Arcadis General Business Principles (AGBP). This training continued to be rolled-out globally using examples of situations that had arisen within Arcadis to bring these issues to life. All new Arcadians onboarded to the company are required to complete the AGBP training within one month of joining the company. A Global Supplier Code of Conduct was introduced to set expectations that Arcadis' suppliers adhere to principles consistent with the AGBP.
2. The Global Integrity and Anti-Corruption Program in 2021 continued to focus on encouraging management to own integrity. Various integrity sessions were carried out during senior leadership meetings, led by Senior Leadership as a joint effort supported by the Compliance function. Sanctions monitoring and the use of tooling to manage approvals for projects that may be affected by sanctions and/or performed in excluded or restricted countries allowed Arcadis to manage the risk of performing projects in restricted countries.
3. Privacy officers, as appointed under the Arcadis Privacy Standards, supported the organization in its compliance with both global and local privacy regulations. In response to the Schrems II verdict which considers carrying out basic data transfers to non-EU countries, Arcadis established a Privacy Task Force with senior leaders in 2020 to identify and manage actions in response to the ruling. The actions identified by the Task Force have been further progressed in the Global Personal Data Transfer program.
4. See the Sustainability Risk section for more information on Arcadis' response to emerging sustainability and climate change regulations.

Risk Appetite: Averse External Risk Trend: Stable

Further activities planned for 2022

1. The Arcadis General Business Principles will be reviewed for societal, legislative and other developments, and updated where necessary.
2. Mandatory privacy training will be rolled-out globally, including in local languages. Privacy stewardship activities will be undertaken to continuously raise awareness of the importance of data privacy in employees everyday activities.
3. The 2022 Global Integrity and Anti-Corruption Program will support the new Global Business Area leadership in the implementation of Arcadis' strategy by helping leaders maintain focus on integrity, to remain accountable and continue to enhance the culture of integrity and a safe "speak-up" culture.
4. The Legal, Compliance & Privacy functions will be realigned to provide the Global Business Areas with effective business partnering with centers of excellence providing expert guidance in specific areas, e.g. compliance and privacy.

Averse | Low | Medium | High | Decreasing | Stable | Increasing

Management statements

As a result of the management testing carried out in 2021, the regions and operating companies issued signed Letters/Documents of Representation and In-Control statements to the Executive Board. This process is in line with the Risk Assurance Program as described on page 170.

The Executive Board, supported by the ELT has reviewed the Letters of Representation and In-Control statements, along with reports from Internal Audit and the external auditor. There were no significant changes in the internal risk management and control systems during 2021. It has assessed the effectiveness of the design and operation of the ARC Framework in 2021 and discussed with the Audit and Risk Committee and the Supervisory Board.

During 2021, no significant weaknesses in the design or implementation of the controls under the ARC Framework were observed (i.e. no deficiencies which resulted in material losses or impact). Where a control did not operate as expected, areas for improvement were identified, remedial actions plans formalized and the plans will continue to be monitored through 2022.

As substantiated in this Enterprise Risk Management chapter of the Annual Report, based on the information referred to above and its assessment, the Executive Board believes that:

- The Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis;
- The Annual Report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report. See in particular the Main Risks table on page 173.

In accordance with Article 5:25c of the Financial Markets Supervision Act (Wet op het Financieel Toezicht), the Executive Board confirms, to the best of its knowledge, that:

- The Consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of Arcadis and its consolidated companies;
- The Annual Report gives a true and fair view of the position as at 31 December 2021 and the developments during the financial year of Arcadis and its group companies included in the Consolidated financial statements;
- The Annual Report describes the main risks Arcadis is facing in the Main Risks table on page 173.

The above statements are given on the basis that the ARC Framework is primary designed to bring Arcadis' risk exposure within its appetite and cannot therefore provide full and complete assurance that all human error, unforeseen circumstances, material misstatements, fraud or non-compliance with laws and regulations will be prevented.

Supervisory Board report

This Supervisory Board report provides the manner in which the duties and responsibilities of the Board were fulfilled in 2021, taking a closer look at the Supervisory Board Priorities 2021 and how these were addressed; it discusses the annual assessment of the functioning of the Supervisory and Executive Board, and the Supervisory Board's compliance with the Dutch Corporate Governance Code. Additionally, a detailed account is given of the respective Supervisory Board Committees and the topics discussed throughout the year.

Report by the Supervisory Board

Arcadis NV has a two-tier Board structure, consisting of the Executive Board and the Supervisory Board, both with distinct tasks and responsibilities for the Company and its stakeholders. The task of the Executive Board is to manage the Company and to realize its objectives and strategic goals. The task of the Supervisory Board is to supervise and advise the Executive Board.

2021 was the first year of the implementation of the 'Maximizing our Impact' strategy; a strategy that we are confident will help the Company's clients navigate the complex and varied palette of challenges and opportunities they are facing. It was also a year in which COVID-19 continued to transform the world as we know it. Nevertheless, thanks to the remarkable dedication, focus and resilience demonstrated by Arcadians around the globe, the Company can look back on a strong year and look to the future with confidence. And finally, it was a year of transition for Arcadis itself, during which we oversaw the gradual shift to a Global Business Area structure – Resilience, Places and Mobility, which became effective January 1, 2022.

Like every year, at the outset of 2021 the Supervisory Board, in coordination with the Executive Board, identified six topics which would become the SB priorities for the year. Needless to say, health and safety and the continued impact of COVID-19 on the Company, its people and its performance also remained a top priority. This Report by the Supervisory Board sets out the way the Supervisory Board fulfilled its duties and responsibilities and describes progress made against the SB priorities 2021 (priorities in bold below).

Priorities 2021 and Our Role as Supervisory Board

The Supervisory Board followed the implementation of the **preparation for the shift to the Global Business Area structure** very closely. At each meeting of the Supervisory Board, progress was discussed and challenges were addressed. Considering the magnitude of the program and its far-reaching ripple effects, a wide variety of topics were discussed including the (early) identification and ownership of risks, the impact on People & Culture, how to address resistance to change, the need for transparency and the implementation of detailed engagement plans. Also discussed were the close involvement of the finance function in the strategy implementation effort, progress on the alignment of the Company's ERP system, how to measure success of the program, the importance of gathering and incorporating feedback, the importance of a gradual change of command to the GBAs, and the importance of keeping client focus and collaboration front and center.

Great progress was made to **lead the sustainability agenda**, as was also demonstrated by the Company's excellent ESG rankings in 2021. ESG best practices are embedded into the operations of Arcadis around the globe, and the company has worked hard on putting a comprehensive and transparent non-financial reporting system in place. The Supervisory Board is impressed with the Company's bold commitment to sustainability and to ESG standards more broadly.

The Company delivered strong financial performance across the board in 2021 and was able to **make strong progress on its Capital Markets Day commitments.** Despite challenging circumstances, Arcadis maintained the confidence of its investor base by delivering predictable performance with healthy organic growth, solid margins, efficient working capital and cash flow management and a strong balance sheet. This performance was the result of a relentless focus of Arcadians around the globe on working together to deliver exceptional outcomes for clients, often working in a virtual environment – a truly remarkable achievement.

The fourth priority of the Supervisory Board was the **stabilization and improvement of the performance of CallisonRTKL.** Organic net revenues of CallisonRTKL remained under pressure in 2021 due to COVID-19, in particular in the retail and commercial sectors. The Supervisory Board discussed CallisonRTKL's performance during each meeting, and an extra deep dive session was organized in November 2021. Topics of the deep dive included team dynamics, addressing accountability in the leadership structure, restructuring costs, project reviews, collaboration with the rest of the Arcadis group, voluntary turnover, people, the risk of disengagement, in particular in the virtual environment, the need for a strategy that focuses on where CallisonRTKL has a right to win, and a view on 2022-2023 performance from the bottom-line perspective. The Supervisory Board is encouraged by the strategic transformation process initiated by CallisonRTKL's new leadership team.

Great strides were made in 2021 to **develop the company's M&A strategy.** The Supervisory Board regularly discussed the M&A landscape and the optimal strategy to expand the Company's global footprint aligned to its strategic priorities. The Supervisory Board fully supports the appointment of Willem Baars as Global Financing and M&A Director, with more than 20 years of experience as Investment Banker at Goldman Sachs and a Master of Sciences in Engineering and Economics.

Although the Supervisory Board is encouraged by the work done in 2021 on the People topics of talent management, diversity and inclusion, containing and reducing of attrition levels and **succession planning**, it also recognizes that a lot of work remains to be done. The Supervisory Board received regular updates on voluntary turnover and the Company's attrition action plan and will remain closely involved with this topic in the coming years.

Regarding health and safety, apart from the obvious attention for the COVID-19 pandemic, we continued to start each meeting with an update on a Health & Safety topic or statistics and/or a Health & Safety moment, with special attention for the mental health of Arcadians in these challenging times. By sharing experiences and suggestions the Supervisory Board continues its stewardship of the topic and contributes to further awareness and improvement. The Supervisory Board is pleased with the Company's H&S performance for 2021.

The Supervisory Board remains impressed with the way Arcadians around the globe responded with determination, agility and resilience to the many challenges posed by the COVID-19 pandemic.

Attendance Supervisory Board meeting

In 2021, the Supervisory Board held five regular scheduled meetings. All our meetings were attended by the members of the Executive Board and various members of the Executive Leadership Team (ELT). We also had five 'Supervisory Board-only' meetings, as per our regular schedule.

Considering the challenges Arcadis continued to face in 2021, the Supervisory Board felt the need to be even more engaged with and available to the Company than in previous years. In addition to the regular scheduled meetings, four intermediate calls were therefore scheduled, focusing on, inter alia, the challenges posed by the pandemic, CallisonRTKL, Capital Allocation and M&A.

All meetings of the Supervisory Board took place fully virtually.

In our scheduled meetings we discussed progress against the SB priorities listed earlier in this Report, as well as topics that we address every year, including financial performance, governance (including the composition of the Supervisory Board and related (re-)nominations, remuneration of the Supervisory Board, Executive Board and Executive Leadership Team, and the preparation of the annual shareholders meeting), Internal Audit and Risk Management. In 2021, the Supervisory Board conducted with the Risk Management function an in-depth risk review of Arcadis Gen. Furthermore, legal developments, Claims and Claim related trends, Integrity, Compliance and the Integrity and Anti-Corruption program, Privacy topics, People topics (including attrition, succession planning, talent management and the global engagement score), IT and Information Security, developments in the organization, M&A policy and opportunities, and important project wins were discussed. To mirror the Client and Project focus of Arcadis, business leaders were regularly invited to present on the work performed for key clients.

The attendance percentage for the full Supervisory Board meetings in 2021 was 100% (2020: 98%), for Supervisory Board-only meetings 100% (2020: 100%), for Audit and Risk Committee meetings 100% (2020: 100%), for Remuneration Committee meetings 100% (2020: 100%), for Selection Committee meetings 100% (2020: 100%) and for meetings of the Sustainability Committee also 100% (2020: 100%).

Next to interaction during Supervisory Board meetings, interaction between Supervisory Board members and members of the Executive Board, the Executive Leadership Team and other senior leaders and functional heads also took place during one-on-one discussions.

Finally, we like to mention that all Supervisory Board members and Executive Board members, as well as one Executive Leadership Team member, are members of the board of the Priority Foundation. Ten Arcadis employees from across the organization make up the other half of the board of the Priority Foundation. As a group, these ten employees are joined up in the board of the Bellevue Foundation. The board of the Priority Foundation meets at least twice a year to discuss Arcadis affairs. Reference is made to note 26 of the Consolidated financial statements for further information on the Priority Foundation and the Bellevue Foundation.

Functioning of the Supervisory Board, the Executive Board and the Executive Leadership Team

At the end of each scheduled Supervisory Board meeting, the Supervisory Board evaluated the meeting amongst ourselves. Annually we perform assessments of the functioning of the Supervisory Board, the Supervisory Board Committees and the individual Supervisory Board members. In December 2021, we performed these assessments with two structured questionnaires prepared in co-ordination with the Company. The assessment of the functioning of the Chair of the Supervisory Board was led by the Vice-Chair of the Supervisory Board outside the presence of the Chair. In conclusion, we noted that the Supervisory Board creates a safe environment for open and sufficiently critical discussion. We see great value in the extra, intermediate calls with EB and ELT members and these will remain a fixture on our rolling agenda going forward. That said, we look forward to the return of in-person meetings when the time is right, as we miss informal, face-to-face exchanges among SB members and between SB members and Arcadis staff. We are pleased with the (quality of the) information we receive from the Company. We noted that for 2022, our focus areas will include attrition, Arcadis Gen and CallisonRTKL. The further implementation of the strategy will also be high on our agenda in 2022. The Supervisory Board identified the need to further bolster its knowledge of IT and Information Security matters. This will be a continued attention item for the Supervisory Board in 2022.

As in past years, in the Board meetings each of the Supervisory Board members takes responsibility that certain specific attention areas/topics are addressed. This helps ensure that we give the topics the required attention and optimize our respective expertise. In our evaluation we re-emphasized that ELT members are encouraged to reach out to ‘their’ SB member proactively throughout the year.

In February 2021 we set personal targets for the Executive Board. During the year we monitored the performance of the Executive Board and the individual Executive Board member(s) in our Supervisory Board-only meetings.

In February 2022 we assess the performance of the Executive Board, the two Executive Board members and the Executive Leadership Team in 2021. Following the discussions during the year, and following the assessments early 2022, we have provided or will be providing feedback to all involved. The Supervisory Board has concluded that its relationship with the Executive Board and ELT is an open and constructive one, whilst remaining sufficiently critical. This is considered essential to having the EB, ELT and SB function properly.

Composition Executive Board, Supervisory Board and Executive Leadership Team

On 31 December 2021, the Supervisory Board consisted of six members, the Executive Board of two members and the Executive Leadership Team of six members, including the two Executive Board members.

For information about diversity targets in our Supervisory Board we refer to the chapter on Corporate Governance in this Annual Integrated Report. For the current composition of the Executive Board, the Executive Leadership Team and information about its members, please refer to pages 157 and 158 of this Annual Integrated Report. For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to pages 159 and 160 of this Annual Integrated Report.

In 2021, Ms. Markland stepped down as member of the Supervisory Board and as Chair of the Remuneration Committee and Selection Committee, after a 12-year term. The Supervisory Board thanks Ms. Markland for her dedication to Arcadis and her valuable contribution to the Supervisory Board during the past 12 years. The Board will miss her broad knowledge and experience, her sharp mind as well as her British wit.

During the General Meeting in 2021, Mr. Ang was re-appointed for a period of four years. Mr. Hoek was re-appointed for a period of two years. Mr. Hoek has been a member of the Supervisory Board since 2013. In line with best practice provision 2.2.2. of the Corporate Governance Code, reasons for this re-appointment after eight years include the outstanding manner in which Mr. Hoek has performed his role of Chair of the Supervisory Board and the Selection Committee as well as a member of the Audit and Risk Committee, the Remuneration Committee and the Sustainability Committee. Mr. Hoek's extensive experience in the supervision of management of multinational businesses, his international business acumen as well as his experience in the finance and investment world continue to be of a great value to Arcadis.

It was therefore considered in the interest of Arcadis and its stakeholders that Mr. Hoek be re-appointed for a two-year term until the end of the General Meeting in 2023.

Corporate Governance

In the chapter on Corporate Governance in this Annual Integrated Report, the governance structure of the Company is described, and we explain the one deviation from the principles and best practice provisions of the Corporate Governance Code. The Supervisory Board meets the requirements of the Code regarding the independence of its Chair, of the other Supervisory Board members, and of the Supervisory Board as a whole. The Supervisory Board also complies with the best practice provision that its members do not hold more than five supervisory board positions at certain 'large' (listed) companies or entities. The Executive Board members do not hold more than two supervisory board positions with such companies. During 2021, no material transactions involving conflict of interest occurred for Executive or Supervisory Board members and no material related party transactions as referred to in section 2:169.1 Dutch Civil Code were entered into.

Supervisory Board Committee reports

Audit and Risk Committee report

M. Lap (Chair), N. Hoek, M. Putnam, D. Goodwin

In 2021, the Audit and Risk Committee (AARC) met six times. There were four regular meetings and two intermediate 'deep dive' calls. Each regular meeting was attended by the CEO, the CFO and the internal and external auditors. Two intermediate calls were added, one attended by the CEO and the CFO, and one attended by the CFO, to allow for deep dives into certain priority topics.

This year, the topics of the deep dives were Information Security, enterprise risk and project risk appetite, and the governance and recording of major contract risk. These deep dives have proven very effective and insightful and will therefore remain a fixture on the AARC's agenda going forward. All meetings of the Audit and Risk Committee took place fully virtually.

The Chair of the Committee had regular contact with the CEO and the CFO, but also with the external auditor and the Head of Internal Audit, the Head of Risk Management, the Chief Compliance Officer and the Company Secretary to discuss focus items like financial performance, business risks, claims, compliance and other matters. It is customary that the Committee shares its main deliberations and findings in the Supervisory Board meeting immediately following the AARC meeting.

To allow for close monitoring and follow-up on potential Information Security issues, the Company's new Chief Information Security officer has been providing, and will continue to provide, quarterly updates to the AARC alongside the Chief Technology Officer. Information Security topics discussed in 2021 include the Information Security roadmap, key risks, systems and processes, culture and behavior, crown jewels, and business continuity plans. Although continued vigilance and focus will be required, the transparent, diligent and coordinated approach provides reassurance that this important topic is well managed.

In each meeting, in the presence of the Head of Internal Audit the past quarter's main internal audit findings were discussed and progress made against the annual internal audit plan was discussed. This year, particular areas of focus included Information Security and the progress with the strategic implementation which was announced in November 2020. The Head of Internal Audit also presented the Committee with the positive outcome of a self-assessment on compliance with the requirements that the Dutch Corporate Governance Code imposes on the Internal Audit function.

Also, in each meeting, in the presence of the Chief Risk Officer, the meeting dedicated time to discuss various Risk management topics, including a quarterly update on Key Risk Indicators, the identification and mitigation of risks posed by the shift to global business areas, and attrition.

The meeting also regularly discussed, and reported to the Supervisory Board on, the Arcadis Risk Assurance Program. The main findings of this annual assessment cycle are discussed in AARC and SB meetings each year. As an overall conclusion for the year, the meeting confirmed that further progress was made on firmly embedding Risk management into the way Arcadis works. Arcadis leaders take ownership of the key risks, their management and, where necessary, mitigation, and promote an appropriate balance between risk appetite and perceived risk exposure.

Further work remains to be done, inter alia, to implement Information Security's strategic roadmap, to further mature supplier processes in various Arcadis jurisdictions, and to further bolster project and contract execution, in particular regarding effective handovers, project plans, risk registers, and project reviews. Other areas for further improvement include the embedding of the global innovation process and the effective operation of core people processes in the face of increasing competition for key talent.

Financial performance of the Company remained the common thread of the Committee's discussions and activities throughout 2021. Special attention was given in each meeting to the continued impact of the global COVID-19 pandemic on Arcadis, its clients and its people. The AARC frequently discussed DRO (in particular in the Middle East), DRO targets, and how to sustain the increased focus on cash collection as part of the Arcadis culture. The utilization of the Global Excellence Centers, employee attrition as a risk factor, order intake and pricing, the growth of pipeline and backlog remained recurring agenda items.

Particular attention was given throughout the year to the performance of CallisonRTKL and Arcadis Gen, to non-financial reporting, to the implementation of the Arcadis Way (in particular at Arcadis Netherlands and Germany), and to the topic of Information Security.

As is customary, the AARC also evaluated the performance of PricewaterhouseCoopers (PwC), the Company's external auditor, and discussed certain improvement areas (for both PwC and the Company). PwC also presented its audit plan for 2021, which was discussed and approved.

During the July Committee meeting, PwC's half-year review report was discussed. PwC's key financial reporting risks for 2021 and its audit findings, both at mid-year and at year-end, were aligned to the focus items identified by the Committee and by the Internal Audit department. They included CallisonRTKL's performance and working capital, the continued implementation of the Arcadis Way and the valuation of unbilled receivables. Throughout the year, the Committee discussed and assessed with PwC the progress made regarding its key audit findings.

In its October session the Committee evaluated the performance, independence and financial literacy of the Committee and its members, with a positive conclusion. Identified areas of attention are (i) to build a more detailed understanding of cyber security and related risks, either through further education or by adding a new committee member with Information Security expertise and (ii) the use of risk-related frameworks, to be further addressed in additional deep dive calls.

Like every year, the Committee frequently reviewed and discussed the Company's quarterly reports on key legal claims and pending litigation, as well as claims statistics. The Committee also discussed assumptions used for impairment testing. There were presentations by the Global Head of Tax on the Arcadis tax position and tax trends, and by the Corporate Insurance Manager on the Arcadis insurance program (with special attention for the (financials of the) captive layer) and developments in the insurance market.

The Committee was kept closely informed on the embedment of the Company's Privacy program in the business and on the continued actions identified by the Task Force Privacy Shield to mitigate the risks that come with personal data transfers out of the EU since the European Court of Justice ruling determined that the EU-US Privacy Shield is invalid as a transfer mechanism for EU originating personal data. In 2021 the actions identified by the Task Force have been incorporated into one of the transformation programs dedicated to global personal data transfer of the transformation engine portfolio which is driving the implementation of the new strategy. The committee furthermore discussed the importance of proper management of data and data flows, also in light of the transformation, and of continued privacy awareness raising and accountability for privacy across the organization on a day-to-day basis. The Committee was also regularly updated on (potential) integrity issues and related statistics, as well as on the status of the Integrity and Anti-Corruption program 2021.

Finally, in the context of the annual results 2020, the meeting discussed and reconfirmed the Company's dividend policy and recommended the dividend proposal of EUR 0.60 per ordinary share to the Supervisory Board. The meeting also fully supported the share repurchase program 2021 as well as the cancellation of shares.

Remuneration Committee report
R. Markland (Chair until May 2021), C. Mahieu (Chair as of May 2021), N. Hoek, W.G. Ang

In 2021, the Arcadis Remuneration Committee met three times. The Chief Executive Officer, the Chief People Officer and the Chief Financial Officer were invited to attend (parts of) the meetings.

In the first quarter, the RemCo assessed the performance of the Executive Board and Executive Leadership Team. Based on this assessment, the RemCo advised the Supervisory Board with regard to the STI payout. In addition, the RemCo advised the SB regarding the remuneration of the ELT members, based on a benchmark analysis performed.

Other topics that were discussed and advised upon during the RemCo meetings in 2021 include the VWAP calculation methodology, the STI metrics for the following year and the requirements for the Annual Remuneration report as part of Arcadis Annual Integrated Report.

Selection Committee report
N. Hoek (Chair), R. Markland (until May 2021), C. Mahieu (as of May 2021), W.G. Ang

In 2021, the Arcadis Selection Committee (ASC) met two times. The Chief Executive Officer and the Chief People Officer attended (parts of) these meetings. In the first quarter of 2021, the Executive Board and Executive Leadership Team succession planning was discussed. During the ASC meeting in February the annual performance of the Executive Board and the Executive Leadership Team and succession planning was discussed. During the meeting in April, the committee continued the discussion on the succession planning of the Executive Board and the Executive Leadership Team. The committee also discussed and agreed on the nomination of Mr. M. Putnam for re-appointment as member of the Supervisory Board for a period of four years, which re-appointment will be on the agenda of the General Meeting in May 2022.

Sustainability Committee report
M. Putnam (Chair), D. Goodwin, N. Hoek

With sustainability now at the core of our strategy, the Sustainability Committee of the Supervisory Board met four times during 2021. The first meeting was used to present and confirm the overall ambition and strategy with regards to sustainability, which was also the basis to propose the Global Sustainability Team structure, priorities, operating model, and investment case.

The second meeting addressed the high-level commitment towards Net Zero and discussed the key performance indicators for non-financial reporting to monitor strategy implementation. In this meeting, the Committee was also introduced to the Education and Engagement Program concept, which is one of the pillars of the sustainability strategy and aims at upskilling and empowering Arcadians to lead and accelerate the transition to a Net Zero world.

In the third meeting, the Committee reviewed and discussed the Global Sustainability implementation pace and was presented the content of the Climate Emergency Workshop, held with the Executive Leadership Team and GBA leadership to reflect on the sense of urgency around climate change. In that context, the Sustainability Committee discussed the outcomes of the Arcadis Sustainability Day and the approach for COP26, the United Nations Climate Change Conference, held in Glasgow, UK in November 2021. In this third Committee meeting, the improvement plan for continuous performance enhancements with regards to sustainability was also reviewed. As a positive outcome of the actions taken throughout the year, rating agencies such as Sustainalytics and EcoVadis reflected these enhancements in better performance from Arcadis.

In the fourth and last meeting of the year, the Committee reflected on the key takeaways from COP26, presented the implementation roll-out of the Non-Financial Reporting system and retrospectively reviewed the advances of the year and presented the plan for 2022, in terms of priorities and general outlook.

2021 financial statements and dividend

The Executive Board has prepared this Annual Integrated Report, including the 2021 financial statements. PricewaterhouseCoopers, the external auditor, has issued its auditor report which can be found starting on page 292 of this Annual Integrated Report.

The members of the Executive Board have issued the statements required under section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het financieel toezicht). The members of the Supervisory Board and Executive Board sign the Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code (Burgerlijk Wetboek).

The Supervisory Board of Arcadis NV recommends that the General Meeting (i) adopts the 2021 Financial Statements, (ii) approve the proposal to distribute a dividend of €[..] per ordinary share and (iii) discharge the members of the Executive Board for their management of the Company and its affairs during 2021, and the members of the Supervisory Board for their supervision over said management.

Concluding remarks

2021 was another year of unprecedented challenges, yet the Company's performance exceeded expectations. We are very pleased to see that the Company's focus on resilience and providing continuity of services to its clients and their communities paid off. We thank the Executive Board, the Executive Leadership Team and the entire Arcadis staff around the globe for their flexibility, loyalty and commitment to performance throughout the year. We look forward to another good year in 2022.

Amsterdam, the Netherlands, 16 February 2022

On behalf of the Supervisory Board
Niek W. Hoek, Chair

Relevant documents on our corporate website

1. Profile Supervisory Board — Download PDF →
2. Regulation Supervisory Board — Download PDF →
3. Diversity Policy for the Supervisory Board — Download PDF →
4. Remuneration policy for the Supervisory Board — Download PDF →
5. Re-appointment schedule Supervisory Board — Download PDF →
6. Arcadis Remuneration Committee Charter — Download PDF →
7. Arcadis Audit & Risk Committee Charter — Download PDF →
8. Arcadis Selection Committee Charter — Download PDF →
9. Arcadis Sustainability Committee Charter — Download PDF →

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Remuneration report

The purpose of the remuneration policies is to aim to attract, motivate and retain qualified executives and non-executives for an international company of Arcadis' size and complexity to deliver our business strategy. The remuneration policies for the Executive Board and the Supervisory Board are proposed by the Supervisory Board to the Annual General Meeting, based on the advice of the Arcadis Remuneration Committee ('RemCo').

Introduction

This report outlines the application of the remuneration policies for the Executive Board and the Supervisory Board in 2021 as well as actual performance in 2021 against set performance criteria.

2021 General meeting

During the 2021 General Meeting, revisions to the remuneration policy for members of the Executive Board were proposed to align the remuneration policy with the Company's strategy "Maximizing Impact" for 2021-2023 and with market practice. The proposed revisions were adopted with the required majority. The main elements of the remuneration of the members of the Executive Board (annual base salary, short term variable compensation, long term variable compensation and other benefits such as pension) remained unchanged and the target and maximum variable remuneration opportunity relative to base salary also remained unchanged. In addition, positive advisory votes were cast regarding both the Remuneration Report Executive Board 2020 and the Remuneration Report Supervisory Board 2020.

Following questions during the 2021 General Meeting, the Supervisory Board decided to disclose the 2021 STI targets and the 2021 actual realization in this remuneration report. In that way, the remuneration report is better aligned with the Shareholders Directive and the related guidelines.

2021 performance

2021 has been a strong and prosperous year for Arcadis. The company is in an excellent position, with healthy organic growth, further improved margins and a strong balance sheet that will allow us to further invest into 2022. The past year has not been without challenges. The continued impact of the COVID-19 pandemic and the emergence of new variants is causing concern, while the effects of extreme weather events in Europe, North America and Asia in the summer showed just how fragile our world has become. As a business that is passionate about improving quality of life, it is amazing to experience how our people have responded to these challenges.

Great efforts have gone into the design and planning of our new operating model, in standardizing our processes and the launch of our three Global Business Areas (GBA) Resilience, Places and Mobility. The move to this global structure, effective as of January 1st 2022, marks an exciting new chapter in how we work at Arcadis. It will enable us to bring the best of our collective expertise from all around the world and benefit our clients across the globe.

Tackling climate change remains the greatest challenge of our generation and we all need to play our part. At Arcadis, we do see this as both a commercial opportunity, and a moral obligation, to develop smarter and greener solutions for our clients. We want Arcadis be the leader in our sector; challenging norms, embracing innovation, collaborating with the best and pushing boundaries to solve this challenge.

The strong improvement in our results, including the strong cash generation over the last couple of years have created our solid financial position. This will allow us the opportunity to continue with our investments in people, in sustainable solutions, and digital capabilities. Additionally, we will embrace opportunities for bolt-on and medium sized acquisitions to enable us to increase the return to shareholders.

Contribution of remuneration to the performance of the Company

The total remuneration in 2021 for both Executive Board and Supervisory Board is in line with the applicable remuneration policies.

The total remuneration for the Executive Board consists of fixed remuneration and variable remuneration. The fixed remuneration as well as both the short-term and long-term variable remuneration are according to the approved remuneration policy.

The short-term incentive financial criteria that were selected for 2021 are EBITA margin, Organic net revenue growth, free cash flow and Net order intake Key Clients.

These criteria are directly linked to our Strategy “Maximizing Impact”; accelerating our ability to meet our client’s demands driven by the megatrends in the world such as urbanization, climate change, digitalization and societal expectations. We aim to create impact through our Sustainable solutions, our Digital Leadership and by leveraging our Focus & Scale. These strategic pillars, support the long-term performance of the company. The financial criteria (EBITA margin, Organic net revue growth and Net order intake Key Clients) are directly connected to sustainable and profitable revenue growth, while making sure enough free cash flow is generated (i.e. the fourth financial criterion). As we have embarked on the implementation of our strategy in 2021, the success of the shift to the Global Business Area structure is directly measured by means of a fifth individual and non-financial criterion for the members of the Executive Board.

For the long-term incentive, the criteria, Total Shareholder Return, Earnings per Share and Sustainability, reflect the long-term performance of the Company.

The total remuneration for the Supervisory Board is in line with the remuneration policy for the Supervisory Board, as approved by the General Meeting in 2020.

Executive Board remuneration

On 29 April 2021, the General Meeting adopted the revisions to the remuneration policy for the Executive Board as proposed by the Supervisory Board, with effective date 1 January 2021. The revisions made served to align the remuneration policy with the Company’s strategy “Maximizing Impact” for 2021-2023 and to further align the policy with market practice.

Remuneration in line with median level of reference groups

The remuneration policy for Executive Board members aims to support the business strategy, enhance the link between pay and performance and align the interests of our Executive Board members with shareholders’ interests by stimulating share ownership while adopting the highest standards of good corporate governance. Remuneration for Executive Board members consists of fixed remuneration, short-term variable remuneration, long-term variable remuneration and other benefits, such as a pension scheme. Variable remuneration is an important part of the total package and is based on performance criteria that support long-term value creation.

Arcadis has developed from a multi-local to a leading international company. In order to align with Arcadis’ size (in terms of revenues, average market capitalization, total assets and number of FTE), geographic and industry scope, and labor market competition, a labor market reference group has been defined[1]. The reference group consists of Dutch headquartered companies with significant international activities, supplemented by global industry peers, as presented below.

Dutch headquartered companies with significant international activities	Global industry peer companies
Aalberts Industries	AF Pöyry (FIN)
AkzoNobel	RPS Group (UK)
ASM International	SNC Lavalin (CAN)
BAM	Stantec (CAN)
Boskalis	Sweco (SE)
DSM	WSP Global (CAN)
Fugro	
SBM Offshore	
TKH Group	
Vopak	

[1] Changes to the reference group may be required from time to time e.g. following mergers or acquisitions in which one or more companies in the reference group are involved

Within this group, Arcadis positions around the median in terms of the average of the aforementioned parameters revenues, average market capitalization, total assets and number of FTE.

With the Total Direct Compensation levels (the sum of base salary, short-term variable compensation and long-term variable compensation), the EB remuneration policy aims to be at around the median of the Total Direct Compensation levels of this reference group.

Internal pay ratio

When drafting the remuneration policy for the Executive Board, Arcadis considered the pay ratio within the organization. In the interest of transparency and clarity and in line with the recommendation of the Dutch Monitoring Committee Corporate Governance in their report on the 2019 financial year, Arcadis applied a different methodology to calculate the internal pay ratio in 2021 than in previous years. This methodology is understood to mean the ratio between at the one hand the total annual remuneration of the CEO and at the other hand the average annual remuneration of the employees of the company and group companies whose financial data are consolidated by the company, where:

- Total annual remuneration of the CEO includes all the remuneration components (such as fixed remuneration, variable cash remuneration (bonus), the share-based part of the remuneration, social contributions, pension, expense allowance, etc.) included in the consolidated annual accounts on an IFRS basis;
- The average annual remuneration of the employees is determined by dividing the total wage costs in the financial year (as included in the consolidated annual accounts on an IFRS basis) by the average number of FTEs during the financial year;
- Value of the share-based component of the remuneration is determined at the time of assignment in accordance with the applicable rules under IFRS.

Based on this new methodology, the following pay ratios are determined. For comparability purposes, for 2020 and 2019 pay ratios have been restated based on the new methodology.

Year	2021	2020	2019
Pay ratio	31	18	29
CEO remuneration (€ 1,000)	2,244	1,266	2,175

The 2020 pay ratio is significantly lower due to lower value of STI and LTI as part of the CEO remuneration. In 2020, the CEO did not receive an STI payout. In addition, the LTI value at grant was lower due to the lower fair value of the grant date. This led to a significant reduction of the CEO remuneration in 2020 and, consequently, to a relatively low pay ratio for 2020.

Total Direct Compensation

The relative proportion of the annual base salary and the short-term and long-term variable compensation components[2] of the members of the Executive Board is as follows for 2021:

Executive Board member	Annual fixed remuneration	Short-term Variable	Long-term Variable	Total
Chief Executive Officer	39%	19%	42%	100%
Chief Financial Officer	40%	20%	40%	100%

The compensation has a relatively strong focus on long-term variable compensation, which reflects the importance of alignment with the long-term strategy and long-term value creation of the Company and with shareholder interests.

[2] Percentages mentioned are the on-target levels

Fixed remuneration

In line with the remuneration policy for the Executive Board, the Supervisory Board determines the base salaries of the members of the Executive Board on an annual basis. The Supervisory Board determines the base salaries based on benchmarking against the labor market reference group, market movements, salary increases of employees and other considerations as are deemed appropriate. The increase of base salaries of the members of the Executive Board will not exceed the average increase for employees, unless the benchmarking exercise indicates differently.

In 2021, the fixed compensation for the Executive Board has not changed compared to 2020. The following annual fixed remuneration levels applied to members of the Executive Board in 2021.

Executive Board member	2021 Annual fixed remuneration
CEO (P. Oosterveer)	€660,000
CFO (V. Duperat)	€475,000

For 2022, the Supervisory Board decided to increase the fixed compensation for the Executive Board with 4%, which is in line with the remuneration policy for the Executive Board and with the average increase for employees.

Executive Board member	2022 Annual fixed remuneration
CEO (P. Oosterveer)	€687,000
CFO (V. Duperat)	€494,000

Short-term variable remuneration

The short-term variable compensation serves to incentivize the Executive Board for meeting short term performance criteria. The short- term variable compensation is a percentage of base salary and ranges from 0% to 85% of the annual base salary, with 50% being the target. The short-term variable compensation is payable in cash. The payment is made in March, the year following the year of review.

No pay out will be made in case none of the performance criteria meet the threshold target. Pay out for performance between threshold and targets and between target and maximum is based on a linear calculation approach. All short-term variable compensation criteria allow for rewarding strong performance.

Performance criteria STI

To support the Company's strategy, the criteria for the short-term variable compensation are based on the strategy and are partly financial and partly non-financial. Based on the annual priorities of the Company, the Supervisory Board determines the performance criteria applicable to the short-term variable compensation in their meeting prior to the performance year.

In line with the remuneration policy for the Executive Board, the Supervisory Board will select from the following performance criteria:

1. Financial criteria (minimum 60% weighting):
- Profit / Margin
- Revenue / Growth
- Cash flow
- Capital return measures (such as ROA, ROE, ROIC)
- Economic / Market value added measures.

2. Non-financial criteria:
- Customer results (e.g. Net Promotor Score)
- People & organization (e.g. voluntary turnover, employee engagement)
- Sustainability (e.g. carbon footprint reduction)
- Individual non-financial criterion (e.g. measuring the success of the implementation of the strategy)

The targets (threshold, target and maximum) for each of the performance criteria will be determined annually by the Supervisory Board by reference to the business plan for the respective year and considering the strategic aspirations of the Company.

The actual realization on each of the criteria will be reported in the remuneration report relating to the relevant performance year. No payout will be made for meeting a performance criterion in case the performance does not meet the threshold target.

The Supervisory Board has the discretion to make adjustments, for example to account for events that were not planned when targets were set or were outside of management's control. The Supervisory Board has not applied the derogation clause.

For performance year 2021, the Supervisory Board selected the following four financial performance criteria for the short-term remuneration of the members of the Executive Board:

- Reported EBITA%
- Free cash flow
- Organic net revenue growth %
- Net Order Intake Key Clients

In addition, the Supervisory Board decided to set an individual (non-financial) criterion to measure the success of the implementation of the new strategy. To this end, the success of the shift to the Global Business Area structure as determined by the Supervisory Board was selected as individual non-financial criterion for 2021.

The weighting of each metric is 20%.

In 2021, the performance of the company against the targets set was as follows.

	Realization			
Criterion	Target	Realization	Payout as % of target	Payout as % of fixed compensation
Reported EBITA %	9.2%	9.4%[1]	136%	13.6%
Free cash flow (€ million)	130	234	170%	17.0%
Organic net revenue growth %	3.6%	3.5%	90%	9.0%
Net Order Intake Key Clients (€ million)	1,241	1,424	170%	17.0%

[1] EBITA adjusted for realization by 0.1% for the impact of a change in accounting treatment, see note 3 to the Consolidated financial statements

The realization of the individual non-financial criterion linked to the shift to the Global Business Area structure for the members of the Executive Board was assessed by the Supervisory Board at 170%. The target for the members of the Executive Board was developing and implementing the plan for the shift to the Global Business Area structure. The Supervisory Board concluded this target has been more than achieved. Based on the assessment of the Supervisory Board, the implementation of the Global Business Area structure has been very successful.

The performance on the financial targets and the individual non-financial criterion linked to the implementation of the strategy (as assessed by the Supervisory Board) leads to the following payout:

Name	Annual Base Salary (€)	STI target %	Realization (as percentage of Annual Base Salary)						Payout (€)
			Reported EBITA%	Free cash flow	Organic net revenue growth %	Net Order Intake Key Client	Individual non-financial criterion	Total	
CEO (P. Oosterveer)	660,000	50%	13.6%	17.0%	9.0%	17.0%	17.0%	74%	485,502
CFO (V. Duperat-Vergne)	475,000	50%	13.6%	17.0%	9.0%	17.0%	17.0%	74%	349,414

For 2022, the Supervisory Board has selected the following performance criteria for short-term remuneration:

Financial criteria
- Reported EBITA%
- Free cash flow
- Net Order Intake Key Clients

Non-financial criteria:
- Employee engagement
- Individual criterion: measuring the success of the implementation of the strategy

With the strategic importance of attracting and retaining employees, the company will measure engagement as a leading indicator of employee engagement. There is also a clear connection with our strategy as Employee Engagement is an Environmental, Social and Governmental (ESG) target. Employee engagement is measured by the employee Net Promoter Score (eNPS), which is based on responses from employees to our quarterly employee engagement survey. The eNPS score is a rolling average of 12 months.

In addition, the Supervisory Board decided to set an individual (non-financial) criterion to measure the success of the implementation of the new strategy. The weighting of each metric is 20%.
As the actual targets are considered commercially sensitive, the targets as well as the realization against them will only be disclosed retrospectively in the remuneration report for 2022.

Long-term variable remuneration: performance shares

The long-term variable remuneration aims to align the interests of the members of the Executive Board with long term value creation for all stakeholders and long-term shareholder's interests. Therefore, under the remuneration policy, members of the Executive Board receive annually conditional performance shares. The conditional performance shares will vest and become unconditional after three years and are restricted for another two years after vesting.

The value of the annual award is determined by a percentage of fixed remuneration. The actual grant is determined by the value divided by the applicable Volume Weighted Average Price (VWAP).[3]

In 2021, the members of the Executive Board received the following Long-term variable remuneration:

	% of fixed remuneration	Grant value (in €)	VWAP (in €)	Number of shares	Fair value (in €)	Total IFRS grant value (in €)
CEO (P. Oosterveer)	110%	726,000	29.55	24,571	34.89	857,365
CFO (V. Duperat-Vergne)	100%	475,000	29.55	16,076	34.89	560,948

Performance criteria long-term variable remuneration

In order to support the three strategic pillars of the strategy, the performance criteria are:
- Total Shareholder Return
- Earnings per share
- Sustainability

Each parameter counts for 33.33%.

[3] For the 2021 grant, the Volume Weighted Average Price (VWAP) of a 30-day period starting on the day of the publication of the annual results 2020

Performance Criterion 1: Total Shareholder Return

The vesting percentage of the performance shares is conditional upon the achievement of performance measured as relative Total Shareholder Return (TSR), which is defined as share price movements including dividends, assuming dividends are reinvested over three years.

The TSR performance of Arcadis is measured against the performance of direct competitors.

The current TSR group is as follows:

TSR peer group		
Arcadis (NL)	AF Pöyry (FIN)	Stantec (CAN)
AECOM (U.S.)	RPS Group (UK)	Wood Group (UK)
Cardno (AUS)	SNC-Lavalin (CAN)	Worley Parsons (AUS)
Hill International (U.S.)	Sweco (SE)	WSP Global (CAN)
Jacobs Engineering (U.S.)	Tetra Tech (U.S.)	

The position of Arcadis within the peer group, after three years, determines the final number of conditional performance shares that vest and becomes unconditional, in accordance with the following table:

Ranking	14 - 8	7	6	5	4	3	2	1
Vesting %	0%	50%	75%	100%	125%	150%	175%	200%

Performance Criterion 2: Earnings Per Share

Earnings Per Share (**EPS**) is calculated by applying the simple point-to-point[4] method at the end of the period. EPS is disclosed in our Consolidated Financial statement and is calculated by dividing the Net income from Operations by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover share/option plans). Earnings are adjusted for changes in accounting principles during the performance period. The Supervisory Board has the discretion to include other adjustments, for example, the account for events that were not planned when targets were set or were outside of management's control. The EPS growth target, threshold and maximum are set annually by the Supervisory Board. Given that these targets are commercially sensitive, EPS targets and the achieved performance are published in the Annual Report after the relevant performance period.

The following performance incentive zones will be used to define the vesting for this part of the conditional grant:

	< Threshold	Threshold	Target	Maximum
EPS	nil	50%	100%	150%

Performance Criterion 3: Sustainability (Sustainalytics score (ESG)

The sustainability target will be measured by reference to the 'Management score' applied to the Company by Sustainalytics, a leading independent global Environmental, Social and Governmental (**ESG**) ratings firm which provides a robust analytical framework that addresses a broad range of ESG issues and trends that have a significant and material impact on industries and companies. Sustainalytics analyzes and rates the performance of more than 14,000 companies globally across 138 Sustainalytics-defined sub-industry classifications. The analysis is made by looking at and weighting the core and sub-industry specific metrics to determine the overall ESG Risk performance.

The following performance incentive zones and targets will be used to define the vesting for this part of the conditional grant:

	< Threshold	Threshold	Target	Maximum
Sustainalytics score	0	50%	100%	150%
Target performance period 2021 - 2023[1]		73.9	75.8	77.8

[1] The score will be based on the Sustainalytics score of 2023

[4] % growth from t0 to tx, divided by # years

The target of this performance criterion was set using the Sustainalytics ESG Risk Rating methodology. Starting in 2018, Sustainalytics transferred to a new methodology and approach of assessing companies ESG performance: the ESG Risk methodology. This new methodology measures a company's unmanaged ESG risks driven by its exposure and management of material ESG issues. Companies are exposed to different ESG issues to different degrees, which is better taken into account in this new methodology. Exposure assessment is driven by sub-industry and company-specific factors.

The sustainability target includes a wide range of performance objectives in material ESG issues as defined by Sustainalytics. For example: human capital (enhancing diversity programs), carbon and environmental management (improved percentage of renewable energy usage of the Company globally) and human rights (implementing a three-year roadmap for embedding human rights standards in our operations).

Conditional performance shares held by member of the Executive Board

In 2021, the aggregate numbers of conditional performance shares held by members of the Executive Board are as per below. The Executive board members did not hold any stock options in 2021.

Number of conditional (performance) shares Arcadis NV Current EB members	31 December 2021	31 December 2020
P. Oosterveer	111,443	174,662
V. Duperat-Vergne	21,935	5,859

Vested shares

Conditional performance shares vested in 2021

Over the performance period 2018 - 2020 Arcadis ended on the 9th place of the peer group. Therefore, the conditional performance shares that were granted in 2018 will vest at 0% in 2021.

# shares	2018 grant	2021 vesting
CEO (P. Oosterveer)	87,790	nil

Conditional performance shares to vest in 2022

Over the performance period 2020 – 2021, the performance criteria TSR, EPS and Sustainalytics were applied. The realization on these performance criteria was:

					Realization	
Criterion	Weight	Threshold	Target	Max	Value	Percentage
Total Shareholder Return	33%		n/a		Rank 1	200%
Earnings per share growth	33%	9.3%	10.9%	12.6%	26%	150%
Sustainalytics	33%	72	76	78	80	150%
Overall	100%					165%

As a result of the realization, the following number of shares will vest in 2022 per the vesting date.

# shares	2020 grant	2022 vesting
CEO (P. Oosterveer)	51,055	84,241

The members of the Executive Board must retain the shares awarded under the long-term variable remuneration for a period of at least five years from the grant date, while allowing part of the shares to be sold to cover taxes due on the date of vesting, if any.

Total remuneration

The total remuneration of the Executive Board members over 2021 and 2020, split by component and presented in relative proportion between fixed and variable remuneration is as follows:

Name of Director position (in € 1,000)	Reporting year	1. Fixed remuneration		2. Variable remuneration		3. Extraordinary items	4. Pension Expenses	5. Total remuneration	6. Proportion of fixed and variable remuneration	
		Base salary	Fringe benefits	One-year variable	Multi-year variable				Fixed	Variable
CEO (P. Oosterveer) based on due	2020	790	60	0	1,406	n/a	17	2,273	38%	62%
	2021	820	62	486	0	n/a	19	1,386	64%	36%
CEO (P. Oosterveer) based on IFRS	2020	790	60	0	914	n/a	17	1,781	48%	52%
	2021	820	62	486	744	n/a	19	2,131	42%	58%
CFO (V. Duperat-Vergne) based on due	2020	161	56	0	0	n/a	5	222	100%	0%
	2021	544	190	349	0	n/a	19	1,102	68%	32%
CFO (V. Duperat-Vergne) based on IFRS	2020	161	56	0	12	n/a	5	234	95%	5%
	2021	544	190	349	160	n/a	19	1,262	59%	41%

An overview of the company's performance, the annual change in remuneration of the Executive Board members, the average remuneration on a full-time equivalent basis of employees of the company and the annual change in remuneration of the Supervisory Board members is as follows:

	2021		2020		2019		2018		2017		2016
	actual	change (%)	actual	change (%)	actual	change (%)	actual	change (%)	actual	change (%)	actual
Operating EBITA margin (%)	9.6%	5%	9.1%[5]	11%	8.2%	12%	7.3%	-4%	7.6%	7%	7.1%
Free Cash Flow (in € millions)	234	-28%	324	234%	97	-35%	149	53%	98	22%	80
Organic net revenue growth % (net revenue in %)	3.5%	5.0%	-1.5%	-4.6%	3.1%	0.1%	3.0%	2.0%	1.0%	5.0%	-4.0%
TSR (index 2016 = 100)	318	57%	203	30%	156	95%	80	-44%	143	43%	100
Sustainalytics	80	3%	78	7%	73	4%	70	9%	64	3%	62
Average remuneration employees (€ thousands)	71	0%	71	-7%	76	5%	73	0%	72	-2%	74
CEO (€ thousands)	1,386	-39%	2,273	78%	1,275	14%	1,115	-15%	1311	51%	866
CFO (€ thousands)	1,102	45%	762	-13%	879	19%	737	17%	630	1%	624
Supervisory Board											
Carla Mahieu[6]	46										
Deanna Goodwin	72	4%	69	-14%	80	0%	80	-1%	81	62%	50
Michael Putnam	74	7%	69	-14%	80	31%	61				
Michiel Lap	70	3%	68	-15%	80	-5%	84	9%	77	13%	68
Niek Hoek	103	5%	98	-6%	104	-1%	105	0%	105	19%	88
Wee Gee Ang	65	-1%	66	-22%	84	0%	84	47%	57		
Ruth Markland[7]	22	-67%	67	-13%	77	-5%	81	3%	79	8%	73
Maarten Schonfeld			23	-68%	72	-1%	73	0%	73	6%	69
Ian Grice							29	-57%	68	-20%	85
George Nethercutt									29	-60%	72

5 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
6 Ms Mahieu joined the Supervisory Board on 29 April 2021
7 Ms Markland resigned from the Supervisory Board on 29 April 2021

Retirement and other benefits, contracts

Retirement benefits

In 2021, all Executive Board members participated in the Arcadis Netherlands pension plan. This is a collective defined contribution plan with the premium based on the ambition of a pension payment. The contribution from the participants is 6.64% of the pensionable salary (annual base salary minus offset) for the salary part below €112,189 (maximum pensionable salary under Dutch tax legislation). Executive Board members participating in the Arcadis Netherlands pension plan also receive an annual cash allowance in line with legislation in the Netherlands for the salary above €112,189.

Other benefits

Executive Board members receive a net fixed expense allowance, as well as other customary fringe benefits, including the use of a company car or a mobility allowance. In line with best practice, the company provides benefits which the Supervisory Board considers appropriate for a global company which needs to attract and retain Executive Board members from different parts of the world.

Management agreements and severance pay

In line with current Dutch legislation, all Executive Board members work for Arcadis NV under a management agreement: Mr. P. Oosterveer (appointed in 2017 and reappointed in 2021) has a four-year term and Mrs. V. Duperat-Vergne (appointed in 2020) has a term until the general meeting to be held in the fourth year after the appointment. They may be entitled to a severance pay with a maximum of one year's base salary. Management agreements with Executive Board members do not contain provisions on severance payments in case of termination resulting from a change in control.

Other elements of the remuneration policy

The Dutch Corporate Governance Code contains additional best practices regarding executive remuneration. Based on the advice of the RemCo, the Supervisory Board is satisfied that it has complied with these additional best practices in 2021. Before setting proposed targets for Supervisory Board approval, the RemCo carried out scenario analyses of the possible financial outcomes of meeting target levels, as well as maximum performance levels, and how they may affect the level and structure of the total remuneration of the members of the Executive Board.

Supervisory Board remuneration

The remuneration of the members of the Supervisory Board consists of a fixed fee and an attendance fee. Given the nature of the responsibilities of the Supervisory Board, the remuneration is not tied to the performance of the Company and therefore includes fixed compensation only. In line with the Dutch Corporate Governance Code, the members of the Supervisory Board will not be rewarded in equity-based compensation.

The remuneration for Supervisory Board members was last adjusted in 2020, based on a benchmark analysis by an external advisor of remuneration at Dutch Headquartered companies with significant international activities.

The remuneration of the Supervisory Board members is as follow:

In €	Chair	Member
Annual fixed remuneration SB	85,000	58,000
Membership AARC	12,000	8,000
Membership ASC and RemCo	10,000	7,000
Membership of SusCo	8,000	6,000

In 2020, the General Meeting approved an attendance fee for all Supervisory Board members of €2,500 for every visit for meetings that takes place outside of the country of domicile of a Supervisory Board member and that does not involve intercontinental travel, or €4,000 for every visit for meetings that involves intercontinental travel. No attendance fee is paid if the meeting takes place in the country of domicile of a Supervisory Board member.

As is deemed necessary, the Supervisory Board may decide to introduce additional committees. The annual fixed fee for such additional committee membership(s) will be dependent upon the expected number of committee meetings per annum (€ 2,000 per meeting for the chair, with a maximum fixed annual fee of € 8,000; and € 1,500 per meeting for a member, with a maximum fixed annual fee of € 6,000).

Members of the Supervisory Board participating in more than two committees, will only be compensated for their membership of the two committees with the highest fees. The combined membership of the Remuneration Committee and ASC is considered one committee membership for the purpose of remuneration.

Remuneration of Supervisory Board members is not dependent on company results. Supervisory Board members are not eligible to receive shares or options as part of their remuneration package. Possible share ownership of Arcadis shares by a Supervisory Board member is meant as a long-term investment.

Total remuneration

The total remuneration of the Supervisory Board members over 2021:

In €	Carla Mahieu[1]	Deanna Goodwin	Michael Putnam	Michiel Lap	Niek W. Hoek	Ruth Markland[2]	Wee Gee Ang
SB membership	38,989	58,000	58,000	58,000	85,000	19,172	58,000
Committee membership	6,722	14,000	16,000	12,000	18,000	3,306	7,000
Attendance allowance	-	-	-	-	-	-	-
Total	**45,711**	**72,000**	**74,000**	**70,000**	**103,000**	**22,478**	**65,000**

[1] Ms Mahieu joined the Supervisory Board on 29 April 2021
[2] Ms Markland resigned from the Supervisory Board on 29 April 2021

Due to limited travel in 2021 and virtual meetings in view of the COVID-19 pandemic, the attendance allowance has not been paid.

Other information

The Company has not granted any loans, advances or guarantees to Executive or Supervisory Board members. The articles of association of Arcadis NV provide current and former Executive Board members and Supervisory Board members with an indemnification for all costs and expenses arising from and against any claim, action or lawsuit related to actions and/or omissions in their function as Executive Board or Supervisory Board members.

On behalf of the Arcadis Remuneration Committee
Carla Mahieu, Chair

Financial statements

Consolidated income statement

for the year ended 31 December

In € thousands	Note	2021	2020 Restated [1]
Gross revenues	7	**3,378,486**	**3,303,208**
Materials, services of third parties and subcontractors		(813,889)	(809,644)
Net revenues[2]	7	*2,564,597*	*2,493,564*
Personnel costs	9,10	(1,995,931)	(1,931,213)
Other operational costs	9	(240,402)	(234,940)
Depreciation and amortization	14,15	(100,596)	(115,944)
Amortization other intangible assets	14	(11,436)	(21,889)
Impairment charges	14	-	(118,881)
Other income	8	9,697	9,295
Total Operational costs		**(2,338,668)**	**(2,413,572)**
Operating income		**225,929**	**79,992**
Finance income	11	4,048	3,591
Finance expenses	11	(22,280)	(38,363)
Fair value change of derivatives	11	(511)	7,326
Net finance expense	11	**(18,743)**	**(27,446)**
Expected Credit Loss on shareholder loans and corporate guarantees	17	1,478	19,707
Result from investments accounted for using the equity method	17	11,236	967
Profit before income tax		**219,900**	**73,220**
Income taxes	12	(51,681)	(55,050)
Result for the period		**168,219**	**18,170**

Result attributable to:			
Equity holders of the Company (net income)		167,883	18,876
Non-controlling interests		336	(706)
Result for the period		**168,219**	**18,170**

Earnings per share (in €)			
Basic earnings per share	13	1.88	0.21
Diluted earnings per share	13	1.87	0.21

1 Restated in accordance with IAS 8, see note 3
2 Non-GAAP performance measure. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis

The notes on pages 209 to 273 are an integral part of these Consolidated financial statements

Consolidated Statement of comprehensive income

for the year ended 31 December

In € thousands	2021	2020 Restated [1]
Other comprehensive income, net of income tax		
Result for the period	**168,219**	**18,170**
Items that may be subsequently reclassified to profit or loss:		
Exchange rate differences for foreign operations	62,617	(65,834)
Exchange rate differences for equity accounted investees	34	(117)
Effective portion of changes in fair value of cash flow hedges	455	739
Items that will not be reclassified to profit or loss:		
Changes related to post-employment benefit obligations	22,099	(16,834)
Other comprehensive income, net of income tax	**85,205**	**(82,046)**
Total Comprehensive income for the period	**253,424**	**(63,876)**
Total comprehensive income attributable to:		
Equity holders of the Company	253,202	(63,183)
Non-controlling interests	222	(693)
Total Comprehensive income for the period	**253,424**	**(63,876)**

1 Restated in accordance with IAS 8, see note 3

The notes on pages 209 to 273 are an integral part of these Consolidated financial statements

Non-GAAP performance measure

In € thousands	Note	2021	2020 Restated [1]
Net income from Operations [2]			
Result for the period attributable to equity holders (net income)		167,883	18,874
Amortization identifiable intangible assets, net of taxes		9,954	19,313
Goodwill impairment charges, net of taxes	14	-	118,881
M&A&D costs		(975)	(7,961)
Expected Credit loss on shareholder loans and corporate guarantees	17	(1,478)	(19,707)
Lovinklaan employee share purchase plan [3]	10	-	1,055
Net income from Operations		**175,384**	**130,455**
Net income from Operations per share [2] (in €)			
Basic earnings per share	13	1.96	1.46
Diluted earnings per share	13	1.95	1.45

1 Restated in accordance with IAS 8, see note 3

2 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis

3 The Lovinklaan employee share purchase plan (ended in 2020) was controlled by the Lovinklaan Foundation, and the Company had no influence on this scheme. Accordingly, the Company treated the related share-based expense as non-operational

Consolidated balance sheet

as at 31 December

In € thousands	Note	2021	2020 Restated[1]	1 January 2020 Restated[1]
Assets				
Non-current assets				
Intangible assets and goodwill	14	866,206	828,925	1,026,219
Property, plant & equipment	15	82,551	84,132	99,955
Right-of-use assets	16	228,987	255,950	266,769
Investments accounted for using the equity method	17	18,844	7,900	7,528
Other investments	18	2,152	2,048	2,280
Deferred tax assets	12	24,674	20,812	22,892
Pension assets for funded schemes in surplus	28	26,564	-	3,706
Derivatives	19	1,297	4,624	1,240
Other non-current assets	20	22,213	22,581	27,595
Total Non-current assets		**1,273,488**	**1,226,972**	**1,458,184**
Current assets				
Inventories		233	251	201
Derivatives	19	5,810	5,923	6,252
Trade receivables	21	521,855	468,479	602,900
Contract assets (unbilled receivables)	22	500,268	466,290	669,849
Corporate tax receivables	12	27,146	14,835	23,189
Other current assets	24	56,584	74,766	51,453
Assets classified as held for sale	23	71	71	-
Cash and cash equivalents	25	351,003	449,158	296,895
Total Current assets		**1,462,970**	**1,479,773**	**1,650,739**
Total Assets		**2,736,458**	**2,706,745**	**3,108,923**

[1] Restated in accordance with IAS 8, see note 3

In € thousands	Note	2021	2020 Restated[1]	1 January 2020 Restated[1]
Equity and liabilities				
Shareholders' equity				
Total Equity attributable to equity holders of the Company	26, 46	**1,022,788**	**867,600**	**921,757**
Non-controlling interests	27	(1,148)	(1,237)	2,875
Total Equity		**1,021,640**	**866,363**	**924,632**
Non-current liabilities				
Provisions for employee benefits	28	53,572	60,153	49,493
Provisions for other liabilities and charges	29	34,390	27,748	23,057
Deferred tax liabilities	12	44,869	29,268	25,833
Loans and borrowings	30	187,510	400,964	460,583
Lease liabilities	16	192,509	208,980	215,461
Derivatives	19	-	545	822
Total Non-current liabilities		**512,850**	**727,658**	**775,249**
Current liabilities				
Contract liabilities (billing in excess of revenue)	22	380,787	295,740	285,044
Provision for onerous contracts (loss provisions)	22	26,092	40,401	90,545
Current portion of provisions	28, 29	13,095	15,225	23,306
Corporate tax liabilities	12	19,087	25,902	42,302
Current portion of loans and short-term borrowings	30	76,057	99,402	150,206
Current portion of lease liabilities	16	62,506	69,377	75,661
Derivatives	19	4,836	5,351	4,657
Bank overdrafts	25	91	291	472
Accounts payable, accrued expenses and other current liabilities	31	619,417	561,035	736,849
Total Current liabilities		**1,201,968**	**1,112,724**	**1,409,042**
Total Liabilities		**1,714,818**	**1,840,382**	**2,184,291**
Total Equity and liabilities		**2,736,458**	**2,706,745**	**3,108,923**

The notes on pages 209 to 273 are an integral part of these Consolidated financial statements

Consolidated Statement of changes in equity

In € thousands	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
		Attributable to equity holders of the Company							
Balance at 1 January 2021		**1,809**	**372,472**	**194**	**(114,381)**	**607,506**	**867,600**	**(1,237)**	**866,363**
Result for the period		-	-	-	-	167,883	167,883	336	168,219
Other comprehensive income:									
Exchange rate differences		-	-	-	62,765	-	62,765	(114)	62,651
Effective portion of changes in fair value of cash flow hedges	19	-	-	569	-	-	569	-	569
Taxes related to effective portion of changes in fair value of cash flow hedges	12	-	-	(114)	-	-	(114)	-	(114)
Remeasurements on post-employment benefit obligations	28	-	-	-	-	30,025	30,025	-	30,025
Taxes related to remeasurements on post-employment benefit obligations	12	-	-	-	-	(7,926)	(7,926)	-	(7,926)
Other comprehensive income, net of income taxes		**-**	**-**	**455**	**62,765**	**22,099**	**85,319**	**(114)**	**85,205**
Total comprehensive income for the period		**-**	**-**	**455**	**62,765**	**189,982**	**253,202**	**222**	**253,424**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	27	-	-	-	-	-	-	-	-
Dividends to shareholders	26	-	(22,292)	-	-	(31,273)	(53,565)	(133)	(53,698)
Issuance of shares	26	12	22,280	-	-	-	22,292	-	22,292
Cancellation of shares	26	(12)	-	-	-	-	(12)	-	(12)
Share-based compensation	10	-	-	-	-	5,867	5,867	-	5,867
Taxes related to share-based compensation	12	-	-	-	-	(1,431)	(1,431)	-	(1,431)
Purchase of own shares	26	-	-	-	-	(77,327)	(77,327)	-	(77,327)
Share options exercised	26	-	-	-	-	6,162	6,162	-	6,162
Total transactions with owners of the Company		**-**	**(12)**	**-**	**-**	**(98,002)**	**(98,014)**	**(133)**	**(98,147)**
Balance at 31 December 2021		**1,809**	**372,460**	**649**	**(51,616)**	**699,486**	**1,022,788**	**(1,148)**	**1,021,640**

The notes on pages 209 to 273 are an integral part of these Consolidated financial statements

Consolidated Statement of changes in equity

In € thousands	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Retained earnings	Shareholder equity	Non-controlling interests	Total equity
		Attributable to equity holders of the Company							
Balance at 1 January 2020[1]		**1,809**	**372,472**	**(545)**	**(48,417)**	**596,438**	**921,757**	**2,875**	**924,632**
Result for the period		-	-	-	-	18,876	18,876	(706)	18,170
Other comprehensive income:									
Exchange rate differences		-	-	-	(65,964)	-	(65,964)	13	(65,951)
Effective portion of changes in fair value of cash flow hedges	19	-	-	924	-	-	924	-	924
Taxes related to effective portion of changes in fair value of cash flow hedges	12	-	-	(185)	-	-	(185)	-	(185)
Remeasurements on post-employment benefit obligations	28	-	-	-	-	(18,381)	(18,381)	-	(18,381)
Taxes related to remeasurements on post-employment benefit obligations	12	-	-	-	-	1,547	1,547	-	1,547
Other comprehensive income, net of income taxes		**-**	**-**	**739**	**(65,964)**	**(16,834)**	**(82,059)**	**13**	**(82,046)**
Total comprehensive income for the period		**-**	**-**	**739**	**(65,964)**	**2,042**	**(63,183)**	**(693)**	**(63,876)**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	27	-	-	-	-	-	-	-	-
Dividends to shareholders	26	-	-	-	-	-	-	(3,419)	(3,419)
Issuance of shares	26	-	-	-	-	-	-	-	-
Share-based compensation	10	-	-	-	-	8,501	8,501	-	8,501
Taxes related to share-based compensation	12	-	-	-	-	114	114	-	114
Purchase of own shares	26	-	-	-	-	(7,954)	(7,954)	-	(7,954)
Share options exercised	26	-	-	-	-	8,365	8,365	-	8,365
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**9,026**	**9,026**	**(3,419)**	**5,607**
Balance at 31 December 2020[1]		**1,809**	**372,472**	**194**	**(114,381)**	**607,506**	**867,600**	**(1,237)**	**866,363**

1 Restated in accordance with IAS 8, see note 3

The notes on pages 209 to 273 are an integral part of these Consolidated financial statements

Consolidated financial statements

Consolidated cash flow statement

for the year ended 31 December

In € thousands	Note	2021	2020 Restated[1]
Cash flows from operating activities			
Result for the period		**168,219**	**18,170**
Adjustments for:			
Depreciation and amortization	14, 15, 16	100,596	115,944
Amortization other identifiable intangible assets	14	11,436	21,889
Impairment charges	14	-	118,881
Income taxes	12	51,681	55,050
Net finance expense	11	18,743	27,446
Expected Credit Loss on shareholder loans and corporate guarantees	17	(1,478)	(19,707)
Result from Investments accounted for using the equity method	17	(11,235)	(967)
Adjusted profit for the period (EBITDA)[2]		**337,962**	**336,706**
Change in Inventories		18	(53)
Change in Contract assets and liabilities, provision for onerous contracts		45,278	146,150
Change in Trade receivables		(29,358)	104,703
Change in Accounts payable		38,025	(82,788)
Change in Net Working Capital		**53,963**	**168,012**
Change in Other receivables		20,307	(27,056)
Change in Current liabilities		(3,896)	33,399
Change in Other Working Capital		**16,411**	**6,343**
Change in Provisions	28,29	(4,626)	(19,792)
Share-based compensation	10	5,868	8,501
Gains/losses on derecognition of leases	16	(1,810)	761
Change in operational derivatives		359	2,658
Settlement of operational derivatives		(457)	(2,138)
Dividend received		635	494
Interest received		4,095	3,565
Interest paid		(16,223)	(23,582)
Corporate tax paid		(66,715)	(52,517)
Net cash (used in)/from operating activities		**329,462**	**429,011**

[1] Restated in accordance with IAS 8, see note 3

[2] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis

	Note	2021	2020 Restated[1]
Cash flows from investing activities			
Investments in (in)tangible assets	14, 15	(34,783)	(25,203)
Proceeds from sale of (in)tangible assets / reversal non-cash items		8,218	2,577
Investments in consolidated companies	6	(606)	(7,369)
Proceeds from sale of consolidated companies		6	15,006
Investments in/loans to associates and joint ventures	17	(3,995)	(64,669)
Proceeds from (sale of) associates and joint ventures	17	-	-
Investments in other non-current assets and other investments	18, 20	(6,414)	(3,956)
Proceeds from (sale of) other non-current assets and other investments	18, 20	3,987	6,267
Net cash (used in)/from investing activities		**(33,587)**	**(77,347)**
Cash flows from financing activities			
Transactions with non-controlling interest	6	-	-
Proceeds from exercise of options	26	6,162	8,365
Proceeds from issuance of shares	26	(12)	-
Purchase of own shares	26	(77,327)	(7,954)
Settlement of financing derivatives	19	(575)	4,628
New long-term loans and borrowings	30	-	220,247
Repayment of long-term loans and borrowings	30	(230,702)	(305,156)
New short-term borrowings	30	20,566	41,500
Repayment of short-term borrowings	30	(28,676)	(49,824)
Payment of lease liabilities	16	(68,850)	(82,888)
Dividends paid/received		(31,406)	(3,498)
Net cash (used in)/from financing activities		**(410,820)**	**(174,580)**
Net change in Cash and cash equivalents less Bank overdrafts		**(114,945)**	**177,084**
Exchange rate differences		16,990	(24,640)
Cash and cash equivalents less Bank overdrafts at 1 January		448,867	296,423
Cash and cash equivalents less Bank overdrafts at 31 December		**350,912**	**448,867**

The notes on pages 209 to 273 are an integral part of these Consolidated financial statements

Notes to the Consolidated financial statements

1 General information

Arcadis NV is a public company organized under Dutch law. Its statutory seat is Amsterdam and its principal office is located at:

Gustav Mahlerplein 97
1082 MS Amsterdam
The Netherlands

Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company') is a leading global Design & Consultancy firm for natural and built assets. Applying deep market sector insights and collective design, consultancy, engineering, project and management services, the Group works in partnership with clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

In accordance with Articles 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries and investments accounted for using the equity method is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

2 Basis of preparation

Statement of compliance

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in conformity with Part 9 of Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the Consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 16 February 2022. The Consolidated financial statements as presented in this Annual Integrated Report are subject to adoption by the General Meeting of Shareholders, to be held on 12 May 2022.

Basis of measurement

The Consolidated financial statements have been prepared on historical cost basis, except for the following items, which are measured at a different basis on each reporting date:

- Derivative financial instruments and share-based compensation arrangements, which are measured at fair value;
- Net defined benefit (asset)/liability, which is measured at the fair value of plan assets less the present value of the defined benefit obligation;
- Contingent consideration assumed in a business combination, which is measured at fair value;
- Financial assets at fair value through profit or loss, which are measured at fair value.

For more detailed information on the measurement basis reference is made to the significant accounting policies as included in the relevant notes to the Consolidated financial statements.

Basis of consolidation

The Consolidated financial statements include the accounts of Arcadis NV and its subsidiaries, and the Company's interests in jointly controlled entities and associates. Intra-group balances and transactions, any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Comparative figures

Changes in the accounting policy for Cloud computing arrangements resulted in a restatement of the comparative figures. See note 3 for further details.

Foreign currencies

Functional and reporting currency

The Consolidated financial statements are presented in euros, which is the Company's functional and reporting currency. All amounts shown in the financial statements are in thousands of euros unless otherwise stated.

Items included in the financial information of each of Arcadis' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). If the functional currency of a (foreign) subsidiary, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognized as translation differences in Other comprehensive income and presented in the Translation reserve in equity.

Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency of entities using the foreign exchange rate at transaction date. The functional currency of the foreign entities is in general the local currency. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity using the exchange rates at the balance sheet date.

Exchange rate differences are included in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign operations
The assets and liabilities of foreign operations, including Goodwill and fair value adjustments arising on acquisitions, are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros using average exchange rates, approximating the foreign exchange rates at transaction date.

Translation differences are recognized in Other comprehensive income and presented in the Translation reserve in Equity. For subsidiaries not wholly owned, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the Translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

Accounting estimates and management judgements

The preparation of the Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. The most significant accounting estimates and management judgement are related to:

- Revenue recognition ('cost to complete') and estimate of the variable consideration – see note 7;
- (Goodwill) impairment testing and assumptions underlying recoverable amount – see note 14;
- Deferred tax recognition and uncertain tax treatments - see note 12;
- Recoverability of trade receivables - see note 21;
- Contract assets (unbilled receivables), contract liabilities (billing in excess of revenue) and provisions for onerous contracts – see note 22;
- Recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources - see note 29.

The accounting estimates and judgements in preparing the Consolidated financial statements are further explained in the relevant notes to the Consolidated financial statements. In general, the judgements, estimates and assumptions are based on market information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Impairment

The carrying amounts of the assets of Arcadis, other than Contract assets and liabilities, Deferred tax assets and Financial instruments, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the assets recoverable amount is estimated. Goodwill and other assets that have an indefinite useful life are tested annually for impairment, and when an impairment trigger is identified.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing the value in use, estimated future cash flows are discounted to present values using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

Impairment losses are recognized in the income statement. Impairment losses recognized regarding CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss of goodwill is not reversed. Regarding other assets, an impairment loss can be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial instruments

Non-derivative financial assets

Financial assets include trade receivables, other receivables and loans and borrowings. Loans, receivables, and deposits are recognized on the date they are originated. All other financial assets are recognized initially on trade date when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Group classifies its financial assets as those to be measured subsequently at fair value (either through Other comprehensive income or through profit or loss) or those to be measured at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition, based on the business model for managing the assets and the contractual terms of the cash flows, and assesses the designation at each reporting date.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported as a net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Cash flow statement

The Cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated into euros using average exchange rates, approximating the foreign exchange rate at transaction date. Exchange rate differences on cash items are shown separately in the Cash flow statement. Receipts and payments with respect to income tax and interest are included in the Cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in Cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the Cash flow statement in the same category as those of the hedged item.

Recent accounting developments

Accounting developments are closely monitored by the Group. Amendments applicable to 2021 that impacted the Group are described below. Amendments applicable to 2022 are not expected to have a material impact.

Following the IFRS Interpretations Committee agenda decision on Cloud computing arrangements in March 2021, the Group has reconsidered its accounting treatment. See note 3 for further details as this change in accounting treatment has been accounted for retrospectively and comparative information has been restated.

Interest Rate Benchmark Reform

In accordance with the transition provisions, the Group has adopted the amendments to the standards retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform.

The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present. No changes were required to any of the amounts recognized in the current or prior period as a result of these amendments.

At 31 December 2021, the Group has no secured bank loans outstanding which will be affected by the LIBOR reform; the variable rate $9.0 million US$ loan (€ 7.9 million) expires before the IBOR reform date in 2023. The €500 million Revolving Credit Facility (not used at 31 December 2021) contains necessary language to cater for new Risk Free Rates (RFR). The Group does not expect that any significant modification gain or loss will arise out of the IBOR Reform.

Impact of Environmental, Social and Governance (ESG) performance

The Group's Environmental, Social and Governance (ESG) Sustainalytics rating has a direct impact on the following accounts in the Consolidated financial statements:

- **Salaries and wages**: vesting of the Restricted Share Units (RSUs) granted to the Executive Board and Executive Leadership Team are for 1/3 subject to sustainability performance (Sustainalytics score for performance year 2021);
- **Loans and borrowings**: €150 million of Schuldschein loans and the €500 million Revolving Credit Facility are ESG-linked, meaning that an interest discount can be achieved, depending on meeting certain ESG-requirements.

Climate-related risks and opportunities

The Group has identified climate-related risks (both transition risks and physical risks) and opportunities that are most pertinent to the Group's activities. See pages 302 to 310 of this report for the details.

The identified climate-related risks and opportunities, which mainly are expected to have a potential impact of reduced revenue and reduction in capital availability, did not have a significant impact on the (valuation of assets and liabilities in the) Consolidated financial statements 2021.

3 Change in accounting policies

Following the IFRS Interpretations Committee (IFRIC) agenda decision on Cloud computing arrangements in March 2021, the Group has reconsidered its accounting treatment of configuration and customization costs in Cloud computing arrangements, such as Oracle Cloud implemented as part of the Arcadis Way. All services related to configuration and customisation do not result in Arcadis obtaining a right to direct or control the software and therefore do not qualify for recognition as an intangible asset or lease. The amounts are thus expensed as incurred, i.e. when the service is received. For the amended accounting policy see note 14.

The retrospective application of the change in accounting treatment resulted in restatements in accordance with IAS 8. The tables below summarize the adjustments recognized for each individual account impacted. Accounts that were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Restated Consolidated income statement for the year 2020 (condensed)

	2020 Reported	Restatement	2020 Restated
Personnel costs	**(1,925,126)**	**(6,087)**	**(1,931,213)**
Other operational costs	(228,955)	(5,985)	(234,940)
Depreciation and amortization	(124,705)	8,761	(115,944)
Total Operational costs	**(2,410,261)**	**(3,311)**	**(2,413,572)**
Operating income	**83,303**	**(3,311)**	**79,992**
Profit before income tax	**76,531**	**(3,311)**	**73,220**
Income taxes	(55,378)	328	(55,050)
Result for the period	**21,153**	**(2,983)**	**18,170**

[1] Non-GAAP performance measure. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis

The adjustment of the result for the period is fully attributable to shareholders of Arcadis NV As a result of the restatements, the basic earnings per share for the 2020 financial year declined from €0.24 (reported) to €0.21 (restated) and the diluted earnings per share declined from €0.24 (reported) to €0.21 (restated).

Restated Consolidated balance sheet for the year 2020 (condensed)

	31 December 2019 Reported	Restatement	1 January 2020 Restated	31 December 2020 Reported	Restatement	31 December 2020 Restated
Intangible assets and goodwill	**1,079,793**	**(53,574)**	**1,026,219**	**886,448**	**(57,523)**	**828,925**
Property, plant and equipment	100,735	(780)	99,955	84,338	(206)	84,132
Deferred tax assets	22,892	-	22,892	20,141	671	20,812
Non-current assets	**1,512,538**	**(54,354)**	**1,458,184**	**1,284,030**	**(57,058)**	**1,226,972**
Total assets	**3,163,277**	**(54,354)**	**3,108,923**	**2,763,803**	**(57,058)**	**2,706,745**
Total equity attributable to equity holders of the Company	962,512	(40,755)	921,757	911,383	(43,783)	867,600
Total equity	**965,387**	**(40,755)**	**924,632**	**910,146**	**(43,783)**	**866,363**
Deferred tax liabilities	39,386	(13,553)	25,833	42,543	(13,275)	29,268
Non-current liabilities	**788,802**	**(13,553)**	**775,249**	**740,933**	**(13,275)**	**727,658**
Corporate tax liabilities	42,349	(47)	42,302	25,902	-	25,902
Current liabilities	**1,409,088**	**(46)**	**1,409,042**	**1,112,724**	**-**	**1,112,724**
Total liabilities	**2,197,890**	**(13,599)**	**2,184,291**	**1,853,657**	**(13,275)**	**1,840,382**
Total equity and liabilities	**3,163,277**	**(54,354)**	**3,108,923**	**2,763,803**	**(57,058)**	**2,706,745**

Restated Consolidated cash flow statement for the year 2020 (condensed)

	31 December 2020 Reported	Restatement	2020 Restated
Cash flow from operating activities	**441,083**	**(12,074)**	**429,009**
Cash flow from investing activities	(89,419)	12,074	(77,345)
Cash flow from financing activities	(174,580)	-	(174,580)
Net change in Cash and cash equivalents less Bank overdrafts	177,084	-	177,084
Free cash flow [1]	323,497	-	323,497

[1] Non-GAAP performance measure. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis

4 Significant events in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- The Consolidated income statement 2021 was unfavorably impacted by €4.0 million (before tax) due to the change in accounting treatment of Cloud computing arrangements. See note 3 for the impact on prior year;
- The Consolidated income statement 2021 was favorably impacted by €2.5 million (before tax) due to the full and final settlement of all liabilities relating to ALEN. See note 17 for further details;
- The Consolidated income statement 2021 was favorably impacted by €15.4 million (before tax) from the outcome of a commercial arbitration. See also note 17;
- The operating cash flows in the Consolidated cash flow statement of 2021 was unfavorably impacted by €49 million of payments of deferred social, tax and pension payments relating to 2020, as allowed under government programs last year due to COVID-19. See also note 31;
- The lines of credit in 2021 were impacted by a €36.0 million of Schuldschein loan (early) repayment and $110.0 million (€ 90.0 million) of US Private Placement note reimbursement. All existing syndicated credit facilities were refinanced into a sustainability-linked facility of €500 million. The COVID-19 Corporate Financing Facility (CCFF) by the Bank of England for a maximum amount of £300 million (€350.2 million) expired without making use of it. See note 30 and 32 for further details.

5 Segment reporting

An operating segment is a component of the Company that engages in business activities that can result in revenue and expenses, including revenues and expenses related to transactions with other components of the same Company.

The operating segment reporting follows the internal reporting used by the Executive Board of the Company, to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure is EBITA (earnings before interest, tax, amortization of identifiable intangible assets, and impairment charges) as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. However, the Executive Board also receives information about the segment's revenue and assets.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

During 2021, the information used by management to monitor progress, and for decision-making about operational matters, is at operating segment level. The Company has a global network based on home market positions and operates in a local-to-local market, which enables it to maintain the relationships with clients and to understand the local market conditions. As a result, the geographic basis of the operating companies is the basis in determining the operating segments, whereby those geographical areas with economic and operating similarities are aggregated into one operating segment. This does not apply to CallisonRTKL, which has been identified as a separate operating and reportable segment, due to the nature of its services and being active in a global market.

In accordance with IFRS 8, the Company had the following segments as at 31 December 2021:

Operating segment	Reportable segment
Americas	Americas (Americas)
Europe & Middle East	Europe & Middle East (EME)
Asia Pacific	Asia Pacific (APAC)
CallisonRTKL	CallisonRTKL

As from 1 January 2022, the Company fully organized itself into Global Business Areas (GBAs) and management information will reflect this. This will impact the segment reporting for 2022 and onwards.

Geographical information

Geographical information differs from the segment information in this note due to CallisonRTKL, which is included as a separate reportable segment, but is geographically represented in all the geographical regions listed below.

	Net revenues by origin		(In)tangible assets	
In € millions	2021	2020	2021	2020 [1]
Americas	975	984	396	376
Europe & Middle East	1,225	1,152	376	382
Asia Pacific	365	358	177	155
Total	**2,565**	**2,494**	**949**	**913**

[1] Restated in accordance with IAS 8, see note 3

Gross revenues generated in the Netherlands amounted to €299 million in 2021 (2020: €295 million), Net revenues to €244 million (2020: €248 million). Total assets in the Netherlands, including intercompany assets of Arcadis NV and its Dutch holdings companies, amounted to €1,958 million (2020 restated: €1,846 million).

Major customers

The Company has no customers that account for more than 10% of total annual revenues.

Consolidated financial statements

In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	Total segments	Corporate and unallocated amounts	Total consolidated
2021								
Timing of revenue recognition								
At a point in time	13.1	85.7	0.1	-	-	98.9	-	98.9
Over time	1,359.1	1,362.5	362.2	195.8	-	3,279.6	-	3,279.6
External Gross revenue	**1,372.2**	**1,448.2**	**362.3**	**195.8**	-	**3,378.5**	-	**3,378.5**
Inter-segment	1.5	7.6	3.9	6.4	(19.4)	-	-	-
Total Gross revenue	**1,373.7**	**1,455.8**	**366.2**	**202.2**	**(19.4)**	**3,378.5**	-	**3,378.5**
Materials, services of third parties and subcontractors	(490.0)	(255.0)	(32.5)	(55.8)	19.4	(813.9)	-	(813.9)
Net revenues [1]	883.7	1,200.8	333.7	146.4	-	2,564.6	-	2,564.6
Operating costs	(767.9)	(1,044.4)	(287.8)	(133.5)	-	(2,233.6)	(2.8)	(2,236.4)
Other income	3.4	2.3	2.4	0.6	-	8.7	1.0	9.7
Depreciation and amortization	(21.5)	(39.0)	(21.5)	(15.5)	-	(97.5)	(3.1)	(100.6)
EBITA[1]	**97.7**	**119.7**	**26.8**	**(2.0)**	-	**242.2**	**(4.9)**	**237.3**
Amortization other intangible assets	(0.1)	(6.2)	(2.4)	(2.7)	-	(11.4)	-	(11.4)
Goodwill impairment charges	-	-	-	-	-	-	-	-
Operating income	**97.6**	**113.5**	**24.4**	**(4.7)**	-	**230.8**	**(4.9)**	**225.9**
Net finance expense	(8.9)	(3.9)	(0.5)	(1.9)	-	(15.2)	(3.5)	(18.7)
Expected Credit Loss on shareholder loans and corporate guarantees	-	-	-	-	-	-	1.5	1.5
Result from investments accounted for using the equity method	-	11.9	-	(0.7)	-	11.2	-	11.2
Segment result before income tax	**88.7**	**121.5**	**23.9**	**(7.3)**	-	**226.8**	**(6.9)**	**219.9**
Income taxes	(19.3)	(26.8)	(9.9)	2.3	-	(53.7)	2.0	(51.7)
Result for the period	**69.4**	**94.7**	**14.0**	**(5.0)**	-	**173.1**	**(4.9)**	**168.2**
Non-controlling interests	-	(0.3)	-	-	-	(0.3)	-	(0.3)
Net income	**69.4**	**94.4**	**14.0**	**(5.0)**	-	**172.8**	**(4.9)**	**167.9**
Operating EBITA [1]	**98.3**	**123.9**	**27.4**	**1.5**	-	**251.1**	**(4.7)**	**246.4**
Net income from Operations [1]	**68.5**	**100.6**	**15.7**	**(3.0)**	-	**181.8**	**(6.4)**	**175.4**
Total assets	**773.2**	**1,111.0**	**463.0**	**308.0**	-	**2,655.2**	**81.3**	**2,736.5**
Investments accounted for using the equity method	0.4	17.7	-	0.7	-	18.8	-	18.8
Other financial assets	15.5	6.2	0.2	2.0	-	23.9	0.8	24.7
Total liabilities	**476.9**	**544.6**	**175.8**	**137.1**	-	**1,334.4**	**380.4**	**1,714.8**
Total capital expenditure	**7.5**	**13.0**	**9.2**	**0.8**	-	**30.5**	**4.3**	**34.8**
Total number in permanent workforce [2]	**7,687**	**10,438**	**4,374**	**1,014**	-	**23,513**	**3,420**	**26,933**

1 Non-GAAP performance measure. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis
2 As at 31 December, excluding temporary staff. From 2020, the GEC workforce is part of Corporate and unallocated.

Consolidated financial statements

In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	Total segments	Corporate and unallocated amounts	Total consolidated
2020								
Timing of revenue recognition								
At a point in time	9.2	91.8	10.8	-	-	111.8	-	111.8
Over time	1,361.0	1,247.6	347.0	235.8	-	3,191.4	-	3,191.4
External Gross revenue	**1,370.2**	**1,339.4**	**357.8**	**235.8**	**-**	**3,303.2**	**-**	**3,303.2**
Inter-segment	1.8	10.3	3.1	2.3	(17.5)	-	-	-
Total Gross revenue	**1,372.0**	**1,349.7**	**360.9**	**238.1**	**(17.5)**	**3,303.2**	**-**	**3,303.2**
Materials, services of third parties and subcontractors	(496.3)	(230.1)	(38.5)	(62.2)	17.5	(809.6)	-	(809.6)
Net revenues [1]	875.7	1,119.6	322.4	175.9	-	2,493.6	-	2,493.6
Operating costs [2]	(746.5)	(989.4)	(267.2)	(160.4)	-	(2,163.5)	(2.7)	(2,166.2)
Other income	0.5	4.4	2.9	0.3	-	8.1	1.2	9.3
Depreciation and amortization [2]	(27.9)	(45.6)	(23.7)	(15.2)	-	(112.4)	(3.5)	(115.9)
EBITA[1,2]	**101.8**	**89.0**	**34.4**	**0.6**	**(0.1)**	**225.7**	**(5.0)**	**220.7**
Amortization other intangible assets	(0.5)	(14.4)	(3.6)	(3.4)	-	(21.9)	-	(21.9)
Goodwill impairment charges	-	(59.8)	-	(59.1)	-	(118.9)	-	(118.9)
Operating income [2]	**101.3**	**14.8**	**30.8**	**(61.9)**	**(0.1)**	**84.9**	**(5.0)**	**79.9**
Net finance expense	(6.8)	(4.2)	(3.4)	(2.0)	-	(16.4)	(11.0)	(27.4)
Expected Credit Loss on shareholder loans and corporate guarantees	-	-	-	-	-	-	19.7	19.7
Result from investments accounted for using the equity method	-	1.0	-	0.0	-	1.0	-	1.0
Segment result before income tax [2]	**94.5**	**11.6**	**27.4**	**(63.9)**	**(0.1)**	**69.5**	**3.7**	**73.2**
Income taxes [2]	(99.7)	(18.4)	(9.8)	3.5	-	(124.4)	69.3	(55.1)
Result for the period [2]	**(5.2)**	**(6.8)**	**17.6**	**(60.4)**	**(0.1)**	**(54.9)**	**73.0**	**18.1**
Non-controlling interests	-	0.7	-	-	-	0.7	-	0.7
Net income [2]	**(5.2)**	**(6.1)**	**17.6**	**(60.4)**	**(0.1)**	**(54.2)**	**73.0**	**18.8**
Operating EBITA [1,2]	**106.4**	**93.4**	**35.6**	**2.2**	**-**	**237.6**	**(11.8)**	**225.8**
Net income from Operations [1,2]	**(24.9)**	**67.3**	**22.7**	**1.2**	**-**	**66.3**	**64.0**	**130.3**
Total assets [2]	**685.9**	**1,045.2**	**452.5**	**289.7**	**-**	**2,473.3**	**233.4**	**2,706.7**
Investments accounted for using the equity method	0.4	6.2	-	1.2	-	7.9	-	7.9
Other financial assets	19.8	5.6	0.2	2.2	-	27.8	0.8	28.6
Total liabilities	**438.8**	**528.0**	**180.4**	**120.9**	**-**	**1,268.1**	**572.3**	**1,840.4**
Total capital expenditure [2]	**6.0**	**9.0**	**6.1**	**1.2**	**-**	**22.3**	**2.9**	**25.2**
Total number in permanent workforce [3]	**7,435**	**10,053**	**4,343**	**1,191**	**-**	**23,022**	**3,005**	**26,027**

1 Non-GAAP performance measure. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis
2 Restated in accordance with IAS 8, see note 3
3 As at 31 December, excluding temporary staff

6 Consolidated interests and business combinations

Subsidiaries
Subsidiaries are all companies over which the Company has control. Control over an entity exists when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Loss of control
Upon the loss of control, the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary are derecognized. Any profit or loss arising on the loss of control is recognized in profit or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Business combinations
The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

IFRS 3 establishes the following principles in relation to the recognition and measurement of items arising in a business combination:

- Recognition principle: Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree are recognized separately from goodwill. Acquired intangible assets must be recognized and measured at fair value in accordance with the principles if it is separable or arises from other contractual rights, irrespective of whether the acquiree had recognized the asset prior to the business combination occurring. The Group does not recognize contingent assets acquired in a business combination;
- Measurement principle: All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value. This, for example, means that for contingent liabilities arising in a business combination the requirements of IAS 37 do not apply; contingent liabilities are measured at fair value.

Goodwill at acquisition date is measured as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, are expensed.

Contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

If the Company obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

The nature of business of the Arcadis subsidiaries listed on the next page is similar, except for CallisonRTKL and Arcadis Gen (as described in note 4). The Arcadis subsidiaries provide comprehensive knowledge-based consultancy, design, engineering and management services in the expertise areas of infrastructure, water, environment and buildings.

Arcadis NV indirectly holds 100% of the ordinary shares of all these subsidiaries but does not hold direct interests itself as a result of the intermediate holding structure within the Group. All subsidiaries are included in the financial consolidation. The proportion of the voting rights held directly by the parent company does not substantially differ from the proportion of ordinary shares held.

At 31 December 2021, the total non-controlling interest amounted to €1.1 million negative (2020: €1.2 million negative) and is as such not material for the Group.

The main consolidated companies as at 31 December 2021 are listed below:

Name of subsidiary	Country of incorporation
Americas	
Arcadis US, Inc.	United States of America
Arcadis Logos S.A.	Brazil
Europe & Middle East	
Arcadis Consulting Middle East Ltd.	United Kingdom
Arcadis LLP	United Kingdom
Arcadis Consulting (UK) Limited	United Kingdom
Arcadis Nederland BV	The Netherlands
Arcadis Deutschland GmbH	Germany
Arcadis France S.A.S.	France
Arcadis Belgium NV	Belgium
White Rock Insurance (Netherlands) Pcc Limited	Malta
Asia Pacific	
Arcadis Asia Ltd.	Hong Kong
Arcadis Australia Pacific Holdings Pty Ltd.	Australia
CallisonRTKL	
CallisonRTKL, Inc.	United States of America

Changes in consolidated interests

2021

In 2021 no acquisitions were made, and no significant disposals took place. Therefore, no further disclosures are provided in this note other than the changes in deferred consideration for acquisitions previously made.

2020

Changes in 2020 related to the acquisition of Over Morgen, for which the acquisition accounting was completed the same year. Also the captive insurance company named White Rock Insurance (Netherlands) Pcc Limited was for the first time consolidated in 2020.

Deferred consideration

The contractual deferred consideration and earn-outs for acquisitions are disclosed below.

In € thousands	Initial recognition	Discount effect/interest	2021 Total	2020 Total
Balance at 1 January	**3,651**	**1,159**	**4,810**	**11,931**
Acquisitions	-	-	-	1,100
Interest accrual	-	(560)	(560)	(282)
Releases	(2,065)	(276)	(2,341)	-
Payments and redemptions	(1,576)	-	(1,576)	(7,126)
Exchange rate differences	123	23	146	(813)
Balance at 31 December	**133**	**346**	**479**	**4,810**

No (2020: €3.6 million) deferred consideration is reported as other long-term debt under ‘Loans and borrowings’ (see note 30). An amount of €0.5 million (2020: €1.2 million) is due within one year and reported as ‘Other current liabilities’ (see note 31). This fully relates to the acquisition of SEAMS (2018).

The payments made in 2021 relate to Over Morgen (2020) and SEAMS (2018); the releases relate to EAMS (2019).

7 Revenue

Revenue is recognized by the Group following the five-step model in IFRS 15, consisting of:

1. Identification of the contract;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to performance obligations in the contract;
5. Recognition of revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties (e.g. VAT). It includes initial amounts agreed in the contract plus any variations in contract work and variable consideration, to the extent that it is highly probably that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

The Group recognizes revenue when it transfers control over a product or service to a customer. For performance obligations that are transferred over time, revenue is recognized in profit or loss in proportion to the percentage of completion of the transaction at reporting date. The percentage of completion is measured by actual (labor) costs incurred in relation to total estimated (labor) costs (input method). In the Group's view this best reflects the value delivered to the customer in a business that mainly uses human and intellectual capital (of its employees) for completion of the performance obligations towards the customer.

Additional costs because of COVID-19 (e.g. additional labor cost, cost incurred to comply with ongoing health & safety requirements) are included in the percentage of completion only if they are needed to contribute to the measure of progress of a performance obligation.

For performance obligations that are transferred at a point in time, revenues and costs are recognized in profit or loss when the customer receives the ability to direct the use of the asset and substantially obtains all the benefits of it.

Licenses and Software as a Service
Revenue from (software) licenses is recognized over time, based on time elapsed, in case of a 'right to access'. It is recognized at a point in time in case of a 'right to use', but not before the beginning of the license period. Revenue from Software as a Service (SaaS) is treated as a right to access and is recognized over time, based on time elapsed.

Contract costs and contract cost assets
Contract costs include the costs to fulfil a contract, such as direct labor, costs of materials, services of third parties and subcontractors, and costs that are explicitly chargeable to the customer under the contract. They are recognized as an asset in Contract assets and liabilities, if they are expected to be recovered.

Costs to obtain a contract are only recognized as a contract cost asset in Contract assets and liabilities if they are incremental and expected to be recovered. They are recognized on a systemic basis consistent with the recognition of costs to fulfill a contract.

Loss provisions
Estimates of project management are used to assess the progress and estimated outcome of a performance obligation. When it becomes probable that the total expected costs to complete all performance obligations in a contract exceed the total transaction price (consideration) of these performance obligations, a loss provision is recognized for the lower of the unavoidable costs and the costs of termination.

Financing component
Arcadis generally does not have any significant contracts where the period between the transfer of the promised goods or services to customer and the payment by the customer, as contractually agreed, exceeds one year. If applicable, the transaction price is adjusted for the time value of money.
Payments of customers after the agreed payment term are covered by the accounting policy on Trade receivables, see note 21.

Agent versus principal
For each performance obligation the Group assesses whether the nature of Arcadis' commitment is to provide the goods and/or services itself, or to arrange for those good(s) and/or service(s) to be provided by another party. Arcadis assesses whether it controls the specified good(s) and/or service(s) before it is transferred to the customer.

Arcadis is typically a principal in case of subcontracted work, as Arcadis is primarily responsible for fulfilling the promise to provide the specified good(s) and/or service(s) and bears primary responsibility for it meeting customer specifications and has discretion in establishing the price towards the customer.
When Arcadis acts as an agent, only the fee/commission is recognized on a net basis in Gross revenues.

Gross versus net revenues
Gross revenues consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Group. Net revenue is a non-GAAP performance measure, which represents revenue generated by own staff. It is a sub-total calculated as Gross revenue minus Materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractors.

Disaggregation of revenues

Gross revenues arise from the following major categories:

In € thousands	2021	2020
Revenue from services	2,804,695	2,534,750
Construction contract revenue	572,776	765,343
Revenue from licenses	1,015	3,115
Total Gross Revenue	**3,378,486**	**3,303,208**

Revenues from services rendered represent fee income receivable in respect of services provided during the period. Construction contracts include the rendering of services, which are directly related to the construction of assets, contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets. Revenues from licenses represent fee income receivable in respect of allowing customers using Arcadis developed software, and mainly relate to the operating segment Europe & Middle East.

In addition to the operating segments, the Executive Board also monitors certain financial information based on four areas of expertise. The revenues for each of these areas are as follows:

In € thousands	2021	2020
Infrastructure	778,843	742,819
Water	391,026	411,237
Environment	954,473	946,934
Buildings	1,254,144	1,202,218
Total Gross revenue	**3,378,486**	**3,303,208**

For revenue by reporting segment and geography see note 5.

Timing of revenue recognition

The timing of revenue recognition in 2021 was as follows:

In € thousands	2021	2020
At a point in time	98,915	111,776
Over time	3,279,571	3,191,432
Total Gross revenue	**3,378,486**	**3,303,208**

Contract balances

The Group has recognized the following assets and liabilities related to contracts with customers:

In € thousands	2021	2020
Other non-current assets	2,104	1,190
Trade receivables	521,855	468,479
Contract assets (Unbilled receivables)	500,268	466,290
Contract liabilities (Billing in excess of revenue)	(380,787)	(295,740)
Provision for onerous contracts (loss provisions)	(26,092)	(40,401)
Total	**617,348**	**599,818**

The Other non-current assets relate to long-term retentions. The Expected Credit Loss allowance is included in the Contract assets (unbilled receivables) balance, see note 22.

Contract costs

The incremental costs to obtain a contract amounted to nil in 2021 (2020: nil). The practical expedient of paragraph 94 of IFRS 15, stating that those costs can be expensed when incurred if the amortization period is one year or less, is not applied.

Transaction price remaining performance obligations

The table below includes revenue expected to be recognized in the future related to performance obligations that are (partially) unsatisfied at the reporting date. The practical expedient of paragraph 121 of IFRS 15 is applied, and the table therefore does not disclose information about remaining performance obligations that have original expected durations of one year or less. The amounts therefore differ from the contracted backlog.

In € thousands	2022	2023	2024	After 2024	Total
Expected Gross revenue from (partially) unsatisfied performance obligations	1,218,889	386,484	162,027	212,494	1,979,894

8 Other income

Other income includes results that arise from events or transactions that are clearly distinct from the ordinary activities of the Company. Gains or losses on the sale of assets are recognized as part of Other income.

In € thousands	2021	2020
Book gain / (loss) on sale of assets	(1,535)	(566)
Results from investments	(64)	(20)
Release of after-payments	2,340	-
Gain / (loss) on derecognition of leases	1,852	66
Sub-leasing income	-	110
Other	7,104	9,705
Total Other income	**9,697**	**9,295**

The category 'Other' in 2021 included amongst others government grants of €1.5 million (2020: €2.0 million), refunds of social charges paid on severance payments made in the past of €1.0 million, other tax refunds of €1.4 million and several other individually non-significant items. The 2020 result was impacted by amongst others a €2.5 million refund from an insurance claim, a €1.2 million refund from an escrow account (for a contingent asset relating to an acquisition made in the past) and a €0.7 million refund from indirect tax claims.

9 Operational costs

All employee-related costs as well as non-project-related out-of-pocket expenses, are recognized as operational cost as incurred.

Operational costs include, amongst others, the costs of licenses, testing, data conversation and training costs relating to Cloud computing arrangements that do not provide control over an intangible asset. Part of these costs could be personnel costs if the activities are performed by Arcadis' personnel.

In € thousands	2021	2020[1]
Salaries and wages	1,580,473	1,531,972
Social charges	170,865	161,529
Pension and early retirement charges	74,181	66,693
Other personnel costs (including temporary labor)	170,412	171,019
Total Personnel costs	**1,995,931**	**1,931,213**

[1] Restated in accordance with IAS 8, see note 3

In € thousands	2021	2020[1]
Occupancy	24,686	29,788
Travel	10,643	12,778
Office related	14,131	16,711
Computer related	91,906	78,697
Audit and consultancy services	47,273	29,685
Insurances	11,432	14,469
Marketing and advertising	7,080	7,006
Other	33,251	45,806
Total Other operational costs	**240,402**	**234,940**

[1] Restated in accordance with IAS 8, see note 3

An amount of €14.8 million was recognized in personnel cost and other operational costs for customization and configuration costs relating to Cloud computing arrangements. Due to the change in accounting treatment (see note 3) these are now expensed as incurred. The comparative figures are restated and include €12.1 million of such expenses.

The category 'Other' included in 2021, amongst others, the impact of changes in provisions for trade receivables (expected credit loss) of €2.8 million, expense (2020: €9.3 million, expense) (see note 21), restructuring provision of €4.8 million, expense (2020: €4.2 million, expense), litigation provisions of €8.6 million, expense (2020: €0.9 million, income) (see note 29) and €1.0 million of gain related to ALEN (2020: €8.0 million, income) (see note 17).

10 Share-based compensation

The Company operates share-based incentive plans. The fair value of share-based compensations at grant date under the Arcadis long-term incentive plan is recognized as an employee expense (in Salaries and wages), with a corresponding increase in equity, over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the actual number of awards meeting these vesting conditions.

The fair value of granted shares subject to a market condition is measured using a Monte Carlo simulation model. Measurement inputs include the share price on measurement date, exercise price of the instrument, the expected volatility, weighted average expected life of the instrument and the risk-free interest rate.

As the fair value is amortized over the vesting period, the costs are recognized in the Income Statement. The amortization costs are adjusted for effects of cancelled and forfeited grants. The vesting and exercise of rights to acquire shares may be conditional to performance conditions and other conditions, as set by the Supervisory Board.

Long-term incentive plans

To stimulate the realization of long-term Company goals and objectives, Arcadis NV uses Long-Term Incentive Plans (LTIPs). Since 2014, securities under LTIPs are solely granted in the form of Restricted Share Units (RSUs) and represent an equal number of ordinary shares, subject to meeting the applicable vesting conditions. The RSUs will be converted into ordinary shares on the vesting date and are delivered as soon as practical thereafter.

RSUs are granted conditionally and depend on achieving/meeting certain conditions during the vesting period.

To prevent dilution, (a portion of) the shares required to meet the obligations from exercising LTIPs can be purchased by the Company (instead of issuing new shares), with due consideration to the Company's balance sheet, in particular available freely distributable reserves and available cash. Alternatively, shares may be issued, whereby it is intended to limit this to 1% of the number of issued shares.

Arcadis NV 2005 and 2010 Long-Term Incentive Plans

Options and RSUs annually granted to members of the Executive Board and selected senior executives were conditional and had a vesting period of three years. Vesting was dependent on performance criteria set forth in advance. The granting of such options and RSUs took place each year on or about the second day after the Annual General Meeting, whereby the exercise price for the options matched the closing price of Arcadis NV shares on the day of the grant.

In 2013, the last awards under the 2010 plan were granted.

Arcadis NV 2014 Long-Term Incentive Plan

In 2014, the Supervisory Board approved the continuation of the Arcadis NV 2010 Long-Term Incentive Plan in the form of the Arcadis NV 2014 Long-Term Incentive Plan (2014 LTIP). The revised Plan was approved by the General Meeting of Shareholders in May 2014.

The 2014 LTIP provides for a maximum of 10,000,000 shares or options to be allocated during a five-year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of the Company.

Shares granted are conditional in nature and depend on, amongst others, attaining a performance measure after three years. The performance measure is Total Shareholder Return (TSR), defined as stock price appreciation plus dividend yield.

Under this plan each year a three-year cycle began, whereby achievements are measured at the end of the vesting date against a peer group of companies of comparable size and breadth. Arcadis' position in the peer group determines whether the options and RSUs granted earlier become unconditional.

For all participants under the 2014 LTIP, the position of Arcadis within the peer group, after three years, determines the final number of shares that vest and become unconditional, in accordance with the following performance incentive zone:

RSUs that vest for management

Ranking	14-8	7	6	5	4	3	2	1
Vesting	0%	50%	75%	100%	125%	150%	175%	200%

RSUs that vest for senior executives

Ranking	12-14	10-11	7-9	6	5	4	3	2	1
Vesting	0%	25%	50%	75%	100%	100%	125%	125%	150%

Arcadis NV 2019 Long-Term Incentive Plan

In April 2019, the Arcadis NV 2019 Long-Term Incentive Plan has been approved by the Annual General Meeting. Based on this plan the Company can grant equity-settled and cash-settled awards to eligible employees. Conditional performance shares granted to Executive Board members must be held for two more years after vesting.

In summary the following applies to these grants:

- Annual grant to Executive Board (EB) and Executive Leadership Team (ELT) members: subject to continued employment during the vesting period of three years, and achieving performance conditions (1/3 Total Shareholder Return, 1/3 Earnings per share and 1/3 sustainability);
- Annual grant to other employees: subject to continued employment during the vesting period of three years; no performance conditions;
- Special grant (of 2019): subject to continued employment during a vesting period of one year (50% of total special grant) and vesting period of two years (remaining 50% of total special grant); no performance conditions. The special grant (not applicable to EB and ELT members) has been made for retention purposes and to partially compensate for lost opportunity of entitled senior executives in the past.

For EB and ELT members, the position of Arcadis within the peer group, after three years, determines the final number of shares subject to meeting a Total Shareholder Return condition (1/3) that vest and become unconditional, in accordance with the following performance incentive zone:

RSUs that vest for EB/ELT

Ranking	14-8	7	6	5	4	3	2	1
Vesting	0%	50%	75%	100%	125%	150%	175%	200%

Outstanding options

The number and weighted average exercise price of the share options under the 2005 and 2010 Arcadis LTIPs are as follows:

	Number of options	Weighted average exercise price (in €)
Balance at 1 January 2020	**1,294,143**	**17.18**
Exercised	(555,338)	16.99
Expired	(70,454)	16.75
Balance at 31 December 2020	**668,351**	**17.37**
Exercised	(382,704)	17.30
Expired	(181,601)	16.89
Balance at 31 December 2021	**104,046**	**18.50**

The weighted average share price at exercise date in 2021 was €33.66 (2020: €23.40). Part of the exercised options have been settled in cash instead of shares.

The number of outstanding options at 31 December 2021 is as follows:

Year of issue	Share price at grant date	Outstanding 1 January 2021	Exercised in 2021	Expired in 2021	Outstanding 31 December 2021
2011	€16.18	61,740	(31,167)	(30,573)	-
2011	€16.48	37,403	(27,403)	(10,000)	-
2011	€14.06	101,500	(67,200)	(34,300)	-
2012	€14.72	82,392	(37,863)	(36,919)	7,610
2012	€15.74	137,566	(81,902)	(15,698)	39,966
2013	€20.96	247,750	(137,169)	(54,111)	56,470
Total		**668,351**	**(382,704)**	**(181,601)**	**104,046**

Outstanding Restricted Share Unit (RSUs)

In 2021, the following number of RSUs have been granted under the 2019 LTIP:

	Number of RSUs	Grant date	Vesting date[1]	Share price at grant date	Fair value at grant date
Annual grant EB/ELT	79,383	3 May 2021	ex-dividend date 2024	€ 34.64	€33.14 / €38.40
Special incentive 2021	25,150	3 May 2021	ex-dividend date 2023	€ 34.64	€ 33.62
Annual grant other employees	173,988	3 May 2021	ex-dividend date 2024	€ 34.64	€ 33.14
Annual grant other employees	6,394	4 August 2021	4 August 2024	€ 37.86	€ 37.86
Annual grant other employees	1,032	3 November 2021	3 November 2024	€ 41.14	€ 41.14

1 Vesting is on the 5th business day after this date

The fair value (€33.14) of the RSUs granted to other employees as part of the annual grant and the RSUs granted to the EB and ELT members subject to meeting Earnings per share (1/3) and sustainability (1/3) conditions were determined by adjusting the share price at the grant date with the present value of dividends expected to be paid during the vesting period.

The fair value (€38.40) of RSUs granted to EB and ELT members subject to meeting a Total Shareholder Return condition (1/3) was determined using a Monte Carlo simulation model, which considers the market conditions expected to impact Arcadis' TSR performance in relation to the peer group, and the following assumptions:

	2021	2020
Expected dividend yield (in %)	1.48	1.89
Risk-free interest rate (in %)	(0.44)	(0.38)
Expected volatility (in %)	39.12	39.92

The expected volatility is calculated based on the share price movements of the 36 months prior to grant date.

The total outstanding RSUs at 31 December 2021 is as follows:

Year of issue	Granted	Unconditional in	Total amount to be expensed over the vesting period (in €)	Fair value at grant date	Outstanding 1 January 2021	Granted in 2021	De/(In)crease by performance measure 2021	Vested in 2021	Cancelled/ forfeited in 2021	Outstanding 31 December 2021
2018 (26 April)	697,522	2021	8,265,635	€15.75	512,812	-	(452,292)	(37,378)	(23,142)	-
2018 (July - September)	5,615	2021	97,710	€15.19	2,271	-	(600)	(1,671)	-	-
2019 (29 April)	316,381	2022	4,973,509	€15.72	268,386	-	-	-	(53,211)	215,175
2019 (29 April)	180,180	2022	3,176,573	€21.45 / €15.72	146,776	-	-	-	-	146,776
2019 (29 April)	81,669	2021	1,304,254	€15.97	69,219	-	-	(69,545)	326	-
2019 (1 October)	9,001	2021	145,726	€16.19	9,001	-	-	(9,001)	-	-
2020 (8 May)	114,210	2023	1,271,157	€ 12.12 / € 9.15	114,210	-	-	-	-	114,210
2020 (8 May)	244,710	2023	2,965,885	€12.12	240,103	1,776	-	-	(51,305)	190,574
2020 (14 September)	5,859	2023	105,189	€ 18.22 / €17.82	5,859	-	-	-	-	5,859
2021 (3 May)	253,371	2024	8,535,900	€33.14 / €38.40	-	253,371	-	-	(8,348)	245,023
2021 (3 May)	25,150	2023	845,543	€33.62	-	25,150	-	-	-	25,150
2021 (4 August)	6,394	2024	242,077	€37.86	-	6,394	-	-	-	6,394
2021 (3 November)	1,032	2024	42,456	€41.14	-	1,032	-	-	-	1,032
Total					**1,368,637**	**287,723**	**(452,892)**	**(117,595)**	**(135,680)**	**950,193**

LTIP costs recognized in 2021

The total amount to be expensed over the vesting period is calculated by taking the granted RSUs within a calendar year multiplied by the fair value of the RSUs at grant date and the expected vesting. This amount is expensed over the vesting period, whereby the costs recognized in a year also consider cancellations and forfeitures. The expected vesting for RSUs with a Total Shareholder Return performance condition is already taken into account in the fair value.

The expected vesting for the RSUs granted to the Executive Board and Executive Leadership Team subject to the performance conditions 'Earnings per share' and 'Sustainability' are estimated at 31 December 2021 at 100%.

Costs for the LTIP are spread over the vesting period and included in 'Salaries and wages' (see note 9). An amount of €5.9 million (2020: €7.4 million) is included in the results of 2021 for the share-based compensation granted in the period 2018 - 2021.

Employee Share Purchase Plan (Lovinklaan Foundation)

The Employee Share Purchase Plan (ESPP), also called the Global Share Plan (GSP), allowed employees to periodically purchase shares in the Company at a set discount. This plan ended on 31 December 2020 and was not renewed. Expenses recognized in 2020 amounted to €1.1 million and were treated as non-operational and thus excluded from Net Income from Operations.

11 Net finance expenses

Net finance expenses comprise finance income, finance expenses and the fair value change of derivatives at fair value through profit or loss. Finance income comprises interest income on funds invested and finance expenses comprise interest expense on borrowings, and the unwinding of discount on provisions and contingent consideration.

Finance income and finance expenses are recognized in profit or loss, using the effective interest method. The fair value changes of derivatives comprise the fair value changes on financial assets at fair value through profit or loss, as far as these relate to financing items in the Company. These fair value changes are partially offset by the foreign currency gains and losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense if it concerns exchange rate results on financing items. Exchange rate results on operating items are included in Other operational costs (see note 9).

In € thousands	2021	2020
Interest income on notional cash pools	2,206	3,109
Other interest income	1,842	482
Finance income	**4,048**	**3,591**
Interest expense on loans & borrowings	(10,887)	(17,532)
Interest expense notional cash pools	(2,310)	(2,517)
Other interest expense	(2,222)	(1,534)
Interest expense leases	(6,616)	(7,881)
Foreign exchange differences	(245)	(8,899)
Finance expense	**(22,280)**	**(38,363)**
Fair value change of derivatives	(511)	7,326
Total	**(18,743)**	**(27,446)**

Finance income increased to €4.0 million (2020: €3.6 million) due to one-off higher other interest income from the interest received on the refund of social charges on severance payments over the last decade and the release of accrued interest on a contingent claim, both of which in Brazil. Arcadis utilizes notional cash pools, in which debit and credit balances both attract interest income and interest expense.

Finance expense, including the interest expense on leases, decreased to €22.3 million due to lower gross debt, lower interest rates within notional cash pools and higher other interest expenses. The interest expense on loans and borrowings of €10.8 million (2020: €17.5 million) was substantially lower than last year due to lower average gross debt and lower interest rates.

The carrying amount of the transaction fees, taken into account in the valuation of the underlying loans and borrowings, at 31 December 2021 amounts to €3.3 million (2020: €1.6 million). The increase in this amount relates to the transaction fees related to the refinancing of all syndicated credit facilities into a €500 million Revolving Credit Facility in October 2021. The interest on lease liabilities of €6.6 million (2020: €7.9 million) is based on the Incremental Borrowing Rate, see note 16.

12 Income taxes

Income taxes comprise current and deferred tax. Income tax is recognized in profit or loss, except to the extent that the tax arises from items recognized in other comprehensive income, directly in equity or from a business combination.

When the Group considers it probable that tax authorities accept a tax treatment it will be treated as such in the income tax filings. When it is not considered probable that a tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment.

Current tax

Current tax is the expected tax payable on taxable income for the year and adjustments to tax payable related to previous years. It is measured using the tax rates enacted or substantively enacted at the reporting date. The difference between income tax recognized in profit or loss and income tax paid in the cash flow statement differs primarily due to deferred tax recognized on temporary differences and payment of income tax occurring after the reporting date.

Deferred tax

Deferred tax is recognized using the balance sheet method and it is not recognized for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss;
- Investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Measurement of deferred tax is based upon tax rates enacted or substantially enacted expected to be applied in the years in which the temporary differences are expected to reverse. Deferred taxes are not discounted.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future profits will be available against which they can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax recognized in profit or loss for the period:

In € thousands	2021	2020
Current tax expense		
Current year	58,048	56,507
Adjustments for previous years	(8,427)	(9,156)
Total Current tax expense	**49,621**	**47,351**
Deferred tax expense		
Origination and reversal of temporary differences[1]	(826)	(5,126)
Adjustments for previous years	(443)	6,211
Changes in tax rates	3,856	1,796
(De)recognition of deferred tax assets[1]	(527)	4,818
Total Deferred tax expense	**2,060**	**7,699**
Total Income tax expense	**51,681**	**55,050**

1 Restated in accordance with IAS 8, see note 3

With the sale of ALEN in 2020, the remaining provisions relating to ALEN (see note 17) have been released and treated as non-taxable.

At 31 December 2021, the corporate income tax receivable amounted to €27.1 million (2020: €14.8 million) and the corporate income tax liability amounted to €19.1 million (2020: €25.9 million). During 2021, the Group paid corporate income taxes for a total amount of €66.7 million (2020: €52.5 million).

The effective corporate income tax rate (income taxes divided by profit before income tax, mainly excluding total result from Investments and total result from investment in ALEN of €2.5 million) is 25.1% (2020: excluding total result from investments and total result from investment in ALEN: 115.6%). In 2021 the effective tax rate including the total result from investments and ALEN of €13.7 million was 23.5%.

The effective tax rate differs from the corporate income tax rate in the Netherlands, primarily due to the net positive impact of changes in de-recognition of deferred tax assets, prior year adjustments, and statutory tax rates in jurisdictions in which we operate that are different than the Dutch statutory income tax rate. The net positive impact was partially offset by non-deductible items and other.

In % and € thousands	2021 (%)	2021	2020[1] (%)	2020[1]
Corporate tax rate in the Netherlands	25.0	51,546	25.0	40,867
Adjustment corporate income tax rates other countries	(0.2)	(471)	1.2	1,945
Weighted average corporate income tax rate	**24.8**	**51,075**	**26.2**	**42,812**
Non-deductible expenses/(income)	3.1	6,422	7.0	11,395
(De)recognition of deferred tax assets	(0.3)	(527)	2.9	4,818
Adjustments for previous years	(4.3)	(8,870)	(1.8)	(2,945)
Other	1.8	3,581	(0.6)	(1,030)
Effective tax rate[2]	**25.1**	**51,681**	**33.7**	**55,050**

1 Restated in accordance with IAS 8, see note 3
2 Taxes on income divided by Income before taxes, excluding result from Investment accounted for using the equity method and the total result from investment in ALEN (note 17)

Deferred tax

The movement in deferred tax balances during the year 2021 was as follows:

In € thousands	Net balance at 1 January 2021[1]	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Other	Exchange rate differences	Net balance at 31 December 2021	Assets	Liabilities
Intangible assets and goodwill	(46,869)	(8,526)	-	-	(985)	(3,481)	(59,861)	303	(59,876)
Property, plant & equipment	740	300	-	-	808	68	1,916	2,115	-
Right-of-use assets and lease liabilities	5,263	726	-	-	-	362	6,351	6,352	-
Contract assets and liabilities	(8,883)	6,385	-	-	-	(184)	(2,682)	5,064	(7,745)
Derivatives	(10)	(12)	(114)	-	-	113	(23)	-	(23)
Accrued expenses	24,813	173	-	-	(2,530)	1,193	23,649	24,573	(400)
Share-based compensation	352	69	-	-	2,530	127	3,078	3,078	-
Deferred compensation	4,619	(52)	(7,926)	-	(1)	24	(3,336)	-	(3,335)
Net operating losses	7,807	460	-	-	207	210	8,684	6,935	-
Provisions	3,712	1,068	-	-	122	180	5,082	5,842	(20)
Others	-	(2,651)	-	-	(151)	(251)	(3,053)	-	(3,058)
Deferred tax assets/liabilities	**(8,456)**	**(2,060)**	**(8,040)**	**-**	**-**	**(1,639)**	**(20,195)**	**54,262**	**(74,457)**
Offsetting	-	-	-	-	-	-	-	(29,588)	29,588
Net deferred taxes	**(8,456)**	**(2,060)**	**(8,040)**	**-**	**-**	**(1,639)**	**(20,195)**	**24,674**	**(44,869)**

1 Restated in accordance with IAS 8, see note 3

The movement in deferred tax balances during the year 2020 was as follows:

In € thousands	Net balance at 1 January 2020[1]	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Other	Exchange rate differences	Net balance at 31 December 2020[1]	Assets	Liabilities[1]
Intangible assets and goodwill	(36,797)	(12,845)	-	(474)	(242)	3,489	(46,869)	1,015	(47,884)
Property, plant & equipment	(1,770)	2,725	-	-	(15)	(200)	740	2,206	(1,466)
Right-of-use assets and lease liabilities	3,630	1,790	-	-	(2)	(155)	5,263	5,643	(380)
Contract assets and liabilities	(14,860)	6,047	-	-	(22)	(48)	(8,883)	3,005	(11,888)
Derivatives	(76)	(10)	(185)	-	-	261	(10)	-	(10)
Accrued expenses	23,895	2,356	-	-	294	(1,732)	24,813	25,761	(948)
Share-based compensation	1,270	(875)	-	-	-	(43)	352	352	-
Deferred compensation	4,261	(1,120)	1,547	-	-	(69)	4,619	4,619	-
Net operating losses	8,550	(1,495)	-	-	519	233	7,807	7,807	-
Provisions	5,244	(2,750)	-	-	1,453	(235)	3,712	3,712	-
Others	3,712	(1,521)	-	-	(2,231)	40	-	-	-
Deferred tax assets/liabilities	**(2,941)**	**(7,698)**	**1,362**	**(474)**	**(246)**	**1,541**	**(8,456)**	**54,120**	**(62,576)**
Offsetting	-	-	-	-	-	-	-	(33,308)	33,308
Net deferred taxes	**(2,941)**	**(7,698)**	**1,362**	**(474)**	**(246)**	**1,541**	**(8,456)**	**20,812**	**(29,268)**

1 Restated in accordance with IAS 8, see note 3

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set of current tax against current tax liabilities and when the deferred tax assets and liabilities relate to the same taxation authority and the same taxable entity.

At 31 December 2021, the gross amount of net operating losses, amounting to €38.0 million (2020: €32.0 million), for which a deferred tax asset has been recognized expires as follows:

in € thousands	Total net operating losses	Net operating losses not recognized	Net operating losses recognized	Deferred tax asset recognized
2022	17	17	-	-
2023	2	2	-	-
2024	787	103	684	171
2025	1,950	1,950	-	-
2026	9,654	3,172	6,483	758
>2026	7,483	6,037	1,446	347
Unlimited	157,149	127,713	29,435	7,409
Total	**177,042**	**138,994**	**38,048**	**8,685**

The majority of the above-mentioned deferred tax assets relate to tax jurisdictions in which Arcadis has suffered a tax loss in the current or a preceding period. Significant judgement is required in determining whether deferred tax assets are realizable. Arcadis determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. Where utilization is not considered probable, deferred tax assets are not recognized.

At 31 December 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was €139.2 million (2020: €116.8 million). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

13 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover share/option plans).

Diluted earnings per share is calculated based on the basic earnings per share and using the weighted average number of shares and options outstanding during the period as far as these have a potential dilutive effect, i.e. when the exercise price of these options is lower than the share price. The average number of potentially diluted shares is based on the average share price in the period on the Euronext Amsterdam Stock Exchange and the options that were in the money.

For calculating the earnings per share, the following numbers of average shares are used:

Number of shares	2021	2020
Average number of issued shares	90,661,792	90,442,091
Average number of treasury shares	(1,278,473)	(875,429)
Total average number of ordinary outstanding shares	**89,383,319**	**89,566,662**
Average number of potentially dilutive shares	393,156	658,154
Total average number of diluted shares	**89,776,475**	**90,224,816**

Of the outstanding options at 31 December 2021, a number of 104,046 options were in the money and exercisable (2020: 668,351). Exercising options may lead to dilution. To avoid dilution as much as possible, Arcadis repurchases its own shares, which are reissued at the moment options are exercised.

The total earnings of the Group and the earnings per share are as follows:

In € thousands	2021	2020[1]
Net income	167,883	18,876
Net income from Operations[2]	175,384	130,455

[1] Restated in accordance with IAS 8, see note 3
[2] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis.

In €	2021	2020[1]
Earnings per share/Diluted earnings per share		
Net income	1.88 / 1.87	0.21 / 0.21
Net income from Operations[2]	1.96 / 1.95	1.46 / 1.45

[1] Restated in accordance with IAS 8, see note 3
[2] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis.

14 Intangible assets and goodwill

Goodwill
Goodwill arises from business combinations and represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Goodwill in respect of equity accounted investees is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets
Other intangible assets mainly consist of customer relationships, trade names and expected profits in the backlog of acquired companies at the acquisition date. Measurement of Other intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to expected profits in the backlog of the acquired companies, the customer lists at the acquisition date and the trade name value. The fair value is based on discounted cash flows expected to be received from these identifiable intangible assets. Subsequently, the assets are amortized over the estimated useful life. The amortization is recognized in profit or loss on a straight-line basis. The amortization methods and useful lives, as well as residual values, are reassessed annually.

Software
Software is measured at cost less accumulated amortization and impairment losses. Software has a finite life and is amortized on a straight-line basis over the estimated useful life. The amortization methods and useful lives, as well as residual values, are reassessed annually. Subsequent costs are recognized in the carrying amount of Software only when it increases the future economic benefits. All other expenditures are recognized in profit or loss as incurred.

Configuration and customization costs relating to Cloud computing arrangements, whereby the Company does not obtain an intangible asset, are expensed when incurred. In such case, prepaid licenses are recognized as prepaid expenses (as part of Other current assets) and testing, training and data conversion costs are recognized as Personnel costs and/or Other operational costs as incurred.

Estimated useful lives
The estimated useful lives of Goodwill and Intangible assets varies according to their respective categories, as shown below.

Category	Years
Goodwill	Not amortized
Software	0.5 – 10
Other intangible assets	3 – 10
Intangibles under development	Not amortized (yet)

In € thousands	Goodwill	Other intangible assets	Software [1]	Intangibles under development [1]	Total
Cost	948.468	270.911	64.862	1.819	1.286.060
Accumulated amortization	-	(214.546)	(45.295)	-	(259.841)
At 1 January 2020	**948.468**	**56.365**	**19.567**	**1.819**	**1.026.219**
Additions	-	-	2.768	-	2.768
Acquisitions of subsidiaries	7.894	1.655	-	-	9.549
Disposals	-	-	(183)	(1.332)	(1.515)
Amortization charges	-	(21.889)	(11.009)	-	(32.898)
Impairment charges	(118.881)	-	-	-	(118.881)
Reclassifications	-	95	2.324	110	2.529
Exchange rate differences	(55.865)	(2.016)	(923)	(42)	(58.846)
Movement 2020	**(166.852)**	**(22.155)**	**(7.023)**	**(1.264)**	**(197.294)**
Cost	781.616	270.645	68.848	555	1.121.664
Accumulated amortization	-	(236.435)	(56.304)	-	(292.739)
At 31 December 2020	**781.616**	**34.210**	**12.544**	**555**	**828.925**
Additions	-	-	4.941	-	4.941
Acquisitions of subsidiaries	-	-	-	-	-
Disposals	-	(3)	(161)	-	(164)
Amortization charges	-	(11.436)	(6.432)	-	(17.868)
Impairment charges	-	-	-	-	-
Reclassifications	-	-	(2)	(574)	(576)
Exchange rate differences	49.003	1.438	488	19	50.948
Movement 2021	**49.003**	**(10.001)**	**(1.166)**	**(555)**	**37.281**
Cost	830.619	272.080	74.114	-	1.176.813
Accumulated amortization	-	(247.871)	(62.736)	-	(310.607)
At 31 December 2021	**830.619**	**24.209**	**11.378**	**-**	**866.206**

[1] Restated in accordance with IAS 8, see note 3

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

In € thousands	2021	2020 [1]
Amortization Other intangible assets	11,436	21,889
Depreciation and amortization	6,432	11,014

[1] Restated in accordance with IAS 8, see note 3

Goodwill

For annual impairment testing, goodwill is allocated to Cash-Generating Units (CGUs). The CGU is the lowest level within the Group at which Goodwill is monitored for internal management purposes.

Goodwill capitalized was assigned to our CGUs as follows:

In € thousands	2021	2020
North America	259,746	240,846
Latin America	-	-
Continental Europe	82,910	84,257
United Kingdom	237,985	223,123
Middle East	-	-
Asia	88,072	82,110
Australia Pacific	58,867	55,373
Arcadis Gen	9,548	8,960
CallisonRTKL	93,491	86,949
Total Goodwill	**830,619**	**781,618**

The groups of CGUs will change from 2022 due to the transition to three new global business areas, see note 35.

Impairment testing for cash-generating units containing goodwill

The recoverable amount of Goodwill for impairment testing purposes is based on a value in use calculation, which is complex and judgemental. The calculations use cash flow projections based on historical performance, our plan for 2022 as approved by the Executive Board and projections for 2023 - 2026, after which a terminal value was calculated using an estimated growth rate.

The key assumptions used in the projections are:

- (Net) revenue growth: based on experience and market analysis;
- Operating EBITA margin development: based on historical performance, plan 2022 and management's long-term projections;
- Weighted average cost of capital (WACC): based on the market participants view on rates of return demanded for investments equivalent to those in the Company. The components of the WACC include the Cost of Equity, Cost of Debt and Cost of Lease Liabilities.

The business plans include management's estimate about the level and timing of the execution of (the improvement of) operating performance and margins. In line with previous years, for impairment testing purposes a more prudent outlook and phasing has been considered for the development of revenues and margins.

The applied assumptions in the test of 2021 are included in the below table, for those CGUs with goodwill as at 31 December 2021.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	2.9%	12.2%	10.7%	0.2%
Continental Europe	3.2%	9.5% - 10.0%	10.5%	0.0%
United Kingdom	2.6%	14.3%	9.7%	0.0%
Asia	4.2%	8.7% - 10.0%	10.6%	0.0%
Australia Pacific	3.1%	14.5%	11.0%	0.2%
Arcadis Gen	47.6%	-23.0% - 21.3%	9.2%	0.0%
CallisonRTKL	3.4%	10.7%	10.1%	2.0%

Due to limited headroom of CallisonRTKL, the performance of the CGU and the impact on the goodwill valuation has been closely monitored during the year. For the 2021 impairment test significant attention was given to all estimates, including the terminal growth rate. The estimate of the Company is based on macro data such as estimated real GDP growth and inflation, both estimated to be around 2%, as well as predictions of the industry's near and far future by an external research firm. The information obtained supports in our view that a 2% terminal growth rate is a reasonable assumption for this CGU. It deviates however from the growth rate used in the test at year-end 2020, which was based on very conservative assumptions given that the Company just impaired €59 million of the CallisonRTKL goodwill in the third quarter of 2020.

As other CGUs have sufficient headroom, no specific attention has been given in the year-end 2021 test to the terminal growth rate and a conservative approach that is consistent with prior year has been taken.

The key assumptions included in the 2020 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	3.0%	10.4%-10.6%	11.4%	0.2%
Continental Europe	2.9%	8.5%-9.4%	10.6%	0.0%
United Kingdom	2.9%	9.5%-11.0%	10.9%	0.0%
Asia	5.6%	8.3%-10.6%	11.8%	0.1%
Australia Pacific	3.2%	12.0%-14.0%	12.1%	0.4%
Arcadis Gen	16.7%	-3.5%-14.0%	10.8%	0.0%
CallisonRTKL	2.1%	8.5%-9.0%	11.6%	0.3%

The weighted average pre-tax discount rate was 10.4% (2020: 11.5%) and has been determined by iterative computation so that the value in use determined using pre-tax cash flows and a pre-tax discount rate equals the value in use determined using post-tax cash flows and a post-tax discount rate. The weighted average post-tax discount rate used is 7.7% (2020: 7.6%), which includes country specific premiums when applicable.

Observations from impairment testing

The annual impairment test at 31 December 2021 and sensitivity analysis around the key assumptions in that test have indicated sufficient headroom for all CGUs beside CallisonRTKL, and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value (2020: impairment of €60 million related to the Middle East and €59 million to CallisonRTKL).

The headroom for CallisonRTKL, being the difference between the carrying amount and the recoverable amount, remains relatively limited at approximately €14 million. In case the recovery of this CGU is further delayed, goodwill may therefore be impaired. Management is, however, positive about the medium and long-term recovery of the CGU following the strategic transformation process initiated by the CGUs new leadership team and has concluded that an impairment of the balance on 31 December 2021 is not necessary.

Headroom will reduce to nil if the terminal growth rate reduces to 1.4%, or Operating EBITA margin in the terminal drops below 9.9%, or when pre-tax discount rate increases to above 10.8%.

The expected future cash flows used in the goodwill impairment analysis are based on management's estimates. Events in our end-markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of the Group.

Other intangible assets

The carrying amounts recognized in the Consolidated balance sheet for Other intangible assets are as follows:

In € thousands	2021	2020
Customer Relationships	21,724	30,486
Trade names	1,894	2,719
Backlog	38	479
Other	553	525
Total Other intangible assets	**24,209**	**34,209**

In 2021 and 2020 no other changes were made in the useful life, amortization methods or the residual values of the Other intangible assets, except for a €6 million accelerated amortization in 2020 relating to the Middle East.

Software and Intangibles under development

The accounting treatment of Cloud computing arrangements has changed in 2021, resulting in restated comparative figures for Software and Intangibles under development. See note 3 for further details.

15 Property, plant & equipment

Property, plant & equipment is measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are recognized in the carrying amount of Property, plant & equipment if it is probable that future economic benefits will be obtained. The costs of day-to-day servicing of property, plant & equipment are expensed as incurred.

Depreciation, based on the cost of an asset less its residual value, is recognized in profit or loss on a straight-line basis over the estimated useful life. The estimated useful life of Property, plant & equipment vary according to their respective categories, as shown in the table hereafter.

Category	Years
Land	Not depreciated
Buildings	30 - 40
Furnitures and fixtures	5 - 10
(IT) equipment	5 - 10
Property, plant and equipment under development	Not depreciated (yet)

Depreciation methods and useful life, as well as residual values, are reassessed annually. When parts of an item of Property, plant & equipment have different useful life, they are accounted for as separate items (major components) of Property, plant & equipment.

Gains on the sale of an item of Property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, plant & equipment and are recognized within Other income in the Consolidated income statement. Losses on the sale of an item of Property, plant & equipment are recognized within Other operational costs in the Consolidated income statement.

The determination of impairment of Property, plant & equipment involves the use of estimates. The recoverable amount is determined by discounting the estimated future cash flows to present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The identification of impairment indicators, as well as the estimation of future cash flows, discount rates and the determination of the fair value for the assets requires management to make significant judgements.

In 2021 and 2020 no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements that materially impacted the Company. No properties were registered as security for bank loans.

In € thousands	Land and Buildings	Furniture and fixtures	IT equipment	Property, Plant and Equipment under development [1]	Total
Cost	50,940	103,065	93,094	8,102	255,201
Accumulated depreciation	(31,857)	(52,605)	(70,004)	-	(154,466)
At 31 December 2019	**19,083**	**50,460**	**23,090**	**8,102**	**100,735**
Additions	1,166	5,751	9,369	7,589	23,875
Acquisitions of subsidiaries	11	-	164	-	175
Disposals	96	(1,264)	(1,171)	(167)	(2,506)
Reclassifications	5,778	(2,775)	1,613	(7,946)	(3,330)
Depreciation charges	(6,079)	(12,601)	(11,300)	-	(29,980)
Exchange rate differences	(1,504)	(1,761)	(1,348)	(224)	(4,837)
Movement 2020	**(532)**	**(12,650)**	**(2,673)**	**(748)**	**(16,603)**
Cost	56,487	103,016	101,721	7,354	268,578
Accumulated depreciation	(37,936)	(65,206)	(81,304)	-	(184,446)
At 31 December 2020	**18,551**	**37,810**	**20,417**	**7,354**	**84,132**
Additions	389	13,395	16,400	-	30,184
Acquisitions of subsidiaries	-	-	-	-	-
Disposals	(1,743)	(4,794)	(695)	(1,163)	(8,395)
Reclassifications	50	325	1,463	(1,282)	556
Depreciation charges	(4,936)	(11,375)	(11,169)	-	(27,480)
Exchange rate differences	1,020	1,277	926	331	3,554
Movement 2021	**(5,220)**	**(1,172)**	**6,925**	**(2,114)**	**(1,581)**
Cost	56,202	113,219	119,815	5,241	294,477
Accumulated depreciation	(42,872)	(76,581)	(92,473)	-	(211,926)
At 31 December 2021	**13,330**	**36,638**	**27,342**	**5,241**	**82,551**

[1] Restated in accordance with IAS 8, see note 3

16 Right-of-use assets and lease liabilities

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed when the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Contracts may contain both lease and non-lease components. The Group allocates the consideration to these components based on its relative stand-alone prices. Non-lease components are not included in the right-of-use asset and lease liability but accounted for separately.

Right-of-use assets
At commencement of a lease, the Group measures right-of-use assets initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The cost of the right-of-use assets comprise the following:
- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received at or after the commencement date;
- Any initial direct costs;
- Restoration costs i.e estimate of the costs to be incurred for dismantling, removal and/ or restoration to the conditions required by the terms of the lease.

See note 29 for the accounting policy on provisions for right-of-use assets (restoration provisions).

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities
Lease liabilities are initially measured at the present value of the future lease payments that are not paid at the commencement date discounted using an implicit rate of interest, unless this cannot readily be determined, in which case an incremental borrowing rate is used. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate or the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Judgement is applied to determine the lease term for some lease contracts in which it is a lessee that include renewal and termination options. The assessment of whether the Group is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. At reporting date all facts and circumstances are considered that create an economic incentive in determining whether it is reasonably certain that an extension or termination option will be recognized. Changes in the estimate are recognized prospectively.

Incremental Borrowing Rate
The Incremental Borrowing Rate (IBR) is determined based on a build-up approach, whereby each category of leases has an IBR based on the country (and currency) of the lessee and the lease term.

Lease incentives
Lease incentives are deducted from the right of use assets if received before the commencement date of the lease; they are deducted from the lease liability if received at or after the commencement date of the lease.

Amounts received for leasehold improvements are depreciated over a period not longer than the lease term.

Short-term and low value leases
Payments associated with short-term and/or low value leases are recognized on a straight-line basis as an expense in profit or loss.

As a lessor
The Group sub-leases some of its buildings, although not significant. The head leases are presented in the right-of-use assets and the sub-lease contracts are treated as operating leases under IFRS 16. Income from sub-leases is presented in Other income, see note 8.

Rent concessions - Practical expedient
Rent concessions are accounted for as lease modifications by the Group.

This note provides information for leases where the Group is a lessee.

Leasing activities

The Group's lease portfolio consists of almost 2,500 active lease contracts at 31 December 2021 (2020: 2,700), mainly related to real-estate lease contracts and vehicles. Approximately 90% of the value of the lease liability is from land and buildings.

Lease terms

Lease terms are generally negotiated locally, with support from the Global Workplace director and/or regional real estate or procurement teams where needed. Contracts are negotiated on an individual basis and contain a wide range of terms and conditions, such as early termination clauses and renewal rights. They may contain both lease and non-lease components, whereby the Group has elected not to include the service element in leases (e.g. fuel, insurance) in the right-of-use asset and lease liability.

Termination clauses and renewal rights are included in several real estate leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal right, or not exercise a termination clause. Compared to the pre COVID-19 situation the way of working is changing, which creates opportunities to revisit the office space. Both extension and termination options are however only included in the lease term if it is reasonably certain that a lease will be extended or terminated.

Factors that are considered in terminating or renewing leases include amongst others:
- Significant penalties involved;
- Leasehold improvements made with a significant remaining value;
- Costs and business disruption required to replace a leased asset.

An amount of €33 million (2020: €34 million) extension and/or renewal options are included in the Group's lease liability at 31 December 2021 reflecting that the Group could not replace leased assets without significant cost or business disruption.

As at 31 December 2021, potential future cash outflows of €116 million (undiscounted) (2020: €122 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). During 2021 the financial impact of the reassessment of reasonable certainty led to a decrease in recognized lease liabilities and right-of-use assets of €7.3 million (2020: €3.2 million).

If the leased asset is abandoned, the depreciation of the Right-of-use asset needs adjustment as of the date the lessee makes the decision to abandon the asset, so that as of the cease use date,
the carrying amount of the Right-of-use asset is zero. Assuming there are no changes in the lease payments, the lease liability will remain the same.

Right-of-use assets with a carrying value of €1.8 million (2020: €1.3 million) were abandoned during the year and therefore were fully depreciated in 2021.The remaining lease liabilities for the abandoned leases amount to €1.6 million (2020: €1.3 million).

The Group does not have leases with variable lease payments and does not provide residual value guarantees.

Maturity profile

The undiscounted value of lease commitments as at 31 December 2021 amounts to €277.3 million (2020: €305.7 million) and the maturity is as shown in the table below.

Maturity	2021	2020
0 - 1 Year	64,191	69,818
1 - 2 Year	51,813	54,308
2 -3 Year	39,297	44,049
3 - 4 Year	28,415	33,164
4 -5 Year	21,557	26,043
> 5 Year	72,020	78,300
Total	**277,293**	**305,682**

The undiscounted maturity of all sub-leasing contracts at 31 December 2021 amounts to €0.1 million (2020: €0.1 million) and is not material for the Group.

Amounts recognized in the Consolidated balance sheet

Right-of-use assets

The following right-of-use assets are recognized in the balance sheet:

	Leased land and buildings	Leased furnitures and fixtures	Leased (IT) equipment	Leased vehicles	Total
Balance at 31 December 2019	**234,592**	**1,024**	**7,948**	**23,205**	**266,769**
Additions and remeasurements	63,105	304	(1,162)	12,065	74,312
Depreciation charges	(61,579)	(416)	(1,346)	(11,614)	(74,955)
Acquisitions / disposals	(1,729)	(170)	6	723	(1,170)
Exchange rate differences	(8,423)	(55)	(177)	(351)	(9,006)
Movement 2020	**(8,626)**	**(337)**	**(2,679)**	**823**	**(10,819)**
At 31 December 2020	**225,966**	**687**	**5,269**	**24,028**	**255,950**
Additions and remeasurements	25,460	48	5	9,830	35,343
Depreciation charges	(54,200)	(273)	(1,066)	(11,145)	(66,684)
Acquisitions / disposals	(5,152)	(44)	7	(682)	(5,871)
Exchange rate differences	12,631	16	(2,713)	315	10,249
Movement 2021	**(21,261)**	**(253)**	**(3,767)**	**(1,682)**	**(26,963)**
At 31 December 2021	**204,705**	**434**	**1,502**	**22,346**	**228,987**

Lease liabilities and restoration provisions

The following lease liabilities and restoration provisions (see also note 29) are recognized in the balance sheet:

In € thousands	2021	2020
Balance at 1 January	278,357	291,122
Additions and remeasurements	29,009	72,923
Payments	(68,850)	(82,888)
Acquisitions / disposals	-	1,498
Interest	6,618	7,881
Exchange rate differences	9,881	(12,179)
Balance at 31 December	**255,015**	**278,357**
Current	62,506	69,377
Non-current	192,509	208,980
Total	**255,015**	**278,357**

Lease liabilities decrease due to payments and increase due to interest expense but are also impacted by lease modifications (e.g. renewals, early termination) and new lease contracts. Renewal options are only included in the lease liability when it is reasonably certain that the Group will exercise its right; new lease contracts are taken into account at commencement date. Therefore, the lease liabilities may vary over time even if the number of leased assets does not change.

Amounts recognized in the Consolidated income statement

In € thousands	2021	2020
Depreciation	66,684	74,955
Interest expense (included in Net finance expense)	6,618	7,881
Other operational costs for short-term leases	1,601	2,301
Other operational costs for low-value leases	65	11
Other operational costs for loss on derecognition lease	42	827
Other income for gain on derecognition lease	(1,852)	2
Other income from sub-leasing	-	(110)
Total	**73,158**	**85,867**

In limited cases the Group acts as a lessor by sub-leasing (part of) a building. Such lease income, amounting to nil in 2021 (2020: €0.1 million), is recognized in Other income, see note 8.

Gains or losses on the derecognition of leases amounted to €1.8 million gain (2020: €0.8 million loss). No impairments have been recognized.

17 Investments accounted for using the equity method

Joint arrangements
Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations, rather than the legal structure of the joint arrangement.

Joint ventures are joint arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are accounted for using the equity method, where interests in joint ventures are initially recognized at cost, including transaction cost. Subsequently the Group's share of the profit or loss and movements in other comprehensive income are included in the Consolidated financial statements, whereby the calculation is based on the Group's accounting policies. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture, the Group does not recognize further losses.

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are accounted for the Group's direct rights to the assets, liabilities, revenues and expenses of the joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are combined on a line-by-line basis with corresponding items in the Group's financial statements.

Associates
Associates are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20% of the voting power of the entity. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

The Consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group. The application of the equity method is applied to loans that form part of a Net investment. Loans to associates are carried at amortized cost less any expected credit losses. The Group applies the Expected Credit Loss model to loans that form part of the Net investment, before recognizing its share of losses from application of the equity method on these loans.

Investments in associates and joint ventures

The nature of business of the Group's associates and joint ventures are similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings. The most significant investments in associates and joint ventures are listed below.

Name of entity	Place of business/ country of incorporation	Associate/ joint venture	% of ownership interest 2021	% of ownership interest 2020
Geodynamique et Structure S.A.	France	Associate	48.68%	48.68%
Asset Rail B.V.	Netherlands	Associate	40.00%	40.00%
CARE/RTKL Ltd	Saudi Arabia	Joint venture	45.00%	45.00%
Stroomdal I	Netherlands	Joint venture	50.00%	50.00%
TECHT Ltd	United Kingdom	Joint venture	50.00%	50.00%

The movement in associates and joint ventures in the Consolidated balance sheet is as follows:

In € thousands	Associates 2021	Associates 2020	Joint ventures 2021	Joint ventures 2020	Total 2021	Total 2020
Balance at 31 December	**6,262**	**5,349**	**1,638**	**2,180**	**7,900**	**7,529**
Share in result by Arcadis	11,770	923	(534)	44	11,235	967
Investments	3	-	112	23	115	23
Divestments	-	(2)	-	-	-	(2)
Received dividends	(400)	-	(41)	(500)	(441)	(500)
Expected Credit loss	-	-	-	-	-	-
Exchange rate differences	(41)	(8)	75	(109)	35	(117)
Balance at 31 December	**17,594**	**6,262**	**1,250**	**1,638**	**18,844**	**7,900**

There are no loans to associates or joint ventures outstanding as at 31 December 2021 (2020: nil).

The joint ventures have share capital consisting solely of ordinary shares, which are held indirectly by the Group, and are non-listed shares. As such there is no available quoted market price for the shares. The Group has no contingent liabilities relating to interests in joint ventures at 31 December 2021 (2020: nil).

The result from associates in 2021 was impacted by a favorable outcome of a commercial arbitration.

Arcadis Logos Energia S.A.

Arcadis Logos Energia S.A. (ALEN) has been a material associate for the Group until 2020, when the shares were sold.

Discussions with the lenders (to which the Company had issued corporate guarantees) and the purchaser of ALEN, resulted in the full and final settlement of all liabilities relating to ALEN in the second quarter of 2021. The final payment of €3.9 million corporate guarantees resulted in a gain in the Consolidated income statement of €1.5 million, presented as 'Expected Credit Loss on shareholder loans and corporate guarantees'. The cash outflow is presented in the Consolidated cash flow statement as 'Investments in/loans to associates and joint ventures'.

The other provision of €1.0 million that remained outstanding on 31 December 2020 has been released in the Consolidated income statement of 2021 in Operating income as the Company has been released from any and all – existing or future – liabilities in relation to ALEN.

18 Other investments

Other investments relate to interests in companies over which the Group has no significant influence nor control. Other investments are accounted for at fair value through profit or loss.

In € thousands	2021	2020
Balance at 1 January	**2,048**	**2,280**
Investments	287	181
Divestments	-	(121)
Fair value changes	(64)	(20)
Others	-	(185)
Dividends paid	(194)	-
Exchange rate differences	75	(87)
Balance at 31 December	**2,152**	**2,048**

The value of the investment in the Techstars cohorts amount to €1.6 million as at 31 December 2021 (2020: €1.6 million). A level 3 valuation was used to determine the fair value. Due to the inherent uncertainty of valuation of privately held companies, the fair value may however differ from what would have been used had a readily available market existed for all companies.

19 Derivatives

General

The Group uses derivatives in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivatives to be used for hedging purposes can include forward foreign exchange rate contracts, foreign exchange swaps and interest rate swaps and a combination of those, such as cross-currency interest rate swaps. The Group does not hold or issue derivatives for trading purposes. Hedge accounting is applied for cash flow hedges related to forecasted transactions and fair value hedges.

Measurement and recognition

All derivative financial instruments are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss when incurred. Subsequently, derivatives are measured at fair value derived from market prices of the instruments or valuation techniques, with the fair value changes recognized in profit or loss, unless hedge accounting is applied. A gain or loss on remeasurement to the fair value of the interest rate derivatives is recognized in profit or loss under fair value change of derivatives. The fair value changes of forward foreign exchange contracts are recognized in operating income. The carrying values of the derivatives are recognized in the balance sheet as derivatives, which can be classified as current or non-current assets or liabilities, depending on the maturity of the contracts.

Hedge accounting

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. In specific cases hedge accounting is applied for cash flow hedges. In that case, the effective part of the fair value change of those derivatives is deferred in Other comprehensive income and presented in the hedging reserve in Equity. The hedging reserve includes the cash flow hedge reserve and the costs of hedging. Changes in the fair value of the currency basis since the inception of the hedging relationship will be deferred into a separate component of Other comprehensive income.

The amount recognized in Other comprehensive income as cash flow hedge reserve is released to the related lines in profit or loss at the same time as the hedged cash flows affect profit or loss. Any ineffective portion of change in the fair value of the derivatives is included in profit or loss immediately.

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives, strategy of undertaking the hedge transaction, the hedged risk – and, in case of hedge accounting, the methods that will be used to assess the effectiveness of the hedge. Both at the inception of the hedge and at each reporting date, the Group makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values of the cash flows of the hedged items.

The economic relationship between the hedging instrument and the hedged item is, amongst others, determined based upon matching notional amounts, a minimal fair value of the hedging instrument at inception, matching the underlying hedged risk (interest benchmark rate or currency pair), matching repricing and payment dates and an assessment of the likelihood of default of the hedging counterparty. Sources of ineffectiveness can, amongst others, be driven by movements in the credit spread of Arcadis and the relevant hedging counterparty, mismatch of payment flow frequencies, mismatch of interest conditions, such as interest floors and possible changes to the critical terms of the economic relationship.

When a derivative ceases to be highly effective or in case of early redemption of the hedged item, hedge accounting is discontinued prospectively. When a cash flow hedge relationship is terminated, the fair value changes deferred in the cash flow hedging reserve in equity are released to profit or loss under the fair value change of derivatives only when the hedged transaction is no longer expected to occur. Otherwise, these fair value changes will be released to profit or loss at the same time as the hedged item.

Fair value

A fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of derivatives is determined by using valuation models that incorporate various inputs, such as forward interest rate curves and the credit worthiness of counterparties. The methods and assumptions used to estimate the fair value are consistent with the prior year.

The fair value of derivatives held by the Company as at the balance sheet date is presented in the table below:

	Assets		Liabilities		Total	
In € thousands	2021	2020	2021	2020	2021	2020
Interest rate derivatives:						
Current	-	-	-	-	-	-
Non-current	1,297	4,624	-	545	1,297	4,079
Foreign exchange derivatives:						
Current	5,810	5,923	4,836	5,351	974	572
Non-current	-	-	-	-	-	-
Total	**7,107**	**10,547**	**4,836**	**5,896**	**2,271**	**4,651**

See note 32 for the Group Treasury policy and the valuation techniques used for the derivatives. Group Treasury is consulted by entities for alignment of hedge accounting with the Group Treasury policy guidelines and assisted with documentation of the hedge relationship, derivatives valuations and effectiveness testing.

As per 31 December 2021, the Group has €40.0 million (notional amount) of fixed-to-floating cross currency swaps to manage the currency and interest rate risk of a subsidiary. The market value of these derivatives at 31 December 2021 was €1.3 million positive (2020: €4.6 million positive) and hedge accounting is applied on these derivatives.

Effects of hedge accounting on the financial position and performance

In € thousands	2021	2020
Cross currency interest rate swaps		
Notional amount	40,000	40,000
Maturity date	2023	2023
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments	(3,665)	3,484
Change in value of hedged item used to determine hedge effectiveness	3,624	(3,320)
Ineffectiveness	(132)	134

Also, during 2021 the Group hedged currency exposures related to transactions in currencies other than the functional currency for subsidiaries by way of foreign exchange forward rate contracts in order to minimize volatility in the operating income of these subsidiaries due to changes in foreign exchange rates. In addition, foreign currency corporate balance sheet positions arising due to foreign currency receivables, payables and loan balances were hedged by way of foreign exchange forward rate contracts and foreign exchange swaps.

The movements in fair value of all derivatives are shown in the table below:

In € thousands	2021	2020
Balance at 1 January	**4,651**	**2,013**
Changes in Income statement	706	6,809
Changes through Other comprehensive income	455	739
Cash settlement derivatives	(3,984)	(4,628)
Exchange rate differences	443	(282)
Balance at 31 December	**2,271**	**4,651**

The change in fair value of derivatives recognized in profit or loss is €0.8 million negative (2020: €4.7 million positive) together with foreign exchange results of €0.8 million positive (2020: €11.2 million negative) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to € 0.0 million negative (2020: €6.5 million negative).

Hedging reserve

The total (after-tax) amount included in Other comprehensive income, on the line hedging reserve within equity, can be specified as follows:

In € thousands	2021	2020
Interest rate derivatives	106	(412)
Foreign exchange derivatives (classified as cash flow hedges)	269	269
Cost of hedging reserve	274	336
Total	**649**	**193**

20 Other non-current assets

Other non-current assets are non-derivative financial assets and include long-term receivables (due for settlement after one year). Long-term receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2021	2020
Balance at 1 January	**22,581**	**27,595**
New receivables	6,194	3,795
Received	(3,987)	(6,146)
Exchange rate differences	1,186	(2,663)
Reclassification to short term	(3,761)	-
Balance at 31 December	**22,213**	**22,581**

Other non-current assets include long-term receivables of €11.0 million (2020: €9.8 million) related to the deferred compensation plan in the United States of America operating company, see note 28 for further details. The remaining amount consists of various other long-term receivables such as rental deposits, judicial deposits and retentions.

21 Trade receivables

Trade receivables include amounts billed to customers for work performed but not yet paid by the clients, and which are expected to be collected within a year after reporting date. Trade receivables are initially measured at fair value, which normally represents the consideration the Company expects to receive within the payment term (invoice amount excluding costs collected on behalf of third parties, such as sales taxes). Subsequently Trade receivables are measured at the consideration expected to be collected.

The Company uses the Expected Credit Loss (ECL) model. Trade receivables are reviewed for collectability on a case-by-case basis at regular intervals. If a Trade receivable is considered credit impaired (e.g. the customer has failed to make a payment when contractually due) the expected loss is determined as the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of expected future cash flows discounted at the effective market interest rates.

A simplified approach is applied that uses a lifetime expected loss allowance to recognize losses for possible impairment of Trade receivables that are not individually impaired yet. The Expected Credit Loss is recognized in Other operational costs.

In € thousands	2021	2020
Trade receivables	572,951	518,342
Provision for trade receivables (individually impaired bad debt)	(52,497)	(51,029)
Provision for trade receivables (Expected Credit Loss)	(689)	(631)
Receivables from associates	2,090	1,797
Total at 31 December	**521,855**	**468,479**

Of the total gross Trade receivables, approximately 11% is subject to a so-called 'paid-when-paid' clause (2020: 8%). They are classified as current as Arcadis expects to collect the amounts within one year. Further information about Arcadis' exposure to credit risk is included below and in note 32.

Ageing of Trade receivables

	2021			2020		
	Gross Receivables	Provision bad debt	Provision ECL	Gross Receivables	Provision bad debt	Provision ECL
Not past due	386,174	(4,218)	(244)	340,014	(4,183)	(171)
Past due 0-30 days	65,439	(1,314)	(33)	58,703	(919)	(30)
Past due 31-60 days	28,408	(906)	(18)	22,519	(442)	(18)
Past due 61-120 days	17,622	(607)	(12)	21,869	(807)	(33)
Past due 121-364 days	22,570	(5,756)	(12)	32,336	(9,304)	(27)
More than 364 days due	52,738	(39,696)	(370)	42,901	(35,374)	(352)
Total	**572,951**	**(52,497)**	**(689)**	**518,342**	**(51,029)**	**(631)**

Individual assessments, in combination with the fact that the actual write-offs of Trade receivables in recent years did not cause us to expect that the provision should be significantly higher, resulted in the conclusion that the provision for bad debt is sufficient to cover for Trade receivables for which there is objective evidence of an impairment.

Provision for Trade receivables

The total provision for Trade receivable includes the Expected Credit Loss for individually non-impaired items (stage 1 and 2) and individually credit impaired items (stage 3). To apply the simplified approach to the "healthy" portfolio, Arcadis grouped the Trade receivables by country and the days past due. No specific measures were taken by the Group to extend credit terms for customers. The expected loss rate for the stage 1 and 2 losses is based on the country risk and varies from 0.00% to 0.18% for positions less than 90 days past due and up to 1.29% for items past due more than 90 days.

The total provision for Trade receivables developed as follows:

In € thousands	2021	2020
Balance at 1 January	**51,660**	**60,353**
Acquisitions/(divestments)	-	64
Additions charged to profit or loss	8,333	20,995
Release of unused amounts	(5,551)	(11,687)
Remeasurement Expected Credit Loss	57	(53)
Utilizations	(3,977)	(14,542)
Exchange rate differences	2,664	(3,470)
Balance at 31 December	**53,186**	**51,660**

22 Contract assets and liabilities

When revenue (cost for contract work performed to date plus recognized profits) exceeds the progress billings, the surplus is shown as a Contract asset (unbilled receivables). When progress billings exceed the revenue (cost for contract work performed to date plus recognized profits), the balance is shown as a Contract liability (billing in excess of revenue). Recognized loss provisions are separately presented as Provision for onerous contracts. Contract assets, Contract liabilities and the related Provision for onerous contracts are together generally also referred to as Work in progress.

Contract assets are subject to the Expected Credit Loss (ECL) model. Arcadis applies a simplified approach that uses a lifetime expected loss allowance to recognize losses for possible impairment, in line with the accounting for Expected Credit Loss on Trade receivables. The Expected Credit Loss is recognized in Other operational costs.

For further details on the recognition of Contract assets, Contract liabilities and the Provision for onerous contracts see the revenue accounting policy in note 6.

The balances of Contract assets and Contract liabilities, as well as the Provision for onerous contracts (see also note 29), are as follows:

	2021				2020			
In € thousands	Contract assets	Contract liabilities	Provision for onerous contracts	Net position	Contract assets	Contract liabilities	Provision for onerous contracts	Net position
Cumulative revenue	4,977,727	4,239,210	-	9,216,937	5,808,276	3,870,448	-	9,678,724
Loss provisions	-	-	(26,092)	(26,092)	-	-	(40,401)	(40,401)
Expected Credit Loss allowance	(530)	-	-	(530)	(39)	-	-	(39)
Billings to date	(4,476,929)	(4,619,997)	-	(9,096,926)	(5,341,947)	(4,166,188)	-	(9,508,135)
Total	**500,268**	**(380,787)**	**(26,092)**	**93,389**	**466,290**	**(295,740)**	**(40,401)**	**130,149**

Advances received and retentions held by clients reported as part of Contract assets and liabilities amount to:

In € thousands	2021	2020
Amount of advances received	363	615
Amount of retentions held by clients	6,014	2,709

Advances received relate to advance payments received from clients on projects not yet started. Retentions relate to amounts retained by clients which will be paid to the Company after successful completion of the contract. The outstanding retentions recognized as part of the Contract assets and liabilities are expected to be collected within a year; an amount of €2.1 million (2020: €1.2 million) of retentions have been recognized as 'Other non-current assets' (see note 20).

Expected Credit Loss allowance

The Expected Credit Loss allowance developed as follows, with no significant impact from COVID-19:

In € thousands	2021	2020
Balance at 1 January	**39**	**62**
Remeasurement Expected Credit Loss	1,420	(23)
Balance at 31 December	**1,459**	**39**

23 Assets classified as held for sale

In accordance with IFRS 5, non-current assets and disposal groups are classified as 'held for sale' when the following criteria are met:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active program to locate a buyer is initiated;
- The sale is highly probable within twelve months of classification as held for sale;
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Immediately prior to classification as held for sale, the assets or groups of assets are measured at carrying value. Subsequently, assets and disposal groups classified as held for sale are valued at the lower of book value or fair value less disposal costs. Assets held for sale are not depreciated.

At 31 December 2021, non-current assets and disposal groups that meet the criteria of Asset held for sale amount to €0.1 million (2020: €0.1 million).

24 Other current assets

Other current assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2021	2020
Other receivables	16,703	15,279
Prepaid expenses	39,881	59,487
Balance at 31 December	**56,584**	**74,766**

Other receivables are non-trade receivables and include, among others, deposits, claims to be received, interest to be received and short-term loans/prepayments to personnel.

Prepaid expenses mainly include prepayments of IT service contracts, rent and insurances. The year 2020 was impacted by prepayments on multi-year software licenses.

25 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits maturing within three months from the acquisition date and used by the Company in managing its short-term commitments. For cash flow reporting purposes bank overdrafts are included in Cash and cash equivalents.

Cash and cash equivalents at the balance sheet date can be specified as below.

In € thousands	2021	2020
Bank and cash	322,842	412,720
Deposits	28,161	36,438
Balance at 31 December	**351,003**	**449,158**
Bank overdrafts used for cash management purposes	(91)	(291)
Cash and cash equivalents less bank overdraft	**350,912**	**448,867**

The average effective interest rate earned on cash during 2021 was 0.3% (2020: 0.3%). At 31 December 2021, €320.6 million of Cash and cash equivalents was freely available (2020: € 427.9 million).

Restricted cash amounting to €30.4 million is composed of cash balances mainly held in China (2020: € 21.2 million). The Group has control over these balances; however, repatriation may be limited due to restrictive local regulatory requirements or high costs involved. As a result, the cash balances of some countries cannot be fully included in the global cash pooling or liquidity enhancement structures. In line with industry practice, the Company considers cash outside of global cash pooling or liquidity enhancement structures to be restricted if the Group is unable to repatriate cash within a defined period via either dividends, intercompany loans or settlement of intercompany invoices.

At 31 December 2021, no Cash and cash equivalents and Bank overdrafts have been offset (2020: nil).

26 Equity attributable to equity holders

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and rights to acquire shares are recognized as a deduction of equity, net of any tax effects.

Priority shares and preference shares are classified as equity since these are non-redeemable, or only redeemable at the Company's option. Dividends on these shares are recognized as distributions within equity.

Repurchase of shares
When share capital is repurchased, the consideration paid, including directly attributable costs net of any tax effects, is deducted from equity. Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or reissued, subsequently any amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends
Dividends are recognized as a liability in the period in which they are declared.

Number of shares	Authorized share capital	Issued and paid-up capital
2021		
Ordinary shares (120,000,000, nominal value €0.02)	2,400,000	1,808,842
Cumulative preferred (protective) shares (150,000,000, nominal value €0.02)	3,000,000	-
Cumulative financing preferred shares (30,000,000, nominal value €0.02)	600,000	-
Priority shares (600, nominal value €0.02)	12	12
Total as at 31 December	**6,000,012**	**1,808,854**

The development of the number of shares issued/outstanding during 2021 and 2020 is presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
At 1 January 2020	**89,045,228**	**600**	**1,396,863**	**90,442,691**
Shares issued (stock dividend)	-	-	-	-
Repurchased shares	(504,386)	-	504,386	-
Exercised shares and options	1,577,872	-	(1,577,872)	-
At 31 December 2020	**90,118,714**	**600**	**323,377**	**90,442,691**
Shares issued (stock dividend)	616,854	-	-	616,854
Shares cancelled	-	-	(616,854)	(616,854)
Repurchased shares	(2,316,830)	-	2,316,830	-
Exercised shares and options	590,501	-	(590,501)	-
At 31 December 2021	**89,009,239**	**600**	**1,432,852**	**90,442,691**

Priority shares

Total number of outstanding priority shares at 31 December 2021 is 600 (2020: 600). In 2021, no preferred (protective) shares or financing preference shares were issued or outstanding.

The priority shares have been issued since 1987 and are all held by Stichting Prioriteit Arcadis NV; a foundation with its corporate seat in Arnhem. Special rights under the Articles of Association of Arcadis NV linked to these priority shares concern decision making related to, among others:

- The issuance, acquisition and disposal of shares in the Company;
- Amendments to the Articles of Association;
- The dissolution of the Company and the filing for bankruptcy;
- The entry into or termination of long-term cooperative ventures of substantial significance;
- Investments (including entering into participations) for an amount equal to at least 25% of the shareholders' equity.

Pursuant to the articles of association of the Priority Foundation, the Board of the Stichting Prioriteit Arcadis NV consists of twenty (20) board members (with six (6) vacancies at 31 December 2021): seven (7) members of Arcadis' Supervisory Board, both (2) members of Arcadis' Executive Board, one (1) member of the Executive Leadership Team and ten (10) members from the Board of Stichting Bellevue (a foundation seated in Amsterdam, whose board members are appointed by and from the international employees of the Arcadis Group).

Cumulative Preferred (Protective) Shares

Currently no cumulative preferred (protective) shares have been issued. However, an option agreement to acquire such shares has been entered into between Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') and Arcadis NV under that agreement. The Preferred Stock Foundation has been granted the right to acquire protective shares up to a maximum equal to the number of outstanding shares at the date in question (call option).

The Board of the Preferred Stock Foundation consists of three (3) members appointed by the Board itself. The Chair (or another member) of the Supervisory Board and the CEO (or the other member of the Executive Board) will be invited to attend the board meetings of this foundation. This will not apply if a decision is to be made on the exercise of the option right or the exercise of voting rights on acquired shares.

Cumulative financing preferred shares

Since 2002, the Articles of Association of Arcadis NV include the possibility to issue cumulative financing preferred shares. Currently, no such shares have been issued.

Agreements with shareholders

The Articles of Association of Stichting Lovinklaan stipulate that their Articles of Association cannot be amended without prior approval of Stichting Prioriteit Arcadis NV. In a separate agreement between Stichting Prioriteit Arcadis NV and Stichting Lovinklaan it is stipulated that prior approval of Stichting Prioriteit Arcadis NV is required for any resolution concerning the disposal or transfer of shares in Arcadis NV if, as a result of such resolution the number of shares held by Stichting Lovinklaan will drop below 12,000,000 (number of shares held at 31 December 2021: 16,304,624).

Issuance of shares

The General Meeting decides, with the approval of the Supervisory Board and Stichting Prioriteit Arcadis NV, about the issuance of shares or grant of rights to acquire shares. The General Meeting can also delegate its authority to issue shares, or part thereof, to the Executive Board. As long as any such delegation stands, the General Meeting cannot decide to issue. A total of 616,854 shares were issued in 2021 to distribute to those shareholders that opted to receive their dividend in the form of shares (stock dividend) (2020: dividend payment cancelled).

Cancellation of shares

The General Meeting decided in 2021, with the approval of the Supervisory Board and Stichting Prioriteit Arcadis NV, about the cancellation of 616,854 ordinary shares held by the Company. These were deducted from the treasury stock in September 2021.

Purchase of shares

As mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit Arcadis NV, the Executive Board may purchase fully paid-up shares in Arcadis NV. The mandate is not needed in case the shares are purchased to be transferred to employees and to fulfill commitments for stock dividend. As a result of its Long-Term Incentive Plan(s) or related arrangements, Arcadis needs to provide shares to persons working for Arcadis. The intention is to minimize dilution by purchasing (a portion of) the shares needed for such Long-Term Incentive Plan(s) (or related arrangements), as opposed to issuing new shares.

The following numbers of shares were repurchased over the past five years:

Year	Number of shares	Price at time of purchase (in €)
2017	419,042	17.42 to 19.91
2018	580,958	16.61 to 20.06
2019	850,000	13.82 to 17.59
2020	504,386	12.30 to 27.96
2021	2,316,830	27.58 to 40.24

The repurchased shares in 2021 are to cover for the vesting/exercise of shares and options granted and commitments for stock dividend. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 590,501 has been placed back in the market through the exercise of options and vesting of Restricted Share Units in 2021 (2020: 1,577,872). Net proceeds of the exercise of options, included in Retained earnings, amounted to €6.2 million (2020: €8.4 million).

At 31 December 2021, the number of repurchased shares in stock (treasury stock) amounted to 1,432,852 (2020: 323,377).

The number of outstanding ordinary shares over the past five years developed as follows:

Year	1 January	Issued shares	Repurchased shares	Reissued shares	31 December
2017	84,792,172	1,340,343	(419,042)	749,585	86,463,058
2018	86,463,058	1,608,094	(580,958)	221,133	87,711,327
2019	87,711,327	1,426,786	(850,000)	757,115	89,045,228
2020	89,045,228	-	(504,386)	1,577,872	90,118,714
2021	90,118,714	616,854	(2,316,830)	590,501	89,009,239

Share premium

Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares or exercise of share options.

Translation reserve

Translation reserve (a statutory reserve) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. An amount of €62.8 million was added the Translation reserve in 2021 (2020: €66.0 million deduction).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. An amount of €0.5 million was added to the Hedging reserve in 2021, net of a tax effect of €0.1 million (2020: €0.7 million and €0.2 million, respectively).

Retained earnings

The Executive Board proposes, with the approval of the Supervisory Board, which part of the profit shall be reserved. The remaining part of the profits shall be at the disposal of the General Meeting and may be distributed as dividend. The holder of the priority shares is entitled to a dividend of 5% of the par value of the priority shares, prior to any dividend distribution being made. On these shares no further distributions shall be made.

Profit allocation

The profit attributable to the equity holders of the Company over fiscal year 2021 amounts to €167.9 million. The Executive Board, with the approval of the Supervisory Board, proposes to add an amount of €52.2 million to the retained earnings and to present for approval to the Annual General Meeting its proposal to distribute in cash a dividend amount of €115.7 million, which represents a dividend of €0.70 per ordinary share (2020: €0.60) and a special dividend of €0.60 per ordinary share. Of the total Retained earnings, an amount of €9.6 million of legal reserves is restricted in distribution (2020 restated: €15.6 million). See note 46 to the Company financial statements for further details.

27 Non-controlling interests

Non-controlling interests represent the net assets which are not held by the Company and are presented within total equity in the Consolidated balance sheet as a separate category. Profit or loss and each component of Other comprehensive income are attributed to the equity holders and to the non-controlling interests.

The movements in non-controlling interests are specified below.

In € thousands	2021	2020
Balance at 1 January	**(1,237)**	**2,877**
Share in profit for the year	337	(706)
Dividends to non-controlling shareholders	(133)	(3,419)
Exchange rate differences	(115)	11
Balance at 31 December	**(1,148)**	**(1,237)**

At 31 December 2021, the non-controlling interests mainly consisted of:

- Arcadis and Towell Sdn. Bhd. (25%) (2020: 25%)
- Hyder Middle East Limited International Company (30%) (2020: 30%)
- Hyder & Solaiman Elkhereiji Engineering Consultants (30%) (2020: 30%)
- Gerenciamento Nacala Ltda (40%) (2020: 40%)

28 Provisions for employee benefits

Most of the pension plans of the Group qualify as defined contribution pension plans. However, the Group also operates a few defined benefit pension plans.

Defined contribution pension plans
For defined contribution pension plans, the Group pays fixed contributions into a separate entity, which are charged to profit or loss in the period during which services are provided by employees. The Group's legal or constructive obligation is limited to the contributions paid into the plans. Prepaid contributions are recognized as an asset to the extent that Arcadis has the unconditional right to cash refunds or reduction in future payments.

Defined benefit pension plans
Some of the pension plans qualify as defined benefit pension plans. For these plans, the costs are recognized as personnel costs and financing costs in profit or loss. The amount charged to personnel costs is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit changes, settlements and curtailments (such events are recognized immediately in profit or loss).

The amount charged to financing costs is the net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Any differences between the expected interest on assets and the return actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognized immediately in profit or loss.

The majority of the defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. These plans are subject to regular actuarial review by external actuaries, using the projected unit credit method.

The defined benefit pension plan on the balance sheet comprises the present value of the defined benefit pension obligation and the fair value of plan assets. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds (or suitable alternative where there is no active corporate bond market) that are denominated in the currency in which the benefits will be paid, and with maturity dates approximating to the terms of the related pension obligations.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in profit or loss.

The table below provides a summary of the total provision for employee benefits at the balance sheet date.

In € thousands	Asset side	Liability side	Total 2021
Defined benefit pension plans	26,564	37,709	11,145
Other deferred compensation plans	-	21,469	21,469
Total provision for employee benefits	**26,564**	**59,178**	**32,614**
Non-current	26,564	53,572	27,008
Current	-	5,606	5,606
Total	**26,564**	**59,178**	**32,614**

In € thousands	Asset side	Liability side	Total 2020
Defined benefit pension plans	-	46,819	46,819
Other deferred compensation plans	-	19,475	19,475
Total provision for employee benefits	**-**	**66,294**	**66,294**
Non-current	-	60,153	60,153
Current	-	6,141	6,141
Total	**-**	**66,294**	**66,294**

Pension costs recognized in profit or loss

The total pension costs recognized in profit or loss were as follows:

In € thousands	2021	2020
Total defined benefit pension plans	3,519	4,268
Total defined contribution pension plan and other deferred compensation plans	70,834	62,515
Total pension costs	**74,353**	**66,783**

The pension expenses of defined benefit and defined contribution pension plans are recognized in the following line items in the Consolidated income statement:

In € thousands	2021	2020
Personnel costs	74,181	66,693
Finance expenses	172	90
Total pension costs	**74,353**	**66,783**

Defined benefit pension plans

Description of plans

The defined benefit pension plans of the Group are either career average, final salary or hybrid plans. In addition, there is a termination indemnity plan for Arcadis Middle East, which pays out a single lump sum at exit (regardless of age, service or reason for exit).

The two main defined benefit pension plans are in the UK, being the 'EC Harris Group Pension Scheme' and the 'Acer Group Pension Scheme' (formerly Hyder), which account for 100% of the pension assets for funded schemes in surplus (2020: 24% of the total defined benefit liability). The defined benefit liability is due to the termination indemnity plan in Arcadis Middle East (formerly Hyder) (39% of the total defined benefit liability as at 31 December 2020) and other individually immaterial defined benefit pension plans within the Group (37% of the total defined benefit liability as at 31 December 2020).

As at 31 December 2021 both defined benefit pension plans in the UK have a surplus (total of €26.6 million) compared to a deficit of €10.6 million as at 31 December 2020. This improvement is mainly due to the reduced value placed on the liabilities due to an increase in bond yields, in addition to contributions paid and higher than assumed investment returns.

The EC Harris Group Pension Scheme has been closed for future accruals since 31 January 2011, whereas the Acer Group Pension Scheme was closed for future accruals since 30 April 2011. Both plans are funded plans. The other defined benefit pensions plans are mainly active and funded plans.

Governance

The majority of the defined benefit pension plans are established as independent foundations or similar entities, with operations governed by local regulations and practice in each country. Boards of Trustees, which consist of employer and employee representatives, are generally required to act on behalf of the plan's stakeholders and perform periodic reviews on the solvency of the funds in accordance with local laws and regulations. They are responsible for administering the plan assets and for defining the investment strategy.

Investment strategy

The investment strategy of the Group in respect of the funded plans is implemented within the framework of the various local requirements of the countries where the plans are based. The objective is to control the risks and maintain an appropriate balance between the risks and the long-term returns. Therefore, the investments are well diversified and managed within the asset-liability matching (ALM) frameworks of the funds. Within these frameworks the objective is to match assets to the pensions obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Specification defined benefit pension plans

The table below provides a summary of the classification of the defined benefit pension plans at 31 December.

	2021			2020		
In € thousands	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
EC Harris Group Pension Scheme (ECH)	120,820	128,385	(7,565)	120,498	120,335	163
Acer Group Pension Scheme (AGPS)	260,632	279,631	(18,999)	258,275	247,796	10,479
ME Termination Indemnity Plan (HME)	19,653	-	19,653	18,415	-	18,415
Other defined benefit pension plans			18,056			17,762
Total defined benefit pension plans			**11,145**			**46,819**

The next table provides a summary of the changes in the defined benefit obligations and the fair value of the plan assets for the UK (A and B), Arcadis Middle East (C) and the other defined benefit pension plans (D). It also provides a reconciliation of the funded status of the plans to the amounts recognized in the Consolidated balance sheet.

In € thousands	ECH	AGPS	AME	Other	Total
Balance at 1 January 2020	**(3,706)**	**4,990**	**17,892**	**14,124**	**33,300**
Current service cost	-	-	2,000		
Interest expense/(income)	(89)	76	335		
One-off equalization cost	-	-	-		
Reclassification	-	-	-		
Subtotal	**(89)**	**76**	**2,335**	**1,856**	**4,178**
Remeasurement:					
Return on plan assets excluding amounts included in interest expense/(income)	(9,239)	(20,121)	-		
(Gain)/loss from change in financial assumptions	15,877	31,197	256		
(Gain)/loss from change in demographic assumptions	(164)	(2,787)	(231)		
Experience (gain)/loss	(1,116)	(300)	2,020		
Total remeasurement	**5,358**	**7,989**	**2,045**	**2,993**	**18,385**
Exchange rate differences	197	(265)	(1,181)	(602)	(1,851)
Contributions by employer	(1,595)	(2,311)	-	(319)	(4,225)
Benefit payments from plans	-	-	(2,676)	(292)	(2,968)
Balance at 31 December 2020	**164**	**10,479**	**18,415**	**17,761**	**46,819**
Current service cost	-	-	1,317		
Interest expense/(income)	(11)	133	113		
One-off equalization cost	-	-	-		
Reclassification	-	-	-		
Subtotal	**(11)**	**133**	**1,430**	**1,967**	**3,519**
Remeasurement:					
Return on plan assets excluding amounts included in interest expense/(income)	32	(16,485)	-		
(Gain)/loss from change in financial assumptions	(6,964)	(12,493)	(339)		
(Gain)/loss from change in demographic assumptions	684	2,511	134		
Experience (gain)/loss	354	(478)	3,312		
Total remeasurement	**(5,894)**	**(26,945)**	**3,107**	**(292)**	**(30,024)**
Exchange rate differences	11	672	1,348	(794)	1,237
Contributions by employer	(1,835)	(3,338)	-	(158)	(5,331)
Benefit payments from plans	-	-	(4,647)	(428)	(5,075)
Balance at 31 December 2021	**(7,565)**	**(18,999)**	**19,653**	**18,056**	**11,145**

The current and non-current breakdown of defined benefit pension plan is as follows:

	2021	2020
Non-current	11,118	46,792
Current	27	27
Total	**11,145**	**46,819**

(A) EC Harris group pension scheme (ECH)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands/%	2021	%	2020	%
Equities	14,208	11	12,048	10
Fixed income	13,942	11	13,268	11
Property and real estate	5,299	4	4,915	4
Hedge funds	-	0	-	0
Cash	1,872	1	335	0
Other [1]	93,063	73	89,769	75
Total at 31 December	**128,384**	**100**	**120,335**	**100**

[1] Others include private credit,diversified growth funds and liabiliy driven investment fund

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2021	2020
Discount rate	2.00	1.40
Pension increases	2.15-3.60	1.80-3.30
Retail price index inflation	3.60	3.10
Consumer price index inflation	2.60	2.10

The discount rate is based on yields on UK AA-rated high-quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of nineteen years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

In years	2021	2020
Man/woman currently aged 65	22.4 / 24.8	22.4 / 24.6
Man/woman reaching age of 65 in 20 years	23.8 / 26.2	23.7 / 26.1

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, rate of inflation and changes in the mortality assumptions. In 2021, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	11,895
Rate of inflation	0.5%	5,948
Life expectancy	one-year change	4,758

The sensitivity analysis as disclosed in the 2020 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	12,298
Rate of inflation	0.5%	5,590
Life expectancy	one-year change	4,472

Defined benefit liability and employer contributions

The Company expects €1.7 million in contributions to be paid to the plan in 2022. The estimated net pension costs to be recognized in the Consolidated income statement in 2022 amounts to €0.2 million, relating to net interest charges. The estimated weighted average duration of the defined benefit obligation is around 19 years.

(B) Acer Group Pension Scheme (AGPS)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands / %	2021	%	2020	%
Equities	67,830	24	76,399	31
Fixed income	45,092	16	14,774	6
Property and real estate	2,922	1	6,802	3
Hedge funds	132,967	48	97,576	39
Cash	1,562	1	1,952	1
Others[1]	29,258	10	50,293	20
Total at 31 December	**279,631**	**100**	**247,796**	**100**

[1] Others include alternatives, commodities, return seeking credit and insured pensions

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2021	2020
Discount rate	2.00	1.40
Pension increases	2.15-3.60	1.80-3.30
Retail price index inflation	3.60	3.10
Consumer price index inflation	2.60	2.10

The discount rate is based on yields on UK AA-rated high-quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of 18 years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy underlying the values of the liabilities in the defined benefit plans are as follows:

In years	2021	2020
Man/woman currently aged 65	22.4 / 24.7	22.4 / 24.6
Man/woman reaching age of 65 in 20 years	23.8 / 26.1	23.7 / 26.1

Sensitivity analysis
The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, rate of inflation and changes in life expectancy. In 2021, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	22,601
Rate of inflation	0.5%	13,085
Life expectancy	one-year change	11,895

The sensitivity analysis as disclosed in the 2020 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	22,360
Rate of inflation	0.5%	15,652
Life expectancy	one-year change	12,298

Defined benefit liability and employer contributions
The Group has agreed that it will aim to eliminate any pension plan deficit within the next nine years. Therefore, funding levels are monitored on an annual basis.

The Company expects €3.6 million in contributions to be paid to the plan in 2022. The estimated net pension costs to be recognized in the Consolidated income statement in 2022 amounts to €0.4 million, relating to net interest charges. The estimated weighted average duration of the defined benefit obligation is around 18 years.

(C) Arcadis ME End of service benefits (AME)
Plan assets
There is no local regulation that requires a level of funding of the plan, therefore no assets have been set aside to fund these arrangements.

Actuarial assumptions
The principal actuarial assumptions at the reporting date are:

In %	2021	2020
Discount rate	0.70-1.75	0.80
Salary increases (expected,per annum)	0 -2.00	0 -2.00

As there is no deep market in corporate bonds within the Gulf Cooperation Council (GCC) region and the limited number of government bonds available do not provide an adequate reference, the discount rate is based on the US AA-rated corporate bond market as a proxy. The payments have an average duration of three years, which is lower than in previous years due to the strategic decision made in 2020 to reduce the footprint in the Middle East.

Demographic assumptions for mortality, withdrawal, and retirement are used in determining the liability. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used. The retirement age used for the actuarial valuations is as follows:

In years	2021	2020
Man/woman Saudi Arabia	60 / 55	60 / 55
Man/woman other countries	65 / 65	65 / 65

Sensitivity analysis
The calculation of the liability of AME is sensitive to the discount rate and salary increases. In 2021, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	199
Salary increases	0.5%	258

The sensitivity analysis as disclosed in the 2020 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	108
Salary increases	0.5%	109

Defined benefit liability and employer contributions

The Company expects €1.6 million of service costs and €0.2 million of interest costs to be recognized in the Consolidated income statement in 2022. The estimated weighted average duration of the defined benefit obligation is around three years.

(D) Other defined benefit pension plans

The other defined benefit pension plans are individually immaterial and mainly relate to France, Germany and the UK. No detailed disclosures for these individual plans are provided. For the movement in the balance sheet position of these other defined benefit pension plans in total we refer to the table below.

Other deferred compensation plans

The other deferred compensation plans consist of the following balances:

In € thousands	2021	2020
Deferred salaries	11,001	9,820
Future jubilee payments	4,645	4,601
Other	5,822	5,054
Balance at 31 December	**21,468**	**19,475**

The movement in the other deferred compensation is as follows:

In € thousands	2021	2020
Balance at 1 January	19,475	19,095
Acquisitions	-	80
Additions	1,184	1,713
Amounts used/released	(25)	(581)
Exchange rate differences	834	(832)
Balance at 31 December	**21,468**	**19,475**
Non-current	15,890	13,362
Current	5,578	6,114
Balance at 31 December	**21,468**	**19,475**

Deferred salaries

The deferred salaries mainly include a plan for deferred compensation of our operating company in the United States. Management of this operating company can elect not to have its salary paid out, but rather invested in a fund by the Company, and is offered a choice of three different portfolio types: risk averse, neutral and risky. The risk is the responsibility of the participants. The related assets are included in note 20 for an amount of €11.0 million (2020: €9.8 million).

Future jubilee payments

An amount of €4.6 million is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels (2020: €4.6 million).

Other

Other deferred compensation includes €5.1 million of long service leave provisions in Australia, where employees are entitled to long service leave after a certain number of years of continuous service (2020: €4.8 million). The time allowance and conditions of entitlement are set out in legislation and vary by territory. An amount of €3.8 million is expected to be paid within one year (2020: €3.6 million).

29 Provisions for other liabilities and charges

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at net present value, taking into account the timing of the cash outflows. The discount rate used reflects the current market assessments of the time value of money and the risks specific to the liability. Unwinding of the discount is recognized as a finance expense (see note 11).

The amounts recognized as provisions reflect management's best estimate of the expenditures required to settle the present obligations at the balance sheet date or to transfer it to a third party at that time.

In € thousands	Restructuring	Litigation	Restoration	Other	Total
Balance at 1 January 2020	**2,219**	**15,445**	**4,296**	**17,793**	**39,753**
Additions	5,432	20,133	946	2,265	28,776
Amounts used	(4,126)	(8,780)	(100)	(625)	(13,631)
Release of unused amounts	(1,377)	(5,232)	(337)	(9,626)	(16,572)
Reclassifications	-	-	1,703	(1,744)	(41)
Exchange rate differences	(32)	(922)	(246)	(251)	(1,451)
Balance at 31 December 2020	**2,116**	**20,644**	**6,262**	**7,812**	**36,834**
Additions	3,623	11,410	-	2,117	17,150
Amounts used	(2,758)	(1,933)	-	(1,321)	(6,012)
Release of unused amounts	(798)	(2,798)	-	(3,379)	(6,975)
Reclassifications	-	-	(1,172)	1,652	480
Exchange rate differences	81	353	(251)	220	403
Balance at 31 December 2021	**2,264**	**27,676**	**4,839**	**7,101**	**41,880**
Non-current	1,515	23,925	3,668	5,282	34,390
Current	749	3,751	1,171	1,819	7,490
Total	**2,264**	**27,676**	**4,839**	**7,101**	**41,880**

Restructuring

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly in CallisonRTKL, Continental Europe and Asia. A provision is only recognized once the decision to execute said restructuring has been taken, its costs can be reasonably and fairly estimated, and its intended execution has been announced.

Litigation

Clients of Arcadis sometimes claim, justified or not, that they are not satisfied with the services provided by the Company. While the outcome of these claims cannot be predicted with certainty, management believes that, based on (external) advisors and information received, the provision of €27.7 million (2020: €20.6 million) is the best estimate of the potential financial risk, net of insurance coverage. These insurance policies include a global professional liability insurance and in addition, local insurance in a number of countries. In general, these insurance policies have a self- insured retention and a maximum pay-out level.

Outstanding litigation (including the provisions, defense costs and reimbursement coverage) is reviewed periodically and revisions are made when necessary. Since the outcome cannot be predicted with certainty and settlement of claims could take several years, final settlement could differ from this best estimate.

Further information ordinarily required by IAS 37 has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

Restoration provision for leased assets

For lease contracts that require the Company to maintain an underlying asset during the lease term and/or restore it to its original condition before returning to the lessor at the end of the lease, a restoration provision is recognized when the obligation arises. For the same amount a right-of-use asset is recognized and depreciated over the lease term. The discount rate used is the Incremental Borrowing Rate.

Other

The category other provisions include individually immaterial items, and the Company expects that they will be substantively used within one to five years. An amount of €1.0 million relating to ALEN as at 31 December 2020 has been released in 2021.

30 Loans and borrowings

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and repayments over time is charged to profit or loss over their duration. The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities.

All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial liabilities include loans and borrowings, bank overdrafts, trade and other payables. Initially these liabilities are recognized at fair value plus the directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the Company specific market rate of interest at reporting date.

Loans and borrowings at 31 December are as follows:

In € thousands	Interest rates between	2021	2020
Short-term bank loans	1.2% - 3.8%	75,531	90,726
Long-term bank loans	1.2% - 2.6%	187,507	397,366
Other long-term debt [1]	3.0% - 6.9%	4	3,598
Short-term borrowings	0% - 4.2%	525	8,676
Total loans and borrowings		**263,567**	**500,366**
Current [2]		76,057	99,402
Non-current		187,510	400,964
Total		**263,567**	**500,366**

[1] Including retentions and expected after-payments not due within one year, amounting to nil (2020: €3.6 million)
[2] Excluding after-payments for acquisitions, see note 6

The movement in non-current loans and borrowings is as follows:

In € thousands	2021	2020
Balance at 1 January	**400,964**	**460,583**
New debt	-	220,247
Accrued interest	(560)	(136)
Redemptions	(37,267)	(128,990)
From current to non-current liabilities	-	-
Acquisitions (deferred consideration)	-	-
From long-term to current position other long-term	(177,947)	(142,304)
Exchange rate differences	2,320	(8,436)
Balance at 31 December	**187,510**	**400,964**

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	2021	2020
2022	-	114,647
2023	55,652	56,959
2024	-	96,476
2025	79,393	80,383
2026	-	-
After 2026	52,465	52,499
Balance at 31 December	**187,510**	**400,964**

The movement in short-term debts and current portion of long-term debts is as follows:

In € thousands	2021	2020
Balance at 1 January	**99,402**	**150,206**
New debt	20,566	41,500
Redemptions	(225,317)	(224,571)
From long-term to current position other long-term	177,947	142,304
Exchange rate differences	3,459	(10,037)
Balance at 31 December	**76,057**	**99,402**

Interest rates

The interest rate ranges for the total loans and borrowings are as follows:

In %	2021	2020
0% - 4%	263,042	403,467
4% - 7%	525	96,899
Balance at 31 December	**263,567**	**500,366**
Weighted average interest rate [1]	**1.9%**	**2.5%**

1 On interest-bearing debt (including the interest effect of swaps)

Fair value

The fair value of the Group's loans and borrowings has been estimated at €264.2 million, based on quoted market prices for the same or similar loans or on the current rates offered to the Group for debt with similar maturities (2020: €504.4 million).

Long Term loans

In May 2021, €36.0 million of floating rate Schuldschein loans were repaid early, free of an interest penalty. In June 2021, the US Private Placement note of US$110.0 million (€96.6 million) at 5.1% was fully reimbursed in accordance with the contractual repayment schedule.

In October 2021, all existing syndicated credit facilities were refinanced. These syndicated credit facilities consisted of the €300.0 million and US$115.0 million (€101.0 million) syndicated Revolving Credit Facilities and the €25.0 million and US$87.5 million (€76.9 million) syndicated Term loans.

These syndicated credit facilities were refinanced into a sustainability-linked, syndicated Revolving Credit Facility of €500 million. The sustainability-link allows Arcadis to benefit from an interest discount in case the Environmental Social Governance management score reported by Sustainalytics improves considerably. Reversely, Arcadis must pay an interest penalty in case the score deteriorates considerably.

The maturity of the new €500 million Revolving Credit Facility is October 2026, with two additional options to xtend for one year. The terms and conditions have further improved due to the strong financial profile of Arcadis and the more accommodative market circumstances.

The current portion of long-term debt includes the €64 million, US$9.0 million (€7.9 million) and US$ 4.0 million (€3.5 million) Schuldschein loans from 2015. The Euro loan matures in May 2022 and the US Dollar loans in October 2022. The long term debt includes a total of Schuldschein debt in the amount of €190.0 million maturing in 2023, 2025 and 2027.

Financial covenants

The leverage covenant for the €500 million syndicated Revolving Credit Facility and for the Schuldschein loans issued in October 2020 prescribes that the average net debt to EBITDA ratio is not to exceed the maximum of 3.5, which is confirmed to the Lenders twice a year. This leverage covenant is aligned to IFRS 16. At 31 December 2021 the average net debt to EBITDA ratio calculated in accordance with the credit documentation of the Schuldschein loans issued on October 2020 and the €500 million syndicated Revolving Credit facility is 0.8. No other financial covenants exist for these credit facilities.

Both the €500 million syndicated Revolving Credit Facility and the €150 million Schuldschein loans issued in October 2020 do not contain an interest coverage ratio.

The leverage covenant for the 2015 Schuldschein loans prescribes that the average net debt to EBITDA ratio is not to exceed the maximum ratio of 3.0, which is confirmed to all lenders twice a year. At 31 December 2021, the average net debt to EBITDA ratio calculated in accordance with the agreements 0.0 (2020: 0.7), see also note 32. These financial covenant ratios are not impacted by IFRS 16.

The lease-adjusted interest coverage ratio for the 2015 Schuldschein prescribes that EBITDA to Relevant Net Finance Expense (Net Finance Expense plus Operating Lease Expense) must exceed 1.75. At 31 December 2021, this ratio calculated in accordance with agreements with the lenders is 3.8 (2020: 3.2).

Short Term Credit facilities

The total short-term credit facilities amount to €329.6 million, which include all uncommitted credit facilities, bank guarantee facilities and surety bond lines with financial institutions of which €142.1 million has been used as per 31 December 2021 (2020: €681.9 million and €142.0 million respectively). The decrease in 2021 is mainly caused by the maturing COVID Corporate Financing Facility (CCFF) by the Bank of England for a maximum amount of £300.0 million (€356.9 million). Arcadis did not make use of the facility in its lifetime.

The Group has short-term uncommitted credit facilities of €100.0 million with relationship banks and three bank guarantee facilities totaling €63.7 million (2020: €452.4 million and €72.8 million respectively). These short-term credit facilities are used for the financing of working capital and general corporate purposes of the Group. The decrease in 2021 is mainly caused by the maturing COVID Corporate Financing Facility (CCFF) by the Bank of England for a maximum amount of £300.0 million (€356.9 million). Arcadis did not make use of the facility in its lifetime.

By the end of the year 2021, the total amount of bank guarantees and letters of credit that were outstanding under the €63.7 million guarantee facilities amounted to €42.1 million (2020: €37.4 million). Additionally, there were other outstanding bank guarantees, letters of credit and surety bonds amounting to €99.2 million (2020: €95.0 million).

31 Accounts payable, accrued expenses and other current liabilities

Other current liabilities are non-derivative financial liabilities, which are initially recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

In € thousands	Note	2021	2020
Accounts payable		232,211	183,313
Accrued expenses		58,742	38,060
Payables to employees		184,345	158,569
Taxes and social security contributions		89,121	110,919
After-payments relating to acquisitions	6	476	1,212
Provisions for Expected Credit Loss on corporate guarantees	17	-	5,358
Other liabilities		54,522	63,604
Balance at 31 December		**619,417**	**561,035**

Of the total accounts payable approximately 45% is subject to a so-called ‘paid-when-paid’ clause (2020: 47%). The expectation is that all accounts payable will be paid within the normal course of business and are therefore classified as short-term liabilities. Further information about Arcadis’ exposure to liquidity risk is included in note 32.

COVID-19 relief measures provided by governments resulted in the deferral of tax and social security payments in 2020 in mainly the United Kingdom and the United States. During 2021 an amount of approximately €49 million of such deferrals have been paid, reducing the Other current liabilities.

The reduction to nil of the provision for Expected Credit Loss on corporate guarantees is due to the full and final settlement of all liabilities relating to ALEN in the second quarter of 2021, see note 17.

Other liabilities include various accrued liabilities, such as to be paid occupancy costs, insurance costs and interest costs. Any lease incentives (‘tenant improvement allowances’) received are part of the right-of-use asset, see note 16.

32 Capital and financial risk management

Arcadis' activities expose the Group to a variety of financial risks, including (A) credit risks, (B) liquidity risks, and (C) market risks.

These risks are inherent to the way the Group operates as a multinational with locally operating subsidiaries. The Executive Board is responsible for the design and functioning of the internal risk management systems. The day-to-day risk management activities related to the financial risk management are carried out by Arcadis Group Treasury, in line with the guiding principles of the Group Treasury Policy, as updated and approved by the Executive Board in May 2021.

Arcadis Audit and Risk Committee oversees how management monitors compliance with the Group risk management policies and procedures, and the Arcadis control framework. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(A) Credit risks

Credit risk arises from receivables from customers as well as cash balances and fair values of derivatives with financial counterparties (e.g. banks). The credit risk on customers is influenced mainly by the individual characteristics of each customer. Arcadis usually invoices clients for services according to the progress of the work. If clients refuse or are unable to meet their contractual payment obligations, the Group may not have sufficient cash to satisfy its liabilities and its growth and continued operations could be adversely impacted.

The key objective of the Group's counterparty risk management is to minimize the risk of losses as a result of failure of an individual financial counterparty that could negatively impact the Group's results. Arcadis aims to centralize cash balances with banks that have also provided committed credit facilities to the Group in order to reduce this counterparty risk.

The exposure to credit risk is monitored on an ongoing basis at local entity and at group level. Normally, Arcadis only deals with counterparties that have a sufficiently strong credit rating. Where possible, Arcadis uses credit ratings provided by external credit rating agencies, thus monitoring creditworthiness in order to manage the related credit risk. Furthermore, Arcadis strongly focuses on clients by strengthening the commercial relationship and being more selective to which clients services are offered. Through systematic account management we aim to build long-term relationships with selected multinational and key national/local clients. We already have a relationship with the majority of our multinational clients for more than five years. New customers are analyzed individually for creditworthiness before services are offered and monitored regularly.

The carrying amount of financial assets represents the maximum credit exposure. Per 31 December, the maximum exposure to credit risk was:

In € thousands	Note	2021	2020
Financial assets:			
Trade receivables	21	521,855	468,479
Contract assets (unbilled receivables)	22	500,268	466,290
Other receivables	24	16,702	15,279
Other non-current assets	20	22,214	22,581
Derivatives	19	7,107	10,547
Loans to associates and joint ventures	17	-	-
		1,068,146	**983,176**
Cash and cash equivalents less bank overdrafts	25	350,912	448,867
Total		**1,419,058**	**1,432,043**

Trade receivables

Trade receivables are presented net of a provision for expected credit losses. The credit risk is measured and analyzed on a local level at regular intervals, taking into consideration, amongst others, the financial situation of the debtor and ageing of receivables. Expected losses are determined in line with IFRS 9, see note 21.

The ageing of Trade receivables and the provision for Trade receivables at reporting date is disclosed below and in note 21. The ageing of receivables has led to the recognition of (expected) credit losses and calibration of assumptions as included in the Goodwill impairment test.

The movement schedule for the provision for Trade receivables is included in note 21.

	2021			2020		
In € thousands	Gross Receivables	Provision bad debt	Provision ECL	Gross Receivables	Provision bad debt	Provision ECL
Not past due	386,174	(4,218)	(244)	340,014	(4,183)	(171)
Past due 0-30 days	65,439	(1,314)	(33)	58,703	(919)	(30)
Past due 31-60 days	28,408	(906)	(18)	22,519	(442)	(18)
Past due 61-120 days	17,622	(607)	(12)	21,869	(807)	(33)
Past due 121-364 days	22,570	(5,756)	(13)	32,336	(9,304)	(27)
More than 364 days due	52,738	(39,696)	(368)	42,901	(35,374)	(352)
Total	**572,951**	**(52,497)**	**(688)**	**518,342**	**(51,029)**	**(631)**

There are various reasons for delays in payments that result in past due amounts and that impact Days Sales Outstanding (DSO). Arcadis has overdue receivables which are generally considered collectible and for which the risk of impairment is remote.

In 2020 a specific overdue unbilled & billed receivables program was defined and rolled out across the Group since then. The main three program elements are to increase involvement of project management and account management in the overall invoice and cash collection process, enhance specific action tracking and include detailed unbilled and overdue reduction targets in our incentive program.

Amounts due at 31 December 2021 subject to the 'paid-when-paid principle' are disclosed in note 21. Further details on how Arcadis uses this principle to manage working capital is disclosed in the section on liquidity risk.

Other receivables and non-current assets

Other receivables and Other non-current assets are monitored for expected credit losses. They do not contain impaired assets and are not past due.

Loans to associates and joint ventures

Loans to associates and joint ventures are subject to credit risk. At 31 December 2021, no material loans to associates were outstanding.

Cash and cash equivalents

The credit risk of Cash and cash equivalents is the risk that counterparties are not able to repay amounts owed to Arcadis upon request of Arcadis. The objective of the Group is to minimize credit risk exposure in Cash and cash equivalents by investing in liquid securities and entering into transactions involving derivative financial instruments only with counterparties that have sound credit ratings, a good reputation and belong to the group of Core banks which also provide committed credit facilities. The related risk is monitored on an ongoing basis both at local entity and group level. The Group keeps approximately 85% (2020: 92%) of its cash reserves at our Core banks and is only allowed to invest in short-term, liquid securities with counterparties that have an investment grade rating from Standard & Poor's, Moody's or Fitch. Management monitors these ratings and does not expect any such counterparty to fail to meet its obligations in the short-term.

Guarantees and letters of credit

On behalf of the Group and local entities, financial institutions (such as banks and insurance companies) have provided bank guarantees, surety bonds and letters of credit amounting to €141.3 million outstanding as at 31 December 2021 (2020: €132.5 million). In addition, Arcadis NV has provided financial guarantees to banks for a maximum amount of €163.0 million (2020: €149.0 million). No Expected Credit Losses are recognized from these guarantees.

(B) Liquidity risks

Liquidity risk is the risk that Arcadis will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient committed credit facilities and cash and cash equivalents to enable Arcadis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Arcadis. Our Group Treasury Policy supports this principle by stating that the Group aims to have no more than 33% of total fixed debt to be refinanced in any one year and that the minimal liquidity at any given point in time should always exceed €200.0 million.

Neither the aged (un)billed receivables of individual customers, nor the profile of the accounts receivable portfolio of CGUs, impose a significant threat to the Group's liquidity planning.

Over the course of the year, fluctuations occur in the working capital needed to finance operations. The Group strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy net debt to EBITDA ratio and (lease-adjusted) interest coverage.

To manage working capital, but only if legally allowed and commercially possible, Arcadis agrees with part of its sub-contractors so-called 'paid-when-paid' clauses. This means that Arcadis is in such instances better able to match the cash inflows from debtors with the related cash outflows to suppliers, as the timing of the payment of the supplier is dependent on the collection of the receivable from a client. This could however be impacted by contractual clauses and/or local laws and regulations that limit the maximum extension of payment terms to a moment before Arcadis gets paid by its client. In case of non-payment by the debtor, Arcadis still has to fulfil its obligations towards the supplier under a 'paid-when-paid' clause. Accounts payable at 31 December 2021 subject to the 'paid-when-paid principle' are disclosed in note 31. The expectation is that all accounts payable will be paid within the normal course of business and are therefore classified as short-term liabilities.

Lines of credit

The Company maintains the lines of credit as summarized in the table below.

In millions		31 December 2021						31 December 2020					
Type	Interest/fees			Available			Utilized			Available			Utilized
in € millions		GBP	USD	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD	EUR
Term loan	USD LIBOR		US$0	€ 0.0		US$0	€ 0.0		US$87.5	€ 71.6		US$87.5	€ 71.6
Term loan	EURIBOR			€ 0.0			€ 0.0			€ 25.0			€ 25.0
Revolving Credit Facility	EURIBOR			€ 500.0			€ 0.0			€300.0			€ 0.0
Revolving Credit Facility	USD LIBOR		US$0	€ 0.0		US$0	€ 0.0		US$115.0	€ 94.1		US$0	€ 0.0
Committed facilities	EURIBOR			€ 0.0			€ 0.0			€35.0			€ 0.0
Uncommitted multi-currency facilities	Floating			€ 100.0			€ 0.0			€ 117.0			€ 8.7
US Private Placement notes	5.1%		US$0	€ 0.0		US$0	€ 0.0		US$110.0	€ 90.0		US$110.0	€ 90.0
Schuldschein notes	Fixed/floating			€ 254.0			€ 254.0			€ 290.0			€ 290.0
Schuldschein notes	Fixed/floating		US$13.0	€ 11.4		US$13.0	€ 11.4		US$13.0	€ 10.6		US$13.0	€ 10.6
Guarantee facility	0.30% - 0.65%			€ 63.7			€ 42.1			€ 72.8			€ 37.4
Other (loans)	Various			€ 24.0			€ 0.9			€ 19.1			€ 0.9
Other (bank guarantees and surety bonds)	Various			€ 141.9			€ 99.2			€ 137.7			€ 95.0
COVID-19 Corporate Financing Facility	Floating	£0.0		€ 0.0	£0.0		€ 0.0	£300.0		€ 335.4	£0.0		€ 0.0

In May 2021, €36.0 million of floating rate Schuldschein loans were repaid early, free of an interest penalty. In June 2021, the US Private Placement note of US$110.0 million (€ 90.0 million) at 5.1% was fully reimbursed in accordance with the contractual repayment schedule.

In October 2021, all existing syndicated credit facilities were refinanced. These syndicated credit facilities consisted of the €300.0 million and US$115.0 million (€ 101.0 million) syndicated Revolving Credit Facilities and the € 25.0 million and US$ 87.5 million (€ 76.9 million) syndicated Term loans. These syndicated credit facilities were refinanced into a Sustainability-linked, syndicated Revolving Credit Facility of €500 million. The Sustainability-link allows Arcadis to benefit from an interest discount in case the ESG management score reported by Sustainalytics improves considerably. Reversely, Arcadis has to pay an interest penalty in case the ESG management score reported by Sustainalytics deteriorates considerably.

Contractual obligations

The following tables describe our commitments and contractual obligations for the following five years and thereafter. The other long-term debt obligations are the debt service obligations.

No collateral has been pledged for liabilities or contingent liabilities.

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In € thousands	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Contractual obligations at 31 December 2021					
Guarantees on behalf of associates	-	-	-	-	-
Off balance sheet lease commitments	-	-	-	-	-
Foreign exchange contracts:					
Outflow	611,570	611,570	-	-	-
Inflow	(615,695)	(615,695)	-	-	-
Interest rate swaps:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
Cross Currency swaps:					
Outflow	41,195	1,022	40,173	-	-
Inflow	(42,047)	(1,024)	(41,024)	-	-
Deferred consideration	480	476	4	-	-
Interest	14,427	5,025	5,463	3,025	914
Lease obligations	277,293	64,191	91,110	49,972	72,020
Loans and borrowings	263,042	75,120	56,063	79,393	52,466
Short-term bank debt	525	525	-	-	-
Accounts payable	232,211	232,211	-	-	-
Total	**783,001**	**373,421**	**151,789**	**132,390**	**125,400**
Contractual obligations at 31 December 2020					
Guarantees on behalf of associates	5,358	5,358	-	-	-
Off balance sheet lease commitments	1,075	1,075	-	-	-
Foreign exchange contracts:					
Outflow	468,935	468,935	-	-	-
Inflow	(467,861)	(467,861)	-	-	-
Interest rate swaps:					
Outflow	627	419	208	-	-
Inflow	-	-	-	-	-
Cross Currency swaps:					
Outflow	39,454	991	38,463	-	-
Inflow	(43,071)	(1,024)	(42,047)	-	-
Deferred consideration	4,810	1,212	3,598	-	-
Interest	30,260	12,124	11,684	4,614	1,838
Lease obligations	305,683	69,818	98,357	59,208	78,300
Loans and borrowings	500,367	99,402	268,082	80,383	52,500
Short-term bank debt	8,676	8,676	-	-	-
Accounts payable	183,313	183,313	-	-	-
Total	**1,037,626**	**382,438**	**378,345**	**144,205**	**132,638**

(C) Market risks

Market risk includes currency risk (C1) and interest rate risk (C2) and comprises the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Arcadis' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters set by the Group Treasury policy.

(C1) Currency risk

The key objective of the Group foreign exchange transaction exposure management is aimed at the active management of foreign exchange exposures by Group Treasury to reduce and limit the adverse effects of exchange rate changes on the Group's profitability.

Trade and financing transactions in non-functional currencies

The subsidiaries of Arcadis mainly operate in local markets, and as such both sales invoices and purchase invoices are mainly denominated in local currencies. In some instances, however, invoices are in the functional currency of the counterparty, which results in a currency exposure for the subsidiary. The exposure to foreign exchange risk on sales and costs denominated in another currency than the respective functional currencies of the subsidiaries is very limited. Only in limited cases e.g. for material transactions, the subsidiaries of Arcadis enter into forward foreign exchange contracts with Group Treasury in order to hedge these transaction risks.

Borrowings are denominated in currencies that partly match the cash flows generated by the underlying operations of the Group, primarily Euro and US Dollar.

Arcadis group companies can have positions in foreign currencies which are different than their respective functional currencies. For the main currencies the following positions per currency (translated in euros) are the cumulative gross exposures of non-functional currencies of all Arcadis group companies combined.

In € thousands	in EUR	in USD	in GBP	in CNY	in BRL	in AED
At 31 December 2021						
Trade receivables	3,031	31,055	37,189	15,089	20,416	5,389
Cash and cash equivalents	4,288	30,101	13,425	1,259	-	138
Derivatives	-	1,757	73,454	(5,944)	(7,173)	(15,164)
Loans and borrowings	-	(25,126)	(109,956)	-	-	10,913
Accounts payable	(303)	(16,231)	(14,344)	(251)	(13,401)	(173)
Lease liabilities	1,953	105	246	-	-	-
Balance exposure	**8,969**	**21,661**	**14**	**10,153**	**(158)**	**1,103**
At 31 December 2020						
Trade receivables	5,344	27,017	14,975	21,954	15,258	4,254
Cash and cash equivalents	1,812	66,208	34,120	387	-	3,507
Derivatives	-	13,816	13,752	(18,555)	(1,970)	(16,180)
Loans and borrowings	-	(85,609)	(38,867)	-	-	10,169
Accounts payable	(1,224)	(5,044)	(8,948)	(82)	(13,397)	-
Lease liabilities	3,578	197	13	-	-	-
Balance exposure	**9,510**	**16,585**	**15,045**	**3,704**	**(109)**	**1,750**

The below exchange rates were applied in the year.

	2021		2020	
In €	Average	Year-end	Average	Year-end
US Dollar (USD)	0.85	0.88	0.88	0.82
Pound Sterling (GBP)	1.16	1.19	1.12	1.12
Australian Dollar (AUD)	0.64	0.64	0.60	0.63
Chinese Yuan Renminbi (CNY)	0.13	0.14	0.13	0.13
Brazilian Real (BRL)	0.16	0.16	0.17	0.16
United Arab Emirates Dirham (AED)	0.23	0.24	0.24	0.22

Arcadis uses derivative financial instruments in order to manage market risks associated with changes in foreign exchange rates as well as interest rates. All transactions are carried out in accordance with the Group Treasury policy. The Group seeks to apply hedge accounting where possible to manage volatility in profit or loss. All foreign exchange forward transactions outstanding at year-end are due to mature in 2022.

Sensitivity analysis currency risks

Foreign currency sensitivity analyses are performed by applying an expected possible volatility of a currency, assuming all other variables, in particular interest rates, remain constant. All monetary assets and liabilities of the Group at year-end are revalued, which results in a hypothetical impact on net income and equity as summarized below.

	2021		2020	
In €	Impact on net income	Impact on equity	Impact on net income	Impact on equity
10% change Euro against the US Dollar	6.0	57.7	1.2	49.4
10% change Euro against the Pound Sterling	3.9	49.1	4.6	40.9
10% change Euro against the Australian Dollar	1.2	13.0	1.2	11.6

All material balance sheet positions have been hedged with foreign exchange contracts. The translation risk relating to subsidiaries with a functional currency other than the Group reporting currency of Euro are not hedged, in accordance with the Group Treasury policy.

(C2) Interest rate risks

The Group manages interest rate risks by financing fixed assets and part of current assets with shareholders' equity and long-term debt. The remainder of current assets is financed with short-term debt including revolving bank debt with variable interest rates. Based on the interest risk profile, financial instruments were outstanding during the year to cover part of the interest rate risk on long-term borrowings. This risk is applicable to long-term debt, short-term debt and bank overdrafts in the Consolidated balance sheet amounting to € 263.7 million at year-end 2021 (2020: €497.1 million).

The Group has €40.0 million of fixed to floating cross currency swaps to manage currency risk and interest rate risk in accordance with the Group Treasury Policy.

The Group Treasury Policy states that the fixed portion of net debt should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit or loss. Due to the ongoing decreasing leverage and thus significantly lower net debt levels, Arcadis has been subject to a higher fixed portion of net debt.

Sensitivity analysis Interest rate risk

Interest rate sensitivity analyses are performed by applying an expected possible volatility of interest rates, assuming all other variables remain constant. All interest-bearing liabilities of the Group at year-end are revalued, which results in a hypothetical impact on the pre-tax profit for the year and equity as summarized below.

	2021		2020	
In €	Impact of pre-tax profit for the year	Impact on equity	Impact of pre-tax profit for the year	Impact on equity
Ten basis-points change to interest rate	0.1	0.1	0.2	0.2

Capital risk management

Arcadis' objectives when managing capital are to safeguard Arcadis' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that optimizes its cost of capital and allows for sufficient flexibility towards the execution of Arcadis' strategy.

The Group sets the amount of capital in proportion to its risk appetite. The Group manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be altered by adjusting the amount of dividends paid to shareholders, return capital to shareholders, or issue new debt or shares. From time to time, Arcadis purchases its own shares, which are used as volume hedges for the transfer of shares under Arcadis' long-term incentive plans and to off-set the dilutive effect of scrip dividends.

Consistent with the financial covenants agreed with the banks, the Group monitors capital on the basis of the average Net debt to EBITDA ratio. This ratio is calculated as interest- bearing debt minus cash and cash equivalents divided by EBITDA. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

There were no changes in Arcadis' approach to capital management during the year. The Group and its subsidiaries are not subject to external capital requirements, other than financial covenants under the credit documentation of its committed credit facilities, as disclosed in the notes to these financial statements.

During 2021, Arcadis' strategic goal on financing, which was unchanged from 2020, was to maintain a Net debt to EBITDA ratio between 1.0 and 2.0 in order to secure access to finance at a reasonable cost.

Financial covenants

Financial covenants set under the contracts of the committed credit facilities that are applicable to Arcadis include the Total Leverage ratio (maximum 3.0 and 3.5) and the lease-adjusted Interest Coverage ratio (minimum 1.75). The Total Leverage ratio for the €500.0 million Revolving Credit Facility and the Schuldschein loans issued in 2020 has a maximum of 3.5, which is based on IFRS 16. These ratios are included in the next tables.

In € millions	Note	31 December 2021	31 December 2020
Long-term loans and borrowings	30	187.5	401.0
Current portion of loans and borrowings	30	76.1	99.4
Lease liabilities	16	192.5	209.0
Current portion of lease liabilities	16	62.5	69.4
Bank overdrafts	25	0.1	0.3
Total debt		**518.7**	**779.1**
Less: cash and cash equivalents	25	(351.0)	(449.2)
Net debt		**167.7**	**329.9**
Less: non-current portion deferred consideration	6	-	(3.6)
Net debt according to debt covenants		**167.7**	**326.3**
EBITDA according to debt covenants[1]		**342.7**	**352.5**

[1] EBITDA adjusted for share-based compensation and acquisition effects, in accordance with debt covenants. Non-GAAP performance measure, to provide transparency on the underlying performance of our business (reference is made to the Glossary non-financial and financial indicators on page 320 for the definition as used by Arcadis)

Ratios

In €	2021 (IAS 17)	2021 (IFRS 16)	2020 (IAS 17)	2020 (IFRS 16)
Net debt to EBITDA (at year-end net debt)	(0.3)	0.5	0.2	0.9
Net debt to EBITDA ratio according to debt covenants (at average net debt, Total Leverage Ratio)	-	0.8	0.7	1.3
EBITDA to relevant Net finance expense ratio (lease - adjusted interest 'coverage ratio)	3.8	-	3.2	-

The ratios as disclosed above are calculated based on the definitions as agreed with and aligned between the different providers of committed credit facilities. The calculation of the average Net debt to EBITDA ratio is based on the average net debt of Q2 and Q4. Throughout 2021, Arcadis complied with all financial and non-financial covenants.

Going concern assumption

Management has assessed the going concern assumption and exercised judgement in making reasonable estimates. Based on the latest available financial (cash flow) forecasts and sensitivity analysis performed, management concluded that there is no material uncertainty related to events and conditions that may cast significant doubt on the Group ability to continue as a going concern.

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Fair value

The fair values of financial assets and liabilities together with the carrying amounts recognized in the Consolidated balance sheet, are as follows:

In € thousands	Carrying amount	Out of Scope IFRS 7	Carrying value per IFRS 9 category: Amortized cost	Fair value through Profit or Loss	Fair value through Other comprehensive income	Total	Fair value
At 31 December 2021							
Investments in associates and joint ventures	18,843	18,843	-	-	-	-	-
Other investments	2,152	-	-	2,152	-	2,152	2,152
Other non-current assets	22,214	-	22,214	-	-	22,214	22,214
(Un)billed receivables:							
Trade receivables	521,855	-	521,855	-	-	521,855	521,855
Contract assets (unbilled receivables)	500,268	-	500,268	-	-	500,268	500,268
Derivatives	7,107	-	-	6,652	455	7,107	7,107
Cash and cash equivalents	351,003	-	351,003	-	-	351,003	351,003
Total Financial assets	**1,423,442**	**18,843**	**1,395,340**	**8,804**	**455**	**1,404,599**	**1,404,599**
Loans and borrowings:							
Non-current	187,511	-	187,511	-	-	187,511	187,609
Current	76,057	-	76,057	-	-	76,057	76,569
Derivatives	4,836	-	-	4,836	-	4,836	4,836
Contract liabilities (billing in excess of revenue)	380,787	-	380,787	-	-	380,787	380,787
Provision for onerous contracts (loss provisions)	26,092	-	26,092	-	-	26,092	26,092
Accounts payable	232,211	-	232,211	-	-	232,211	232,211
Lease liabilities	192,509	-	192,509	-	-	192,509	192,509
Deferred consideration	480	-	-	480	-	480	480
Bank overdrafts and short-term bank debts	91	-	91	-	-	91	91
Total Financial liabilities	**1,100,574**	**-**	**1,095,258**	**5,316**	**-**	**1,100,574**	**1,101,184**

In € thousands	Carrying amount	Out of Scope IFRS 7	Carrying value per IFRS 9 category: Amortized cost	Fair value through Profit or Loss	Fair value through Other comprehensive income	Total	Fair value
At 31 December 2020							
Investments in associates and joint ventures	7,900	7,900	-	-	-	-	-
Other investments	2,048	-	-	2,048	-	2,048	2,048
Other non-current assets	22,581	-	22,581	-	-	22,581	22,581
(Un)billed receivables:							
Trade receivables	468,479	-	468,479	-	-	468,479	468,479
Contract assets (unbilled receivables)	466,290	-	466,290	-	-	466,290	466,290
Derivatives	10,547	-	-	11,433	(886)	10,547	10,547
Cash and cash equivalents	448,867	-	448,867			448,867	448,867
Total Financial assets	**1,426,712**	**7,900**	**1,406,217**	**13,481**	**(886)**	**1,418,812**	**1,418,812**
Loans and borrowings:							
Non-current	400,964	-	400,964	-	-	400,964	462,853
Current	99,402	-	99,402	-	-	99,402	149,563
Derivatives	5,896	-	-	5,896	-	5,896	5,896
Contract liabilities (billing in excess of revenue)	295,740	-	295,740	-	-	295,740	295,740
Provision for onerous contracts (loss provisions)	40,401	-	40,401	-	-	40,401	40,401
Accounts payable	183,313	-	183,313	-	-	183,313	183,313
Lease liabilities	278,357	-	278,357	-	-	278,357	278,357
Deferred consideration	4,810	-	-	4,810	-	4,810	4,810
Bank overdrafts and short-term bank debts	291	-	291	-	-	291	291
Total Financial liabilities	**1,309,174**	**-**	**1,298,468**	**10,706**	**-**	**1,309,174**	**1,421,224**

Fair value hierarchy

The financial instruments carried at fair value are analyzed by valuation method, using the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value within the Group are categorized in Level 2, except for the other investment in Techstars and the deferred consideration whereby a Level 3 valuation has been used (see note 18).

The fair value of foreign exchange forward rate contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date. These calculations are tested for reasonableness by comparing them with bank valuations.

The fair value of loans and receivables is based on the present value of future principal and interest cash flows, discounted at the Group specific market rate of interest at reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date. Due to the short-term character of the receivables, the fair value equals the carrying value.

33 Commitments and contingent liabilities

Committed lease payments for short-term and/or low-value leases are reported as off-balance sheet commitment. The lease payments (excluding costs for services such as insurance and maintenance, which are expenses as incurred) are recognized as an expense on a straight-line basis unless another systemic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Non-financial guarantees are accounted for as a contingent liability until such time it becomes probable that the Company will be required to make a payment under such guarantee. Financial guarantees are subject to the Expected Credit Loss model, and a credit loss is recognized for the expected cash shortfalls.

Contingent liabilities are potential obligations of sufficient uncertainty that it does not qualify for recognition as a provision (see note 29), unless it is assumed in a business combination (see note 6). Contingent liabilities are reviewed periodically to assess whether an outflow of resources will become probable.

Summary of commitments

In € thousands	31 December 2021	31 December 2020
Short-term leases	636	818
Low-value leases	113	257
Total committed off-balance leases	**749**	**1,075**

In € thousands	31 December 2021	31 December 2020
Bank guarantees	141,263	132,449
Corporate guarantees	163,005	148,910
Eliminations	(92,715)	(90,582)
Guarantees	**211,553**	**190,777**
Leases	749	1,075
Other commitments	8,350	20,766
Total	**220,652**	**212,618**

Leases

The Group's lease arrangements mainly relate to contracts for leased cars, building and other (IT) equipment. These leases have varying terms, termination clauses and renewal rights. For leased assets the Group has recognized right-of-use assets and lease liabilities as at 31 December 2021, except for short-term and/or low-value leases. The lease expense recognized in profit or loss of 2021 relating to short-term and/or low-value leases amounted to €0.7 million (2020: €2.6 million).

See note 16 for further information on leases.

Guarantees

Arcadis has issued corporate guarantees as security for credit facilities, bank guarantee facilities and surety bond lines. Guarantees or guarantee-like items issued by a financial intermediary (such as bank guarantees and surety bonds) can be issued in relation to projects, advances received, tender bonds or lease commitments to avoid cash deposits. Bank guarantees or surety bonds issued for project performance can be claimed by clients where Arcadis fails to deliver in line with the agreed contract. In such cases, the liability of the bank should be no greater than the original liability on Arcadis. Were the failure to perform arose due to an error or omission by Arcadis, the claim could be covered by the professional indemnity insurance cover.

The tables below summarize the outstanding corporate and bank guarantees. They reflect only items that have been drawn or utilized that are not already shown on the balance sheet. In 2020, a significant portion of the outstanding corporate guarantees relating to the associate Arcadis Logos Energia S.A. (ALEN) were paid, and part had been released. No guarantees for ALEN were outstanding at 31 December 2021, see also note 17.

In € millions	Corporate guarantees	Bank guarantees	Eliminations [1]	Total
Debt facility financing	7.6	-	-	7.6
Bank guarantee financing	143.4	141.3	(80.7)	204.0
Other	12.1	-	(12.0)	0.1
Balance at 31 December 2021	**163.1**	**141.3**	**(92.7)**	**211.7**

[1] To avoid double-counting and the overstatement of contingent obligations, only one instance of any off-balance sheet item is reported, e.g. if Arcadis NV has provided a corporate guarantee for a local bank guarantee facility, any claim for payment by a client on an outstanding bank guarantee can only be honored once.

In € millions	Corporate guarantees	Bank guarantees	Eliminations[1]	Total
Debt facility financing	13.0	-	(6.1)	6.9
Bank guarantee financing	123.9	132.4	(72.6)	183.7
Other	12.1	-	(11.9)	0.2
Balance at 31 December 2020	**149.0**	**132.4**	**(90.6)**	**190.8**

[1] To avoid double-counting and the overstatement of contingent obligations, only one instance of any off-balance sheet item is reported, e.g. if Arcadis NV has provided a corporate guarantee for a local bank guarantee facility, any claim for payment by a client on an outstanding bank guarantee can only be honored once. Included in these eliminations is also the liability already recognized for the expected credit loss on the guarantees issued in relation to ALEN (see note 17)

The vast majority of outstanding bank guarantees and surety bonds relates to the commercial performance on projects (e.g. Performance guarantees, Tender bonds, Warranty bonds or Advance payment guarantees) and rental guarantees. On 31 December 2021 and throughout the year, the vast majority of the outstanding bank guarantees and surety bonds posed an immaterial and insignificant risk to Arcadis.

On 31 December 2021, only a part of the local bank guarantee facilities and local debt facilities have been used.

Other commitments

The other commitments amount to €8.4 million (2020: €20.8 million) and include the service part of a long-term global IT service contract, which runs for a remaining period of one to two years.

Contingent liabilities

Litigation

The Company is involved in various legal and regulatory claims and proceedings as a result of its normal course of business, either as plaintiff or defendant. Management ensures that these cases are firmly defended. In some of these proceedings, claimants allegedly claim amounts for project contract breaches that are significant to the Consolidated financial statements.

All legal and regulatory claims and proceedings are assessed on a regular basis. In consultation with in-house and external legal counsels, management regularly evaluates facts and circumstances of those claims and, based on the analysis of possible outcomes of litigation and settlements, provisions are accrued for. Provisions are accrued for only where management believes it is probable that Arcadis will be held liable, the amount is reasonably estimable, and the claim has not been insured. These provisions are reviewed periodically and adjusted if necessary, to the extent that cash outflow of related proceedings is probable, including defense costs and reimbursements by our insurance policies.

Since the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, final settlement can differ from this estimate and could require revisions to the estimated provision, which could have a material adverse effect on the Company's balance sheet, profit or loss, and cash flows for a particular period.

Tax

Arcadis operates in a high number of jurisdictions and is subject to a variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to changes and interpretation. Therefore, Arcadis is exposed to varying degrees of uncertainty and significant judgement is required in determining the global tax position. The Company accounts for its income taxes on the basis of its own internal analyses supported by external advice. The Company continually monitors its global tax position including changes in tax laws or interpretations of such laws. Whenever uncertain tax positions arise, the Company assesses the potential consequences and recognizes liabilities depending on the strength of the Company's position and the resulting risk of loss.

34 Related party transactions

A related party is a person or an entity that is related to the Group. These include both people and entities that have, or are subject to, the influence or control of the Group (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

General

The related parties of the Company comprise subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit Arcadis NV, Stichting Preferente Aandelen Arcadis NV, the members of the Executive Board, the Executive Leadership Team and the Supervisory Board.

In accordance with article 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries, joint ventures, and associates is filed with the Chamber of Commerce in Amsterdam.

Transactions with subsidiaries

The financial transactions between the Company and its subsidiaries comprise operational project related transactions, financing transactions and other transactions in the normal course of business activities. Transactions within the Group are not included in these disclosures as these are eliminated in the Consolidated financial statements.

Transactions with joint arrangements

The Group has entered into transactions on an arm's length basis through joint arrangements during the year 2021. Total revenues from joint arrangements amounted to €221.2 million (2020: €246.0 million).

Transactions with associates

The Group has entered into transactions with associates, see note 17 and the table on the next page.

Transactions with key management personnel

The table below specifies the total remuneration of key management personnel, for the period that they met the criteria, and for remuneration received in the capacity of key management personnel. This includes the remuneration of the Executive Board members of €3.4 million (2020: €3.0 million) and Supervisory Board members of €0.5 million (2020: €0.5 million).

For the composition of the Executive Board, Executive Leadership Team and Supervisory Board in 2021 see pages 157,158 and 159. The remuneration in below table covers the period that members qualified as key management personnel.

In € thousands	2021	2020
Salary	3,480	3,922
Bonus	2,464	-
Pension compensation	327	946
Pension	131	161
LTIP expense	2,182	2,351
Termination benefit	-	523
Fringe benefits	366	227
Total	**8,950**	**8,130**

In 2020, the Executive Leadership Team (including Executive Board members) forfeited its Short-Term Incentive.

In 2021 (and 2020) no transactions involving conflicts of interest for key management personnel occurred which were material to the Company. In addition, the Company has not granted any loans, advances or guarantees to key management personnel.

Transactions with post-employment benefit plans

The main post-employment benefit plans are the pension funds of EC Harris (ECH) and Hyder (AGPS). In 2021 the Company contributed €1.8 million (2020: €1.6 million) to the plan of EC Harris, €3.3 million to the plan of Hyder (2020: €2.3 million), and €0.2 million to other defined benefit plans (2020: €0.3 million), see note 28.

Transactions with Lovinklaan Foundation

Stichting Lovinklaan (Lovinklaan Foundation) is one of the main shareholders of Arcadis. The board of the Foundation consists of Arcadis employees. The Foundation had an interest of 18.0% in Arcadis NV at 31 December 2021 (2020: 17.7%).

The Foundation had an Employee Stock Purchase Plan/Global Share Plan in place till the end of 2020, which allowed Arcadis employees to purchase Arcadis shares from the Foundation with a discount. The costs associated to this, which impacted the Group's profit or loss, amounted to €1.1 million in 2020.

Other contributions made by the Lovinklaan Foundation in 2021 to Arcadis related to the following programs:

- Shelter: €0.4 million (2020: €0.3 million);
- Quest: €0.1 million (2020: €0.1 million);
- Global Shapers: €0.0 million (2020: €0.1 million);
- Local Spark: €0.1 million (2020: €0.1 million);
- Roots of Arcadis: €0.1 million (2020: €0.1 million);
- Expedition DNA: €0.5 million (2020: €0.2 million);
- Project of the year: €0.0 million (2020: not applicable).

In 2021 (and 2020) no other financial transactions apart from the above mentioned took place between the Foundation and the Company, except for the dividends on the shares (in 2021).

Transactions with other related parties

Arcadis NV contributed €57,000 to Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') in 2021 (2020: €55,000) and €1,000 to Stichting Prioriteit Arcadis NV (the 'Priority Share Foundation') (2020: €1,000). See note 26 for further information on these foundations.

The contribution to Stichting Bellevue amounted to €68,000 (2020: €68,000).

Summary

A summary of transactions with related parties (excluding Key Management Personnel) in the financial year is disclosed in the table below:

	Transactions with associates		Transactions with joint arrangements		Transactions with post-employee benefit plans		Other	
In € millions	2021	2020	2021	2020	2021	2020	2021	2020
Sales (to)	48.7	10.2	221.2	246.0	-	-	0.6	0.9
Purchase (from)	-	0.1	0.6	1.7	-	-	-	-
Loans (to)	-	0.5	-	-	-	-	-	-
Receivables (from)	2.0	1.0	11.9	17.1	0.2	-	0.1	0.1
Payables (to)	-	-	-	3.2	-	-	-	-
Impairment of loans (to)	-	0.5	-	-	-	-	-	-
Dividends received (from)	0.4	-	-	-	-	-	-	-
Provision for bad debts related to outstanding balances	-	-	0.3	0.3	-	-	-	-
Related expenses to these bad or doubtful debts	-	-	-	-	-	-	-	-
Provision for outstanding loan balances	-	-	-	-	-	-	-	-
Transfer of pension premiums and cost changes	-	-	-	-	1.1	2.0	0.2	-
Contributions	-	-	-	-	5.3	7.0	1.2	1.5

35 Events after the balance sheet date

A subsequent event is a favorable or unfavorable event, that occurs between the reporting date and the date that the financial statements are authorized for issue. Events after the reporting date that provide evidence of conditions that existed at the reporting date are adjusted within the financial statements. Events that are indicative of a condition that arose after the reporting date of a material size or nature are disclosed below.

There are no material subsequent events, that would have changed the judgement and analysis by management of the financial condition of the Company at 31 December 2021, or the result for 2021.

Effective 1 January 2022, Arcadis has transitioned from a country-led operating model to three new global business areas – Resilience, Places and Mobility. The Company's future cash generating units and segment reporting will reflect this.

Company financial statements

Company financial statements

Company balance sheet

as at 31 December - before allocation of profit

In € thousands	Note	2021	2020 Restated [1]	1 January 2020 Restated [1]
Assets				
Non-current assets				
Intangible assets	40	1,554	3,793	8,937
Property, plant & equipment	41	603	637	773
Right-of-use assets	42	2,646	3,281	4,114
Investment in subsidiaries	43	1,534,330	1,265,123	1,217,485
Loans issued to subsidiaries and other investments	44	185,819	212,984	274,914
Deferred tax assets	48	-	1,695	14,809
Derivatives		-	-	-
Total Non-current assets		**1,724,952**	**1,487,513**	**1,521,032**
Current assets				
Derivatives		5,296	5,350	6,136
Receivables	45	182,224	132,303	209,306
Corporate income tax receivable		2,960	-	-
Cash and cash equivalents		84,062	230,673	44,572
Total Current assets		**274,542**	**368,326**	**260,014**
Total Assets		**1,999,494**	**1,855,839**	**1,781,046**

In € thousands	Note	2021	2020 Restated [1]	1 January 2020 Restated [1]
Equity and liabilities				
Shareholders' equity				
Share capital		1,809	1,809	1,809
Share premium		372,460	372,472	372,472
Hedging reserve		649	194	(545)
Translation reserve		(51,616)	(114,382)	(48,417)
Other legal reserves		9,590	15,583	1,215
Retained earnings		522,014	573,048	582,921
Undistributed profits		167,882	18,875	12,302
Total Shareholders' equity	26, 46	**1,022,788**	**867,600**	**921,757**
Non-current liabilities				
Provisions	47	21,284	26,841	24,375
Deferred tax liabilities	48	2,901	-	-
Long-term debt	49	339,298	488,029	236,787
Lease liabilities	42	1,927	2,549	3,309
Derivatives		-	545	822
Total Non-current liabilities		**365,410**	**517,964**	**265,293**
Current liabilities				
Current portion of provisions	47	-	1,121	10,224
Derivatives		3,809	4,278	3,559
Bank overdrafts		-	-	472
Short-term borrowings		64,000	8,676	87,798
Current portion of lease liabilities	42	743	744	798
Corporate income tax payable		-	6,534	3,230
Current liabilities	50	542,744	448,922	487,915
Total Current liabilities		**611,296**	**470,275**	**593,996**
Total Equity and liabilities		**1,999,494**	**1,855,839**	**1,781,046**

[1] Restated in accordance with IAS 8, see note 3

The notes on pages 276 to 287 are an integral part of these Company financial statements

Company income statement

for the year ended 31 December

In € thousands	Note	2021	2020 Restated[1]
Corporate charges to subsidiaries	37	101,806	101,921
Total Corporate Income		**101,806**	**101,921**
Personnel costs	55	(67,030)	(47,427)
Other operational costs	38	(33,363)	(9,476)
Depreciation and amortization	40, 41, 42	(3,009)	(6,073)
Total Operational costs		**(103,402)**	**(62,976)**
Operating income		**(1,596)**	**38,945**
Finance income		6,676	8,274
Finance expenses		(10,223)	(4,491)
Fair value change of derivatives		897	5,504
Net finance expense	39	**(2,650)**	**9,287**
Profit/(loss) before income tax		**(4,246)**	**48,232**
Income taxes		5,757	(8,517)
Net income subsidiaries		166,371	(20,840)
Result for the period		**167,882**	**18,875**

[1] Restated in accordance with IAS 8, see note 3

The notes on pages 276 to 287 are an integral part of these Company financial statements

Notes to the Company financial statements

36 General

Unless stated otherwise, all amounts are rounded in thousands of euros. The Company financial statements have been prepared using the option of article 2:362 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in note 2 of the Consolidated financial statements.

In the Company financial statements, subsidiaries of Arcadis NV are accounted for using the equity method. To achieve optimal transparency between the Consolidated financial statements and the Company financial statements name conventions are aligned.

37 Corporate charges to subsidiaries

Corporate charges to subsidiaries include items such as headquarter support service fees, royalty fees, and license fees. It includes 'true-ups' for the previous year, which have been calculated and settled in 2021 following the final 2020 results.

38 Other operational costs

In € thousands	2021	2020 Restated [1]
Occupancy	294	472
Travel	408	428
Office related	267	190
Computer related	6,179	3,545
Audit and consultancy services	22,026	11,146
Insurances	775	298
Marketing and advertising	1,821	1,688
Other	1,593	(8,291)
Total	**33,363**	**9,476**

[1] Restated in accordance with IAS 8, see note 3

An amount of €13.1 million was recognized in personnel cost and other operational costs for customization and configuration costs relating to Cloud computing arrangements. Due to the change in accounting treatment (see note 3) these are now expensed as incurred. The comparative figures are restated and include €7.9 million of such expenses.

39 Net finance expense

The net finance expense includes income and expenses relating to intercompany loans and leases. Foreign exchange differences on financial liabilities and interest on leases are part of the finance expenses.

40 Intangible assets

In € thousands	Software
Cost	12,975
Accumulated amortization	(4,038)
At 1 January 2020 [1]	**8,937**
Additions	-
Amortization charges	(5,144)
Movement 2020 [1]	**(5,144)**
Cost	12,975
Accumulated amortization	(9,182)
At 31 December 2020 [1]	**3,793**
Additions	-
Amortization charges	(2,239)
Movement 2021	**(2,239)**
Cost	12,975
Accumulated amortization	(11,421)
At 31 December 2021	**1,554**

[1] Restated in accordance with IAS 8, see note 3

The Software and Intangibles under development at 1 January 2020 and 31 December 2020 have been restated (€48.8 million and €49.3 million respectively) for the change in accounting treatment of Cloud computing arrangements, as explained in more detail in note 3 to the Consolidated financial statements.

For the expense in the year for customization and configuration of Cloud computing arrangements see note 38.

41 Property, plant & equipment

In € thousands	Furniture and fixtures	Computer hardware	Total
Cost	1,730	-	1,730
Accumulated depreciation	(957)	-	(957)
At 1 January 2020	**773**	**-**	**773**
Additions	-	103	103
Acquisitions of subsidiaries	-	-	-
Disposals	-	(85)	(85)
Depreciation charges	(140)	(14)	(154)
Movement 2020	**(140)**	**4**	**(136)**
Cost	1,730	18	1,748
Accumulated depreciation	(1,097)	(14)	(1,111)
At 31 December 2020	**633**	**4**	**637**
Additions	-	14	14
Acquisitions of subsidiaries	-	-	-
Disposals	-	-	-
Depreciation charges	(45)	(3)	(48)
Movement 2021	**(45)**	**11**	**(34)**
Cost	1,730	32	1,762
Accumulated depreciation	(1,142)	(17)	(1,159)
At 31 December 2021	**588**	**15**	**603**

42 Right-of-use assets and lease liabilities

Amounts recognized in the Company balance sheet

Right-of-use assets

In € thousands	Leased land and buildings	Leased (IT) equipment	Leased vehicles	Total
Balance at 1 January 2020	**3,673**	**83**	**358**	**4,114**
Additions	-	-	-	-
Depreciation	(621)	(25)	(144)	(790)
Derecognition fully depreciated assets	-	-	13	13
Remeasurements	(79)	(47)	70	(56)
Balance at 31 December 2020	**2,973**	**11**	**297**	**3,281**
Additions	24	-	117	141
Depreciation	(610)	(6)	(106)	(722)
Derecognition fully depreciated assets	-	-	-	-
Remeasurements	-	-	(54)	(54)
Balance at 31 December 2021	**2,387**	**5**	**254**	**2,646**

Lease liabilities

In € thousands	2021	2020
Balance at 1 January	**3,293**	**4,107**
Additions	141	-
Payments of lease liabilities	(752)	(795)
Remeasurements	(54)	(56)
Interest	42	37
Balance at 31 December	**2,670**	**3,293**
Current	743	744
Non-current	1,927	2,549
Total	**2,670**	**3,293**

Amounts recognized in the Company income statement

In € thousands	2021	2020
Depreciation	722	790
Interest expense (included in Net finance expense)	42	37
Other operational costs for short-term leases	-	-
Total	**764**	**827**

43 Investment in subsidiaries

In € thousands	2021	2020 Restated [1]
Balance at 1 January	**1,265,123**	**1,217,485**
Share in income of subsidiaries	166,371	(20,840)
Dividends received	-	-
Capital contributions	24,656	147,566
Capital repayments	-	-
Purchase of non-controlling interest	-	-
Other charges	20,830	(16,066)
Provision for negative equity of investments	(5,691)	2,939
Exchange rate differences	63,041	(65,960)
Balance at 31 December	**1,534,330**	**1,265,124**

[1] Restated in accordance with IAS 8, see note 3

The Investments in subsidiaries at 1 January 2020 and 31 December 2020 have been restated (€4.1 million and €6.8 million respectively) for the change in accounting treatment of Cloud computing arrangements, as explained in more detail in note 3 to the Consolidated financial statements. The share in income of subsidiaries of 2020 was lowered by €2.6 million.

The Other charges include remeasurements on post employee benefits obligations, see note 28.

For the movement in the provisions relating to provisions relates to subsidiaries of the Company with a negative equity for which the Company is liable see note 47.

The exchange rate differences mainly relate to the British Pound Sterling and US Dollar rates.

44 Loans issued to subsidiaries and other investments

In € thousands	2021	2020
Balance at 1 January	**212,984**	**274,914**
Loans issued to subsidiaries	94,006	160,380
Redemptions	(132,395)	(201,299)
Investments	-	-
Divestments	-	(121)
Others	-	(185)
Exchange rate differences	11,224	(20,705)
Balance at 31 December	**185,819**	**212,984**

As Arcadis NV applies the same valuation principles in the Company financial statements as those applied in the Consolidated financial statements, IFRS 9 is also applicable to intercompany loans and receivables. The assessment of the Expected Credit Loss did not result in a material impact on the Company financial statements. To have consistency between the Consolidated and standalone equity no loss has been recorded, which is in line with the clarification as provided by the Raad voor de Jaarverslaggeving (RJ) that a reversal of the Expected Credit Loss can be included in the carrying amount of the loans.

Noted is that Arcadis NV has control, directly or indirectly, over all the subsidiaries it granted loans and can convert these into equity if needed.

The exchange rate differences mainly relate to loans in US Dollar and British Pound Sterling.

45 Receivables

In € thousands	2021	2020
Receivables from subsidiaries and associates	167,556	105,529
Other receivables	14,668	26,774
Balance at 31 December	**182,224**	**132,303**

The Receivables from subsidiaries and associates mainly relate to short-term financing by means of current accounts.

Arcadis applied the simplified approach under IFRS 9 to its intercompany current receivables and concluded that the Expected Credit Loss is immaterial. See note 21 of the Consolidated financial statements for further details on the simplified approach and note 44 on the treatment of the Expected Credit Loss on intercompany positions in the Company financial statements.

The Other receivables include €10.5 million of prepaid amounts, mainly related to software licenses and other prepaid IT support (2020: €21.6 million).

Company financial statements

46 Shareholders' equity

In € thousands	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Retained earnings	Undistributed profits	Total
Balance at 1 January 2020 [1]	**1,809**	**372,472**	**(545)**	**(48,417)**	**1,215**	**582,921**	**12,302**	**921,757**
Net income [1]	-	-	-	-	-	-	18,875	18,875
Exchange rate differences	-	-	-	(65,964)	-	-	-	(65,964)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	-	-	739	-	-	-	-	739
Remeasurements on post-employment benefit obligations, net of income taxes	-	-	-	-	-	(16,834)	-	(16,834)
Other comprehensive income, net of income taxes	**-**	**-**	**739**	**(65,964)**	**-**	**(16,834)**	**-**	**(82,059)**
Total comprehensive income for the period	**-**	**-**	**739**	**(65,964)**	**-**	**(16,834)**	**18,875**	**(63,184)**
Transactions with owners of the Company:								
Acquisitions and transactions with non-controlling interests	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-
Addition to (utilization of) other (statutory) reserves	-	-	-	-	14,368	(2,066)	(12,302)	-
Issuance of shares	-	-	-	-	-	-	-	-
Share-based compensation, net of income taxes	-	-	-	-	-	8,616	-	8,616
Purchase of own shares	-	-	-	-	-	(7,954)	-	(7,954)
Share options exercised	-	-	-	-	-	8,365	-	8,365
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**14,368**	**6,961**	**(12,302)**	**9,027**
Balance at 31 December 2020 [1]	**1,809**	**372,472**	**194**	**(114,381)**	**15,583**	**573,048**	**18,875**	**867,600**
Net income	-	-	-	-	-	-	167,882	167,882
Exchange rate differences	-	-	-	62,766	-	-	-	62,766
Effective portion of changes in fair value of cash flow hedges, net of income taxes	-	-	455	-	-	-	-	455
Remeasurements on post-employment benefit obligations, net of income taxes	-	-	-	-	-	22,099	-	22,099
Other comprehensive income, net of income taxes	**-**	**-**	**455**	**62,766**	**-**	**22,099**	**-**	**85,320**
Total comprehensive income for the period	**-**	**-**	**455**	**62,766**	**-**	**22,099**	**167,882**	**253,202**
Transactions with owners of the Company:								
Acquisitions and transactions with non-controlling interests	-	-	-	-	-	-	-	-
Dividends to shareholders	-	(22,292)	-	-	-	(12,397)	(18,876)	(53,565)
Addition to (utilization of) other (statutory) reserves	-	-	-	-	(5,993)	5,993	-	-
Issuance of shares	12	22,280	-	-	-	-	-	22,292
Cancellation of shares	(12)	-	-	-	-	-	-	(12)
Share-based compensation, net of income taxes	-	-	-	-	-	4,436	-	4,436
Purchase of own shares	-	-	-	-	-	(77,327)	-	(77,327)
Share options exercised	-	-	-	-	-	6,162	-	6,162
Total transactions with owners of the Company	**-**	**(12)**	**-**	**-**	**(5,993)**	**(73,133)**	**(18,876)**	**(98,014)**
Balance at 31 December 2021	**1,809**	**372,460**	**649**	**(51,615)**	**9,590**	**522,014**	**167,881**	**1,022,788**

[1] Restated in accordance with IAS 8, see note 3

The total Legal reserves include the Hedging reserve, Translation reserve and Other legal reserves and are non-distributable. The other legal reserves relate to earnings retained by subsidiaries, associates and joint ventures, as well as internally developed software.

For information on shares purchased to cover the Company's option plans, see note 26 to the Consolidated financial statements.

47 Provisions

In € thousands	2021	2020
Balance at 1 January	**27,962**	**34,599**
Additions	429	3,942
Deductions because of use	(5,812)	(355)
Release of unused amounts	(1,295)	(10,224)
Balance at 31 December	**21,284**	**27,962**
Current	-	1,121
Non-current	21,284	26,841
Total	**21,284**	**27,962**

The provisions of Arcadis NV at 31 December 2021 relate to claims and litigations for an amount of nil (2020: nil), €0.1 million to restructuring (2020: €0.1 million) and for nil to ALEN (2020: €1.0 million, see note 17).

The total provision for negative equity of a direct subsidiary of the Company, in accordance with article 2:403 paragraph 1 of the Dutch Civil Code, amounts to €21.2 million at 31 December 2021 (2020: €26.8 million).

48 Deferred tax assets and liabilities

In € thousands	Deferred tax assets	Deferred tax liabilities	Total
Balance at 1 January 2020 [1]	**14,809**	**-**	**14,809**
Additions/deductions	(13,114)	-	(13,114)
Changes recognized directly in equity/OCI	-	-	-
Balance at 31 December 2020 [1]	**1,695**	**-**	**1,695**
Additions/deductions	(1,695)	(2,901)	(4,596)
Changes recognized directly in equity/OCI	-	-	-
Balance at 31 December 2021	**-**	**(2,901)**	**(2,901)**

[1] Restated in accordance with IAS 8, see note 3

The deferred tax assets and liabilities at 1 January 2020 and 31 December 2020 have been restated (€12.2 million and €12.3 million respectively) for the change in accounting treatment of Cloud computing arrangements, as explained in more detail in note 3 to the Consolidated financial statements.

49 Long-term debt

In € thousands	Loans from group companies	Loan notes issued to financial institutions	Total
Balance at 1 January	**214,031**	**273,998**	**488,029**
New debt	24,456	-	24,456
Redemptions	(58,231)	(38,270)	(96,501)
From long-term to short-term	-	(89,000)	(89,000)
Exchange rate differences	12,314	-	12,314
Balance at 31 December	**192,570**	**146,728**	**339,298**

During 2021, an amount of €25.0 million has been reclassified to short-term and subsequently repaid early and an amount of €64.0 million is presented as Short-term borrowings at 31 December 2021.

The loans notes issued to financial institutions are due within five years for an amount of €94.3 million and after five years for an amount of €52.4 million.

50 Current liabilities

In € thousands	2021	2020
Suppliers	6,727	1,862
Payables to group companies	511,082	428,970
Provision for Expected Credit Loss on Corporate guarantees	-	5,358
Other liabilities	24,935	12,732
Balance at 31 December	**542,744**	**448,922**

The outstanding liability to suppliers at 31 December 2020 was impacted by invoices due in January 2021 being paid in December 2020 in order to smoothen the Company's transition to its new ERP system early 2021.

The payables to group companies mainly relate to the internal cash pool. Refer to note 30 and 32 to the Consolidated financial statements for further information on Arcadis' lines of credit.

There provision for Expected Credit Loss on Corporate guarantees has been reduced to nil for the reasons as disclosed in note 17 to the Consolidated financial statements.

51 Commitments and contingent liabilities

Commitments and contingent liabilities

As parent company of the fiscal unity in the Netherlands, the Company is severally liable for the corporate income tax and value added tax liabilities of the fiscal unity. The companies that form part of the Arcadis NV tax group account for their tax position based on their own taxable result. The tax charge is settled with the Company based on the finalized tax return.

At the end of 2021, the Company had commitments for rent and lease obligations that are exempted from IFRS 16 (short-term and/or low value leases) amounting to nil (2020: nil). Additionally, the Company entered into long-term service commitments relating to a global IT outsourcing contract of €8.3 million (2020: €20.8 million).

Guarantees & short-term facilities

The Company has pledged a limited number of guarantees for the short-term credit and guarantee facilities that are available for use to its operating companies. The total amount available under these facilities is €163.7 million of which €42.1 million is used at 31 December 2021 (2020: €525.2 million of which €46.1 million was used). In addition to this amount, the Company has corporate guarantees for an amount of €163.0 million available (2020: €148.9 million).

For an overview of all off-balance sheet guarantees provided by either Arcadis NV or its subsidiaries see note 33 to the Consolidated financial statements.

52 Remuneration of EB and SB members

Remuneration of Executive Board members

In 2021, an amount of €3.4 million (2020: €3.0 million) was charged to the Company for remuneration of the current and former Executive Board members, including pension charges, the LTIP expense and fringe benefits.

As reflected in the 'Remuneration report' and the table on page 283, a number of 40,647 conditional (performance) shares were granted to Executive Board members as variable remuneration (2020: 41,676).

For an explanation of the Remuneration policy, see the 'Remuneration report' included in this report starting on page 190.

Company financial statements

Overview of remuneration of Executive Board members in 2021

In € thousands	Salary	Bonus	Pension compensation	Pension	LTIP expense [1]	Termination benefit	Fringe benefits	Total 2021	Conditional (performance) shares Number	Conditional (performance) shares Value [2]
Peter Oosterveer	660	486	160	19	744	-	62	2,131	24,571	857
Virginie Duperat–Vergne	475	349	69	19	160	-	190	1,262	16,076	561
Total current Board members	**1,135**	**835**	**229**	**38**	**904**	**-**	**252**	**3,393**	**40,647**	**1,418**

[1] The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months
[2] This amount is charged over a three-year period to the Company's income statement and only includes the expense for grants received in the capacity of Executive Board member

The fringe benefits of current board members of €0.3 million (2020: €0.1 million) include a representation and expense allowance, a car allowance, social security premium (of which €0.2 million in France) and health and disability insurance.

Overview of remuneration of Executive Board members in 2020

The next table includes all remuneration that has been expensed during 2020 and which was received in the capacity of Executive Board membership.

In € thousands	Salary	Bonus	Pension compensation	Pension	LTIP expense [1]	Termination benefit	Fringe benefits	Total 2020	Conditional (performance) shares Number	Conditional (performance) shares Value [2]
Peter Oosterveer	629	-	161	17	914	-	60	1,781	35,817	399
Virginie Duperat–Vergne	140	-	21	5	12	-	56	234	5,859	105
Total current Board members	**769**	**-**	**182**	**22**	**926**	**-**	**116**	**2,015**	**41,676**	**504**
Sarah Kuijlaars	198	-	33	8	250	523	23	1,035	-	-
Total former Board member	**198**	**-**	**33**	**8**	**250**	**523**	**23**	**1,035**	**-**	**-**

[1] The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months
[2] This amount is charged over a three-year period to the Company's income statement and only includes the expense for grants received in the capacity of Executive Board member

In March 2020, in reaction to the COVID-19 crisis, the Executive Board forfeited its 2020 Short-Term Incentive and reduced its base salary by 10% during a 6-month period.

In 2020 a severance payment was made to Sarah Kuijlaars in accordance with the remuneration policy as approved by the Annual General Meeting in 2014. In addition, the Company agreed that the service conditions for part of the awards granted under the Long-Term Incentive Plan ('LTIP') continue to be met. The accelerated amortization was recognized in the 2020 LTIP expense.

Remuneration of Supervisory Board members

At 31 December 2021, the Supervisory Board consisted of six members (2020: six). The joint fixed remuneration for 2021 amounted to €0.5 million (2020: €0.5 million), specified as follows:

In € thousands	2021	2020
Niek W. Hoek	103	98
Deanna Goodwin	72	69
Ruth Markland [1]	22	67
Michael Putnam	74	69
J.C. Maarten Schönfeld [2]	-	23
Michiel Lap	70	68
Wee Gee Ang	65	66
Carla Mahieu [3]	46	-

1 Resigned from the Supervisory Board on 29 April 2021
2 Resigned from Supervisory Board on 6 May 2020
3 Joined the Supervisory Board on 29 April 2021

In March 2020, in response to the COVID-19 situation, the Supervisory Board reduced its fixed fee remuneration by 10% during a 6-month period. In 2021 no travel allowances have been paid.

53 Interests held by members of the EB

The interests held in the share capital of Arcadis NV by members of the Executive Board were:

Number of shares Arcadis NV Current EB members	31 December 2021	31 December 2020
Peter Oosterveer	81,921	80,584
Virginie Duperat-Vergne	-	-

Number of conditional (performance) shares Arcadis NV[1] Current EB members	31 December 2021	31 December 2020
Peter Oosterveer	111,443	174,662
Virginie Duperat-Vergne	21,935	5,859

1 Amounts are based on granting 100% of the reference numbers, with maximal extension to 165% (see note 10). For the description of the LTIP plan, please refer to the paragraph 'Long-term variable remuneration' on page 195 of this Annual Integrated Report

In 2021, the aggregate numbers of conditional performance shares held by members of the Executive Board are as below. The board members did not hold stock options in 2021.

Conditional performance shares	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2021	Granted in 2021	Increase/(decrease) by performance measure	Vested in 2021	Forfeited in 2021	Outstanding at 31 December 2021	Vesting date
Peter Oosterveer									
	2018	15.75	87,790	-	(87,790)	-	-	-	ex-dividend date 2021
	2019	16.90	51,055	-	-	-	-	51,055	ex-dividend date 2022
	2020	12.82	35,817	-	-	-	-	35,817	ex-dividend date 2023
	2021	34.64	-	24,571	-	-	-	24,571	ex-dividend date 2024
			174,662	**24,571**	**(87,790)**	**-**	**-**	**111,443**	
Virginie Duperat-Vergne									
	2020	12.82	5,859	-	-	-	-	5,859	ex-dividend date 2023
	2021	34.64	-	16,076	-	-	-	16,076	ex-dividend date 2024
			5,859	**16,076**	**-**	**-**	**-**	**21,935**	
Total board members			180,521	40,647	(87,790)	-	-	133,378	

54 Shares and options held by members of the SB

Members of the Supervisory Board held no Arcadis shares and/or options in 2021 and 2020.

55 Employees

At 31 December 2021, Arcadis NV had 138 full-time employees on its payroll (2020: 136). For information on share-based remuneration granted to employees of Arcadis NV, as meant by article 2:383d paragraph 1 of the Dutch Civil Code, see note 10 to the Consolidated financial statements.

Personnel costs for Arcadis NV consisted of the following:

In € thousands	2021	2020 Restated [1]
Salaries and wages	25,938	24,837
Social charges	1,752	1,546
Pension and early retirement charges	1,365	962
Other personnel costs (including temporary labor)	37,975	20,082
Total personnel costs	**67,030**	**47,427**

[1] Restated in accordance with IAS 8, see note 3

The other personnel costs include an amount of €0.2 million of payments in relation to the termination of employment agreements (2020: €1.1 million).

56 External auditor fees and services

In accordance with article 2:382a of the Dutch Civil Code the following table details the aggregate fees billed by our external auditor, PricewaterhouseCoopers Accountants NV, including the foreign offices of PricewaterhouseCoopers of the last two fiscal years for various services:

Type of services provided (in € millions)	2021	2020
Audit fees	3.8	3.5
Audit-related fees	0.1	0.2
Tax fees	-	-
Other non-audit fees	-	-
Total	**3.9**	**3.7**

Audit-related fees consist of fees for services that are traditionally performed by the external auditors. In addition to the statutory audit of Arcadis NV, PricewaterhouseCoopers Accountants NV was engaged by the Supervisory Board to perform specific agreed upon procedures.

Of the total fees billed, an amount of €1.2 million relates to PricewaterhouseCoopers Accountants NV (2020: €1.1 million) and the remainder to its foreign offices.

Amsterdam, the Netherlands, 16 February 2022

Executive Board
Peter Oosterveer
Virginie Duperat-Vergne

Supervisory Board
Niek Hoek
Michiel Lap
Carla Mahieu
Deanna Goodwin
Wee Gee Ang
Michael Putnam

Additional information

Other information

Profit allocation

Article 27 of the Articles of Association stipulates, among other things, that the Executive Board, with the approval of the Supervisory Board, shall annually decide which part of the profit shall be allocated to the reserves. The remaining part of the profit shall be at the disposal of the Annual General Meeting.

The profit attributable to the equity holders of the Company over fiscal year 2021 amounts to €167.9 million. The Executive Board, with the approval of the Supervisory Board, proposes to add an amount of €52.2 million to the retained earnings and to present for approval to the Annual General Meeting its proposal to distribute in cash a dividend amount of €115.7 million, which represents a dividend of €0.70 per ordinary share (2020: €0.60) and a special dividend of €0.60 per ordinary share.

Audit and Risk Committee policies and procedures

The Audit and Risk Committee has adopted a charter that details the duties and responsibilities of the Audit and Risk Committee. These duties and responsibilities include, amongst other things, reviewing and overseeing the financial and operational information provided by Arcadis to its shareholders and others, systems of internal controls, financial risk management, accounting and financial reporting processes, the independence, qualifications and performance of the external auditor of Arcadis and the performance of the internal audit function.

Special rights to holders of priority shares

The priority shares are held by Stichting Prioriteit Arcadis NV. The Board of the Stichting Prioriteit Arcadis NV consists of twenty (20) board members (with six (6) vacancies at 31 December 2021): seven (7) members of the Supervisory Board, both (2) members of the Executive Board, one (1) member of the Executive Leadership Team and ten (10) members from the Board of Stichting Bellevue (a foundation seated in Amsterdam, whose board members are appointed by and from the international employees of the Arcadis Group). Each board member has one vote whereby in the event of a vacancy, the number of votes that can be exercised by the Executive Board and Executive Leadership Team members together with the Supervisory Board members shall equal the number of votes that can be exercised by the employee members. Stichting Prioriteit Arcadis NV has special statutory rights, which includes approval of the amendment of the Articles of Association of Arcadis NV, and certain other topics, which have been described in note 26 to the Consolidated financial statements.

Independent auditor's report

To: the general meeting and the supervisory board of Arcadis NV

Report on the financial statements 2021

Our opinion

In our opinion:

- The consolidated financial statements of Arcadis NV together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- The company financial statements of Arcadis NV ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Arcadis NV, Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2021;
- The following statements for 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement; and
- The notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2021;
- The company income statement for the year then ended;
- The notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Arcadis NV in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context
Arcadis NV is a design & consultancy firm for natural and built assets. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In note 2 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in relation to the valuation of goodwill and other intangible assets as well as project revenue recognition and valuation of contract assets, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters, were the continued optimisation of the Arcadis Way, which mainly relates to the migration of local ERP systems to the central Oracle ERP system and Arcadis' executive board assessment of the possible effects of climate change and their plans to meet the net zero commitments on their financial position (refer to paragraph 'Sustainability' in the executive board report). Following this assessment, we discussed the Group's' exposure to physical and transition climate-related risk as well as the Group's sustainability ambition and considered whether these were taken into account, as necessary, in the key assumptions underlying the significant accounting estimates.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of a global client in the design & consultancy industry. We therefore included experts and specialists in the areas of amongst others IT, share-based payments, income tax, valuations and actuaries in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €12 million

Audit scope
- We conducted audits on 6 components and performed specified procedures on 1 component.
- Audit coverage: 73% of consolidated revenue, 73% of consolidated total assets and 69% of consolidated profit before tax.

Key audit matters
- Project revenue recognition and valuation of contract assets;
- Valuation of goodwill and other intangible assets.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€12 million (2020: €12 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 0.5% of net revenues.
Rationale for benchmark applied	We used net revenue as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that net revenue is an important metric for the financial performance of the Company.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €1.2 million and € 6.8 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €500,000 (2020: €500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Arcadis NV is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Arcadis NV.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components of Arcadis NV, which include group entities in the Netherlands, United Kingdom and the United States. We subjected three components in these countries to audits of their complete financial information, as those components are individually financially significant to the Group. Additionally, we selected three other components for audits of their complete financial information to achieve appropriate coverage on financial line items in the consolidated financial statements. One component was subject to specific risk-focused audit procedures as this component includes higher risk areas.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	73%
Total assets	73%
Profit before tax	69%

None of the remaining components represented more than 4% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work on the financial information of the Company. For the other components we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach including ensuring the same quality of audit is performed despite virtual working arrangements due to COVID-19 restrictions. We had individual calls with each of the in-scope component audit teams both during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the consolidated financial statements.

The group engagement team visits the component teams and local management on a rotational basis and taking into account the significance of individual components to the group. In the current year, due to COVID-19 travel restrictions, the group audit team attended meetings with local management and with the component auditors of all full scope components on a virtual basis. For the components in the United Kingdom, Netherlands and the United States, we reviewed component auditors' working papers of higher risk areas.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included, goodwill impairment testing, accounting for derivative financial instruments and share based payments. The group team also performed audit procedures over the central Oracle ERP system. By performing the procedures as mentioned above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control. This includes the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section Enterprise Risk Management of the executive board report for the fraud risk assessment process by management.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We discussed the fraud risk assessment with Arcadis' risk management and compliance officer. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the supervisory board.

We considered a number of fraud risk factors, including:

- Management's incentive to meet incentive plan targets could lead to management override of controls;
- Arcadis enters into revenue contracts that are considered complex from a revenue recognition perspective. The nature of those contracts requires management to estimate the costs to complete. Estimates are inherently uncertain and might be subject to management bias.

We evaluated these factors considering significance, likelihood and pervasiveness of each factor and considered whether they indicate that a risk of material misstatement due fraud is present. Based on our evaluation, we identified the following fraud risks and performed the following specific procedures:

Fraud risk identified	Our audit work and observations
Risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We paid attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of management including the incentive to meet certain targets. Considering this analysis, we paid specific attention to the judgement applied in valuation of goodwill and the estimate of the cost to complete on revenue contracts.	To the extent relevant to our audit, we evaluated the design of the internal control environment that reduces the risk of breach of internal control. Also, we paid specific attention to user access management in the IT system and performed compensating procedures when necessary. We selected journal entries based on risk criteria and performed audit procedures to validate these entries. We also performed specific audit procedures regarding important estimates of management, including the valuation of goodwill and the cost to complete on large projects for clients as described the key audit matters below. In our assessment of estimates, we paid specific attention to the inherent risk of bias from the management with regards to estimates. Refer to the Key Audit Matters in this report for more information on how we addressed this risk. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect management override of controls.
Risk of fraud in revenue recognition As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue transactions or assertions give rise to the risk of fraud in revenue recognition. Arcadis enters into contracts that are considered complex from a revenue recognition perspective. We focussed on those contracts which include a fixed price element. The nature of those contracts require management to estimate the cost to complete, that impacts the revenue recognized. Estimates are inherently uncertain and might be subject to management bias. There might be incentives for management to use estimates in order to satisfy stakeholders, reach KPIs outlined in compensation plans and-/or to meet debt covenants.	Where relevant to our audit, we assessed the design of the internal control measures related to revenue reporting and in the processes for generating and processing journal entries related to the revenue. We used a primarily substantive testing-based approach with respect to the cost to complete. Reference is made to the Key Audit Matter 'Project revenue recognition and valuation of contract assets' for the audit procedures we performed. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect revenue recognition.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

Our audit approach on going concern

As disclosed in section ‘Going concern assumption’ in note 32 in the financial statements, management performed their assessment of the entity’s ability to continue as a going concern for the foreseeable future and has not identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate management’s going concern assessment include, amongst others:

- Considering whether management’s going concern assessment includes all relevant information of which we are aware as a result of our audit, inquire with management regarding management's most important assumptions underlying their going concern assessment;
- Analyzing the financial position per balance sheet date;
- Analyzing the latest available cash flow forecast, including the €500 million Revolving Credit facility which was secured in 2021;
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management’s assessment.

We concluded that management’s use of the going concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	Our audit work and observations
Project revenue recognition and valuation of contract assets Refer to notes 7, 21, and 22 of the financial statements. We consider this a key audit matter since project revenue recognition and the valuation of contract assets are significant to the financial statements based on materiality and because of the degree of management judgement involved. Management applies judgement to determine the cost to complete for contracts, which is the basis for revenue recognition and contract asset valuation, as well as for assessing provisions for onerous contracts. In addition, the valuation of contract assets requires significant management judgement in determining recoverability, especially in the Middle East region, considering the above average ageing and the magnitude of the contract assets.	We assessed the nature of Arcadis' revenue contracts. We performed substantive audit procedures on individually significant projects as well as high-risk projects. In addition, we took a sample over the remaining population to ensure sufficient coverage over all projects. These substantive procedures focused on the key assumptions applied by Arcadis to determine the cost to complete. The procedures included obtaining evidence to support applied hourly rates, challenging the number of expected hours to complete the project and reconciling changes in budgets to supporting evidence such as contract modifications. We also discussed the progress of the projects with the respective project managers and management of the operating companies. In these audit procedures, we were alert to management bias. With regards to the above average ageing, magnitude of the contract assets in the Middle East region, and the announced decision to reduce Arcadis' footprint in the Middle East region, specific attention has been given to the collection of trade receivables and valuation of several contracts with significant contract assets. We have discussed management's position papers for these projects with the responsible project managers, the contract solutions team and the regional CFO and CEO. We have obtained supporting documentation, which included support for contract modifications, correspondence with the client and minutes confirming the status of negotiations with the client. We assessed the adequacy of the disclosures relating to revenue recognition, in accordance with the requirements of IFRS 15. Our procedures did not result in material findings with respect to revenue recognition and the related disclosures.
Valuation of goodwill and intangible assets Refer to note 14 of the financial statements We focused on this area given the magnitude of the goodwill balance and because the executive board's assessment of the 'value in use' of the group's eight Cash Generating Units (CGUs) is subject to significant estimation uncertainty. This involves significant judgement about the future revenue growth, operating EBITA margin, working capital developments and the discount rates applied to discount cash flow forecasts. Note 14 to the consolidated financial statements discloses the key assumptions applied by management for goodwill impairment testing. We especially focused our audit efforts on those CGUs that had limited headroom, being CRTKL.	Our audit procedures mainly included, an assessment of assumptions applied in the model, testing of the inputs to the model, assessing the disclosure note on goodwill, testing mathematical accuracy of the model and a reconciliation of the model to the five-year forecasts and long-term strategic plans that were approved by senior management. Our valuation experts supported us in the evaluation of the model in accordance with IAS 36, evaluation of the discount rate as well as other assumptions and methodologies used. We have challenged the assumptions applied by management. This was done by, amongst others, testing the expected margin increase, by comparing the margin and revenue growth to the historic performance of the company, assessing the expected revenue growth by reviewing available market data for the industry outlook and development of the book-to-bill ratio. Discussions were held with local management of CRTKL, emphasizing on the measures taken within the organization to reduce costs and improve margins. Further, we gained an understanding of local management strategic plans to improve the CGU's performance in the future and the inclusion thereof in the forecast used for impairment testing. We also have analyzed the sensitivity of the 'value in use' to changes in the respective assumptions. We assessed the adequacy of the disclosures relating to goodwill in accordance with the requirements of IAS 36. Our procedures did not result in material findings with respect to the valuation of goodwill and the related disclosures.

Report on the other information included in the Annual Report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The executive board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of Arcadis NV on 13 May 2015 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of 7 years.

European Single Electronic Format (ESEF)

Arcadis NV has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by Arcadis NV, has been prepared in all material respects in accordance with the RTS on ESEF.

The executive board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF;

- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required taggings have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services
To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered
The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 56 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements
The executive board is responsible for:
- The preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- Such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company’s ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The executive board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company’s ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 16 February 2022

PricewaterhouseCoopers Accountants N.V.
J.E.M. Brinkman RA

Appendix to our auditor's report on the financial statements 2021 of Arcadis NV

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements
We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- Concluding on the appropriateness of the executive board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Assurance report of the independent auditor

To: Executive Board and the Supervisory Board of Arcadis NV

Assurance report on the selected financial and non-financial indicators in the Annual Integrated Report 2021

Our conclusion

We have examined the selected financial and non-financial indicators marked with symbol ✓ in the Annual Integrated Report 2021 of Arcadis NV. Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected financial and non-financial indicators marked with symbol ✓ in the Annual Integrated Report 2021 of Arcadis NV are not prepared in all material respects, in accordance with the Arcadis NV's reporting criteria.

What we have examined

The object of our assurance engagement concerns the selected financial and non-financial indicators marked with symbol ✓ included in de section '2021 at a glance' in the Annual Integrated Report 2021 of Arcadis NV (hereafter: the indicators).

1. Voluntary turnover rate (as% of permanent employees)
2. Employee engagement (employee net promoter score, scale -100 to +100)
3. Women in total workforce (as % of permanent and temporary employees)
4. Total Recordable Case Frequency (TRCF, per 200,000 work hours)
5. Lost Time Case Frequency (LTCF, per 200,000 work hours)
6. Arcadis' carbon footprint (MT CO2 per FTE)
7. Number of identified environmental non-compliances
8. Investigated AGBP alleged breaches (assessed and, as needed, investigated)
9. Employees passing Code of Conduct training (as % of total employees)
10. Number of appointed privacy officers under the Privacy policies
11. Net revenues (in € millions)
12. Net Income from Operations (in € millions) and per share (in €)
13. Dividend per share (proposed, in €)
14. Operating EBITA margin (as % of net revenues)
15. Net Working Capital (as % of gross revenues)
16. Days Sales Outstanding (DSO)
17. Return on Net Working Capital
18. Net debt to EBITDA ratio (average)
19. Free cash flow (in € millions)

We have examined the above indicators in the Annual Integrated Report 2021 of Arcadis NV, Amsterdam for 2021. Other information included in the Annual Integrated Report 2021 is not in scope of this limited assurance sustainability engagement, including comparatives. We were not engaged to report on or conclude on other information presented within the Annual Integrated Report which is outside our scope.

The basis for our conclusion

We conducted our examination in accordance with Dutch law, including the Dutch Standard 3000A Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements). This engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the examination' of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Arcadis NV in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

The indicators need to be read and understood together with the reporting criteria. The reporting criteria used for the preparation of the indicators are the Arcadis NV's reporting criteria, as included in section 'Glossary financial & non-financial indicators' of the Annual Integrated Report 2021. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

Responsibilities for the indicators and the examination thereof

Responsibilities of the Executive Board and the Supervisory Board

The Executive Board of Arcadis NV is responsible for selecting the criteria, taking into account applicable law and regulations related to reporting, and the preparation of the indicators in accordance with the Arcadis NV's reporting criteria, including the identification of the intended users and the criteria being applicable for the purpose of these users.

Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the indicators that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the company's reporting process for the indicators.

Our responsibilities for the examination

Our responsibility is to plan and perform our examination in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed in this context consisted primarily of making inquiries with officers of the entity and determining the plausibility of the information included in the indicators. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the indicators. Materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed
We have exercised professional judgement and have maintained professional scepticism throughout the examination in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our examination consisted, among other things of the following:

- Assessing the suitability of the criteria used, their consistent application and related disclosures to the indicators;
- Obtaining an understanding of the reporting processes for the indicators, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the indicators with a higher risk of material misstatement, whether due to fraud or error. Designing and performing assurance procedures aimed at determining the plausibility of the indicators, responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management and/or relevant staff at corporate level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data of the indicators;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Our procedures were performed out of head office;
  - Obtaining assurance evidence that the indicators reconcile with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends of the indicators submitted for consolidation at corporate level.
- Reconciling the financial indicators with the financial statements;
- Reading the information other than the indicators in the Annual Integrated Report 2021, which is not included in the scope of our review, to identify material inconsistencies with the indicators.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 16 February 2022

PricewaterhouseCoopers Accountants N.V.
Original has been signed by J.E.M. Brinkman RA

Arcadis TCFD Disclosure 2021

Arcadis supports the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosure (TCFD) and the forthcoming mandatory requirements from the UK Government. We understand that the global effort to create a more circular and sustainable economy and world is a journey in which Arcadis can play a leading role for a better future for generations to come. Climate action forms a key business priority within our 2021 – 2023 Strategy 'Maximizing Impact' and our ambition is to accelerate the transition to Net Zero world in a way that improves the quality of life for all.

For our operations: Arcadis is committed to achieve Net Zero Greenhouse gas emissions (Net Zero). The commitment will reduce scope 1, 2 and 3 emissions in line with the Science Based Targets initiative supporting the Paris Agreement. The goal of this agreement is to limit global warming to 1.5°C compared to pre-industrial levels by 2050.

Our GHG reduction commitments, across scope 1, 2, and 3 GHG emissions, were approved by SBTi in February 2022. SBTi provides a robust and scientific approach for validating GHG reduction targets, and we are pleased to align our efforts with this leading organization.

For our clients: Arcadis is committed to driving the identification and implementation of climate mitigation and adaptation approaches across all of our services and solutions, and standardizing them in our operating procedures. Arcadis has also committed to support our client's climate plans through the services and solutions and through Sustainability advisory services we offer to clients.

Our sustainability efforts are aligned with the United Nations Sustainable Development Goals (SDGs). We recognize the importance of these goals to businesses and governments, and we aim to make a positive contribution to the goals through our work. (For more information see the SDG section of this report).

TCFD Progress Roadmap

Arcadis has improved the management of environmental targets and climate-related risks and opportunities over the past few years. We recognise that we can build on these priorities further, to continue enhancing our approach and strengthen the quality of our reporting. We commit to developing a climate-related management plan including environmental targets across our business operations. Below is a summary table of the steps we have taken across 2020 and 2021, as well as key planned future work.

2020	2021	2022 (planned)
• The 2021-2023 Strategy Maximizing Impact, defines Energy & Climate as a core focus area • Definition of 5 Sustainability themes for our solutions where we have an impact (including Energy & Carbon, and climate adaptation) • Definition of five focus SDGs where we can have a large impact through our core businesses and three specialized impact SDGs where we can have an impact through specific parts of our business • Sustainability is considered as a core risk category within our Arcadis Risk & Control Framework • We committed to set a climate target aligned with the SBTi 1.5°C initiative • Committed to fully offset emissions with high value credits from 2020 • Achieved a B score in CDP Climate change questionnaire management level: "taking coordinated action on climate issues"	• Submitted a SBTi 1.5°C aligned climate target for verification • Redefined global sustainability strategy to reach Net Zero • Began to undertake qualitative Climate Scenario Analysis (CSA) • Finalised outputs from qualitative CSA used to inform Arcadis' climate-related risk and opportunity list • First TCFD disclosures included in Annual Integrated Report • Workshop with ELT members and Global Business Area leadership teams to identify risks and opportunities to accelerate a transition to Net Zero • Achieved a B score in CDP Climate change questionnaire	• Received validation of Arcadis' 1.5°C-aligned climate target by SBTi • Developing a climate-related management plan that also includes: – Integration of newly identified climate-related risks and opportunities into risk management processes – Formalize Roles & responsibilitites around climate related risk & opportunities • Following initial CSA: – Design approaches to addressing material climate related risks and opportunities, including management oversight and impact evaluation – Ensure further review and input into climate related risks by the Board during 2022 – Quantifying financial impacts of identified climate-related risks and opportunities

Governance
Arcadis is committed to embedding good governance across the business, based on integrity, transparency, accountability, and proper supervision. To successfully manage climate-related risks and opportunities we have governance mechanisms in place across the business.

The Supervisory Board supervises and advises the Executive Board in the performance of its management tasks and supervises the overall development of the Company and its affiliates.

The Supervisory Board has established four committees from amongst its members: an Audit and Risk Committee (the AARC), a Selection Committee (the ASC), a Remuneration Committee (the RemCo) and a Sustainability Committee (the SusCo). Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. For more information see the Corporate Governance section of this report.

The Audit and Risk Committee (AARC) comprised of four Supervisor Board members is responsible for reviewing and managing risks across the business.

The SusCo assist and advise the Supervisory Board in the area of sustainability, including on risk and opportunities. The SusCo meets at least four times a year. More information on the SusCo can be found in our Governance website.

The Executive Board (EB) is entrusted with the management of the Company, under supervision of the Supervisory Board. The Executive Leadership Team is accountable for the successful delivery of all components of the strategy.The Executive Board consists of the CEO and the CFO. The EB is responsible for the management of the Company as well as the continuity of the Company and the Company's goals, objectives, long-term value creation strategy, policy, and results. It has oversight on and annually approves and adjusts our risk universe, including sustainability and climate-related risks. The board is informed quarterly of our climate- related themes.

Climate-related issues are managed under the guidance of the Executive Board and the Executive Leadership Team (ELT). ELT members hold ownership of mitigating identified key risks and pursuing identified opportunities.

The ELT is led by our CEO, who has final responsibility for ownership of company performance, including climate-related topics.

The following are also in place to support the Board and ELT and ensure strong governance at every level throughout the business:
- Sustainability Steering Committee, meeting three times a year, is made up of four members of the ELT. Their role is to review progress made in Arcadis' sustainability program, drives change management, and provides strategic direction as plans and objectives are developed;
- Non-Financial Reporting Steering Committee, meeting at least four times a year, consists of one member of the Executive Board, one member of the ELT, the Program Management and the Chief Sustainability Officer. The NFR SteerCo role is to provide strategic direction as plans and objectives are developed;
- Chief Sustainability Officer, leading the implementation of our Sustainability strategy and ambition.

Strategy
Arcadis has embedded its approach to climate change within its overall business strategy, which is detailed on the strategy Section of this Annual Integrated Report.

During 2020 we redefined our business strategy for 2021-2023, as part of our 3-year strategy cycle. In our new strategy sustainability and climate change are placed at the heart of everything we do. Our overarching sustainability ambition is to accelerate the transition to a Net Zero world in a way that improves quality of life for all.

During 2021 we developed an important component of our Net Zero ambition. For our clients projects we redefined and invested in core services and solutions that drive sustainable client outcomes.

Arcadis updates its strategy based on identified risks, currently risk is monitored on the following timescales:

Impact Time Horizon	From	To	Duration
Short-term	2021	2024	0-3 years
Medium-term	2024	2031	3-10 years
Long-term	2031	2041	10-20 years

Arcadis Global Sustainability strategy defines our steps to accelerate the transition to a Net Zero world and includes climate related risks and opportunities.

To reflect our new ambition and to leverage the global scale of our expertise, we evolved our global operations by:

- Consolidating into three Global Business Areas: Resilience, Places and Mobility. For clients, this change will optimize access to our global skills, capabilities and experience, allowing for the delivery of best-in-class (sustainable) solutions, as well as efficient service and product delivery;
- Developing new client services and solutions that generate sustainable client outcomes, including the growth of our global Sustainability Advisory Practice. (For more information see the Client Solutions section of this report);
- Developing our systems to assess and reduce the impact of our operations (For more information see the Client Solutions section of this report);
- Educating and engaging with internal stakeholders to inform and upskill our workforce (For more information see the Education and Engagement section of this report);
- Ensuring our own sustainable business transformation, working with Global Business Areas and their in-country leads to integrate sustainability into their strategy, processes, services, and solutions.

From a 2019 baseline, Arcadis is committed to reducing Scope 1 & 2 emissions by 45% by 2025, as well as reduce Scope 3 busines travel emissions by 35% by 2025. Further to these short-term targets, Arcadis has set reduction targets which have been approved in February 2022 by the Science Based Targets initiative (SBTi), see page 84. These targets will be used to guide our actions.

Qualitative Climate Scenario Analysis

In 2021 we carried out qualitative Climate-Scenario Analysis (CSA). The qualitative CSA outputs have helped us to identify and assess climate-related Physical and Transition risks and opportunities for the business. Ongoing insights generated from the qualitative CSA engagement will be fed up internally to our risk management teams and will influence our actions.

The qualitative CSA looks at both high and low carbon scenarios across near (2040), medium (2060) and long (2100) timeframes. Sources for the qualitative CSA include IPCC (Multiple Integrated Model), IEA (World Energy Model) and Networking for Greening the Financial Sector.

Low carbon scenarios (1.5°C/2°C)

This scenario aligns with the IPCC Shared Socioeconomic Pathway (SSP) SSP1-RCP2.6. This scenario was chosen as it aligns with Arcadis' ambition of aligning to 1.5-degree warning, as well as represents the rapid decarbonisation that is needed to avoid the worst impacts of climate change. This is the scenario where the impacts of transitioning to a low carbon economy are likely to be most impactful as governments worldwide commit to driving down emissions. For example: higher carbon prices and greater business regulation. This scenario closely aligns with Arcadis' ambition of limiting warning to 1.5°C.

High carbon scenarios ('Business-as-usual'/4°C)

This scenario is aligned with IPCC SSP5-RCP8.5 where climate is expected to warm by at least 4°C by 2100. This scenario has been chosen as it is 'business as usual' with no policy changes leads to growth in emissions, causing physical effects of climate change to be felt with greater severity. This scenario shows physical impacts of climate change that are likely to be most impactful, for example: high temperature increases, high rates of sea level rise, and increased frequency and intensity of extreme weather events.

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Climate risks

CSA is ongoing and a more comprehensive list of climate-related risks and opportunities are going to be developed in 2022.
Based on climate-related risk and opportunity planning exercise and a qualitative CSA engagement, we have identified the following risks.

		Risk 1 Increased stakeholder concern or negative stakeholder feedback	Risk 2 Substitution of existing products/ services with lower emissions options	Risk 3 Changing customer behavior
High level description and overall identified impact	Description and context	• In lower degree scenarios there will be a much larger push for companies to improve on their carbon performance and meet Net Zero targets. Stakeholders will be judging companies on how well they are performing environmentally, which could negatively impact a company's reputation if targets are missed. Increasingly as more companies transition to Net Zero there is increasing expectation from employees and potential employees to work for companies that have sustainable values embedded. • Under a 4 degree scenario customer will still expect companies to take action to meet climate targets and goals. Shift to low carbon products and services is likely to be slower under this scenario	• High need for lower emission options in 1.5 degree scenarios, meaning there will be a high cost of transition early on (near-term). The uptake of all the available technologies and emissions reduction options is dictated by costs, technology maturity, policy preferences, and market and country conditions. • Under a 4°C scenario companies will still be expected to see increased consumer demand for sustainable product and shifting consumer patterns. Under a 4°C warming scenario it is likely that the physical impacts of climate change will be more severe, which could change the demand for existing services and products	• Increased demand for low-carbon products and services from customers in expected under a low carbon scenario. Increased innovation from companies will drive the development of more low carbon services and offerings • Increased climate regulation might cause a shift in customer requirements • Under a 4°C scenario, physical climate change impact will be more apparent than in a 1.5 degree world, therefore consumers and customers are still likely to shift behavior to more sustainable choices.
	Impact area	Direct Operations	Downstream and Direct Operations	Downstream
	Time horizon of most likely impact	Near-term (2021 - 2040)	Near-term (2021 - 2040)	Near-term (2021 - 2040)
Potential impacts for Arcadis: low (1.5°C) scenario	Potential Financial Impact	• Decreased revenues due to reduced demand for products and services	• Reduced revenue from decreased demand for goods/services • Reduced revenue from decreased production capacity (e.g. delayed planning approvals, supply chain interruptions) • Reduced revenue from negative impacts on workforce management and planning (e.g. employee attraction and retention) • Reduction in capital availability	• Decreased revenues due to reduced demand for products and services
	Most significant time period	Near-term (2021-2040)	Near-term (2021-2040)	Near-term (2021-2040)
	Level of impact	3	3	3
	Likelihood	4	4	3
	Impact	• Failure to prioritize sustainability in the agenda due to focus on resources, limited understanding, lack of roadmap, misalignment of strategy or other factors may result in: – Negative press – Negative investor feedback – Negative customer feedback – Loss of contracts – Increased demands for reporting and transparency • Customers and investors are becoming increasingly concerned with the environmental performance of companies. Having environmental service offerings also means there may be increased scrutiny on Arcadis to act in a sustainable way. • Increased scrutiny of sustainability performance by investors, regulators and the general public may be damaging to Arcadis' reputation in the event that Arcadis Senior Corporate and Business Leadership do not effectively address Sustainability and climate-related issues. For example, Arcadis' Net Zero commitment is not yet aligned with the recently released SBTi Net Zero Standard. If Arcadis makes commitments/set targets which are no longer seen as best practice this could cause lack of trust of the brand as an environmental solutions provider.	• Under a 1.5 degree world, rapid decarbonization is expected. Arcadis' existing services could be at risk from shifting customer needs as customers look for more sustainable options. Insufficient progress in transitioning services to low carbon options may result in reduced demand for Arcadis' services, if competitors provide better services in this area • However, Arcadis also has the potential to capitalize on this and provide low emissions options. For example, low carbon building services, climate adaptation services and sustainability services. • Increased likelihood of tougher environmental regulations and standards, which will drive innovation from competitors. Arcadis is at risk of falling behind if it doesn't adapt services. • There will likely be minimal impact on Arcadis' workforce, more of an impact on Arcadis' clients. However, the workforce need to be trained and capacity built around lower emissions service options, as well as being able to afford and price them correctly.	• Changes in customers and investor behavior could mean that they are becoming increasingly concerned with the environmental performance. Therefore, Arcadis will need to comply and accommodate these customer needs and changes in behaviors. Arcadis market analysis already shows that the U.S. market for environmental services are expected to grow from \$15.7 billion in 2020 to \$20.7 billion in 2024. The forecasted compound annual growth rate of 5.6% will be driven by increasing public focus on climate change, investor interest in ESG ratings, and growing vendor investment in digital technologies. • Customers set increasing expectations on transparency and climate-action creating stigmatization of sector due to high perceived emissions • A potential risk of decrease in reputation due to lack of sustainability action, alongside growing awareness of climate change could lead to lower employee attractiveness and retention. • There is likely to be a more gradual shift in transportation service requirements and this might impact Arcadis' transportation service offering.

• Level of impact: based on potential financial/reputational impact, on a 1-5 scale (with 5 being the highest)
• Likelihood: estimated probability of Risk materialising, on a 1-5 scale (with 5 being the highest)

Continuation >

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		Risk 1 Increased stakeholder concern or negative stakeholder feedback	Risk 2 Substitution of existing products/ services with lower emissions options	Risk 3 Changing customer behavior
Potential impacts for Arcadis: high (4°C) scenario	Potential Financial Impact	• Decreased revenues due to reduced demand for products and services	• Reduced revenue from decreased demand for goods/services • Reduced revenue from decreased production capacity (e.g. delayed planning approvals, supply chain interruptions) • Reduced revenue from negative impacts on workforce management and planning (e.g. employee attraction and retention) • Reduction in capital availability	• Decreased revenues due to reduced demand for products and services
	Most significant time period	Near-term (2021-2040)	Near-term (2021-2040)	Near-term (2021-2040)
	Level of impact	3	2	2
	Likelihood	4	4	3
	Impact	• Under a 4 degree scenario negative stakeholder opinion is still likely to be a risk for Arcadis. • A decrease in reputation due to lack of sustainability action, alongside growing awareness of climate change could lead to lower employee attractiveness and retention. • Negative stakeholder feedback and reputation if Arcadis continues on a 4 degree scenario and does not take any action whilst other companies take action	• Already Arcadis has seen a rise in demand for its sustainable service offerings across some regions. This trend is likely to continue under a 4 degree scenario. This poses a risk to Arcadis through – cost of adapting services – cost for innovation – potential los of customers / revenue • There will likely be minimal impact on Arcadis' workforce, more of an impact on Arcadis' clients. However, the workforce need to be trained and capacity built around lower emissions service options, as well as being able to afford and price them correctly.	• Already Arcadis is already seeing a shift in customer / investor behavior towards more sustainable services. Therefore, even in a 4 degree world Arcadis still needs to adapt its services to ensure it does not loose customers to competitors. • Risks are likely to be similar as under the 1.5 degree scenario
Arcadis response	How we are controlling the risks	• Commitment to not engage in projects that have a net, long term negative impact on quality of life, block advancement of the SDGs, or are not in line with the Paris Agreement • Set emissions reductions targets. Such as committing to a 1.5°C aligned science-based target and our Net Zero commitments • Adhering to the ISO 14001 standard and implement a Global Environmental Management System Standard • Commitment on carbon neutral operations investing in high quality, certified abatement and compensation programs from 2020	• Clear identification of future market needs and trends in products and services • Embedded processes to ensure that our sustainable services are marketed strongly to both our existing and potential client base • Inclusion of sustainable services, such as climate change mitigation and adaptation integration during the tender phase • We hire solutions leaders or aim for acquisitions that support our client's anticipated needs	• Identifying climate change as a 'Mega Trend' and including it in the Arcadis Risk and Control Framework as one of 16 key 'risks and opportunities' • Clear identification of future market needs and trends in products and services • Embedded processes to ensure that our sustainable services are marketed strongly to both our existing and potential client base • Inclusion of sustainable services, such as climate change mitigation and adaptation integration, at the tender/bid phase • We hire solutions leaders or aim for acquisitions that support our client's anticipated needs

Arcadis TCFD Disclosure 2021

Climate opportunities

The transition to a low-carbon economy can present new opportunities. Based on climate-related risk and opportunity planning exercises, supported with our qualitative CSA engagement, we identified the following key climate-related opportunities.

		Opportunity 1 Access to new markets	Opportunity 2 Development of new products or services	Opportunity 3 Reputational benefits resulting in increased demand
High level description and overall identified impact	Description and context	• Increased revenues through access to new and emerging markets through leadership in ESG, allowing Arcadis to exceed expectations. • Access to green bonds and a wider investment community	• Increased revenues resulting from increased demand for green products, particularly for sustainability-related services	• Increased revenues resulting from increased demand for products and services because of Arcadis' environmental leadership • Decreased indirect (marketing) costs from "earned media opportunities" due to position as a thought leader in environmental space • Increased employee attraction and retention
	Impact area	Direct operations	Downstream	Downstream
	Most significant scenario	1.5°C (IPCC SSP1-RCP2.6)	1.5°C (IPCC SSP1-RCP2.6)	1.5°C (IPCC SSP1-RCP2.6)
	Time horizon of most likely impact	Near-term (2021-2040)	Near-term (2021-2040)	Near-term (2021-2040)
	Ease of capitalizing	3	5	5
	Likelihood	3	4	2
	Potential Financial Impact	• Increased revenues through access to new and emerging markets	• Increased revenues through access to new and emerging markets	• Increased revenues through access to new and emerging markets
Arcadis response	How we are capitalizing	• Arcadis has established a sustainability program supported by our cutting-edge offerings and expertise. • A clearly defined program for developing innovative sustainable solutions for clients, aligned to the United Nations Sustainable Development Goals (UN SDGs) • We look to hire solutions leaders or acquisitions that support our client's anticipated needs • Clear identification of future market needs and trends in products and services • Embedded processes to ensure that our sustainable services are marketed strongly to both our existing and potential client base • Inclusion of sustainable services, such as climate change mitigation and adaptation, at the tender/bid phase.	• Arcadis has been embarking on a digitization journey that allows our company to act as a single entity lever-aging expertise from around the world and using technology to drive forward efficiencies for our clients. • A clearly defined program for developing innovative sustainable solutions for clients, aligned to the UN SDGs • We look to hire solution leaders or acquisitions that support our client's anticipated needs • Clear identification of future market needs and trends in products and services. • Embedded processes to ensure that our sustainable services are marketed strongly to both our existing and potential client base. • Inclusion of sustainable services, such as climate change mitigation and adaptation integration, at the tender/bid phase.	• Expedition DNA, an online program, enables all Arcadians to act upon digital client opportunities in an effective manner, including a specific module on sustainability and climate change. • Organizing 'Sustainability Day', a live engaging broadcast for clients, investors, and other stakeholders to unveil our company's new sustainability ambition and commitment. • Maintain and improve upon our top-quartile performance as ranked by our core rating agencies. • Active involvement in several global, regional and local partnerships in which we collaborate with other businesses, governments, NGOs, and society.

• Ease of capitalizing: Based on potential financial upside, on a 1-5 scale (with 5 being the highest)
• Likelihood: estimated probability of Opportunity materialising, on a 1-5 scale (with 5 being the highest)

Risk management
Arcadis' Risk & Control (ARC) Framework enables a culture of risk awareness across the organization by identifying risks and defining controls which mitigate or manage these risks in line with Arcadis' risk appetite. Our approach helps Arcadis' leadership identify, evaluate, communicate, and manage risks. Arcadis has embedded a robust risk management process. For more information refer to the Enterpirse Risk Management section in this report.

The Executive Board is responsible for maintaining a comprehensive system of risk management and internal control, including climate-related risk, and for regularly reviewing its effectiveness. Each year the Executive Board performs a review of Arcadis' risk universe and the Risk and Control Framework and makes adjustments as conditions change.

The ARC Framework currently identifies 16 risk categories, with Sustainability identified as one of the risk categories, under which climate change falls.

Climate related risk management is embedded in our global Environmental Management System Standard. The system ensures that any identified climate-related risks or opportunities are tracked and monitored. For example, tracking Greenhouse gas emissions and energy consumption.

During 2021 we began a qualitative Climate Scenario Analysis, starting with a detailed review of the risks and opportunities climate change poses for the business. The identified physical and transition risks from this process will be socialised with internal stakeholders and used as a basis for further CSA in 2022.

Metrics and targets
Arcadis uses a range of KPIs to track progress against climate-related targets. In February 2022, SBTi approved Arcadis' 1.5°C-aligned climate targets, which cover scope 1, market based scope 2, and scope 3 (focused on fuel- and energy-related activities and employee business travel) emissions. This target will be a core tool for us to monitor our progress against and develop actions around.

Our Board and leadership teams have climate-related performance linked into their executive remunerations. Remunerations linked to climate-performance ensure top-down guidance and focus efforts on meeting climate goals. For example, GHG emissions and energy consumption.

We currently have a range of metrics in place to monitor our environmental impacts:

Carbon metrics
Arcadis has an established process for measuring our Scope 1 & 2 carbon emissions, as well as part of Scope 3 emissions. This allows us to monitor and track our progress against our targets. We disclose multiple years of emissions data, which enables us to track progress. For further detail on Arcadis' previous energy consumption and Greenhouse gas emissions disclosure. For more information see the Sustainability section of this report. Our carbon footprints from the last three years demonstrate a clear downward trend, in line with or overachieving our targets.

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Additional metrics

Arcadis also captures its impacts from all operations, calculated based on the GHG Protocol Corporate Standard. Our progress is reflected in several ESG performance benchmarks, including Sustainalytics, DJSI, CDP, MSCI, ISS and EcoVadis. Key metrics relevant to our identified climate-related risks and opportunities identified are summarized in the table below:

Target	Deadline	Progress	Key metric	Page
1.5°C Science Based Target	2035	In 2020, Arcadis committed via SBTi to reduce its emissions in line with a 1.5°C climate scenario. Our intensity-based targets, across scope 1, market-based scope 2, and scope 3 emissions, were submitted to SBTi in 2021, and approved in 2022.	Arcadis Carbon Footprint (MT CO_2e per FTE)	84/85
Offsets program	2020	100% of Arcadis' 2020 footprint has been offset	Arcadis Carbon Footprint (MT CO_2e per FTE)	84/85
Reduction of Scope 1 & 2 global GHG emissions by 45% from 2019 base year	2025	In 2021, Arcadis' estimated scope 1 & 2 emissions have reduced by more than 60% compared to the base year. The proportion of our reduction measures in this overall decline is difficult to determine due to the COVID-19 pandemic. More information on our reduction measures in the carbon emissions section of this report.	Arcadis Carbon Footprint (MT CO_2e per FTE)	84/85
Reduction of scope 3 (GHG) business travel related emissions by 35% from 2019 base year	2025	In 2021. Arcadis' estimated scope 3 business travel emissions have more than halved compared to the base year. The proportion of our reduction measures in this overall decline is difficult to determine due to the COVID-19 pandemic. More information on our reduction measures in the carbon emissions section of this report.	Arcadis Carbon Footprint (MT CO_2e per FTE)	84/85
Significantly contribute to UN SDGs	Ongoing	In 2021 78% of total revenue is from projects that aid the SDGs.	% of revenue associated with an SDG	49
Environmental non-compliance	Ongoing	There was one environmental non-compliance in 2021.	Number of identified environmental non-compliances	88

Other financial data

Quarterly financial data

	2021[1]				2020[2]			
in € millions unless otherwise stated	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross revenues								
In the quarter	812	848	828	890	872	831	781	820
Cumulative	812	1,660	2,488	3,378	872	1,703	2,484	3,304
In the quarter	24%	25%	25%	26%	26%	25%	24%	25%
Cumulative	24%	49%	74%	100%	26%	52%	75%	100%
Net revenues								
In the quarter	632	644	637	652	658	628	604	604
Cumulative	632	1,276	1,913	2,565	658	1,286	1,890	2,494
In the quarter	25%	25%	25%	25%	26%	25%	24%	24%
Cumulative	25%	50%	75%	100%	26%	52%	76%	100%
EBITA								
In the quarter	56	57	57	67	45	47	63	66
Cumulative	56	113	170	237	45	92	155	221
In the quarter	24%	24%	24%	28%	20%	21%	28%	31%
Cumulative	24%	48%	72%	100%	20%	41%	69%	100%
Operating EBITA[3]								
In the quarter	58	58	60	70	48	49	66	63
Cumulative	58	116	176	246	48	97	163	226
In the quarter	24%	24%	24%	28%	21%	21%	29%	29%
Cumulative	24%	48%	72%	100%	21%	42%	71%	100%

1 Restated Q1-Q3 results compared to quarterly trading updates, due to change in accounting treatment of customization and configuration costs (see note 3 to the Consolidated financial statements)
2 Restated Q4 result compared to quarterly trading updates, due to change in accounting treatment of customization and configuration costs (see note 3 to the Consolidated financial statements). Full impact on 2020 reported in Q4 in above table
3 Excluding acquisition, restructuring and integration-related costs

Five-year summary

People & Culture

	2021	2020	2019	2018	2017
Total workforce at 31 December	29,236	27,939	27,875	27,354	27,327
Average total number of employees	28,588	27,907	27,615	27,545	27,208
Total number of FTEs in GECs at 31 December	3,211	2,847	2,678	2,475	2,593
Total number of FTEs at 31 December (incl. GECs)	28,019	26,804	26,436	25,996	25,909
Employee engagement score [1]	30	27	19	3,10	3,03
Voluntary turnover rate (as % of total staff)	14.9%	8.7%	13.5%	15.6%	14.6%
Women in total workforce (as % of total staff)	38%	38%	38%	37%	37%
Total Recordable Case Frequency (TRCF)	0.14	0.13	0.16	0.18	0.26
Lost Time Case Frequency (LTCF)	0.05	0.05	0.09	0.06	0.11

1 From 2019 an Employee Net Promoter score (on a scale of -100 to 100)

Sustainability

	2021	2020	2019	2018	2017
Carbon footprint MT CO_2 per FTE	1.17	1.48[1]	2.55	2.98	3.34
% of revenues that relate to relevant SDGs	78%	80%	79%	80%	-
# of identified environmental non-compliances	1	none	1	none	-
Employees passing Code of Conduct training (in %)	94%	91%	97%	98%	97%
Investigated AGBP alleged breaches	91 (100%)	72 (100%)	77 (100%)	77 (100%)	76 (100%)
Number of appointed privacy officers under the privacy policy	14	13	12	12	10

1 MT CO_2 emissions in 2020 compared to our Annual Report 2020 have been changed due to estimates being replaced by actuals
As some of the above KPIs are newly defined, some previous years comparatives are not available

Digital & Innovation

	2020	2019	2018	2017	2016
Building Information Modeling BIM (as % of total projects)	78%	61%	42%	34%	-
EBITA/FTEs (in €)	8.5	8.2	7.3	6.2	6.2
Arcadis Way implementation progress (as % of net revenues)	82%	64%	63%	33%	31%

As some of the above KPIs are newly defined, some previous years comparatives are not available

Five-year summary

Financial performance

	IFRS 16 2021	IFRS 16 2020[1]	IAS 16 2019	IAS 17 2018	IAS 17 2017
Direct economic value generated					
Gross revenues	3,378	3,303	3,473	3,256	3,219
Net revenues	2,565	2,494	2,577	2,440	2,437
Direct economic value distributed					
Earnings per share (in €)	1.96	1.46	1.36	(0.31)	0.82
Dividend per share (in €)	1.30[2]	0.60	0.56	0.47	0.47
Profit & loss performance					
Operating EBITA	246.4	225.7	212.6	177.2	186.4
Operating EBITA margin (in %)	9.6%	9.1%	8.2%	7.3%	7.6%
EBITDA	338.0	336.7	308.7	204.1	200.5
Net income from Operations	175.4	130.4	119.8	87.6	101.0
Balance sheet performance					
Net Working Capital (in %)	10.7%	12.6%	16.6%	15.1%	16.9%
Days Sales Outstanding (DSO)	63	66	88	80	88
Return on Net Working Capital	64.7%	54.5%	34.5%	34.0%	34.3%
Net debt to EBITDA ratio (average)[3]	0.8	1.3	1.4	2.0	2.3
Cash flow performance					
Free cash flow	234.0	323.5	97.2	149.0	97.7

1 Restated in accordance with IAS 8. see note 3 to the Consolidated financial statements
2 €0.70 per ordinary share plus an additional €0.60 per ordinary share
3 For bank covenant purposes

Segment information

Amounts in € millions (rounding may impact totals)	2021	2020 Reported	2020 Restated [1]
Gross revenues			
Europe & Middle East	1,448	1,339	
Americas	1,372	1,370	
Asia Pacific	362	358	
CallisonRTKL	196	236	
Total	**3,378**	**3,303**	
Net revenues			
Europe & Middle East	1,201	1,119	
Americas	884	876	
Asia Pacific	334	323	
CallisonRTKL	146	176	
Total	**2,565**	**2,494**	
EBITA			
Europe & Middle East	117.4	86.2	82.5
Americas	96.0	105.1	105.7
Asia Pacific	26.2	33.0	32.8
CallisonRTKL	(2.3)	(0.2)	(0.2)
Total EBITA	**237.3**	**224.1**	**220.8**
Non-recurring[2]	9.1	4.9	4.9
Total operating EBITA	**246.4**	**229.0**	**225.7**
Operating EBITA[3]			
Europe & Middle East	121.2	91.8	88.1
Americas	97.3	101.7	102.4
Asia Pacific	26.7	34.1	33.8
CallisonRTKL	1.2	1.4	1.4
Total	**246.4**	**229.0**	**225.7**

Amounts in %	2021	2020 Reported	2020 Restated [3]
Segment mix (gross revenues)			
Europe & Middle East	43	41	
Americas	41	41	
Asia Pacific	11	11	
CallisonRTKL	6	7	
Total	**100**	**100**	
Segment mix (net revenues)			
Europe & Middle East	47	45	
Americas	34	35	
Asia Pacific	13	13	
CallisonRTKL	6	7	
Total	**100**	**100**	
EBITA margin			
Europe & Middle East	9.8%	7.7%	7.4%
Americas	10.9%	12.0%	12.1%
Asia Pacific	7.9%	10.2%	10.2%
CallisonRTKL	-1.6%	-0.1%	-0.1%
Total	**9.3%**	**9.0%**	**8.9%**
Operating EBITA margin			
Europe & Middle East	10.1%	8.2%	7.9%
Americas	11.0%	11.6%	11.7%
Asia Pacific	8.0%	10.6%	10.5%
CallisonRTKL	0.8%	0.8%	0.8%
Total	**9.6%**	**9.2%**	**9.1%**

1 Restated in accordance with IAS 8, see note 3 to the Consolidated financial statements
2 Acquisition, restructuring, integration-related costs and changes in acquisition-related litigation provisions
3 Operating EBITA is EBITA adjusted for non-recurring costs

Non-Financial Reporting People Metrics 2021

Non-Financial Reporting People Metrics 2021

	Total Arcadis	Corporate	Global Design	Asia Pacific	Americas	Europe & Middle East	Arcadis Gen	CallisonRTKL
Workforce								
Headcount as of 31st of December 2021								
Total Workforce	**29,236**	**322**	**3,224**	**4,676**	**8,060**	**11,627**	**289**	**1,038**
Permanent	26,933	290	3130	4374	7546	10297	282	1014
Temporary	1,293	29	53	216	129	858	2	6
Contingent Workers (CWK)	1,010	3	41	86	385	472	5	18
Gender and Age [1]								
Gender % Distribution								
Women	38%	44%	42%	47%	37%	33%	31%	48%
Men	62%	56%	58%	53%	62%	67%	69%	52%
Undisclosed	0%	1%	0%	0%	0%	0%	0%	0%
Share of women in STEM-related positions (as % of total STEM positions)	35%							
Age % Distribution								
30 and Below	29%	17%	49%	42%	23%	23%	33%	18%
31-50	53%	58%	49%	48%	53%	55%	58%	63%
51 and above	18%	25%	2%	9%	24%	22%	9%	19%
Undisclosed	0%	0%	0%	0%	0%	0%	0%	0%
New Hires [2]								
Total New Hires	**6,989**	**46**	**758**	**1,619**	**1,904**	**2,363**	**128**	**171**
New Hire Gender % Distribution								
Women	40%	57%	42%	48%	35%	37%	32%	59%
Men	60%	43%	58%	52%	64%	63%	68%	41%
Undisclosed	0%	0%	0%	0%	1%	0%	0%	0%
New Hire Age % Distribution								
30 and Below	56%	54%	71%	66%	44%	53%	45%	58%
31-50	36%	37%	28%	29%	43%	38%	50%	35%
51 and above	8%	9%	1%	5%	13%	8%	5%	7%
Undisclosed	0%	0%	0%	0%	0%	0%	0%	0%
Employee Engagament (eNPS)	30	33	41	24	37	26	11	7

1 % distribution of Gender and Age Bracket of Permanent and Temporary Employees
2 Number of Permanent and Temporary employees hired within 2021

Non-Financial Reporting People Metrics 2021

	Total Arcadis	Corporate	Global Design	Asia Pacific	Americas	Europe & Middle East	Arcadis Gen	CallisonRTKL
Turnover Rate[1]								
Voluntary Turnover Rate	**14.9%**	**12.8%**	**13.3%**	**24.1%**	**12.2%**	**12.4%**	**21.0%**	**23.0%**
Involuntary Turnover	4.6%	3.2%	1.0%	5.3%	8.0%	2.3%	2.5%	11.5%
Overall Turnover	19.5%	15.9%	14.3%	29.3%	20.2%	14.7%	23.5%	34.4%
Voluntary Turnover Rate By Gender								
Women	14.9%	10.3%	12.6%	22.8%	12.2%	12.1%	22.7%	22.1%
Men	14.8%	14.7%	13.8%	25.2%	12.3%	12.5%	20.2%	23.7%
Involuntary Turnover Rate By Gender								
Women	4.3%	1.9%	0.4%	5.3%	6.4%	2.3%	0.0%	11.7%
Men	4.8%	4.2%	1.5%	5.2%	8.9%	2.3%	3.7%	11.3%
Overall Turnover Rate By Gender								
Women	19.2%	12.2%	13.0%	28.1%	18.6%	14.4%	22.7%	33.8%
Men	19.6%	18.9%	15.3%	30.4%	21.2%	14.8%	23.9%	35.0%

Turnover Rate[1]	
Voluntary Turnover Rate By Management Level	
Voluntary Turnover Rate - Overall Management	3.4%
Voluntary Turnover Rate - Top Management	3.9%
Voluntary Turnover Rate - Middle Management	3.3%
Voluntary Turnover Rate - Junior Management	3.5%
Voluntary Turnover Rate By Age	
30 and Below	22.0%
31-50	13.7%
51 and above	8.5%
Performance Development	
% employees that received a Performance and Career Development Discussion - Overall	**68%**
% employees that received a Performance and Career Development Discussion - Women	69%
% employees that received a Performance and Career Development Discussion - Men	66%

[1] Turnover, computed by number of leavers within 2021 divided by average headcount for 2021 for permanent employees only

Non-Financial Reporting People Metrics 2021

	Total Arcadis
Performance & Training	
% of the total workforce across all locations who received career- or skills-related training.	74%
Average Hours of Training Per Person - Overall	38 hours
Average Hours of Training Per Person - Women	36 hours
Average Hours of Training Per Person - Men	38 hours
Average training costs per employee	€ 257.00
Leadership and Management - Gender[1]	
% Overall Management - Women	29%
% Overall Management - Men	71%
% Overall Management - Undisclosed	0%
% Top Management - Women	22%
% Top Management - Men	78%
% Top Management - Undisclosed	0%
% Middle Management - Women	26%
% Middle Management - Men	74%
% Middle Management - Undisclosed	0%
% Junior Management - Women	34%
% Junior Management - Men	66%
% Junior Management - Undisclosed	0%
Leadership and Management - Age[1]	
% Overall Management - 30 and Below	4%
% Overall Management - 31-50	70%
% Overall Management - 51 and above	26%
% Top Management - 30 and Below	0%
% Top Management - 31-50	41%
% Top Management - 51 and above	59%
% Middle Management - 30 and Below	1%
% Middle Management - 31-50	68%
% Middle Management - 51 and above	32%

[1] % of Employees Covered

Non-Financial Reporting People Metrics 2021

	Total Arcadis
% Junior Management - 30 and Below	11%
% Junior Management - 31-50	78%
% Junior Management - 51 and above	11%
Freedom of Association	
% of the company's employees covered by collective bargaining agreements	28%
Benefits[1]	
Compensation for extra or atypical working hours (e.g. overtime pay, night work pay or related allowance/s.)	97%
Additional leave beyond standard vacation days (e.g. parental leave, sick/personal leave, volunteer leave, study leave)	99%
Policy on flexible organization of work available to employees (e.g. telecommuting, variable schedules)	91%
Childcare services or allowance	35%
Health care coverage of employees	91%
Measures promoting career mobility (e.g. Promotions Policy, Career Framework)	96%

Parental Leave	Number of Employees	% of Employees Covered
Total number of employees that were eligible to parental leave	25,273	90%
Number of employees that were eligible to parental leave - Women	9,618	90%
Number of employees that were eligible to parental leave - Men	15,655	90%
Total number of employees that took parental leave	1,546	5%
Number of employees that took parental leave - Women	698	7%
Number of employees that took parental leave - Men	848	5%

[1] % of Employees Covered

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Glossary non-financial & financial indicators

Arcadis requested its external auditor to provide limited assurance on a selection of financial and non-financial indicators included in this Annual Integrated Report.

The selected indicators that fall within the scope of limited assurance by our external auditor are summarized on the '2021 at a glance page' on page 2, 3,4 and 5 as marked with the symbol ✓. Only the 2021 numbers for these indicators are assured under the Assurance report. These indicators are amongst the most material indicators for Arcadis. The indicators with limited assurance are based upon group consolidated numbers. Next to having these indicators in the '2021 at a glance page' they can also be found throughout this Annual Integrated Report. See page 299 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes. Unless described otherwise, the boundary setting of the indicators is based on Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company'), aligned with the financial statements scope. Arcadis aims to increase the assurance scope for its sustainable information in the Annual Integrated Report in coming years. For a description of the definitions of these indicators (and some others used in this Annual Integrated Report), as well as relevant accounting considerations, please refer to the section here below, and on the next page.

	Term	Definition
Non-financial	Workforce	Workforce is defined as individuals and companies that have an employment agreement with Arcadis, according to national law or its application (i.e. employees and contingent workers). The workforce is measured in an absolute number at the balance sheet date.
	Employees	Individuals that are in an employment agreement with Arcadis, according to national law or its application (i.e. employees). Employees exclude contingent workers, such as consultants and agency workers.
	FTE	Workforce expressed in FTE (Full Time Equivalent).
	Permanent Employees	This includes everybody on the payroll with an employment agreement that is not temporary in nature. This is measured in an absolute number at the balance sheet date.
	Temporary Employees	This includes individuals on the payroll with an employment agreement that is temporary in nature. This is measured in an absolute number at the balance sheet date.
	Contingent workers	These are individuals that are hired for a service from other companies for a limited duration such as consultants and agency workers. This is measured in an absolute number at the balance sheet date.
	Voluntary Turnover rate	Voluntary termination of permanent employees (see definition above) divided by the average number of permanent employees during the period. A termination is voluntary when the decision for termination is made by the employee. People going on retirement are not seen as 'voluntary' as it is initiated by local legislation. The rate is calculated as a percentage covering the calendar year.
	Involuntary Turnover rate	Involuntary termination of permanent employees (see definition above) divided by the average number of permanent employees during the period. A termination is involuntary when the decision for termination of an employee is initiated by the employer, local legislation and/or unforeseen circumstances. The rate is calculated as a percentage covering the calendar year.
	Women Participation rate	Number of women employed at Arcadis as a % of total permanent and temporary employees. This calculation is based on absolute numbers.
	Employee Engagement	The eNPS (Employee Net Promoter Score) measures our employee engagement. On a scale of -100 to +100, the eNPS score determines to what extent employees promote Arcadis as a place to work and therefore helps us ascertain how we are progressing on our journey to be a best place to work The eNPS is only measured for permanent employees and is calculated by subtracting the percentage of detractors from the percentage of promoters.
	Top Management	Employees on job level 12 to maximum of 14 with people management responsibility.
	Middle Management	Employees on job level 9 to 11 with people management responsibility.
	Junior Management	Employees on job level 5 to 8 with people management responsibility.
	Age	Is calculated based on the recorded legal birth date of permanent employees (see definition above). In some cases birth dates were not disclosed or recorded and have been labelled unspecified.

Glossary non-financial & financial indicators

	Term	Definition
Non-financial	Performance Development	Permanent employees (see definition above) who received a performance and career development discussion during the reporting period.
	Training	Refers to time or expenditure spent preparing and attending training events, E-learning, mentoring, coaching and internal / external conferences.
	STEM (Science, Technology, Engineering and Math)	STEM participation will consist of the Arcadis job families with STEM related positions.
	Share of women in STEM-related positions	Share of women in STEM-related positions in a job family as a percentage from total STEM positions in a job family.
	Number of appointed privacy officers under the Privacy policies	This is the absolute number of Regional Privacy Officers at Arcadis appointed by the Responsible Executive of such Region in accordance with the Arcadis Privacy Standards.
	Arcadis' carbon footprint (MT CO_2 per FTE)	Arcadis' carbon footprint consists of our total metric tons of CO_2 equivalents from material scope 1, 2 and 3 emissions, Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent, including the methodology used to calculate GHG emission inventories, Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent and, if applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent, including the methodology used to calculate GHG emission inventories, and Gross indirect (Scope 3) GHG emissions in metric tons of CO_2 equivalent from the scope 3 sources as included below to "Scope 3 definition and boundary setting". The general carbon accounting policies and emission factors are described below.
	General carbon accounting policies and emission factors	Our emissions calculations are based on the GHG Protocol "A Corporate Accounting and Reporting Standard" (World Resources Institute and World Business Council for Sustainable Development, March 2004), as well as the "GHG Protocol Scope 2 Guidance" and the "Corporate Value Chain (Scope 3) Accounting and Reporting Standard". The organizational boundaries of Arcadis are drawn up using the so-called 'Operational control approach'. This means that Arcadis takes responsibility for the emissions of the business units over which it has operational control. Emissions resulting from potential releases of refrigerants from fridges or air conditioners are not considered as assumed to be non-material, but the electricity consumption for the installations is considered. As emission factors, the factors from Defra v10.0 (09/2021) have been used and for electricity, the factors from IEA (12/2020) have been applied for scope 2 (location-based). For US electricity, the Defra factors have been used. For the market-based footprint, residual mix factors from the RE-DISS project have been applied (version 05/2021).
	Scope 3 definition and boundary setting	In our scope 3 we currently include business travel with airplanes, private vehicles, short-term hired vehicles, taxi, and public transportation. We consider the indirect emissions over which Arcadis has limited influence. To illustrate: employees have the choice to meet the business mobility need in different ways, for example with their private car. Arcadis is responsible for the emissions but has no direct influence on the choice that is made and the type of car that the employee drives.
	Estimates	As we publish our AIR early in the year, we don't have all final emissions data points by the time our AIR gets published, e.g., for December electricity consumptions at some locations. Therefore, we work with estimates for these missing data points and publish an update on our webpage in the 2nd quarter of 2022. When final data is not available, an estimation was calculated. For consumptions not depending on the climate (like electricity for workstations and lighting), an extrapolation is made based on historical data where available. The use of climate-depending energy (e.g., natural gas, heat (district heating), electricity for heating or cooling if measured separately) is calculated in proportion to the number of heating or cooling degree days.
	Number of identified environmental non-compliances	Environmental violations or notices of violations from a regulatory environmental authority where a monetary civil penalty of an amount higher than €10,000,- was imposed on Arcadis. The identified environmental non-compliances are measured in absolute numbers.
	Investigated AGBP alleged breaches	Number of assessed and, as needed, investigated AGBP alleged breaches, as part of the Arcadis AGBP Issue Reporting & Handling Procedure.
	Employees passing Code of Conduct training (as % of total staff)	Percentage of employees that have successfully passed training on Arcadis' Code of Conduct, including anti-corruption, , bribery, conflicts of interest, anti-competitive practices, and other risks, Each employee must pass the training every other year. The number is expressed as a percentage, calculated by dividing the number of employees that successfully passed the training by the total number of employees.
	Lost Time Case Frequency (LTCF, per 200,000 work hours)	The Lost Time Case Frequency (LTCF) is calculated as a ratio of cases per 200,000 worked hours using the formula LTCF = (LTI x 200,000 hrs)/ Work Hours. The cases are calculated as LTI (Lost Time Injuries) = PTD + LWC using the following abbreviations: PTD (Permanent Total Disability) = Number can be taken from injury/occupational illness logs or investigation sheets. LWC (Lost Workday Cases) = Number can be taken from injury/occupational illness logs or investigation sheets. Note that cases are only recorded for Arcadis employees, not for contingent workers nor subcontractors. Hours are based on Arcadis employees as well.

Glossary non-financial & financial indicators

	Term	Definition
	Total Recordable Case Frequency (TRCF, per 200,000 work hours)	The Total Recordable Case Frequency (TRCF) is calculated as a ratio of cases per 200,000 worked hours using the formula TRCF = (TRC x 200,000 hrs)/ Work Hours. The cases are calculated as TRC (Total Recordable Cases) = F + PTD + LWC + RWC + MTC using the following abbreviations: F (Fatalities) = Number can be taken from injury/occupational illness logs or investigation sheets. PTD (Permanent Total Disability) = Number can be taken from injury/occupational illness logs or investigation sheets. LWC (Lost Workday Cases) = Number can be taken from injury/occupational illness logs or investigation sheets. RWC (Restricted Work Cases) = Number can be taken from injury/occupational illness logs or investigation sheets. MTC (Medical Treatment Cases) = Number can be taken from injury/occupational illness logs or investigation sheets. Note that cases are only recorded for Arcadis employees, not for contingent workers nor subcontractors. Hours are based on Arcadis employees as well.
Financial	Gross revenues	The gross inflow of economic benefits during the period arising in the course of ordinary activities. Gross revenues of Arcadis consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Arcadis Group.
	Net revenues	Gross revenues minus materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractor. Net revenues entail revenues produced by the activities of Arcadis own staff.
	Dividend per share	Dividends issued by Arcadis for every outstanding ordinary share.
	EBITA	Earnings Before Interest, Taxes, and Amortization/Impairment of goodwill and/or identifiable assets.
	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization/Impairment of goodwill and/or identifiable assets.
	Operating EBITA	EBITA excluding restructuring, integration, and acquisition related costs.
	Operating EBITA margin	Operating EBITA as percentage of net revenues.
	Net Income from Operations	Net income before non-recurring items (e.g. valuation changes of acquisition-related provisions, M&A costs, expected credit loss on shareholder loans and corporate guarantees and one-off pension costs), the impairment/amortization of goodwill/identifiable assets, and share-based compensations related to the Lovinklaan Foundation share purchase plan.
	Net Income from Operations per share	Net Income from Operations in the year, divided by the average number of ordinary shares in the year.
	Net Working Capital	Sum of Contract assets (unbilled receivables), Inventories and Trade receivables minus Accounts payables, Contract liabilities (billing in excess of revenue) and Provision for onerous contracts.
	Net Working Capital as % of gross revenues	Net Working Capital/Gross revenues of last three months of the year * 4.
	Return on Net Working Capital	The Operating EBITA for the year divided by the Net Working Capital at year-end.
	Days Sales Outstanding (DSO)	(Trade receivables + Unbilled receivables - Billings in excess of cost - Loss provision) x 91 days)/Gross revenues of last three months of the year.
	Return on invested capital (ROIC)	The sum of earnings before interest after taxes and income from associates divided by average group equity, amortized goodwill and net debt.
	Net debt to EBITDA ratio (average)	Average net debt ultimo for the year/EBITDA. A measure of a Company's ability to pay off its incurred debt. This ratio gives the investor the approximate amount of time that would be needed to pay off all debt, excluding interest, taxes, depreciation and amortization.
	Free cash flow	Cash flow from operating activities minus (dis)(in)vestments in (in)tangible assets and including lease payments.

Other

AARC: Arcadis Audit and Risk Committee

ARC: Arcadis Risk & Control Framework

ASC: Arcadis Selection Committee

AGBP: Arcadis General Business Principles. A set of working ethics for our employees

Backlog: Value of signed orders in the portfolio to be filled, expressed as gross or net revenue

BIM: Building Information Modelling. A collaborative way of working, underpinned by digital technologies

CGUs: Cash Generating Units

Cash Flow Operating Activities: Profit for the period adjusted for non-cash items and cash flow from working capital

Defined Benefit: When the benefit on retirement from a pension fund to its participants is fixed

Defined Contribution: When the value of the contribution to the pension fund made by the company is fixed

ELT: Executive Leadership Team

GEC: Global Excellence Centers

Goodwill: The difference between the costs of an acquisition over the fair value of the identifiable net assets acquired

GRI: Global Reporting Initiative

IFRS: International Financial Reporting Standards

Impairment test: An assessment on the value of an asset in use, whereby estimated future cash flows are discounted to reflect market conditions and the risks specific to the asset

Net cash position: Cash and cash equivalents minus Bank overdrafts

Net debt: Interest bearing debt minus all cash and cash equivalents

Net Working Capital: Difference between current assets and current liabilities. It shows the liquidity of the company

Operating income: Earnings before interest and taxes

Order intake: The amount of new projects for which contracts have been signed or orally agreed on, expressed in gross or net revenue

Peer group: Group of listed companies that is comparable to Arcadis both in size and activity

Percentage-of-completion: Method to recognize revenue and expenses in an Income statement in proportion to the percentage of completion of the contract

Proxy solicitation: Means to provide shareholders the opportunity to vote without being present at the shareholders meeting

RemCo: Arcadis Remuneration Committee

Return on Net Working Capital: The Operating EBITA for the year divided by the Net Working Capital at year-end

SusCo: Arcadis Sustainability Committee

Total shareholder return: Stock price appreciation plus dividend yield

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