ARCADIS

Maximizing impact

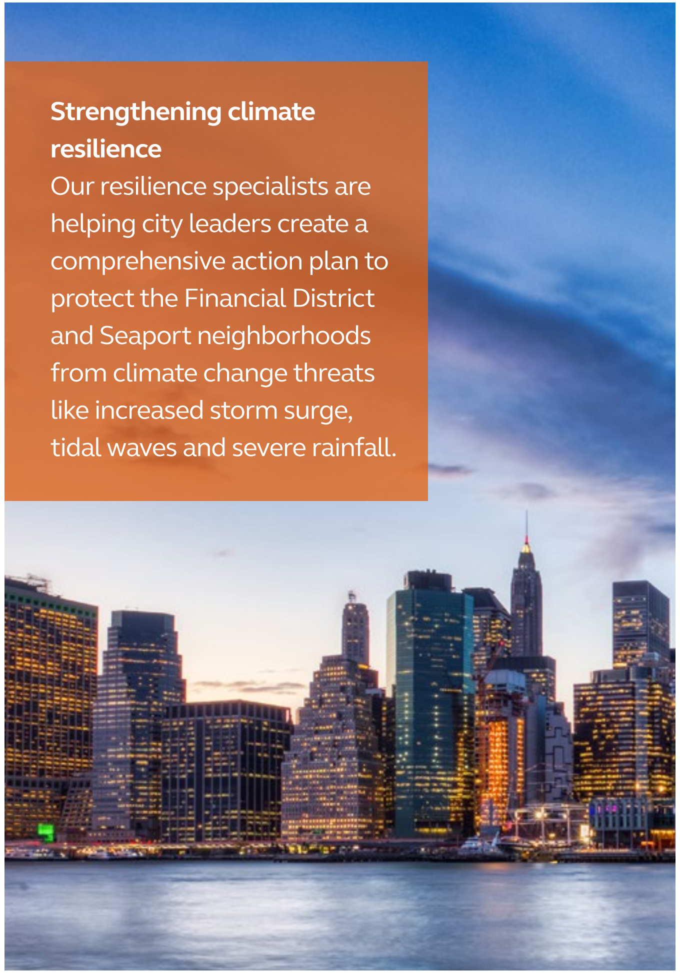
Sustainable solutions | Digital Leadership | Focus and Scale

Maximizing impact

"Climate change, inequality, a growing global population and resulting demand on natural resources put increasingly more strain on societies. We are making the right choices in addressing these challenges by delivering sustainable people-centric solutions, focus where we can win and to maintain a resilient business. We are maximizing our impact in our projects, driven by our passion to improve quality of life, making the world we live in a better place for our people, clients and communities."

Peter Oosterveer, CEO

New York City Economic Development Corporation and Mayor's Office of Resiliency | New York, United States



Strengthening climate resilience
Our resilience specialists are helping city leaders create a comprehensive action plan to protect the Financial District and Seaport neighborhoods from climate change threats like increased storm surge, tidal waves and severe rainfall.

Protecting Lower Manhattan

Challenge

Soaring skyscrapers flank historic cobblestone streets. Wall Street borders quaint storefronts. Bustling days are balanced with easy going weekends along the water. As next-door neighbors, the Financial and Seaport Districts make a dynamic duo. But the distinct and vibrant character of these two neighborhoods also make them particularly susceptible to flooding. The density of buildings, low-lying streets, an active waterfront and complex transportation infrastructure present unique challenges. Realizing traditional flood protection measures would not be feasible, New York City leaders turned to Arcadis to design a bold, new climate resilience plan.

Solution

The climate resilience strategy centers on a conceptual design that could include extending Lower Manhattan's shoreline up to 500 feet, or two full city blocks. Elevating land to be 20 feet or more above sea level, the shoreline will act as a flood barrier during storms and protect the area from rising sea levels. Additionally, our resilience experts will integrate the transportation, maritime and interior drainage infrastructure needed to support the shoreline extension.

Impact

Community support is crucial; our team will reach out extensively to the public and create immersive and innovative opportunities for residents to give input on the design of this pioneering flood protection system. The climate resilience master plan will detail a clear path forward, including how the project will be financed, constructed and managed throughout its phased approach. Protecting the Seaport and Financial Districts is only one part of New York City's comprehensive resiliency strategy but essential to protecting residents and ensuring Lower Manhattan's livelihood well into the next century.

Sustainable solutions

62,000
residents protected

How we are different
Deep understanding of climage resilience measures necessary to preserve the character of a community.

Impact
Protect tens of thousands of residents, millions of tourists who visit each year and the vibrant, distinct character of Lower Manhattan from increasing flood risk.

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2020 at a glance

Number in workforce ✓ headcount as at 31 December	27,939	Improvement	**2019:** 27,875
Employee engagement[1] ✓ employee net promoter score (on a scale of -100 to +100)	+27	Improvement	**2019:** +19
Voluntary turnover rate ✓ as % of permanent employees	8.7%	Improvement	**2019:** 13.5%
Female employees ✓ as a % of total workforce	38%	Unchanged	**2019:** 38%
Total Recordable Case Frequency (TRCF) ✓ per 200,000 work hours	0.13	Improvement	**2019:** 0.16
Employees passing Code of Conduct training ✓ of all employees in 2020	91%	Deterioration	**2019:** 97%

Deterioration Unchanged Improvement

For definitions and methods of measure for the indicators included on this spread, please refer to page 298-230. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

[1] Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL

2020 at a glance

Organic revenue growth ✓ net revenues	-2% (Deterioration)	**2019:** 3%
Book-to-bill ratio net revenues	1.04 (Improvement)	**2019:** 1.00
Organic revenue growth Global Key Clients ✓ net revenues	3% (Deterioration)	**2019:** 5%
Arcadis Way implementation progress ✓ as % of net revenues	64% (Improvement)	**2019:** 63%
Arcadis' carbon footprint ✓ MT CO_2 per FTE	1.59 (Improvement)	**2019:** 2.55
Revenues that relate to relevant SDGs as % of net revenues	80% (Improvement)	**2019:** 79%

Deterioration Unchanged Improvement

For definitions and methods of measure for the indicators included on this spread, please refer to page 298-230. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

2020 at a glance

		2019	
Gross revenues ✓ in € millions	3,303	3,473	Deterioration
Net Income from Operations per share ✓ in €	1.49	1.36	Improvement
Dividend per share ✓ proposed, in €	0.60	--	Improvement
Operating EBITA margin ✓ as % of net revenues	9.2%	8.2%	Improvement
Net working capital ✓ as % of gross revenues	12.6%	16.6%	Improvement
Days Sales Outstanding ✓ (DSO)	66	88	Improvement
Return on Invested Capital[1] ✓ (ROIC)	9.6%	6.1%	Improvement
Net debt to EBITDA ratio ✓ average	0.7	1.4	Improvement
Free Cash Flow ✓ in € millions	324	97	Improvement

Deterioration   Unchanged   Improvement

For definitions and methods of measure for the indicators included on this spread, please refer to page 298-230. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

[1] Target and reported performance based on IAS 17

Maximizing impact

Sustainable solutions | Digital Leadership | Focus and Scale

“Stand out performance in a year full of challenges.”

Peter Oosterveer, CEO

Dear stakeholders,

Welcome to our 2020 Annual Integrated Report. I am very pleased to report that we have done well this year, navigating the threats presented by the global pandemic, several natural disasters and the unrest caused by the just calls for social equality. I am proud and grateful for the way our people responded to these challenges by putting the safety and health of everyone first, while continuing to serve our clients in the best possible way.

In the unprecedented environment we all experienced in 2020, Arcadis has demonstrated to be very resilient and delivered strong performance as we pursued our quest to improve quality of life for our clients and for the communities in which we operate. The flexibility, agility and dedication of our employees enabled us to continue to deliver our projects, whereby the foundational and institutionalized performance enhancements combined with the measures we initiated at the beginning of the pandemic allowed us to perform so well. This resulted in a strong improvement of our operating EBITA margin, outstanding free cash flow, and healthy backlog growth which combined created our strong financial position. We are very proud that we have been able to deliver on all our strategic targets for the year, despite the challenging environment. This allows us to reinstate our dividend policy and we will propose to the shareholders meeting to distribute a dividend of €0.60 per share.

In November, we shared our 2021-2023 strategy, ‘Maximizing Impact’. We strongly believe global mega trends will drive market opportunities for us and Arcadis has the experience, capabilities, and solutions to address these.

"Our people have developed themselves to take our digital agenda forward, creating an additional avenue for revenue growth, and new ways to support our clients in their drive to excel."

Continued urbanization creates for example growing demand for sustainable transportation and affordable housing while climate change will drive amongst others growth in water solutions and accelerate the energy transition. Digitalization opens avenues for better-informed investment decision making and new business models. Rapidly increasing societal expectations demand companies and governments to act with integrity and create a resilient, sustainable, and inclusive future for all. For us at Arcadis, it is imperative to fully integrate resilience thinking in all the work we do for our clients and to use this as an opportunity for change. Our long-term passion of Improving Quality of Life, strong balance sheet and solid backlog combined with our future investments in strategic priorities positions us very well to maximize value for all our stakeholders.

The renewal of our strategy also comes with an opportunity for us to take the steps necessary to become a more diverse, inclusive organization where every Arcadian knows that they belong. This provides us with another opportunity to improve quality of life by taking a leading role in shaping the culture we want to see.

We remain committed to the UN Global Compact and its ten principles. In 2020 Arcadis committed to set climate targets in support of the pledge made by countries at the 2015 Paris climate conference to limit global temperature rise to 1.5°C by 2030. With this commitment we aim to set a high-level ambition and pave the way to a net-zero future.

Team completion and alignment with strategy

In September, we were able to welcome our new Chief Financial Officer. Virginie Duperat-Vergne was appointed to the Executive Board of Arcadis for a period of four years during an extraordinary shareholders meeting. With the new strategy, we reduced and aligned the Executive Leadership Team with the identified priorities. In addition to the two Executive Board members (Chief Executive Officer and Chief Financial Officer), this team will now consist of the following people: Alan Brookes (Chief Operating Officer), Mary Ann Hopkins (Chief Growth Officer), Stephan Ritter, (Chief Innovation Officer), and Jacoline van Blokland (Chief People Officer).

Global pandemic impact

There is no denying that COVID-19 has severely impacted our lives. Due to the decisive action and hard work of all Arcadians, we were able to limit the impact on our business. We have dedicated a chapter in this report to this topic. Our achievements underline the resilience of our people, as we switched to virtual working. It shows the strength of our relationships with clients whom we have continued to support without interruption. Notwithstanding the strong performance, we do see the impact of COVID-19 in our work for some private sector clients as well in the retail sector of CallisonRTKL, which led to a non-cash goodwill impairment for this business.

Strategic progress

In 2020 we completed the cycle of our 'Creating a Sustainable Future' strategy, delivering to the goals in the three pillars: People & Culture, Innovation & Growth, and Focus & Performance. Advances we made in each of our three strategic pillars include:

In **People & Culture** during 2020, the 'Your Voice Global' initiative was launched, including improvement to the way we listen and act upon feedback from all Arcadians. In addition, we continued the rollout of the Line Management Experience, supporting the realization of team success and employee engagement. Our 'people first' value, added in 2017 was critical in adapting to the COVID-19-related issues. We enabled people to work from home and enhanced our focus on staying connected and safeguarding mental health. Consequently, productivity was maintained, staff engagement was up and voluntary turnover decreased significantly.

For the **Innovation & Growth** pillar, the launch of our new global digital business, Arcadis Gen was a great achievement. Arcadis Gen is focused on unlocking the power of data, providing scalable products to our clients while acting as a catalyst to accelerate the digital transformation within Arcadis.

In 2020, the top 200 key client program represented more than 50% of Arcadis revenues and created excellent performance. 80% of our services support one or more of five of the Sustainable Development Goals we have identified as those we can positively influence. In addition, we introduced a broad range of new non-financial metrics in support of our sustainability ambitions. Significant progress was made in building our visibility in markets as we launched our refreshed global (human centric) brand.

Message from the CEO

For **Focus & Performance** in 2020, our continuous reorientation to focus on regions which support our strategic framework led to an announcement in October to reduce our footprint in the Middle East, a process we expect several years to complete. In the Global Excellence Centers (GEC's) we transitioned to a One Team Approach+, which sparked performance improvements, while throughout the cycle GEC adoption grew. Our 'Making Every Project Count' (MEPC) program contributed strongly to our 2020 performance. In three years, we have created improved financial performance, in terms of higher Operating EBITA margin %, lower Net working capital and days sales outstanding, and significantly improved our free cashflow and leverage ratio.

Health & Safety

The health, safety, and wellbeing of our employees and other stakeholders is central to everything we do at Arcadis. The Health and Safety (H&S) Global Vision and Policy focuses on a culture that strives for zero incidents.

For the ninth year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2020 (0.13, an 19% decrease from 2019 when it was 0.16), is at the lowest level since Arcadis began collecting global H&S data in 2004, when it was 1.13. The Arcadis TRCF has decreased by 55% over the past five years.

Our Lost Time Case Frequency (LTCF) for 2020 (0.05) also decreased when compared to 2019 (0.09). The Arcadis LTCF has decreased by 61% over the past five years. 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 0.70 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2019). 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. No work-related fatalities occurred in the last five years.

Driving progress

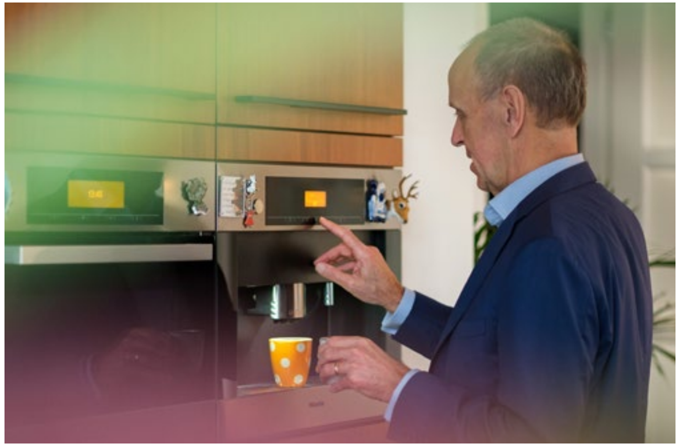
Our stronger operational performance and improved cash flow is a result of our focus on creating a resilient business. With our new strategy, we will build on that foundation and further improve our performance.

The launch of Arcadis Gen in January was our latest move to further accelerate our industry-leading digital transformation. While Arcadis continues to progress its innovation and digital strategy across its core operations, Arcadis Gen will be focused on the rapid development of various scalable digital propositions.

Our change programs in Digital continue with more than 16,000 Arcadians now having completed the digital training program. With the launch of a similar engagement module for Sustainability we will further increase strengths as a business partner for clients and to becoming the best place to work for our people.

The Arcadis Way program, which gives us better control and more standardization in our core business processes, enhances the possibilities for collaboration and insightful performance management. Its global roll-out continues and becomes even more relevant considering our new strategy and more globalized operating model.

"Societies are demanding companies to act with integrity and create a resilient, sustainable and inclusive future. We are ready to deliver on this expectation and to support our clients in achieving that same ambition."



This year, we also celebrated 10 years of pro bono work with UN Habitat in our joint Shelter program, providing resilient and sustainable solutions to communities in developing economies.

This was a very challenging year and I want to express a heartfelt thank you to all of our people, who have collaboratively achieved a lot this year. I am proud of our collective contributions and amazing ideas, the flexibility and dedication, as well as the enthusiasm I have experienced over the past year and I feel privileged to lead this organization with skilled, engaged and passionate people.

I thank our shareholders for their belief in our way forward and for understanding the steps we had to take to safeguard our business. I thank our clients for their loyalty and for working with us through the health crisis to keep projects going and opportunities coming. We see those as moments to shine.

We are making the right choices today to remain a resilient business – focusing where we win and addressing global societal challenges through sustainable people-centric solutions.

We are maximizing our impact in our projects, driven by our passion to improve quality of life, making the world we live in a better place for our people, clients, and communities.

On behalf of the Executive Board
Peter Oosterveer, CEO

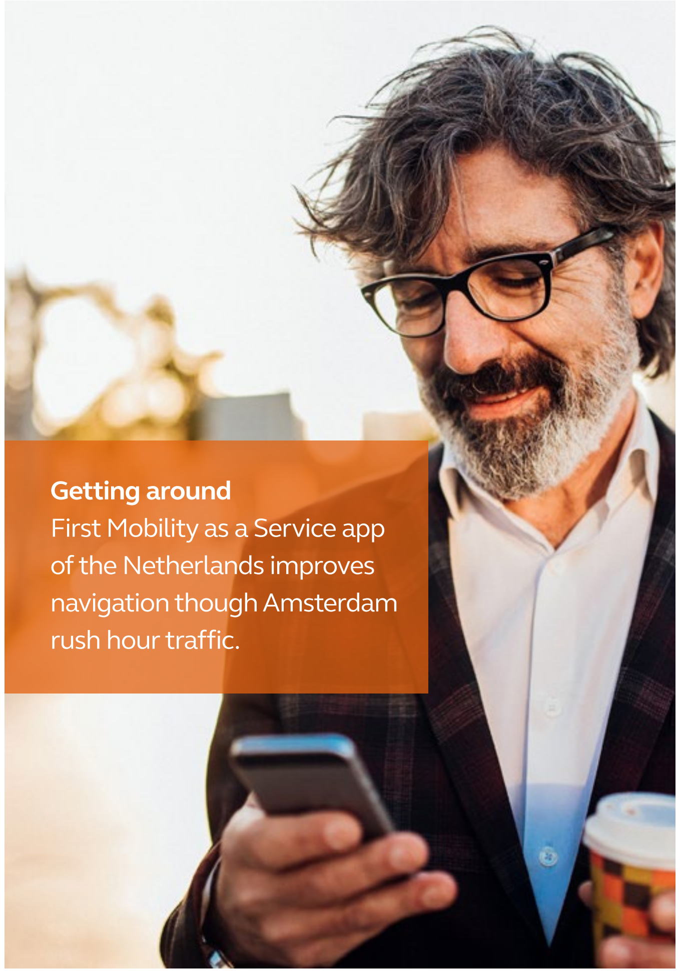
Chief Executive Officer and
Executive Board member
Peter Oosterveer

"We have achieved a lot this year and I am proud of our collective contributions."

Chief Financial Officer and
Executive Board member
Virginie Duperat-Vergne

"Our financial strength is a good foundation for our renewed strategy."

Zuidas Mobility Experience | Amsterdam, The Netherlands



Getting around
First Mobility as a Service app of the Netherlands improves navigation though Amsterdam rush hour traffic.

Mobility as a Service

Challenge

The success of Central Business Districts not only depends on the quality of the often-iconic real estate they house. Without proper accessibility these districts risk falling out of favor. However, even with connections in order, system overload during rush hour can still pose a threat. Workers increasingly have a choice to work in the office or not. Can better, technology-supported transportation make a difference?

Solution

To optimize existing transport networks, technology and intelligent mobility can help. One such technology is Mobility as a Service (MaaS), a concept spanning multiple modes of travel, combining different transport modes into a single seamless service. Arcadis and the city of Amsterdam are experimenting with this new sustainable service. By creating an open platform connecting all modes of transport. Planning of journeys, making reservations or sharing vehicles - all become easier with a single payment system for ease of use. The test area is the international business district, Zuidas, which will undergo major road construction over the next 10 years to improve accessibility. The Dutch government sees this as an opportunity to try to change travel behavior and shift people towards more sustainable choices.

Impact

The Zuidas Mobility Experience is a pilot MaaS project where people who currently drive into Zuidas are challenged to change their travel habits. Using a smart card, Zuidas Pas, they can access railways, bike shares, taxis or other modes of travel to get into and around the district. In future, the ambition is to have all transport options digitally connected into one seamless experience in one app. Using this data, basic assumptions about MaaS can be tested to assess its scalability. MaaS can make travel easier, more sustainable and less of a hassle for people working at Zuidas.

Digital leadership

How we are different
Experimenting with open platforms connecing all modes of transport.

Impact
Reduce pressure on crowded transportation systems with better traveler experience.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

Demonstrating resilience in challenging times

Despite the unprecedented challenges presented by COVID-19, the business delivered strong operating performance and outstanding cash flow in 2020 as well as a strengthened balance sheet.

In the Extraordinary General Meeting of Shareholders in September 2020, Virginie Duperat-Vergne was appointed member of the Executive Board and CFO. In November we aligned the Executive Leadership Team to the new strategy and operating model. This, in combination with the balance and stability brought by our new CFO, provides a solid starting point for success in the years ahead.

The past year has again shown that discipline and focus are critical in achieving the Company strategy and in creating long-term value for all stakeholders. We fully supported the October decision to reduce the Company's footprint in the Middle East, allowing for enhanced focus on regions and activities which support the strategic framework. This will help maximize our impact in 2021 and beyond. We are very impressed with the adaptability, flexibility and dedication demonstrated by all Arcadians in 2020 and we firmly believe in the Company's continued success in the years ahead.

On behalf of the Supervisory Board
Niek W. Hoek

Priorities for the Supervisory Board in 2020

Unquestionably, the impact of COVID-19 on the Arcadis business globally and all its people took center stage in the activities of the Supervisory Board in 2020. In addition, the Supervisory Board, in coordination with the Executive Board and the Executive Leadership Team, identified and put special emphasis on the following SB Priorities:

1. Deliver on Strategic Plan commitments:
   - Make Every Project Count
   - Increased utilization of GECs
   - Continued portfolio assessment
   - Cash collection
   - Reduction of working capital
   - Employer of choice
   - Digital
2. Divestment of ALEN clean energy assets
3. Reduce indirect costs through organizational simplification, improved billability and effective utilization of Global Shared Services Centers
4. Develop and finalize Strategic Plan 2021-2023
5. Succession planning
6. Advance and anchor Arcadis Gen

Additionally, in 2020 we focused on Sustainability, Information Security and on the roll-out of the Arcadis Way to align business processes globally.

"I am very pleased with the strong performance of the Company in 2020, a year of unprecedented challenges."

Resilience to Recovery

Impact of the COVID-19 pandemic

The current COVID-19 outbreak began at the end of 2019. The first area to be seriously affected was the Hubei province in Central China. In January 2020 Arcadis was forced to close its office, in the city of Wuhan. As a result, we were already discussing COVID-19 issues and actions well before the World Health Organization declared the pandemic on March 11. Lessons learned from the Asian experience were used as the basis for our Task Force COVID-19 which was started in March. Given the considerable impact that was expected from the virus we set up the Task Force with a broad remit.

Safety and continuity

Led by Executive Leadership Team member Rob Mooren, the Arcadis Global COVID-19 Task Force consisted of representatives from the following global teams: Human Resources, Health & Safety, Housing, Travel, Client care, Finance, IT, Global Excellence Centers, and Communications. At the same time regional representatives were added to the group. Their involvement provided invaluable insights into local developments as the pandemic made its way around the world. At the same time, the regional teams were able to quickly implement centrally agreed measures to ensure the most effective response.

The Task Force's mission was clearly and concisely defined as:

- Safeguarding our people (and families) from COVID-19 and its effects
- Protecting our clients' businesses and our client relationships
- Ensuring business continuity, connectivity, and liquidity
- Creating clear policies that reflect our global values

In addition, local Task Forces were set up in all Arcadis regions or countries to ensure that our approach would accommodate local practices.

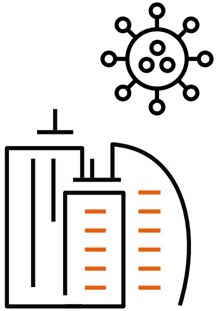
People first

Protecting our people and their families, as well as our clients from possible virus exposure were crucial in the beginning of our approach. Global health and hygiene protocols were issued in March to assist our staff in making the proper risk assessments related to virus exposure. At the same time, we started discouraging all non-essential travel and encouraging our people to self-quarantine in case of symptoms or in case exposure might have occurred through contact with people who were known to have been infected. Initially travel to severely affected areas in China, later Italy, South Korea, and other countries was restricted to further limit exposure risks. Not long thereafter international travel was limited for the whole of Arcadis with strict governance around travel approvals.

"Protecting our people and clients from virus exposure."

Meanwhile the risk of in-office infections was becoming real, which in some cases led to temporary office closures and deep cleaning efforts. As a result, office closures were rolled out across different geographies and within a period of two weeks we were able to have 90% of our people work from home. With the exception of July-September when policies were lifted a bit in Europe, working from home continues to be our approach, certainly as we entered wave two in many countries. People react differently to working in solitude or working in an environment where for example children who cannot go to school may require attention.

"Maintaining open channels with clients helped in the early days of the pandemic."



So as the duration of the lock-down increased, we introduced more employee assistance programs across the company. Strong internal communications programs helped to support employee involvement and alignment with all the steps taken. The IT team did an exceptional job in ensuring our people were connected and equipped properly for the new setting. In the second half of the year, we surveyed our people on their workplace experience as well as their engagement with Arcadis, with both moving in a positive direction.

Financial caution

Early on, the pandemic caused uncertainty, with images of societies coming to a halt, total lockdowns, and very restrictive government measures featuring the headlines. In the first quarter, the organic net revenue decline in Asia was 15%, due to the virus impact. In this period creating certainty was the overriding focus and that led to the decision to withdraw its dividend proposal and to end it share buyback program only three weeks after launch. At the same time, Arcadis reduced its reliance on external consultants to further cut costs. Senior management took a 10% pay cut for a period of 6 months and the Executive Board will receive no bonus over 2020. Limitations were instigated in the hiring of new staff. The finance team in the meantime developed scenarios to ensure sufficient liquidity over time. These scenarios were regularly updated to keep up with the economic impact of the virus' spread. A program was started to put even more emphasis on collecting unbilled and overdue receivables to increase cash generation.

In October, Arcadis closed the refinancing of the matured Schuldschein loans with new €150 million Schuldschein loans in three-, five- and seven-year tranches. The Schuldschein loans were placed with an international group of institutional investors, Asian and European commercial banks and local German banks and was oversubscribed multiple times. With this successful transaction, the maturity profile of Arcadis has become more well-spread and has been extended up until 2027.

Government support

From the start Arcadis' approach to the pandemic has been to follow the guidelines of the World Health Organization and any additional measures if prescribed by local governments. As the crisis unfolded and financial uncertainty was high, the company also studied the possibility to obtain government support to address possible revenue declines or profitability issues. In the end, only limited use was made of these facilities.

Client impacts

Maintaining open channels with clients, helped us in the early days of the pandemic. It facilitated a dialogue about risks and opportunities and ended with us assisting clients with resilience services to combat the effects of the pandemic on their businesses. We carefully analyzed how the crisis would impact different client groups and clients, to see where we could help, but also where revenue was at risk. In general, we saw private sector clients slow down investment programs to limit spend or bolster cash retention.

Simultaneously, government spending was up with projects sometimes moved up in time as a means of economic stimulus.

For Property & Investments clients, quick scale downs in the first two quarters, reversed to a rebound in Europe/UK, but also a restart of programs in Hong Kong and China in the second half of the year. New large opportunities have emerged with Sustainability Assessment Management for funds. In Energy, clients have reduced spend. In mining, projects re-started in the third quarter after having been stopped in the first half of the year. The power industry is a bright spot, as it is an essential service, and therefore work continues with minimal delays. In the construction industry, aging infrastructure and infrastructure stimulus packages continue to drive potential market growth in key regions such as North America, United Kingdom, Australia, and Germany.

Industrial Manufacturing was under pressure, although selective clients in pharma, plastics, cleaning supplies and healthcare did well due to increased demand.

While the technology sector was negatively impacted, we believe it will emerge stronger in the medium term, powered by e-commerce, and the need for additional data centers to enable the virtual economy.

Investor trust

Disappointment about withdrawal of the dividend proposal and the cancellation of the share buyback program could have negatively impacted investor sentiment about Arcadis during 2020. However, we were met with support and understanding when explaining the rationale behind these decisions. Like us, investors are convinced that long term survival is helped by decisive action in times of crisis. Subsequently, we were able to present the positive effects of these actions and our effectiveness in dealing with the changed operating environment. We demonstrated strong resilience in the face of adverse market conditions, and managed to generate strong cash flow. At the same time, our renewed strategy, which in part focuses on aiding our clients with resilience issues, but also caters to the strongly growing need for sustainable services, was well received.

Community support

While actively managing the impact of the COVID-19 pandemic in our core business, we also continued with the Shelter program, our cooperation with UN-Habitat to support communities in emerging economies. As a key partner of UN-Habitat we have released the Healthy Pandemic Resilient Cities Report that presents a set of guidelines and recommendations to better plan and manage cities in response to the COVID-19 pandemic. The report was prepared by Arcadis experts as part of the Shelter Program.

At the onset of the COVID-19 crisis, the Shelter Program had already mobilized its experts to support UN-Habitat in the immediate recovery efforts. A COVID-19 Helpdesk has been established to support UN-Habitat and its partners. Lessons learned have been captured in the Healthy Pandemic Resilient Cities Report that elaborates on planning, design, and management solutions for cities.

Looking ahead with purpose

In June and July, members of the COVID-19 Task Force, together with experts of different Arcadis entities around the world investigated how the pandemic may affect our future way of working. Four focused subgroups developed tangible solutions, in four different areas: Sustainability & Resilience, Innovation & Digital, Clients/Markets & Competition and How we Work.

Some outcomes were paired with already existing initiatives in the business to enhance effectiveness and treated as business as usual going forward. Others were integrated into the innovation framework to be worked out in more detail. Finally, remaining ideas were injected into our strategy renewal process. Overall, all solutions were prioritized based on their feasibility (ease of implementation) and their expected impact.

> **“The pandemic underlines the relevance of resilience.”**

In **Sustainability and Resilience**, a COVID-19 buildings assessment and resilience tool and a digital tool for urban resilience stood out.

In **Innovation & Digital** the decision was made to concentrate on the development of one global client portal looking into how regional initiatives can be rolled into one proposition to save costs and increase efficacy of the solution.

For **Clients/Markets & Competition**, work group outcomes were used as input for our top 200 client re-assessment work, and to assess the pandemic impact on our sustainability strategy.

The **How we Work** team’s smart resourcing and resource resilience solutions were rolled into the strategy work. For Travel and Workplace, the short and long-term effects of COVID-19 remain a continuous focus as we experienced the second wave of the pandemic in many regions, and towards the end of the year to start judging how vaccination will impact our return to working from offices as well as our ability to travel.

How we can help

COVID-19 Resources

The COVID-19 pandemic has unexpectedly transformed the world as we know it. The impact on governments, cities and businesses is unlike any in recent history and navigating through it is a challenge for everyone. We are dedicated to serving our clients amid this difficult time – from helping with immediate needs around mitigating the impact on people and business to providing insight and aiding recovery efforts.

Business Continuity Planning
Download PDF →

Our services help you monitor risks, respond to escalations and prepare for recovery.

Optimized and Efficient Industries
Download PDF →

Our services help you secure efficiency gains, reduce costs, and plan for the future.

Emergency Response Solutions
Download PDF →

Rapid response solutions to convert existing facilities and more.

Wastewater Detection and Surveillance
Download PDF →

Protect your community or business from potential COVID-19 outbreaks with wastewater surveillance.

Tracking people movements in cities
Download PDF →

A service to help cities track human movement across all modes of transport.

Active Transport Support
Download PDF →

Helping cities plan for limited mass transit capacity and increased demand for active modes.

Crowdsourcing Data Collection in Cities
Download PDF →

Tools and resources to help communities collect and manage data.

Contract Management & Commercial Exposure
Download PDF →

Our solutions bring project continuity while minimizing risk exposure.

New York State Department of Health | New York, United States

Protecting public health
Turning to local universities and Arcadis, the New York State Department of Health piloted a wastewater testing program designed to detect COVID-19 outbreaks before they occur.

Combatting COVID-19

Challenge

As the COVID-19 pandemic swept across North America and cities grappled with new ways to protect the public, researchers identified that wastewater testing was an affordable and effective way to get valuable insight into community health. Recognizing asymptomatic carriers could spread the virus, the New York State Department of Health (DOH) pioneered this approach to keep people safe and inform potential reopening plans. Working in truly unprecedented territory, Arcadis collaborated with DOH and partners to pilot a wastewater testing program in four upstate communities.

Solution

Studies have proven that wastewater testing provides about seven days advance notice of the virus' presence in the community before symptoms appear. However, it requires deep knowledge of the community, wastewater collection systems, and testing capabilities to make sure the right data is being collected from the right locations. Familiar with the complexities of wastewater collection systems, Arcadis' team used their knowledge to jumpstart in-depth research specific to COVID-19. In partnership with Syracuse University, SUNY ESF and the analytical laboratory, the team used data trending and epidemiological and analytical methodologies to optimize the technique and identify 'hot spots' within communities.

Impact

Through the pilot program, the team and DOH gained a deeper understanding of how detecting COVID-19 through wastewater sampling can inform vital public health decisions. Monitoring helps health officials understand where the virus is present at a low per-capita cost, even without people showing physical symptoms. As more cities and communities adopt this approach, early detection of the virus' presence in the wastewater will allow state and local officials to take precautionary safety measures that can prevent future spread while maintaining a layer of anonymity for residents. When cases decrease monitoring wastewater will confirm the decline and ease anxiety regarding the presence of the virus in the community. This will play a pivotal role in helping communities recover from the devastating impacts of COVID-19.

Sustainable solutions

48 hour
sample analysis turnaround time

How we are different
Ability to quickly respond to a global health crisis, leverage our technical expertise and local partnerships.

Impact
An innovative approach to public health to protect people from the spread of COVID-19.

3 GOOD HEALTH AND WELL-BEING

Our business

Digitally enabled and steeped in sustainability

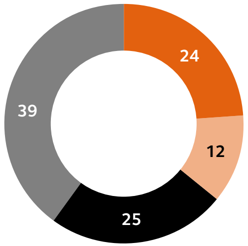
Arcadis' position in both global and local markets is strong. We seek to enhance that position of strength by delivering optimal (sustainable and digitally enabled) solutions to our clients. Sustainability will be integrated into all our solutions and increasingly, our project delivery includes digital components to drive efficiency and big data applications to improve end user insight for our clients. Our broad expertise, diverse client roster, full lifecycle capabilities, and strong global spread, form a stable base for the future development of our business.

Expertise Our expertise is global with a strong local reach. Combined with our deep market sector insights, our global solutions and collaborative teams we help clients overcome the most complex challenges, wherever they exist.

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.

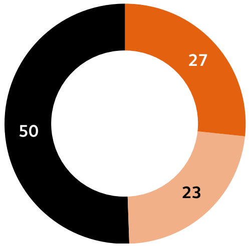
Services We offer our clients full lifecycle solutions comprising business advisory services, consulting, program, project & cost management, and design & engineering. We often develop client relationships that span the entire lifecycle of their assets. We integrate digital components where possible and use sustainability as a design principle in our approach.

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.



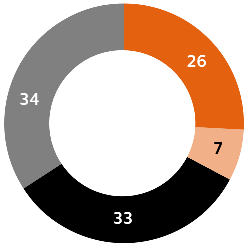
Expertise in %

- Infrastructure
- Water
- Environment
- Buildings



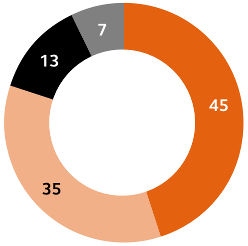
Clients in %

- Public
- Regulated
- Private industrial



Services in %

- Consultancy
- Architectural design
- Design & engineering
- Program, project & cost management



Segments in %

- Europe & Middle East
- Americas
- Asia Pacific
- CallisonRTKL

All percentages based on FY '20 net revenues

Our business

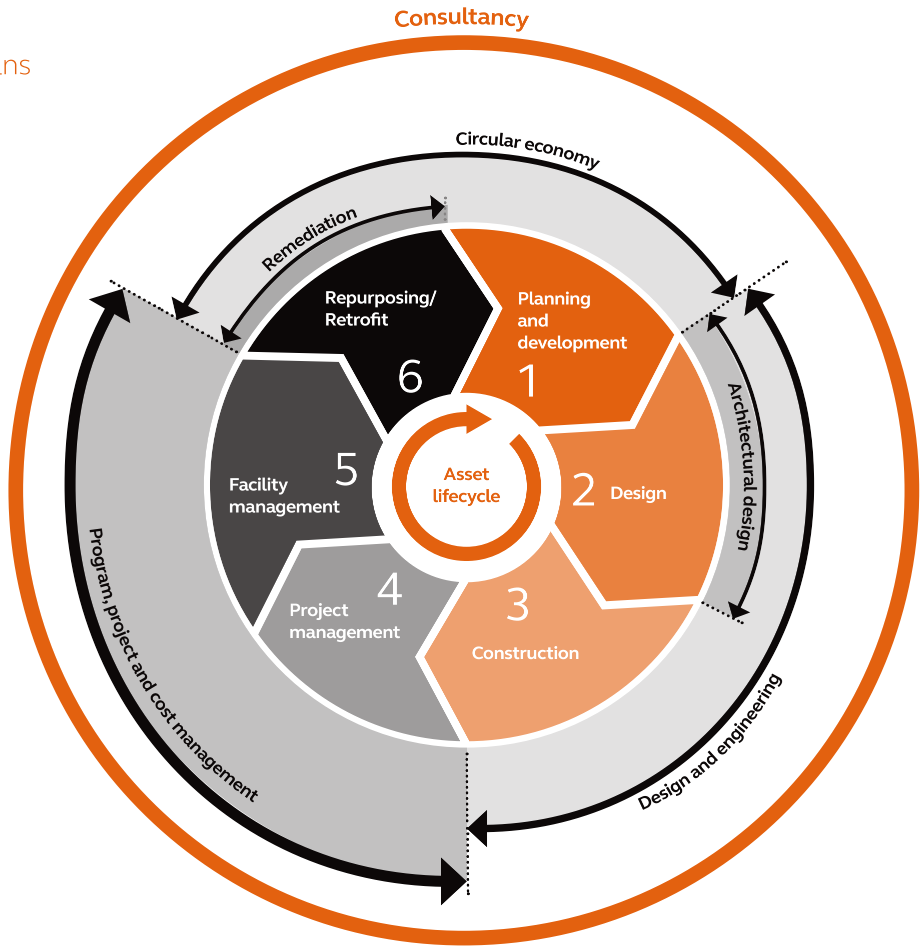
Our position in the industry value chain

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, or even assist clients with their investment programs, rather than just individual projects. These integrated solutions come with inherent advantages, such as prevention of friction losses. Digital components are built into our solutions to allow asset performance control from conception to decommissioning and back into redevelopment. Sustainability is integrated to ensure that solutions are socially acceptable and environmentally suitable, while performing optimally.

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 can bring benefits like pricing power, cost reductions, 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, people and communities we serve.



Our business

Value creation How we create and share value

Arcadis' value creation process aims to maximize the outcome of our business processes for all of our stakeholders through the efficient use of the capitals at our disposal. Our overall focus is on long-term value creation, while our three-year strategy cycle allows us to update our market relevance regularly to stay aligned with stakeholder interests.

Inputs using all resources wisely

Human and intellectual capital
Our 27,939 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, the growth of our business and our global office footprint, enabling us to service our local and global clients equally well.

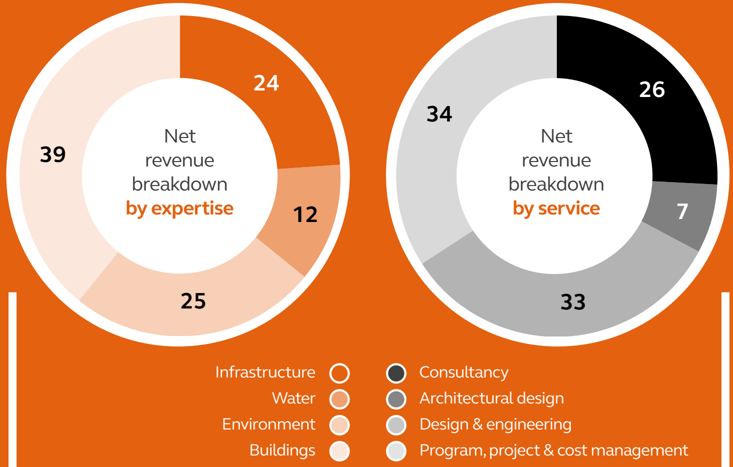
Natural capital
Natural capital is the stock of renewable and non-renewable resources that combine to yield a flow of benefits to people. In our operations and through our services on behalf of clients, we endeavor to reduce the dependence on natural capital by limiting the consumption of energy, paper,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

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

Our business

Output created per capital

Human and intellectual capital
High levels of employee engagement. Improvement in human and intellectual capital demonstrated by:
- Employee net promotor score at +27[1] (on a scale from -100 to +100)
- Successfully on-boarding of over 4,500 talents in 2020
- Continued investment in training & development for our employees
- Continuous commitment to Diversity & Inclusion leading to maintaining female percentage of total workforce
- Continued investments in Health & Safety, driving down total recordable case frequency

Social and relationship capital
- High level of client satisfaction demonstrated by repeat business. ~70% of our clients we have worked for before
- Building on brand awareness in every region through global and local campaigns
- Client experience score of 21 (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 of 9.2%
- Net debt to EBITDA ratio (average, for bank covenant purposes) improvement to 0.7

Natural capital
Through our projects we assist clients in building a Sustainable Future by providing integrated and sustainable solutions. Projects often include sustainable solutions and our intention is to do so in all of our projects going forward.
- Arcadis' carbon footprint (MT CO_2 per FTE) improved (from 2.55 to 1.59)
- 80% of revenues related to relevant Sustainable Development Goals (SDGs)

Digital capital
- BIM level 2 implementation up to 61% (2019: 42%)
- Voluntary Expedition DNA Basecamp participation is over 16,000 Arcadians or >57% of our total workforce
- Established Arcadis Gen - a new global digital business that will help secure its position as the leading provider of data-driven products and solutions across the natural and built environment

Outcomes for our stakeholders

Employees
Pride, satisfaction and a best place to work:
- Additional support in health and wellbeing for our people in work-from-home settings
- Voluntary turnover rate, now 8.7% (down from 13.5% in 2019)
- Maintained female percentage of total workforce at 38%
- Health & Safety indicators well below public industry benchmarks

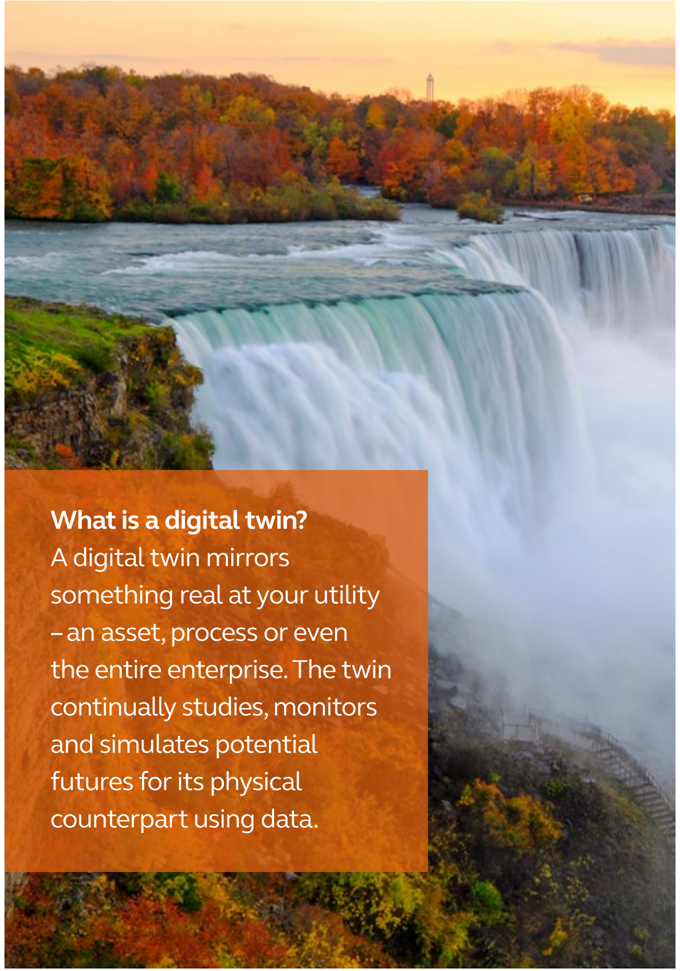
Clients
- 3% organic growth in key client work signals resilience
- Digital solutions, exploration of new technologies through co-creation
- Client approach via sector programs, core solutions and Global Cities
- Including sustainability in all of our client solutions

Investors
Competitive and sustainable returns:
- Proposed dividend of €0.60 per share, 40% of the net income from operations in 2020
- Return on Invested Capital was 9.6%

Civil society
- Assisting clients in dealing with the effects of climate change
- Working on homeless shelters and hospices in the UK through the CRASH program
- Continued contribution to relevant Sustainable Development Goals (SDGs) through client solutions

[1] Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL

Niagara Falls Water Board | New York, United States



What is a digital twin?
A digital twin mirrors something real at your utility – an asset, process or even the entire enterprise. The twin continually studies, monitors and simulates potential futures for its physical counterpart using data.

Digitally enabled water management

Challenge

As pressures mount on utilities to deliver quality water services to their communities while facing increasing operational costs, new strategies are needed to optimize limited resources. The city of Niagara Falls, New York, is tackling these challenges by testing new technologies. The Niagara Falls Water Board (NFWB) owns and operates drinking water, wastewater treatment and storm water conveyance facilities in the area, serving nearly 50,000 residents. To support its vision of a best-in-class water utility, NFWB was eager to advance their asset management practices with a digital solution.

Solution

Partnering with Arcadis' water and digital experts, NFWB conducted a pilot to develop a digital twin of the water treatment plant's chlorine system and building. The team set to work creating the 3D Building Information Model by using existing 3D laser scans and drawings. A 3D BIM is a digital representation of physical and functional characteristics of a facility that allows collaboration by various stakeholders, including designers, engineers, and operations and maintenance (O&M) staff. By connecting the 3D BIM to the digital platforms managing operations and maintenance, the team mirrored the physical chlorine system and building assets into a digital twin.

Impact

NFWB's digital twin is essentially a one-stop shop to asset information, integrating the planning, design, operations and maintenance phases of the asset lifecycle. The digital twin also provides employees a stronger data visualization and dashboard to view and manage daily. By gaining a better understanding of asset management across the lifecycle, NFWB will be able to optimize its limited resources and efficiently deliver nearly 18 million gallons of safe, clean drinking water to its community every day.

17.9 million

gallons/day of safe clean drinking water

How we are different
Connecting our water expertise with digital solutions to enable our clients to be future ready.

Impact
Improving the efficiency of operations while delivering quality drinking water to residents.

Digitalizing global solutions

Over the past few years, we have amassed overwhelming evidence that digital solutions offer productivity and profit increases to our clients. In addition, it allows them to connect better with their end clients, providing insights that can forward their business goals. We are becoming more proficient in digital and now differentiate ourselves as frontrunners.

Our digital transformation has picked up pace in 2020 as the world went virtual. Rolling lockdowns prevented us from meeting with each other and with clients in person, sometimes pushing digital solutions as the only way forward.

Arcadis is further building its reputation as a front runner in the digital space in our industry. Acknowledgement for this came from independent research firm Verdantix. In its 2020 Green Quadrant Digital EHS Services report it recognizes Arcadis as a leading global provider of digitally enabled environmental, health and safety (EHS) services. The report underscores Arcadis' digital strengths in the areas of site remediation and redevelopment, process and worker safety, and EHS software implementation.

We are embedding Digital Cost Management as we transform our cost and commercial capabilities. Our focus was on pursuit of new opportunities, increasing the value we deliver to existing clients and implementing the people change agenda. Several new solutions were delivered in regional markets improving client experience, providing project teams with insights and benchmarking features. An example is the InvestSmart online platform (developed in partnership with Arcadis Gen) which provides a new way of digitally interacting with clients. The success of Cost Clarity as our Client Portal and the interest shown globally by Cost Consultants in offering this digital tool to our clients has led to the start of the scaling across regions. It led to the launch of the Cost Clarity Hub, which includes sales material, training videos, regional points of contact and much more.

In our Design and Engineering solutions focus shifted from ideation to scaling, and ensuring that developments are applied across regions, rather than in isolated pockets. Focusing on standardization and automation in design to accelerate decision making, reducing the time from design to delivery to operation.

Under our Resilience to Recovery initiative, we looked at how we can assist clients in dealing with the fall-out of the COVID-19 pandemic with useful digital solutions. This resulted in solutions which can contribute to immediate needs around mitigating the impact on people and business to providing insight and aiding recovery efforts. A typical example is the Wastewater surveillance solution which provide communities or corporations (with sizeable industrial sites) early insights in infection numbers. Using wastewater to determine the virus presence has been proven to assess infection levels well before cases are reported, giving communities a 6-to-14-day lead time.

Another solution is to track people movement across cities anonymously, so city governments can assess the effectiveness of COVID-19 restrictive measures. Similarly, tools were developed to optimize public transportation use, reduce car traffic in favor of bike or walkways to improve urban resilience during and after the pandemic.

We continued the development of FieldNow™, Arcadis' 100% digital data collection program. Designed to help clients unlock more value from their data, FieldNow™ enables faster, safer, simpler, and more informed management of natural and built assets. Combining the full power of FieldNow™ with best practices in data management and visualization, can unlock scalable business solutions that improve quality of life for businesses and their key stakeholders. Using this program, our environmental experts can collect valuable information quickly and deliver more accurate results in less time to simplify decision-making, connect with stakeholders, and reduce costs. Originally developed in North America, this program is now being rolled out in Latin America, Australia, parts of Europe and beyond our resilience business area for assignments that require data to be collected across multiple sites.

We continue to focus on the digitalization of our Project and Program Management (PgM) solutions and further leverage new technologies to evolve our current ways of working, increase the certainty of outcomes and improving our Client's experience. The release of our updated PgM platform allows the integration of additional industry tools, provides access to benchmark information and project insights that enable data-driven decision optimization for increasingly complex projects and programs of work.

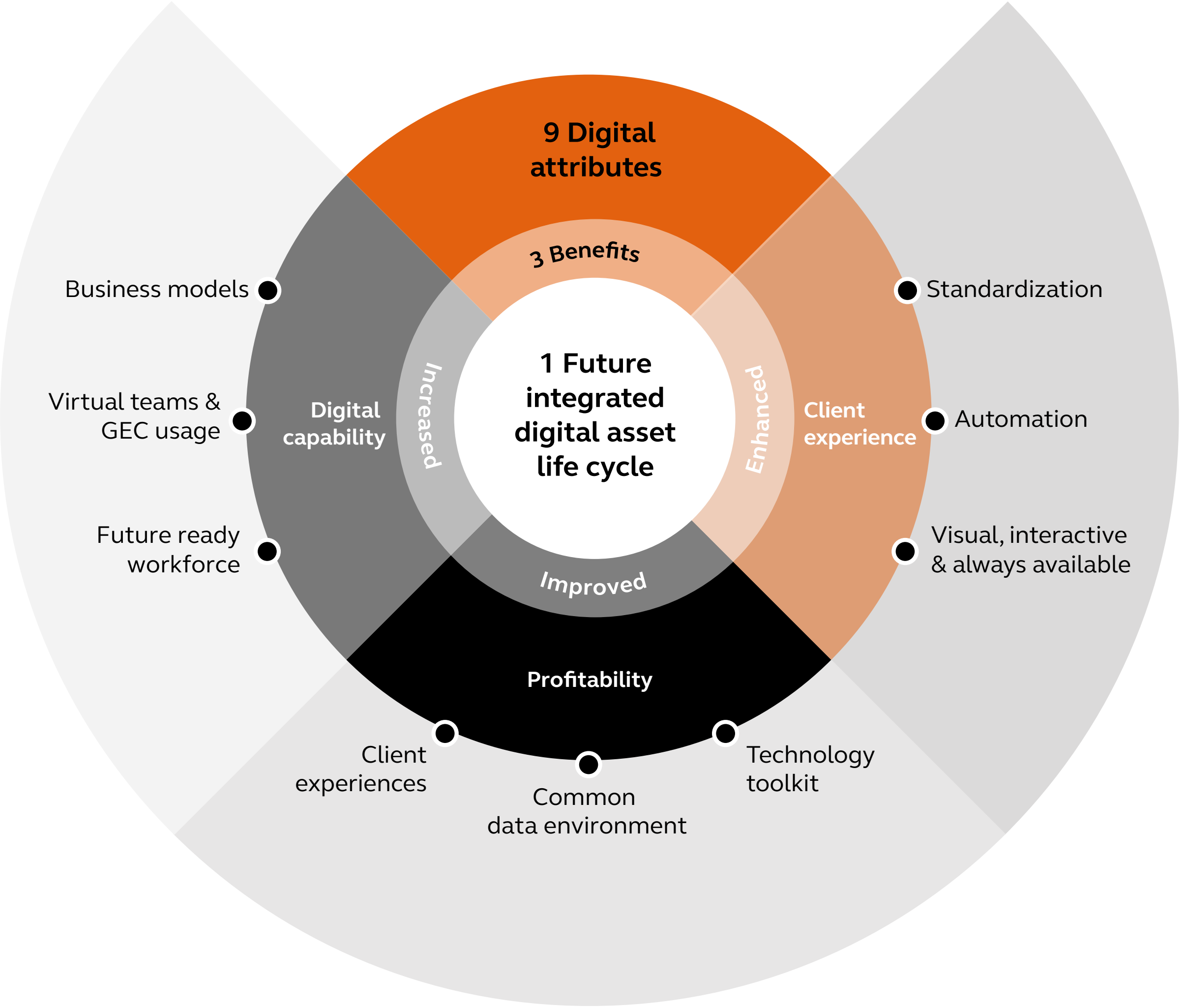
Most of our efforts in digitalizing Resilience & Water Management solutions are related to **climate resilience**, in cities, as rapid urbanization and increased climate change challenge cities. The COVID-19 pandemic further underpins the need for urban resilience. Resilient cities require two essential qualities: robustness and adaptability. Especially for the second quality, **digital tools** come into play. With successful tools like BaRT (the Bankability Resilience Tool) Arcadis helps clients to accelerate resilience implementation by calculating the true social and economic resilience benefits. Currently we are working on integration BaRT, already used in cities like Greater Manchester, Nijmegen and Gent, with several other promising tools and platforms within Arcadis, with our Techstars initiatives and ecosystem partners. We are now working with partners to develop a Digital Twin proposition combining hydrodynamic modeling and urban resilience calculations for more accurate and faster professional services and ultimately tools that our clients can use directly as well.

"Digital solutions offer productivity increases to clients."

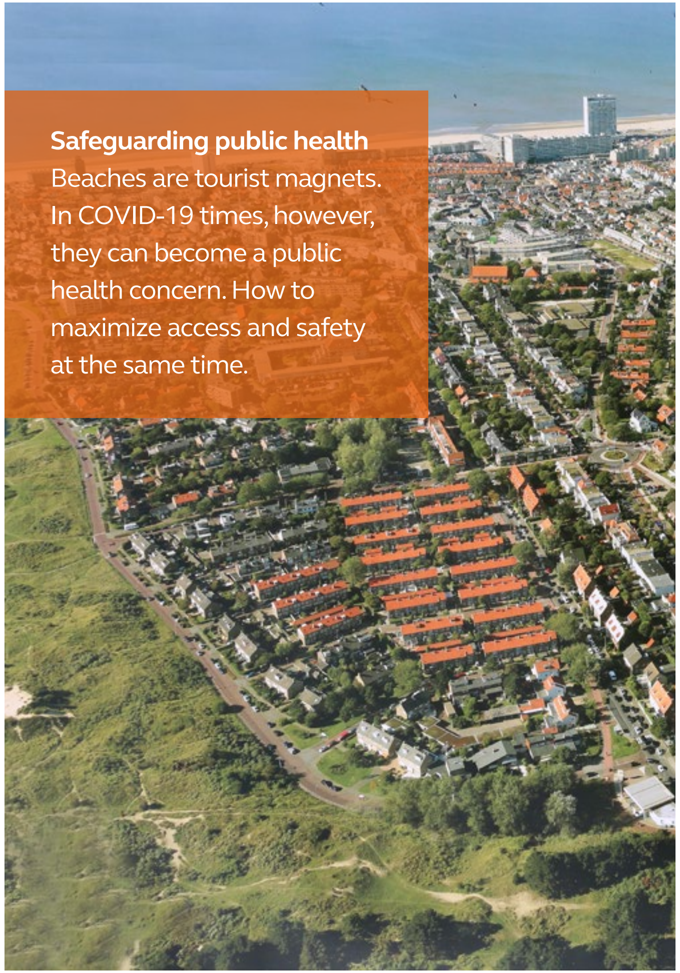
Digitization is a key driver for innovation in rail. It involves two approaches: maximizing the performance of existing assets and networks by applying smarter management and maintenance principles and increasing transit capacity by adding new rail infrastructure and lines. Developing a modern transit model is also important in accommodating this technological shift. Each asset in the physical transport system requires a full digital twin counterpart to parallel it. That way, dynamic data sharing can be done with multiple pre-existing data sources that are available from the early planning and design phases. Missing data are secured through smart data capturing techniques, and optimized solutions are created through digital simulations. After the completion of digitally enabled testing and commissioning, the digital twin continues to be key during the operational phase, particularly in the daily management of operations as well as the optimal monitoring and maintenance of asset conditions. To add to this, the asset database is always kept up to date. Data analytics, along with many of our other digital Enterprise Asset Management Solutions, contributes to preventing failures and optimizing the asset catalog.

To further the development of useful applications of Artificial Intelligence (AI) within the Architecture, Engineering, and Construction (AEC) industry, Arcadis started sharing its AI expertise with other industry participants. The hope here is that this will be a step in the direction towards a more collaborative, digitized, and innovative industry. This resulted in the publication of a joint document: 'Artificial Intelligence in the AEC Industry – a Code of Practice', which is a comprehensive report about the current state of AI in our industry, the future opportunities and trends it brings, and examples of work we have conducted together with our clients. The main areas of AI in the AEC industry include: Sensory, Language Processing, Perceive, Knowledge Representation, Learning, Decision-making, Augmented Creativity, and Motion. These branches of AI can be applied to a variety of client challenges, and in our Code of Practice we illustrate how AI can be used in all our solutions and market sectors.

Artificial Intelligence in the AEC Industry – a Code of Practice Download PDF →



City of Zandvoort | The Netherlands



Safeguarding public health
Beaches are tourist magnets. In COVID-19 times, however, they can become a public health concern. How to maximize access and safety at the same time.

Beach traffic dashboard

Challenge

With the weather improving and COVID-19 restrictions easing in the early summer of 2020, the popular seaside town of Zandvoort experienced a growing inflow of visitors. In the Netherlands, municipalities must manage public safety, meaning Zandvoort had to look after social distancing and thus manage the amount of visitors on any given summer day to allow for that distance to be ensured. Is there a right way to manage the appeal of sun, sand and sea?

Solution

An analysis of road traffic volumes offered a first clue and proved a good starting point to explore ways to safely accommodate visitors, particularly in the town center and on the beach. A real-time, digital, traffic-management dashboard was developed within three weeks, as a decision support system for local safety authorities. With that in hand, visitor traffic could be regulated by an active communication strategy - including social media, variable-message signs and, as a last resort, road closings for beach visitors. This was then augmented with zoning solutions to guide pedestrians to maintain social distancing, create additional space for restaurants during busy days and a crowd-management solution for the train station at end of day peak times.

Impact

COVID-19 has severely impacted global, regional and local economies. Periods without lockdowns provided rare moments for local business growth, but only if done responsibly. The solution for Zandvoort made beachgoing possible for thousands, supported the local economy in tough times, and provided the city and those responsible for safety an early view and ability to prevent issues. That, balanced with well guarded health safeguards, makes this solution smart.

Digital leadership

Balancing tourism and public health

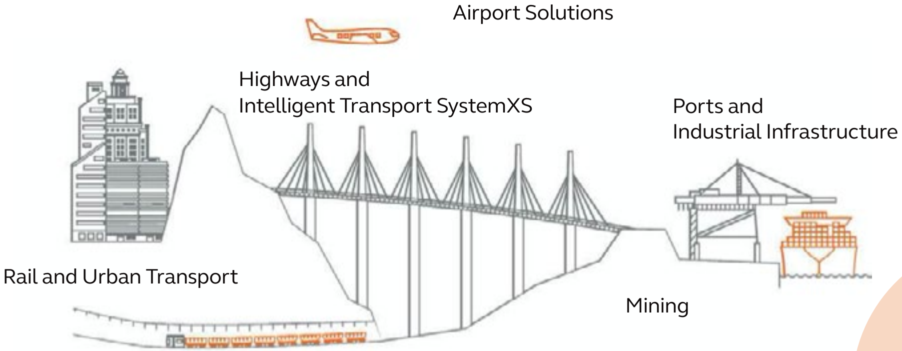
How we are different
Combining consultancy and data insight into effective decision making tools in record time.

Impact
Navigating a pandemic with safe, positive economic outcomes.

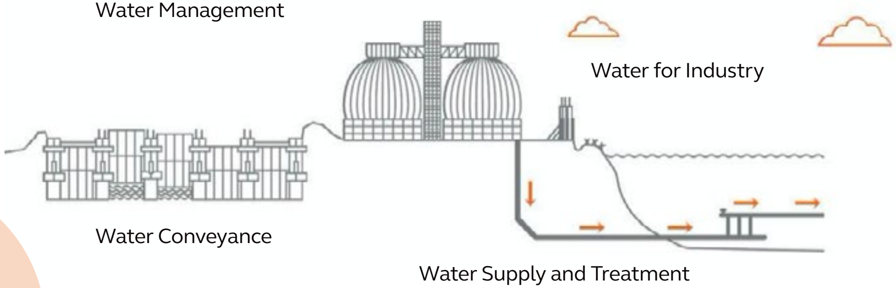
Our business

Our solutions are delivered cross sector

Infrastructure (24% net revenues)

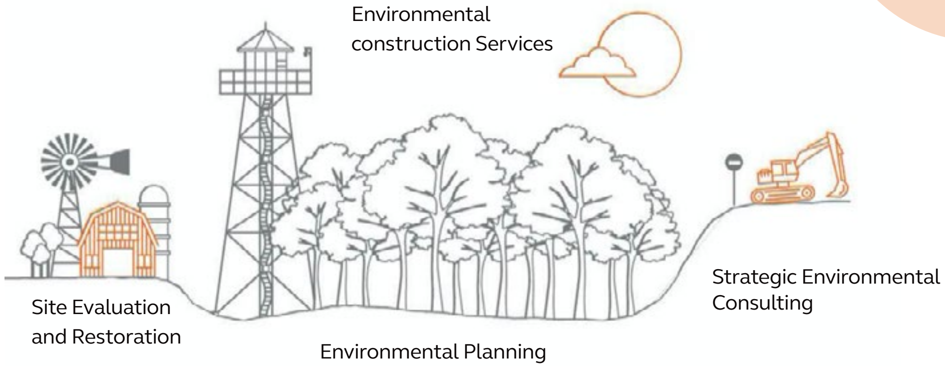


Water (12% net revenues)

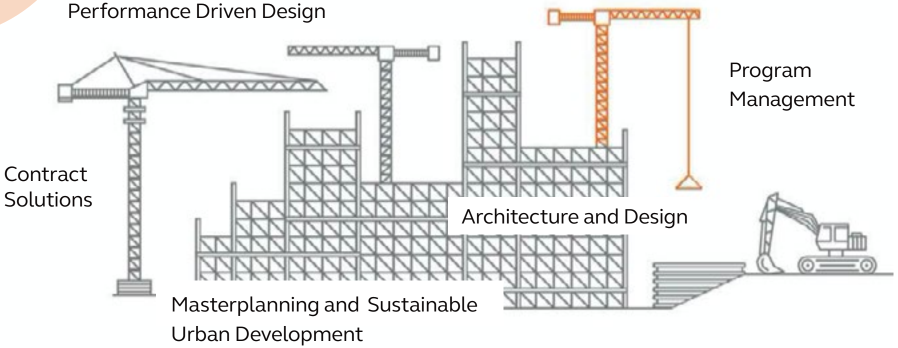


Local expertise Global reach

Environment (25% net revenues)



Buildings (39% net revenues)



All percentages based on 2020 full year net revenues

Our passion Improving quality of life

At Arcadis, our core values guide us in everything we do, while we base business decisions on our strategy. 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

Client success

We are passionate about our clients' success and bring insights, agility, and innovation to co-create value

Integrity

We always work to the highest professional and ethical standards and establish trust by being open, honest and responsible

Sustainability

We base our actions for clients and communities on environmental responsibility and social and economic advancement

Collaboration

We value the power of diversity and our global capabilities and deliver excellence 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

Arcadis in perspective

Worldwide workforce

27,939

2019: 27,875

Number of people in workforce:

Continental Europe	5,881
North America	5,418
United Kingdom	4,135
Asia	3,495
Global Excellence Centers	2,849
Latin America	2,231
CallisonRTKL	1,228
Middle East	1,152
Australia Pacific	1,086
Arcadis Gen	226
Corporate	238

Countries with offices

30+

Countries where Arcadis has completed projects

70+

Number of projects:

35,000+

Global Excellence Centers

Number of employees

2,849

Romania
India
Philippines

2019: 2,678

Tesco | United Kingdom

Going electric
More people switch to electric vehicles when charging access is easier. Helping Tesco install charging points nationwide.

Creating EV charging at scale

Challenge

How many of us have considered switching to an electric vehicle, but been put off by concerns about how and where to charge it? Now, imagine if it could be as straightforward as doing your grocery shop? With petrol and diesel cars gradually being phased out, we need to make it easier for people to make more sustainable, environmentally-conscious choices. And that's exactly what we've been doing with Tesco. As one of the UK's largest retailers, helping it design and install charge points across nearly 400 stores nationwide will make a huge difference. Millions more people will be able to conveniently access charging points, as quickly and easily as buying a pint of milk.

Solution

To help Tesco plan, deliver and install the nation's largest retail electric vehicle (EV) charging network we had to take a view across a huge portfolio of stores. The sheer scale called for careful coordination. Arcadis' role was to provide project, program management and process consultancy services to make sure charging points were installed efficiently. Choosing easily visible locations, without disruption for other customers – during installation or later use – was a key priority. Co-ordinating and avoiding clashes with other Tesco or partner initiatives also was required. This meant working with a wide and complex range of stakeholders, being flexible and adaptive on different sites and situations. At the same time, we ensured all technical standards and planning principles were scrutinized and adhered to. In case of inconsistencies or risks, we suggested changes in approach to be more efficient and ensure that chargers were installed to the highest standards, fast and in a non-disruptive way.

Impact

With climate change increasingly at the forefront of the agenda, we all want to try and do our bit towards helping the environment. This project is a core part of Tesco's commitment to supporting its customers with more sustainable solutions. When complete, it will mark a 14% increase in the number of public charging bays in the UK, making it easier for people to recharge whenever and wherever they are.

Sustainable solutions

14%

more EV charging bays across the UK

How we are different

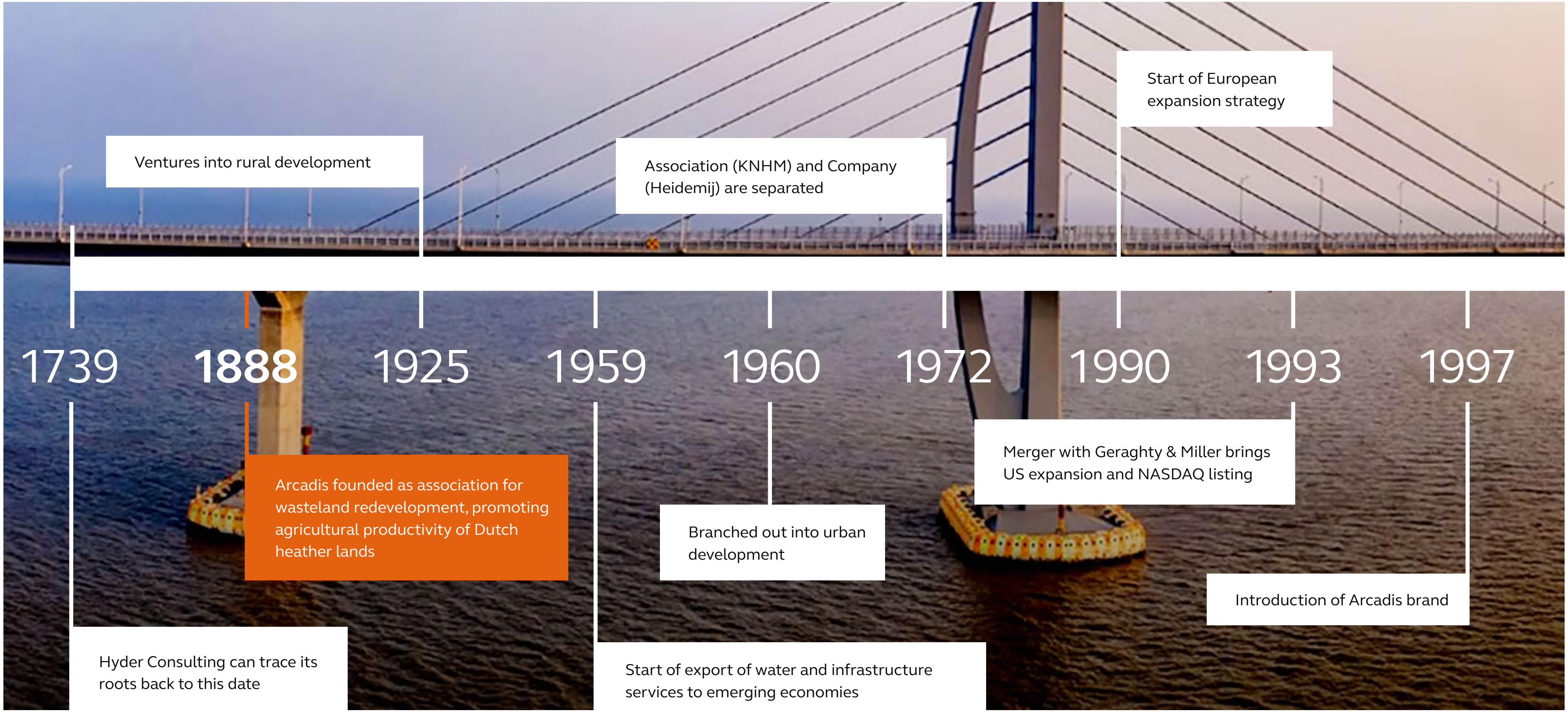
Clear processes and full guidelines for all areas of activity - from survey and installation to final handover. Ensured consistency and accuracy across all contractors involved.

Impact

400 stores with EV charging bays.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

The Arcadis journey Centuries of sustainable contributions



- **1739** – Hyder Consulting can trace its roots back to this date
- **1888** – Arcadis founded as association for wasteland redevelopment, promoting agricultural productivity of Dutch heather lands
- **1925** – Ventures into rural development
- **1959** – Start of export of water and infrastructure services to emerging economies
- **1960** – Branched out into urban development
- **1972** – Association (KNHM) and Company (Heidemij) are separated
- **1990** – Start of European expansion strategy
- **1993** – Merger with Geraghty & Miller brings US expansion and NASDAQ listing
- **1997** – Introduction of Arcadis brand

The Arcadis journey

Historic photo fact: Arcadis was a consultant to design, procure and supervise the management operations and maintenance services for the mega-scale land boundary control point on the Hong Kong side of the Hong Kong-Zhuhai-Macao bridge.

Acquisition of EC Harris brings stronger position in UK, and growth in Middle East and Asia

Acquisition of Langdon & Seah creates leading position in cost and project management in Asia

Introduction of one global brand

ARCADIS Design & Consultancy for natural and built assets

2007 2009 2011 2012 2014 2015 2017 2019 2020 2030

Acquisition of Malcolm Pirnie creates leading global position in water

Acquisitions of E2 Manage Tech, SEAMS and EAMS expand digital capabilities

Establishment of Arcadis Gen – digital incubator and acquisition Over Morgen

Acquisition of RTKL brings high-quality architectural design in US, UK, and Asia

Acquisition of Hyder Consulting and Callison brings further strength to engineering and architecture

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

Executive Board report

This Executive Board report describes how we have delivered on our strategic intent in the past year. It details how we took into consideration our strategic context and operating environment. It looks at how we fared in our three strategic pillars with corresponding targets, as well as how we made progress against our ten priorities for improved short and long-term performance. It explains our accomplishments in our operating segments. In addition, the Report describes the process and outcomes of our strategy update. The Report includes information on Governance and Compliance.

Delivering on our strategic targets for 2018-2020

Arcadis focuses on long-term value creation. 2020 marked the final year of our current three-year strategy cycle which was launched in November 2017. During this cycle we delivered our 'Creating a Sustainable Future'-strategy. With that strategy, we aimed to grow our business profitably, invested in digitization, improved delivery for clients and built a workforce fit for the future. With its successful completion, we created a solid launch platform for our next three-year strategy cycle.

Progress against our strategic targets

Key Performance Indicators were identified for all three pillars at the outset of the strategy cycle and we are pleased to report we were able to deliver on most of these targets. We also made progress against our top ten of strategic priorities throughout the cycle.

People & Culture

In year one of the strategy cycle, we adopted our People First approach, including programs around Living our Values and Develop for the Future to reinforce the most relevant material topics for our people: space to develop and succeed, a place to belong and be heard, room to become fit for the future. In year two, we augmented this with our Grow Perform Succeed (GPS) individual performance management approach and launched the Line Management Experience, supporting the realization of team success. In 2020, the Your Voice Global program was rolled out, improving our ability to listen to our people. Our people first approach was critical in adapting to the COVID-19-related issues. We enabled people to work from home and put extra effort in connecting and engaging. Consequently, productivity was maintained and staff engagement improved.

Innovation & Growth

Early in the cycle we focused our Global Sectors Program on six priority sectors, our Global Solutions Program around six core service solutions and seven asset solutions, while we continued to support the global urbanization challenge through our Global Cities Program. In year two we successfully launched our Top 250 client program. A Global Key Account Development Program and Client Experience Program were also launched. In 2020 the top client program represents more than 50% of Arcadis revenues and showed an excellent performance. Going forward client choices are aligned to the three-year strategy review and extensive COVID-19 impact analysis.

In digital, year one was focused on growing Advanced Analytics capabilities, priorities on the digital asset lifecycle as a concept and the start of our relationship with TechStars to incubate new innovations. The acquisitions of E2 ManageTech and SEAMS strengthened our digital offering, while Expedition DNA launched to bring our people along. In year two the Digital Innovation Hub was launched, and we saw a further spurt as Global Solutions leaders accelerated application of BIM1, automation and data analytics. In addition, we rationalized our Engineering Application portfolio to create a federated platform for the next wave of digitization. On BIM Level 2 adoption a program was driven in Design & Engineering to grow our BIM capability and adoption to create a platform for standardization and automation going forward. In 2020 we launched a new global digital business, Arcadis Gen, focused on unlocking the power of data and act as a catalyst to accelerate the digital transformation within Arcadis. Arcadis Gen is fully focused on rapid development of scalable digital products.

While reducing our own climate impact is important, sustainability in year one saw an increased effort to support our clients with their challenges in carbon footprint reduction, while also seeing growth in circular economy work. In year two of the cycle, we started integrating sustainable metrics in our loan portfolio and made it part of our executive remuneration criteria. In 2020 we renewed our sustainability strategy and non-financial reporting approach. Almost 80% of the services we provide support one or more of the five Sustainable Development Goals we identified. In addition, we introduced a broad range of new metrics including climate targets in support of the pledge made by countries at the 2015 Paris climate conference to limit global temperature rise to 1.5°C. With this commitment we pave the way to a net-zero future within Arcadis.

Significant progress was made in building our brand as we launched a refreshed global (human centric) brand.

Focus & Performance

In the first cycle year, we reviewed our portfolio and ringfenced the issues in the Middle East and Asia, where we took decisive actions to turn around the underperforming businesses to improve growth and returns. We also quickly rolled out our new Make Every Project Count (MEPC) program. The program aims to significantly improve project financial performance by focusing on aligning our people, behaviors, processes and systems with The Arcadis Way. In year two, considerable but successful effort was made to resolve our legacy issues in Brazil, while a stronger focus was put on cash collection globally.

Cost reduction measures included work on the basis for the global procurement organization and strategy and better insight in non-billable work. In 2020, as part of our continuous reorientation to focus on regions which support our strategic framework, we announced in October to reduce our footprint in the Middle East, we expect this process to take several years to complete. In three years we have built on an improved financial performance, in terms of higher Operating EBITA margin %, lower Net working capital and days sales outstanding, and significantly improved free cashflow and the leverage ratio.
In GECs the One Team Approach, now transitioning to One Team Approach+ sparked performance improvements, while throughout the cycle GEC adoption grew.

Solid foundation for future growth

The Creating a Sustainable Future strategy has delivered us a solid foundation for growth and with it we have created a more profitable, lower risk business which delivers a more predictable performance. We strengthened our balance sheet and legacy issues have been resolved. We have a strong focus on key businesses with leadership positions in core markets. Our performance enhancements are anchored in our business practices, as fortified by continued contributions from our ‘Make Every Project Count’ program. Our Global Excellence Centers are a strong asset, while our Key Clients program helps us focus on the right clients and the most relevant work for them.

Our strategy for 2018-2020

How we delivered on our targets

People & Culture

Voluntary staff turnover

Voluntary staff turnover < market	8.7%

Staff engagement

Engagement score improving annually	✓

Brand

Top-five brand awarenes in markets we serve	✓

Clients

Top-quartile performance for client experience	~

Innovation & Growth

Organic revenue growth

Surpass GDP growth in our markets	-2%
Organic revenue growth for Global Key Clients two times overall growth	3%

Innovation

Digital adoption by our people and our clients	61%

Sustainability

Significantly contribute to UN Sustainable Development Goals	80%

Focus & Performance

Margin

Operating EBITA margin trending to 8.5%-9.5% of net revenues by 2020	9.2%

Net working capital/DSO

Net working capital < 17% of gross revenues	12.6%
DSO < 85 days	66

Return

Return on Invested Capital (ROIC) > 10%	9.6%

Dividend

30%-40% of Net Income from Operations	40%

Leverage

Net debt to EBITDA ratio between approximately 1.0 and 2.0	0.7x

Sustainability

6 Clean water and sanitation | 9 Industry, innovation and infrastructure | 11 Sustainable cities and communities | 13 Climate action | 15 Life on land

Comprehensive analysis

The 2017 strategic review was based on a comprehensive analysis of factors in four broad areas:

1. Mega trends – To adapt our business, we need to understand the trends shaping our world. For Arcadis, the four key trends are: Urbanization, Climate Change, Digitalization and Societal Expectations (see page 50). These trends form the basis of our strategy.

2. Stakeholder dialogue – Our aim is to create value for all stakeholders. To do so, we focus on issues that are most 'material' to both our business and our stakeholders. Based on our engagement with stakeholders, we identified material topics. These provide constant input to our strategy (see pages 51-53).

3. Sustainable Development Goals – The UN SDGs were launched in 2015. Our passion to improve the quality of life for our stakeholders – fits well with the SDGs. We aim to contribute directly to these goals and integrated the most relevant into our strategy, operations and reporting (see pages 54-56).

4. Competitive landscape – How we position ourselves depends, to a large degree, on developments within our industry. We look at these developments in detail: changing client behavior, the shift to digital, the growing need for sustainable solutions, consolidation within the sector – and the increasing scarcity of skills and talent (see page 57).

Connectivity matrix

To bring all this information together, we have a 'connectivity matrix' on pages 58 and 59. This shows our value creation process, from beginning to end. It also shows how Arcadis uses its strategic context to update its corporate strategy, covering our three strategic pillars, corresponding risks, material topics, key performance indicators and targets (for selected indicators).

For the 2021-2023 Maximizing Impact strategy, we applied the same methodology. While the above performance metrics retroactively demonstrate our success in delivering on our last strategic ambitions, the description of the four factors in this report is forward-looking as an input for our new strategy cycle.

Our strategy for 2021-2023: Maximizing Impact
Accelerate our ability to meet increasing demand

As Arcadis, we worked the past three years to create a stronger foundation for our future. Going forward we realize that we need to strive to positively impact all our stakeholders: clients, shareholders, employees, and society. We identified three focused ways to maximize impact.

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. It will also entail making choices, in how we best organize ourselves to do this as well as about clients we serve. Our second opportunity to maximize impact will be through Digital leadership, protecting and further enhancing our evolving position, using Arcadis Gen as the catalyst to accelerate and grow and by continuing to invest in capabilities which will strengthen our position. And the third and last opportunity to is to maximize impact through Focus and Scale, we will provide expertise where we have a right to play and an opportunity to win. We can optimize this by both utilizing capabilities we successfully deployed during the current strategy cycle, such as Making Every Project Count and the Global Excellence Centers. We will further leverage the global scale of our expertise by consolidating into three Global Business Areas: Resilience, Places and Mobility.

Maximizing impact for all stakeholders
Today, stakeholder interests have converged like never before. Virtually everyone is convinced of the necessity to do good and make responsible choices. To create an organization with a strong purpose, valuing 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 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.

Sustainability creates value across stakeholders
As Arcadis we truly believe that the convergence on sustainable choices is no coincidence. We have always understood that sustainable business practices are inherently superior and create value across stakeholders. Shifting client and end user expectations now confirms this view. We see client requirements to drive ESG in the value chain as an opportunity for Arcadis to lead. Clients appreciate our progressive stance on this. Investors also require corporations to make progress in ESG-related topics. We now see that global sustainability & ESG investment tops US$30 trillion, up 68% from 2014 and tenfold from 2004. Some investors use financial and non-financial information on a balanced footing when making investment decisions. Finally, we see people choosing to work for sustainable companies. Purpose-driven organizations can drive loyalty and reduce turnover by 25-50% according to research by Deloitte. People want equal opportunity and want to protect the planet and its resources for future generations.

Sustainability in our DNA
Arcadis has sustainability in its roots. We were founded in 1888 as the Association for Wasteland Redevelopment. Our logo, the fire salamander, requires a balance between clean water, healthy air and clean soil to survive. Our name 'Arcadis' is derived from Arcadia: the finest place on earth to live. Our purpose: Improving quality of life literally captures it.

Arcadis insides
Capital Markets Day November 2020

Watch video here →

But it is more than words alone, our actions support it. We have partnered with UN Habitat in the Shelter program since 2010. We have been a member of the World Business Council for Sustainable Development since 2014. In 2018, we established a Sustainability Steering Committee with senior management members and made sustainability part of Executive Leadership Team remuneration. Also in 2018, we integrated sustainability in our financing schemes. In 2019 79% of our revenues were linked to selected Sustainable Development Goals, we initiated our Local Sparks community programs and scored 73 points on the Sustainalytics ESG assessment. In 2020 that score increased to 78.

How we deliver on our purpose

In its business operations, Arcadis embeds Environmental, Social and Governance (ESG) best practices into our operations, to demonstrate continuous improvement and we transparently report on our performance. We see this as our license to operate. Where it comes to our people and the communities we serve, we cultivate a workforce that is diverse, inclusive, and empowered to create a more sustainable world, improving quality of life in communities so that all people can thrive. We call this our Responsible Engagement. For clients, we provide solutions that address our clients' greatest challenges and deliver sustainable outcomes that positively impact people, planet, and prosperity. We use this to differentiate ourselves.

Continuous improvement

We continuously work on improving the sustainability in our business operations. We want to lead in ESG rankings. Sustainalytics ranks us #1 in our industry. Similarly, Ecovadis ranks us in the top 5% in our industry. We aim to drive inclusion & engagement and are an ambassador of workplace pride.

Our voluntary staff turnover has declined from 15% in 2017 to 9% in 2020, while in the same period the % of women in our workforce increased from 37% to 38%. Finally, we strive to drive emissions reductions, and have reduced our carbon footprint from 2.98 megaton in 2018 to 1.59 in 2020.

Thought and community leadership

With regard to people and community we will continue our active thought leadership in cooperation with WBCSD to which we belong since 2014 and of which our CEO Peter Oosterveer has been an Executive Committee member since 2019. We want to empower our people with Expedition DNA to accelerate sustainable development. Through the Local Sparks program in cooperation with Lovinklaan Foundation and KNHM we seek to continue to inspire passion discovery in communities. Through our cooperation with UN Habitat in the Shelter program, Lovinklaan Foundation and Arcadis seek to promote conservation, health and resilience in communities. Shelter is a ten-year partnership, has completed 120 global missions, with participation of 2,200 Arcadians since it was established.

Sustainable solutions

We also want to maximize impact through sustainability-driven client solutions. Examples are, the patent we hold for TISR (Thermal In Situ Sustainable Remediation), which allows for a 50% reduction in life-cycle costs versus conventional technologies. Or the work we are doing to design bicycle connections in one of the worlds most congested cities on behalf of the Los Angeles Department of Transportation. Or the design of sustainable office settings for the Dutch Triodos Bank, with bio-based and re-used materials, energy neutrality and a closed water circuit.

Continuing Digital Leadership

Arcadis has made considerable investments in developing its digital capabilities and wants to build on this to maintain a leadership position. This requires that we build a technology platform, through which we continue to invest in our technology foundation to digitalize our core business and to build digital solutions and products. We also need to rethink the way we work, for example by building scalable SaaS (Software as a Service) products, and connecting our asset knowledge with scalable business models. Finally, we want to create positive disruption, where we develop and engage our people and partners to innovate towards end users and client's needs.

Build the platform

Building the technology platform will allow us to deliver digital solutions & products. As a foundation we must invest into a common technology platform, including cloud services and hosting, common security standards, and a consistent enterprise and data architecture. We will then drive standardization and automation to capture, connect and store data and accelerate scalability. This will feed into differentiation, as we deliver an increase number of digital solutions and scalable products. Through the digital solutions, we will contribute to an improved client experience, more digitized service delivery, resulting in margin enhancement. Examples of this work include: digital twins, standard tools & data pools as well as connected data. Next to digitalized service delivery, we are developing scalable digital products suitable for self-service (through Arcadis Gen), recurring and scalable revenue sources and further evolving our business model. Product examples include: Enterprise Asset Management, Applied Insights, Invest Smart, and Enterprise Decision Analytics.

Rethinking the way we work
To remain at the cutting edge, Arcadis needs to reinvent itself in the digital space, which means we are continuously rethinking the way we work. Doing so means we must be growing our people, creating a common framework and language, so all our people can proactively contribute. For this people engagement we have Expedition DNA which to date has a voluntary participation rate of 56%. We must invest in innovation with a focus on three lenses: Desirability, Viability and Feasibility. This entails co-creation with clients and ecosystem partners (20 start-ups with Techstars), as well as driving the internal innovation framework with 400+ internal ideas captured to date. Finally, we aim to increasing efficiency and productivity by standardizing core services and functions, putting the Global Excellence Centers in the lead and by (re)using data for improved client solutions.

Positive disruption
We seek to achieve positive disruption through the work of Arcadis Gen. This entity will act as a catalyst and accelerate the dual transformation withing Arcadis. It will develop new business models faster and scale these globally. It will help us harness a common platform to deliver standardized products. It will drive differentiated client and shareholder value, while producing recurring and scalable revenue. For more on Arcadis Gen and its solutions please see page 96-98.

Introducing the business areas
In the new strategy, Arcadis has decided to organize itself into three Global Business Areas: Resilience, Places and Mobility. Through this, we will accelerate our ability to address client needs resulting from mega trends .

For clients, this change will optimize access to our global skills, capabilities and experience, allowing for the delivery of best-in-class solutions, as well as efficient service and product delivery. For Arcadis itself it will make delivery more focused on where we have a right to play and an opportunity to win. It will provide us an increased opportunity to standardize, automate and digitalize, and it will also allow for performance improvement. Company-wide improvement programs that will continue to provide upside potential include:
- the ‘Make Every Project Count’ program
- Global Excellence Centers and Top Client program
- ‘New normal’

Through the three global business areas we will focus where we are strong, as well as address the opportunities for profitable growth.

Strategic context. The world in which we operate

Trends in our operating environment, messages from our stakeholders, the Sustainable Development Goals, and our competitive landscape are all important inputs for our new strategy, which translates into three strategic pillars.

Foundation of new strategy: building on our strengths

Mega trends will drive client's demands toward the full strength of Arcadis' resume and services

Maximizing Impact: Accelerate ability to meet increasing demand

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

Digital leadership – 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

Focus and scale – 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
- Resilience
- Places
- Mobility
- Integrating and maximizing Global Excellence Centers

Strategic context

Business areas at a glance

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

Key solutions
- Climate resilience
- Energy transition
- Water optimization
- Environmental restoration
- Sustainable operations
- Enviro-social permitting

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

Key solutions
- Design & Engineering and Project & Cost Management
- Sustainable Asset Management
- New technologies
- Net zero industries & communities

Developing sustainable and innovative solutions to transform the way we move around and between our cities

Key solutions
- Design & Engineering and Project & Cost Management
- Sustainable Asset Management
- Mobility Management
- New technologies

> "By harnessing our global capabilities, commitment to sustainability, and innovative culture we will enable our clients and their communities to become Resilient."
>
> **Heather Polinsky**
> Future Global Business Area leader Resilience

Impact through

Resilience

Resilience is the capacity to prepare and respond to change in the environment, technology and society. For Arcadis, a unified, global approach allows us to better address challenges – across climate, water, energy, restoration, sustainable operations, and environmental and social permitting services: resilience from planning to design, program management, and operational performance, with sustainable solutions underpinning all we do.

In Resilience we see opportunities to create value by addressing the following main global trends. In Climate Change we see governments committing to net-zero emission goals (e.g., UK by 2050) provide protection against natural disasters and floodings, and we can assist in realizing the need for safe, reliable and sustainable energy. In Societal Expectations, we see demand for environmental stewardship and social responsibility. We can assist in meeting the client need of restoring natural assets and removing emerging contaminants (e.g. PFAS). In Urbanization and water scarcity, we can assist in water management of clean and reliable water supplies.

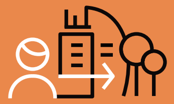
In resilience our strategic priorities will be:

- Energy transition in Europe, the UK and the US
- Leverage US remediation expertise to grow Europe, and Asia business
- Scale digitally enabled water solutions services throughout the full water cycle
- Climate resilience Europe (especially UK, Netherlands), Asia and the US

An example of work in the energy transition is the development of a strategy and implementation program to transition Amsterdam from natural gas to renewables by 2040. In PFAS it is the work we do for an airline client in Brisbane, Australia to clean the sewer system and surface water after PFAS contamination from firefighting substrate. In water supply it is the consultancy/program, project & cost management work we perform to support a water district to optimize reliability and energy management for Tarrant Regional Water Group in Texas.

> "We will bring new and innovative solutions, leveraging digital and market expertise to create smarter, safer and more sustainable Places for citizens, occupiers and owners."
>
> **Mark Cowlard**
> Future Global Business Area leader Places

Impact through
Places



Places are spaces or townscapes which people use or occupy. They include facilities people live and work in, such as residential, schools, hospitals, data centers and distribution depots, and transportation hubs such as rail and bus station buildings.

In Places these global trends impact our work. Climate Change affects us as buildings generate up to 40% of annual global GHG emissions, allowing us to assist in the creation and operation of spaces which comply with and surpass regulations. Digitalization impacts the smart buildings market, which globally grows four times faster (12% CAGR) than industry standard. We can help deliver flexible and efficient places, designed and delivered in an digital manner. Finally Urbanization, as population growth creates higher demands on the places we live, work, and play in, we can help reduce life cycle cost for highly productive new and existing assets.

In Places our strategic priorities will be:

- Program management: reducing carbon over the life cycle
- Smart building asset management to improve delivery, efficiency and client experience
- Scale and/or repurpose existing assets and optimize life cycle cost

Examples of past added value in spaces include the work we performed for SRE Group, San Francisco. For this company, we developed strategies to reduce construction waste by 75% and applied sustainable energy sources to improve efficiency. For Costa Coffee, we deployed integrated real-time data platform and provided services to support large scale refurbishment program, as a result optimizing end user experience and improve cost certainty. For the University of Manchester, we digitalized existing assets to optimize lifecycle cost, applying life cycle analysis and modelling to optimize asset management, reduce cost and improve end user experience.

"Thriving cities and national economies require smart Mobility solutions. Our ambition is to provide world class solutions for our Mobility clients."

Greg Steele
Future Global Business Area leader Mobility

Impact through
Mobility

Mobility seeks to design, realize and manage assets that optimize the mobility of people and goods (e.g. roads, heavy & light rail, airports and ports).

Global trends affecting mobility are Climate Change, extreme weather conditions require different and complex mobility needs, which Arcadis can address with the efficient and fast delivery of complex mobility assets through use of technology. In Digitalization, we see that cities require optimized and energy efficient public transport, which Arcadis can help deliver through asset life cycle cost optimization and smart upgrade investments. Finally, in Urbanization, it is expected that traffic congestion will increase dramatically in urban areas. Arcadis can provide mobility solutions reducing congestion and lowering carbon footprint.

The strategic priorities for Mobility will be:

- Efficient delivery through standardizing & automating our design and engineering
- Deliver predictive asset management solutions to improve safety, sustainability and compliance
- Focus on sustainable mobility technologies & Mobility as a Service

A good example of Mobility work is what we do to help the US state of Georgia to reduce congestion, cut commute times and improve safety by efficient delivery through standardizing & automating our design and engineering. For our client Transport for London, we improve availability, safety and sustainability of assets as we deployed our asset and safety management solution for all nine London Underground lines and London Tramlink to optimize asset management. In Amsterdam, we Provide sustainable mobility technologies and service with the first MaaS (Mobility as a Service) app of the Netherlands: shared mobility services to reduce congestion in its main business area.

Financial Framework and Capital Allocation

The implementation of the strategic priorities of our Creating a sustainable future strategy has led to an improved performance in the 2017–2020 period. Net Revenues and organic growth were driven by solid client demand in key end-markets, but also positive impacted by our successful key client's program and an increase in digital solutions.

The operating EBITA margin improved through the implementation of the 'Make Every Project Count' program. At the same time, better use of Global Excellence Centers and the step of addressed underperforming businesses also aided performance. In Days Sales Outstanding and Net working capital improvements, 'Make Every Project Count' also sorted an effect. Other impacts were the changed incentives including cash flow as well as continued attention to the collection of overdue receivables.

Strengthening the balance sheet

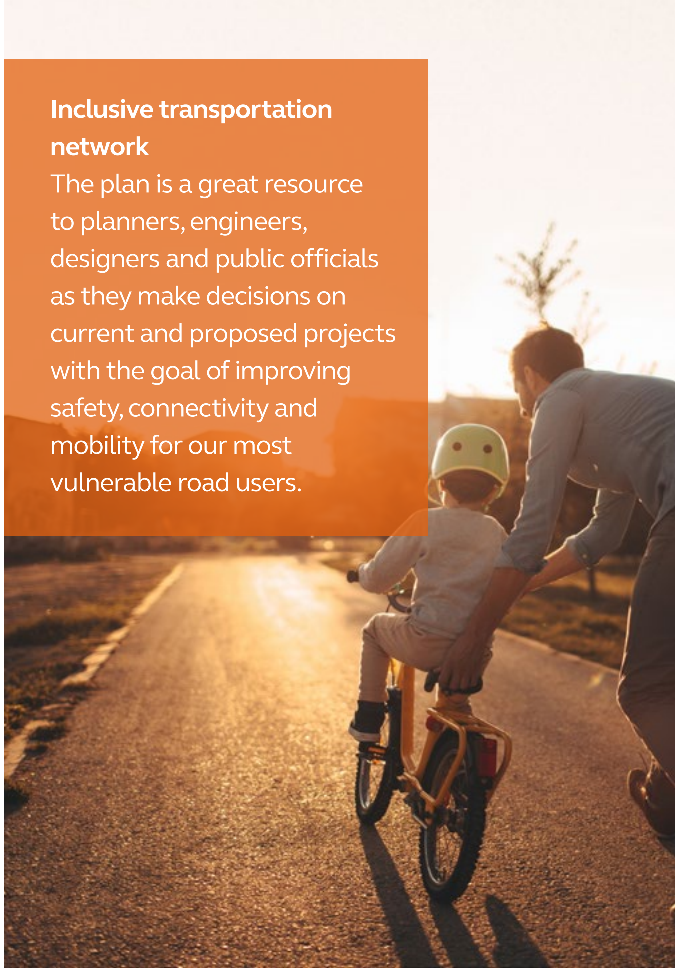
Cash generation was used to strengthen the balance sheet as the focus on cash flow paid off and we maintained strict control over capital expenditure in the COVID-19 period. Of the cash use, a substantial amount went to ALEN, to resolve this legacy issue, smaller amounts went to small acquisitions as well as dividend and share buybacks. As cash was used to strengthen our balance sheet, we achieved a robust capital structure, with significantly lower debt and a much improved net debt to EBITDA ratio.

Operating EBITA Margin target: >10%

For the new strategy period, 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.

Recreation and Park Commission for the Parish of East Baton Rouge and the Louisiana Department of Transportation and Development | Louisiana, United States



Inclusive transportation network
The plan is a great resource to planners, engineers, designers and public officials as they make decisions on current and proposed projects with the goal of improving safety, connectivity and mobility for our most vulnerable road users.

Planning safe, connected bicycle networks

Challenge

With the onset of COVID-19, commuters and recreational transit users are increasingly turning to individual, outdoor modes of transportation. But cities grapple with safely addressing the needs of all who walk or roll for transportation, including cyclists and pedestrians, as well as those with disabilities, people using e-bicycles or scooters, pushing strollers or others who are dependent on alternative modes of transportation.

Solution

In response to community demand, East Baton Rouge Parish has adopted a Bicycle and Pedestrian Master Plan, developed by Arcadis and sponsored by the Recreation and Park Commission for the Parish of East Baton Rouge and the Louisiana Department of Transportation and Development. The plan presents a clear path forward for a safe, connected and inclusive walking and biking network in the Parish.

Impact

Arcadis developed the plan in partnership with Toole Design Group, which identified over 100 miles of on-road bicycle routes and over 250 miles of off-road side paths and trails within two complementary trail networks. To ensure the networks directly address the Parish's needs, Arcadis worked with over 70 community organizations, including local public agencies, universities and advocacy groups, to prioritize equitable outcomes. Informed by direct input from the public and local stakeholders, the comprehensive plan will enable safer, more efficient transportation options throughout the community.

Sustainable solutions

250+ miles

identified of off-road side paths and trails in two complementary networks

How we are different
Work with > 70 community groups to prioritize equitable outcomes and address community needs.

Impact
A clear path forward for a safe, connected and inclusive walking and biking network for > 440,000 residents.

Strategic context

Maximizing Impact: Strategy 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 workforce >40%

Carbon footprint
- Reduce emissions aligned with a 1.5°C science-based target before 2030
- Carbon neutral operations 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
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 13 CLIMATE ACTION

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 and Scale

Strategic context

Mega trends that drive our growth

To ensure we create maximum impact through our activities, it is important that we have a thorough understanding of the world around us. Our organization is always in development, as market conditions change and require companies to be resilient. We continuously to develop our value propositions to benefit from changing conditions in our external landscape and to create greater value for our clients.

To ensure our strategic direction remains aligned to the latest developments in our markets, we consider the following key trends shaping our operating environment: Urbanization, Climate Change, Digitalization, and Societal Expectations.

Urbanization

- Urbanization puts tremendous pressure on city resources, its citizens, and the environment.
- Urbanization is driving the need for sustainable and smart solutions across our markets.

Opportunities

- The Mobility Market will see increasing demand for public transit such as light rail and high-speed rail.
- The Water Market in the US needs investments of US$632 billion over the next decade.
- The Buildings Market is increasingly relying on smart, inclusive, and sustainable practices.

Climate Change

- Climate change is severely impacting our way of life.
- Climate change is a global imperative that requires significant investments by governments and industry.

Opportunities

- Investing in Energy Transition >US$1 trillion committed in renewable power capacity over the next decade.
- Electrifying fleets - bus, logistical and police are being electrified creating demand for charging infrastructure.
- Protecting Coastal Communities in the US will require US$400 billion in the next 20 years.

Digitalization

- Digitalization puts services directly in the hands of users and data at the center of business models.
- Digitalization of clients' needs is spurring investments in digital services and products.

Opportunities

- Data Center demand and supporting green energy solutions is exploding.
- Retail ecommerce sales will increase by >50% towards 2023 requiring distribution centers and efficient transportation.
- Technology Companies represent 5 of the top 7 Global companies in market cap.

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

- European green deal provides funding for €1 trillion in Sustainable investments in the next decade.
- Global Environmental Remediation Market to grow to US$100 billion by 2027, a 7.5% CAGR.
- Green Technology & Sustainability market to grow to US$29 billion by 2024, a 27% CAGR.

Our positioning

Maximizing Impact: Accelerate ability to meet increasing demand

Improving Quality of Life through Sustainable Solutions, Digital Leadership, Focus and Scale

Stakeholder dialogue interactions that influence us

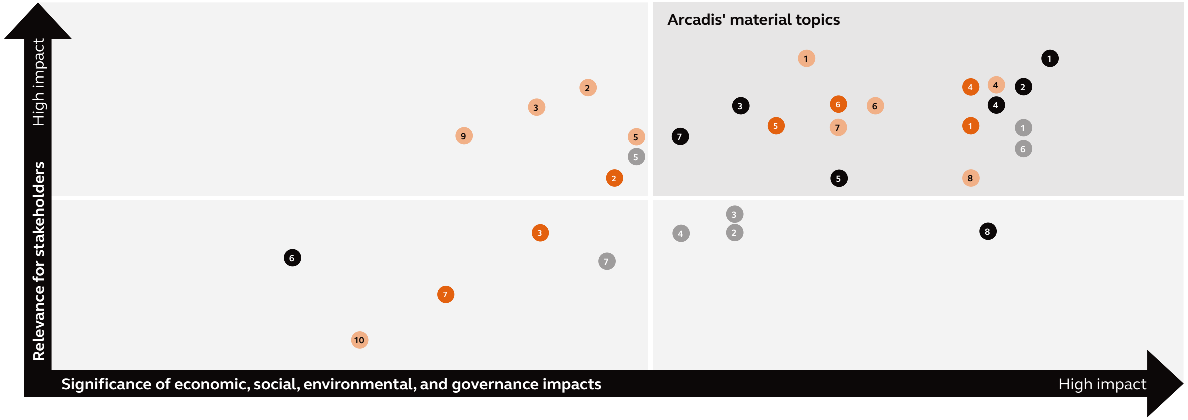
2020 was a year in which Arcadis redefined its business strategy, boosting dialogues with key stakeholders and taking a deep look at the trends affecting our markets to maximize impact. Recognizing the interconnectivity of mega trends, the sustainability challenges that affect us all and our intrinsic strengths, we engaged with both internal and external stakeholders to understand where our impacts are and where we can create change.

As part of our three-year strategy cycle, we conducted a comprehensive materiality assessment to determine the material topics for Arcadis. In early 2020, we completed our global materiality survey to solicit input from our stakeholders on the importance of the 37 environmental, social, economic, and governance material topics we had established in 2019. To further refine our material topics, we performed benchmarking across our peers, referenced the Sustainability Accounting Standards Board (SASB) for the engineering and construction services sectors, and incorporated perspectives from increased interactions with our stakeholders on non-financial topics. The outcome is a refined number of material themes clustered around four categories (Environmental, Social, Economic, and Governance) aligned with our 2021-2023 corporate strategy.

Our Environmental impacts are assessed as part of the Environmental Management System Standard which is aligned to the overall materiality assessment.

The next step in our strategic process is to consolidate our work around the 9 material themes. The assurance scope over 2020 on our indicators does not yet include indicators on all material topics, also considering Arcadis' biggest ESG impact was in our projects for clients. Our stakeholder engagement and materiality assessment now clearly indicate that the assurance scope needs to change towards the future. In our new strategy, we have chosen to expand our focus on sustainability for clients and internally to maintain a credible market position. This will also entail an extension of the assurance level and scope with the aim to cover all of our relevant indicators by 2025. We expect the first scope expansion in 2021.

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

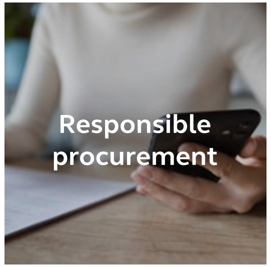
Environmental
1. Sustainable/eco design
2. Waste
3. Water and effluents
4. Energy consumption
5. Supplier environmental assessment/Supply chain management
6. Greenhouse gas emissions
7. Biodiversity

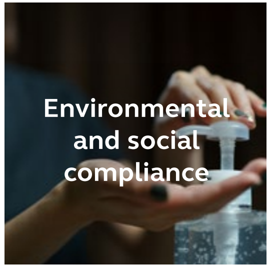
Governance
1. Anti-corruption
2. Privacy
3. Anti-competitive behavior
4. Environmental and socio-economic compliance
5. Procurement
6. Political contributions
7. Shareholder democracy
8. Tax transparency

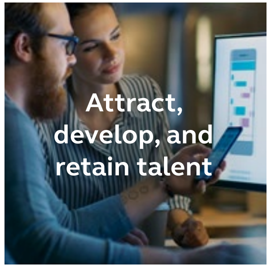
Strategic context

Material themes

Our 9 Material themes:







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

Strategic Stakeholder interactions

Stakeholder engagement for Arcadis means participating in conversations with internal and external stakeholders to deepen our insights into their needs and expectations. These views are invaluable to us as they help us develop sustainable solutions, maximize our impact, and manage risks and opportunities in our operations.

In 2020, the interactions with our stakeholders influenced the prioritization of material topics and were a continuum with two moments of intense activity: the global materiality survey and in the context of our discussions to create our 2021-2023 business strategy.

The global materiality survey was conducted early in 2020, in an online format. It collected over 580 responses from 6 stakeholder groups: clients, employees, NGOs, shareholders, subcontractors, and suppliers. Stakeholders were asked how important the topics were in relation to how they impact them, their community, or their business. Importance could be indicated either on a scale from one to ten, or a rank. Open questions allowed stakeholders to submit missing topics. Equal weight was given to the output of each group of stakeholders. This survey helped us to understand the views of our employees, key stakeholders and to spot (emerging) topics that matter to our people and partners.

The results of this survey were the starting point for further analysis of our non-financial topics. In our 2021-2023 strategy discussions, we incorporated additional views of key stakeholders such as clients, investors, and employees as well as external sources such as sustainability reporting standards, rating agencies requirements, and the global trends that affect us and that we want to influence. We also considered interdependencies of topics, best reporting practices in our sector and explored ways in which we could enhance clarity and comprehension of our material topics. At a final stage, we aggregated our material themes around economic, environmental, and social categories, separating this way the financial from the non-financial information. The nine material themes we present in this report will help us focus and strengthen our work in the coming years. In 2020 we had the following engagement interactions in the context of our business strategy and that influenced our materiality process:

- **Investors:** Our Investor Relations team continuously engages with our shareholders and other financial market participants such as financial analysts, banks, intermediaries, and stock exchange representatives. In 2020, together with Executive Board members they held more than 200 mostly virtual meetings with investors. The main topics discussed during those sessions as brought up by investors were: operational performance in the segments, working capital management, CFO-change, COVID-19 impact, capital allocation, ESG progress and new strategic objectives.
- **Employees:** In line with our People First values, we carried out a culture audit that enabled Arcadians to baseline our current culture as well as to create a blueprint of our optimal future culture. With the feedback received, we established an Inclusion Task Force that will define inclusion and ways of measuring progress and a Culture Working Group that identified Sustainability, Human-Centricity and Accountability as focus areas in our business transformation. To guide our strategic direction , we engaged with employees, our greatest and only asset by creating an open and inspirational environment for direct inputs, establishment of a sense of belonging and an emotional bonding to the purpose of the company.
- **NGOs:** In 2020 we strengthen our interaction with VBDO – the Dutch Association of Investors for Sustainable Development. Their participation in our annual General Meeting for Shareholders and their views presented have served as input for internal strategic discussions.
- **Clients:** We gathered our clients input through the Client Experience Survey (also see page 73), through meetings with key client contacts in all regions and through the Business Strategy Clients conversations and interviews. From these interactions we confirm the main challenges our clients face are creating long term sustainability for their business and operations (including procurement and supply chain), digitalization strategies and innovations to tackle challenges presented as a result of the COVID-19 pandemic.

Strategic context

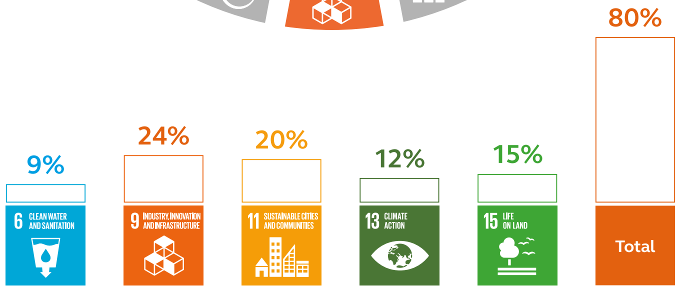
Supporting the Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) drive sustainable development on carefully chosen topics around the world. We contribute to the Goals through the project work we do on behalf of clients. Our focus is on 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.

Sustainable Development Goals

Our sustainability efforts are aligned with the United Nations Sustainable Development Goals (SDGs). These goals are designed to ensure development that meets people's needs without compromising the lives of future generations. 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.

In 2020, leaders from across our company and sustainability specialists in every region where we operate took a detailed look at the SDGs to prioritize ways we can contribute. Stakeholders ranked each of the 169 targets tied to the seventeen SDGs on their relevance to our client work, our business operations, and the work we do with our communities. 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. We have also selected three 'specialized impact' SDGs, where we can make a positive contribution through specific areas of our business. 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, and 13 Climate Action. The Specialized Impact SDGs are 3 Good Health and Wellbeing, 12 Responsible Consumption and Production, and 15 Life on Land. We track our contributions towards these goals by identifying the portions of our revenue that have a positive impact on our focus goals and presenting case studies as examples.



% of net revenues that related to relevant SDGs during 2020, our SDG selection will change in the new strategic period

Clean Water and Sanitation

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, conveyance, water resource management, and industrial water, including water reuse, provide a strong contribution to this SDG.

Water scarcity is one of the biggest risks to humanity over the next decade. For clients like General Motors (GM), which has a manufacturing plant in the City of Silao, Mexico, water scarcity is a matter of survival: for their business, their employees and the people living in that community. In line with the company's commitment to reduce water use across its operations by 15% by 2020, our experts conducted a water audit of the facility. We then took a holistic look at how to optimize and upgrade the on-site wastewater treatment plant, including a micro-bioreactor and a three-stage reverse osmosis system. The facility now uses around 900,000 fewer liters (around 238,000 gallons) of water each day. That's more than 329 million liters (87,000,000 gallons) of water saved each year. These water savings also translate into fewer chemicals in the wastewater treatment process and energy savings for pumps, making GM and Silao that much more resilient.

Affordable and Clean Energy

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 needs of all these people without putting further stress on our planet is one of the great challenges of this century. Around the world, Arcadis engineers work with governments and utilities to update existing energy infrastructure, 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.

In England, Arcadis experts are building out clean energy through offshore wind. Located in the southern portion of the North Sea, the 714MW East Anglia One offshore wind farm will have 102 wind turbines that can deliver sustainable green energy to 500,000 households. The project's offshore construction started in 2018 and completed in 2020. Arcadis provided commercial design, construction, and project management services for the different parts of the project. These services extended to environmental assessment, development consent order planning, grid connection engineering and program management. East Anglia One is part of the larger East Anglia Array, a series of offshore wind farms located 30 miles off the east coast of England. These projects are expected to comprise the East Anglia Hub that could provide a maximum capacity of 7.2GW.

Industry, Innovation and Infrastructure

World population is set to hit nearly ten billion by 2050. Combined with rapid urbanization, public budget pressure and climate challenges, mobility requires innovative answers. Arcadis' state-of-the-art passenger and freight rail, tram or metro, high capacity bus, stations or high-speed rail solutions meet this challenge We connect communities safely, effectively and in balance with the natural environment. Our Transport Orientated Development Solutions, and Mobility Oriented Development, creating the best solution for our clients and commuters worldwide.

Futuristic transportation technology and comprehensive mobility plans can completely transform a city for the better. Sydney is committed to becoming a truly sustainable city of the future, with the first fully-automated metro rail system in Australia. Our team is helping the city achieve its goal with eight new stations and twin 15km tunnels for Sydney Metro Northwest. With trains running every four minutes, the service will give people a viable, reliable alternative to driving in a region that has the highest car ownership per household in the state. In line with Australia's commitment to the environment, our team reused 100% of the 4.3 million tons of crushed rock and excavated material generated from tunneling with a 66% reduction in water use. Once the project is complete, Sydney will have a transport system that can take the city decades into the future.

Sustainable Cities and Communities

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 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.

In 2012, Superstorm Sandy pummeled New York City and caused upwards of US$19 billion in damage. The devastation made it clear just how vulnerable the city is to the effects of rising sea levels and climate change, and just how badly the city needed a plan to prevent another storm from wreaking havoc. In response to the storm, the US Department of Housing and Urban Development (HUD) held a competition to bring together the best and brightest ideas to protect the Northeast from the next big storm. Bjarke Ingels Group (BIG), Arcadis and other partners were selected as the winners for their concept: The BIG U, also known as the Dryline. The vision for the BIG U is a protective, resilient system around Manhattan. The East Side Coastal Resiliency project is the first step in realizing that vision. Arcadis and our partners developed feasibility and conceptual design reports to provide flood protection and social infrastructure for 200,000 residents and 21,000 business in the area. The project also combines a range of multifunctional resilience solutions with neighborhood and community amenities to improve access to parks and recreational spaces.

Climate Action

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. 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.

Along the Louisiana coast, development has severely damaged the wetlands ecosystem. This deterioration makes resilience incredibly challenging for the wetlands habitat and for communities living in the area. As part of the Beneficial Use of Dredged Material (BUDMAT) program, Arcadis is using dredged material from the Mississippi River and its tributaries to restore the critical wetlands habitat and restore endangered geomorphic features that, in turn, will protect the wetlands in the future. This is far from the first time Arcadis has worked in this region. In fact, we have a long-standing history of working on coastal protection in Louisiana, dating back to the flood mitigation work we did after Hurricane Katrina. In the BUDMAT project, we evaluated the feasibility and cost of alternative forms of dredging and sediment delivery in a complex and sensitive aquatic ecosystem. The project is intended to repair the damage to the area and create a more resilient future for the plants, animals and people who call it home.

Specialized SDGs

The three specialized impact SDGs where we can have an impact through specific parts of our business are:

Good Health and Wellbeing – 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 and 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.

Responsible Consumption and Production – Consumption and production drives the global economy but it also depends 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 their projects.

Life on Land – Land degradation is one of the world's most pressing environmental problems, happening at an alarming pace, and it will worsen without rapid remedial action. While land degradation is largely associated with unsustainable agriculture practices, past industrial activity has also rendered land unusable. Arcadis assists clients in turning these contaminated properties into sustainable and productive assets.

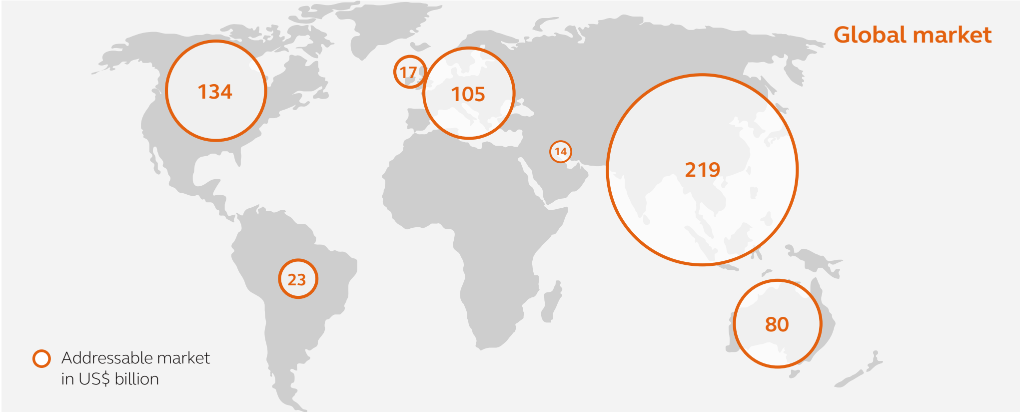
Strategic context

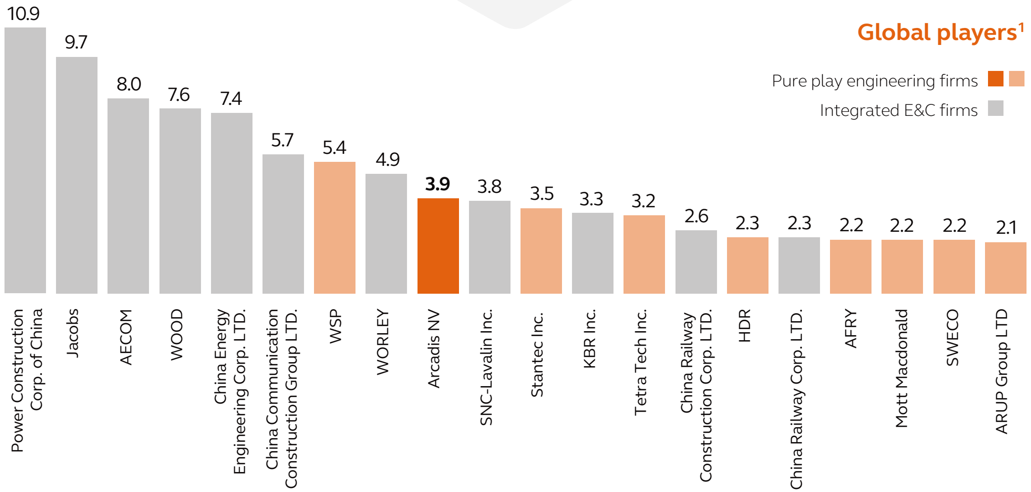
Competitive landscape

We keep a keen eye on our competition and how our industry evolves to keep ourselves relevant and ahead. While industry consolidation continues and attracting qualified staff remains challenging, two important trends are currently driving our markets: sustainability and digitalization. In sustainability, we made a breakthrough decision in 2020 to make it an integral part of all our work going forward. The pace of digital development in our industry is high. In response, we increased our efforts to integrate digital components in our existing offerings, and in January 2020 we launched Arcadis Gen (see page 96), our digital incubator company. Our aim is to be a digital frontrunner.

Arcadis operates in a global addressable market of over US$600 billion, growing in line with GDP. We are a global top-ten player with a top-three position in Design & Consultancy, and our business is well diversified between emerging and mature markets, public and private sector clients, and service areas. This balanced approach is the best guarantee of our ability to benefit from the long-term growth drivers and key client trends in our markets.

In the market there are several global players and many local ones. The global players mainly compete based on brand, knowledge, and cost efficiency. Arcadis is one of the global players. The combination of global presence, strong local positions, our expertise of infrastructure, water, environment, and buildings and the increasing integration of digital technology and sustainability in our solutions give us the ability to provide the best value-add to both our global and local clients.





[1] Source: ENR The Top 225 International Design Firms 2020; based on 2019 Revenues

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
6 Clean water and sanitation
7 Affordable and clean energy
9 Industry, innovation and infrastructure
11 Sustainable cities and communities
13 Climate action

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

Strategic messages	Strategic pillars	Principles	Related risks
Create an environment where all our people can be at their best Attract, develop, and retain the workforce of the future	People & Culture	**People first** • Be the employer of choice • Create an environment to grow, perform, and succeed **Living our values** • Foster a balanced culture that is driven by our core values • Create business value through sustainable solutions **Attract, develop, and retain the workforce of the future** • Develop our people and recruit missing 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
Grow through providing integrated and sustainable solutions to our clients Be a digital front runner	Innovation & Growth	**Advise & deliver sustainable solutions** • Build scale where we can both advise and deliver • Apply integrated thinking to solve complexity for clients **Digital innovation** • Scale existing technologies • Explore new technologies in co-creation with clients **Local strength, global reach** • Utilize local market knowledge and deep client relationships • Leverage global experience for best-in-class solutions	• Market risk • Client & Opportunity risk • Capability & Innovation risk • Information Technology risk • Information Security risk • Transformational Programs risk • Acquisition & Divestment risk • Sustainability risk
Focus on where we can lead Deliver client and project excellence	Focus & Performance	**Focus where we can lead** • Build leadership positions based on relevance for clients, local presence, and global positions • De-prioritize businesses that fail to meet our criteria **Client & project excellence** • Disciplined project and client selection and improved project delivery • Create consistency through the Arcadis Way **Competitive delivery models** • Optimize delivery across the entire value chain: partnering with architects, contractors, and engineers • 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 2018-2020 strategic targets to their delivery in the form of key performance indicators for the past year

Connectivity matrix

		Material topics 2018-2020	Key Performance Indicators		Strategic targets 2018 - 2020[1]	Results 2020	Results 2019	Page
People & Culture	17	Employee engagement	Number in workforce (headcount as at 31 December)	✓	–	27,939	27,875	60
			Employee Net Promoter Score (on a scale of -100 to +100)[2]	✓	Staff engagement score improving annually	+27	+19	62
	18	Talent management & learning and development	Voluntary turnover rate (as % of permanent employees)	✓	Voluntary staff turnover < market	8.7%	13.5%	64
	21	Diversity and inclusion	Female employees (as % of total workforce)	✓	–	38%	38%	64
	22	Health and safety	Total Recordable Case Frequency (TRCF, per 200,000 work hours)	✓	–	0.13	0.16	69
			Lost Time Case Frequency (LTCF, per 200,000 work hours)		–	0.05	0.09	69
	34	Business ethics	Employees passing Code of Conduct training (in %)		–	91%	97%	71
			Number of AGBP alleged breaches (including near misses)		–	72	77	71
			Investigated AGBP alleged breaches		–	100%	100%	60
	35	Tax policies and compliance (paying fair taxes)	Group Effective Tax Rate over past five years		–	28.4%	25.6%	72
	36	Privacy (and personal data protection)	Number of appointed privacy officers under the Privacy Standards		–	13	12	72
	37	Risk management framework	Number of internal audits conducted in the year		–	16	25	291
	15	Brand awareness	Brand awareness score (from 2019 onwards)		Top-five brand awareness in markets we serve (share of voice)	10%	12%	73
	16	Client experience (CX)	Client experience score		Top-quartile performance for client experience	21	37	73
Innovation & Growth	6	Organic revenue growth	Organic revenue growth (net revenues, in %)	✓	Surpass GDP growth in our markets	-2%	3%	81
			Book-to-bill ratio (net revenues)		–	1.04	1.00	81
			Organic revenue growth Global Key Clients (net revenues, in %)	✓	Organic revenue growth for Global Key Clients two times overall growth	3%	5%	81
			Organic revenue growth Global Cities (net revenues, in %)		–	4%	12%	84
	14	Innovation and digitalization	% of revenues using BIM level 2		Digital adoption by our people and clients	61%	42%	84
			Arcadis Way implementation progress (as % of net revenues)	✓	–	64%	63%	101
	26	Energy and emissions – carbon footprint	Arcadis' carbon footprint (MT CO_2 per FTE)		–	1.59	2.55	91
	32	Environmental non-compliance	Number of identified environmental non-compliances		–	nil	1	93
	33	Climate change	% of revenues that relate to relevant SDGs		Significantly contribute to UN Sustainable Development Goals	80%	79%	93
Focus & Performance	1	Direct economic value generated	Gross revenues (in € millions)	✓	–	3,303	3,473	105
	2	Direct economic value distributed	Net Income from Operations, per share (EPS, in €)	✓	–	1.49	1.36	108
			Dividend per share (in €)	✓	30 - 40% of Net Income from Operations	0.60	–	107
	5	Profit & loss performance	Operating EBITA margin (as % of net revenues)	✓	Operating EBITA margin trending to 8.5% - 9.5% of net revenues by 2020	9.2%	8.2%	107
			Net Income from Operations (in € millions)		–	133	120	108
	8	Balance sheet performance	Net working capital (as % of gross revenues)	✓	Net working capital < 17% of gross revenues	12.6%	16.6%	109
			Days Sales Outstanding (DSO)	✓	DSO < 85 days	66	88	109
			Return on Invested Capital (ROIC, in %)[3]	✓	Return on Invested Capital (ROIC) > 10%	9.6%	6.1%	110
			Net debt to EBITDA ratio (average)	✓	Net debt to EBITDA ratio between approximately 1.0 and 2.0	0.7	1.4	110
	9	Cash flow performance	Free Cash Flow (in € millions)	✓	–	324	97	110

1 See page 36
2 Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL
3 Target and reported performance based on IAS 17
For definitions and methods of measure for these indicators please refer to page 298. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.

People & Culture

Performance & developments
People & Culture

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

We take an integrated approach to engaging our people as important stakeholders to our success. With targeted programs that drive individual development, as well as team performance. We also offer programs to ready our people for the increasingly sustainable and digital future we are all facing.

For definitions and methods of measure for the indicators included on this spread, please refer to page 298. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

- Deterioration
- Unchanged
- Improvement

1 Excluding Arcadis Netherlands, Arcadis Germany, Arcadis Gen and CallisonRTKL
2 Based on a sample of employees, see page 62
3 Identified leadership potential rate was not measured this year, due to the focus on the line management experience
In 2021 our focus on leadership potential rate will be renewed with more robust talent management planning in place

Number in workforce
headcount as at 31 December
27,939
2019: 27,875

Employee engagement[1]
employee net promoter score (on a scale of -100 to +100)
+27
2019: +19[2]

Voluntary turnover rate
as % of permanent employees
8.7%
2019: 13.5%

Female employees
as a % of total workforce
38%
2019: 38%

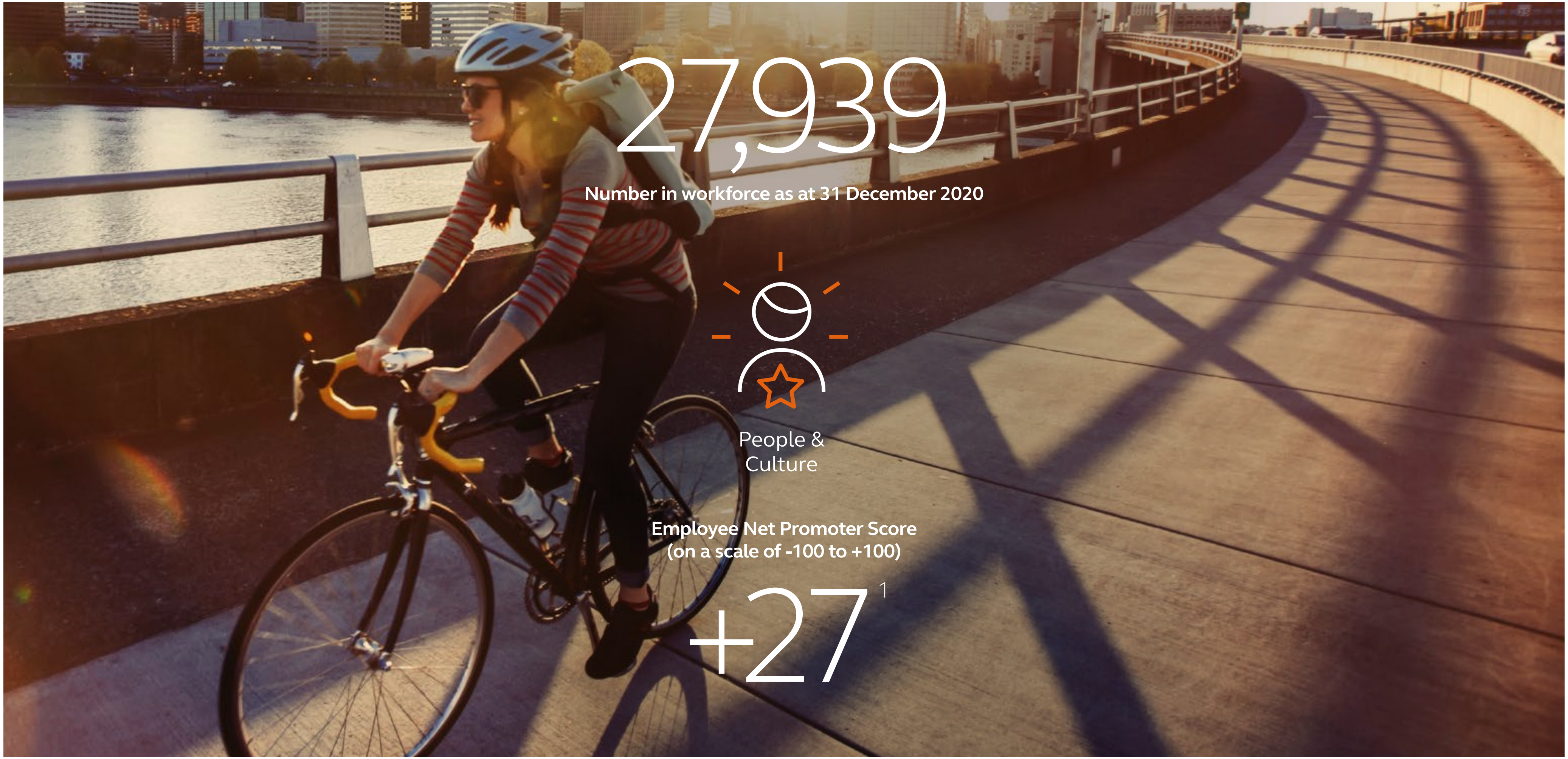
Total Recordable Case Frequency (TRCF)
per 200,000 work hours
0.13
2019: 0.16

Lost Time Case Frequency (LTCF)
per 200,000 work hours
0.05
2019: 0.09

Employees passing Code of Conduct training
of all employees in 2020
91%
2019: 97%

Number of AGBP alleged breaches
including near misses
72
2019: 77

Investigated AGBP alleged breaches
as % of total staff
100%
2019: 100%



[1] Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL

Performance & development People & Culture

At Arcadis, we continue to ensure we take a People First approach, whereby we want to listen and take action on the feedback from Arcadians to create a work environment where all our people can be at their best. We aim to develop our teams capabilities that allows them to be engaged as well as deliver exceptional solutions to our clients. With People and Culture being a strategic pillar, it has enabled the focus and commitment to our people to creating a best place to work, as well as continuing to attract, develop and retain the workforce for the future.

Employee engagement overview

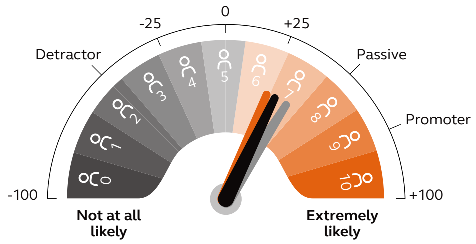
Connected material topic 17

Important to these stakeholders:
- Employees
- Civil society

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Your Voice is our employee dialogue program, designed to empower all Arcadians to share their feedback and have greater shared accountability for improving their workplace experience. After a thorough pilot phase across the world, the program was globally[1] launched in October 2020 with 18,269 employees participating (70%). Our eNPS (employee net promoter score ranging from -100 to +100) is +27, 8 points higher than last year.

Employee Net Promoter Score (eNPS)



Overall	27
Female	24
Male	30

% Promoters – % Detractors = Net Promoter Score

[1] Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL

Globally we use feedback to monitor progress and inform the development of an enhanced employee experience, understand our lived culture and enable business impact and transformation. Locally, managers are encouraged to share team dashboards and facilitate inclusive discussions on the results, with employees taking the lead role in developing actions to enhance their quality of life at Arcadis. In 2020, we used the voice of Arcadians to give guidance on ensuring priority for our business strategy activation approach, what key People and Culture themes were important and needing investment and linking feedback to our key people metrics to give greater context and meaning.

Grow Perform Succeed 2020

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 report, contributing to a people-first employee experience. The year 2020 brings a three-year journey to an end in which GPS was embedded in the business. To keep momentum there has been a continued focus on communication, training and support, which will happen as part of 'business as usual' at both the global and regional levels going forward. The GPS learning experience - available to all Arcadians – was enriched with a new module to support employees and managers in creating an environment where people feel recognized for their contributions and performance. In 2020, we had 75% of Arcadian's undertake a performance and career discussion with their line manager. To date, many Arcadians have benefited from the tools, guides and learning available on our GPS intranet platform. Employee engagement scores show that Arcadians are increasingly positive about how their manager encourages and supports their performance and development and the feedback they receive on their work. They are also more confident they will be recognized for great work done.

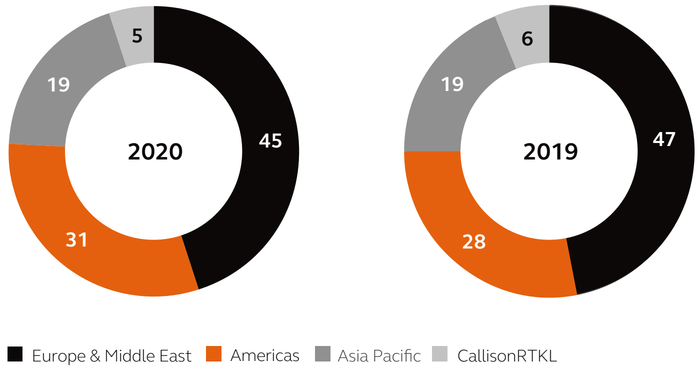
All Arcadis data (global)

Net promoter scores[1] from Your Voice (on a scale of -100 to +100)	Dec 2019	Jun 2020	Oct 2020
My manager encourages and supports my performance and development.	+9	+17	+26
I get enough feedback to understand if I'm doing my job well.	-9	-1	+5
If I do great work, I know that it will be recognized.	-5	+5	+9
I feel that I'm growing professionally.	+7	+17	+19

1 Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL

Workforce spread by segment

In %



Line Management Experience

LMEx 2020

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 transformation of our business and are key to the engagement of those they manage. Started in 2019, and co-created with over 400 Experimenters (managers from around the Arcadis world actively involved in designing the program), LMEx was launched this year at regional level to deliver on six promises for all Arcadis managers worldwide:

Firstly, to have clarity about what the role of a manager actually entails: the responsibilities associated with being a people/line manager, the behaviours expected, and the developable skills needed. Secondly, to have a structured onboarding process and practical assistance from one's own manager and HR, when transitioning into a manager role. Thirdly, to have access to a community of managers and mentors for sparring, sharing, learning and informal advice. Fourthly, to have ongoing support and access to an ever-expanding resource hub and a dynamic intranet site. To date, over 2,700 unique users (from a total pool of 4,200 managers) have accessed the LMEx intranet site, with over 70% returning for future visits. Our fifth promise offers each manager further insights into their effectiveness in the role; this comes via feedback from their team members, insights via the employee engagement process, and access to an online self-assessment tool already used by over 450 managers. Finally, the opportunity for managers to develop life skills with a tailor-made curriculum of programs delivered face-to-face and virtually. To date, over 70 webinar sessions were hosted – with an average NPS score of 8.4 on a scale of 10, eight online modules on Arcadis-specific topics, with more to be released soon; and globally hosted virtual LMEx Labs on 'hot topics for managers' such as managing virtual teams and managing pressure, attracting more than 2,500 participants. Engagement scores show that Arcadians have a more positive perception about their manager than last year.

LMEx is an ongoing journey, and 2021 will see the six manager promises embedded further in the business, and more development offered to an ever-widening group of Arcadis managers at all levels of experience.

Talent attraction, development, and retention

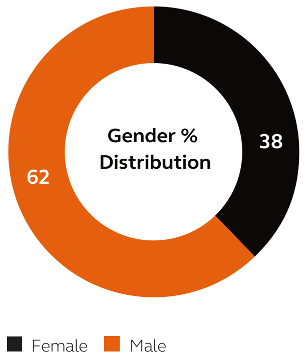
We firmly believe that being recognized as a best place to work is ensuring that we develop a culture of inclusion and belonging, where employees have the freedom to express themselves and help shape the future of the company. Arcadis is committed to the continual development of the workforce, and in 2020 on average employees had 36 hours of training. In 2020, our overall employee turnover was 15% (19% in 2019), whilst the voluntary turnover was 8.7% (13.5% in 2019).

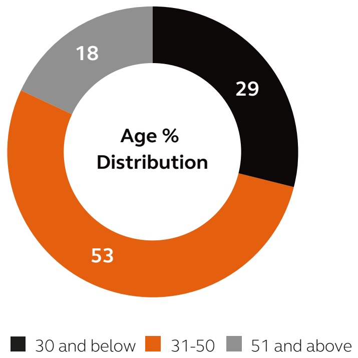
Diversity and Inclusion

Arcadis employs 27,939 talented people all over the world, who are brought together by their passion for improving quality of life. To continue to bring the best of Arcadis for our clients, and to build sustainable solutions that meet end-user needs now, and continue to provide for future generations, we have established clear ambitions and goals to ensure we have a diverse and inclusive culture.
In 2020, this has seen us establish a new ambition for the organization to build further upon the strong representation of women in our sector and to increase women's representation across the business to exceed 40%. We are also seeking to focus on women in STEM (Science, Technology, Engineering and Math) through establishing clear targets for women's representation in our technical roles to 35% over the coming three years.

Gender and Age

% distribution of Gender and Age Bracket of Permanent and Temporary Employees





Turnover Rate

Turnover, computed by number of leavers within 2020 divided by average headcount for 2020	2020
Voluntary Turnover Rate By Gender	
Female	9.2%
Male	8.3%
Voluntary Turnover Rate By Age Group	
30 and below	13.5%
30-50	7.3%
51 and above	5.1%

During the 2020 year we undertook as part of our Strategy refresh, a culture audit, which analysed over 12,000 data points and qualitative feedback from Arcadians around the globe, in order to inform our diversity and inclusion program. This audit and the ongoing dialogue and input from our global Diversity & Inclusion community and the Inclusion taskforce, has ensured that the voice of Arcadians has been taken into consideration when setting our diversity and inclusion ambitions. At Arcadis, a diverse and inclusive workplace means creating an organization where all Arcadians are able to bring their whole selves to work, feel included, respected for their diversity of experience and perspectives, and are actively engaged in meaningful work. Such an environment will be actively encouraged and maintained through our aligned leadership approach. Through aligned and inclusive leadership, and Executive-level sponsorship of global diversity affinity groups, we will ensure our management teams reflect the diversity of our overall workforce. Diverse representation at all levels of our business enables Arcadis to better service client needs now and innovate sustainable solutions that meet the needs of current clients and users, as well as future generations.

The Arcadis global Diversity and Inclusion policy was published in January 2019 with the focus to foster inclusive cultures across the business, strengthening our leadership diversity and build on our strong foundations for women's representation at all levels of the business. Building upon this policy, Arcadis has scoped out a corporate governance structure to more formally drive diversity and inclusion across the business and reinforce organizational accountability which will extend our stated ambitions on diversity beyond women's representation, to also include LGBTQ+, race and ethnicity, age, ability and disability.

Throughout the 2020 year, Arcadians continued to recognize the importance of bringing their whole selves to work, and the importance of diversity and inclusion to our business with the hashtag #ProudToBeMe. Key activities that celebrated diversity and inclusion in the Arcadis business during the year included International Women's Day celebrations that included a global panel discussion; a virtual platform session for Pride; Black Lives Matter forums, and the establishment of the ADAPT affiliation group for Arcadians with invisible disabilities. Across many regions there were also local celebrations such as NAIDOC week in Australia recognizing the importance of indigenous communities; National Coming Out Day celebrations in the UK, and the implementation of a supported work engagement program for refugees in the Netherlands. Arcadis also reached Ambassador level in the Workplace Pride 2020 Global Benchmark report, highlighting the diversity and inclusion key pillars of the Arcadis company culture worldwide with respect to LGBT workplace.

People development (including academies & Global shapers)
Due to the pandemic the learning landscape changed significantly, whereby several planned face-to-face learning interventions were postponed for example Global Shapers. Some interventions were moved to virtual trainer led sessions example Line Management Experience (LMEx) and new virtual engagement sessions like the virtual Knowledge Café series on the theme of decarbonization were developed instead. In addition, many resources to help employees with their wellbeing during the pandemic were curated and launched.

The online elements of the Academies continued.

Program Management Academy: 54 people registered for online learning on Managing Successful Programs.

Project Management Academy: Project Managers continue to leverage the suite of Project Management Fundamentals to upskill themselves in the Arcadis Way of Project Management.

Client Focus Academy: The 16 Key Account Leaders from Wave 1 successfully achieved their SAMA (Strategic Account Management Association) accreditation in 2020. Wave 2 of the Key Account Leaders Program started in 2020 with 28 participants from all around the world, but unfortunately was put on hold due to the COVID-19 pandemic. Arcadians continue to have access to the online knowledge resource center of SAMA.

Digital Community LinkedIn Learning: 750 LinkedIn learning licenses for BIM community still in operation with 689 people actively viewing content to enhance their skills.

Knowledge Café series: Themed Decarbonization, the Knowledge Café series was run for and by Arcadians on specific topics around decarbonization, like mobility, sustainable places and energy transition. This created a network of 400+ Arcadians in an MS Teams site. The sessions were hosted by Subject Matter Experts in Arcadis. Over 600 Arcadians joined over these six virtual learning café sessions to learn more about our efforts to decarbonize our planet with our clients.

City Shapers: City Shapers, supports the personal and professional development of our early career professionals. Participants have the opportunity to lead a team, lead a project and be involved in innovating their own habitats. In total, 27 City Shaper teams in all Arcadis regions, consisting of 5-10 project team members started a project in 2020. They are supported by their respective City Executives as part of the Global Cities program and by the Global People function with a focus on development. This program combines development with a clear focus on client outcomes, using the strengths of early career professionals.

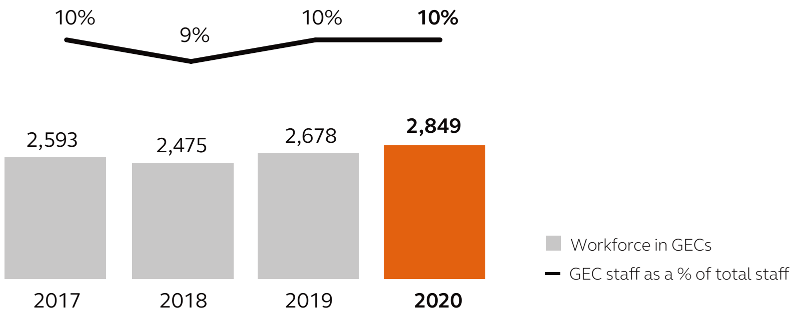
Learning content highlights Jan 1, 2020 - Dec 31, 2020

15,501	1,515	106,511	65,816
Courses viewed	Courses completed	Videos viewed	Videos completed

Engagement highlights Jan 1, 2020 - Dec 31, 2020

4,454	850	689	6h 27m
Hours viewed	People logged in	People viewed content	Avg. time per viewer

Employees in Global Excellence Centers



Human Rights

Human and Labour rights

Arcadis believes that respecting human rights is fundamental to a sustainable society. At Arcadis, we recognize the human rights of all people as outlined in Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

Arcadis has a Human Rights and Labor Rights policy which aims to address human rights risks that may occur as a result of our activities. Our intention is to prevent any infringement of human rights and take action to improve the quality of life for Arcadians and wider community. No material human rights or labor rights issues were raised in relation to Arcadis activities in 2020.

Through its Human Rights and Labor Rights Policy, Arcadis commits to the following:

- Arcadis considers respect for human rights and adherence to labor rights as integral to responsible business behavior. The Company is also committed to identify, prevent, or mitigate adverse human rights impacts resulting from or caused by business activities before or if they occur through human rights due diligence and mitigation processes.
- Arcadis prohibits all forms of forced labor, human trafficking and the employment of individuals under the applicable statutory minimum age for workers.
- At Arcadis, the health, safety, and wellbeing of our employees and stakeholders are central to everything we do.
- Arcadis has a Diversity and Inclusion (D&I) program, dedicated to fostering workplaces that are free from discrimination or harassment based on race, sex, national or social origin, religion, age, disability, sexual orientation, political opinion, or any other status protected by applicable law.
- Arcadis does not tolerate disrespectful or inappropriate behavior, unfair treatment, or unfair retaliation of any kind. Harassment is unacceptable.
- Arcadis compensates employees competitively relative to its industry and the local labor market.
- Arcadis attempts to prevent compulsory redundancies. In cases where these are unavoidable, the company promotes responsible redundancy and outplacement procedures.
- Arcadis promotes a good work-life balance for its employees and applies workplace and worktime flexibility strategies to accommodate.
- Arcadis respects its employees' right to join, form or not to join a labor union, seek representation, bargain or not bargain collectively in accordance with local laws and without fear of reprisal, intimidation, or harassment. Where employees are represented by legally recognized unions, we aim to have constructive dialogues with their chosen representatives and bargain in good faith with such representatives.

In 2020 Arcadis signed the CEO Guide to Human Rights, a WBCSD initiative, that calls for urgent business leadership to advance respect for human rights. The CEO Guide to Human Rights publication, acknowledges the crucial role of CEO leadership in ensuring that human rights are taken seriously across their own companies and business relationships.

Arcadis respects the role of works councils as employee representative bodies and the role of works councils and/or trade unions in collective bargaining and works with these groups in countries and regions in which they are present. In 2020, 25% of the Arcadis workforce is covered by a collective labor agreement (no change to 2019). In 2020 we also developed our Internal Consultation Board to a formal European Works Council, to provide a more direct representative structure for employees at European level. On a regular basis, the European Works Council nominated representatives will be informed and consulted on transnational matters which significantly affect employees interests and so employee's ideas and thoughts can be part of decision making.

Arcadis recognises that from time to time all employees experience challenges in both the work and life arena. In these difficult circumstances it is important for employees to be able to reach out to a confidential and independent organisation to help deal with work and life challenges. Therefore all Arcadians have access to an employee assistance provider, which gives them the ability to access confidential counselling services. Arcadis is conscious of the impact it has on the communities in which it operates through the projects it performs on behalf of clients. We are committed to engaging in dialogue with stakeholders on human rights or labor rights issues related to our business where appropriate, taking the view that local issues are most appropriately addressed at local level. In 2020, Arcadis along with UN-Habitat announced a continuation of their partnership for another two years.

Non-Financial reporting Metrics

	2020	2019	2018	2017
People data				
Employees at year-end	27,939	27,875	27,415	27,327
Diversity and inclusion				
% of females in total workforce	38%	38%	37%	37%
% of female executives	20%	18%	19%	15%
Employee Engagement (Net Promoter score)[1]	+27	+19	3.10	3.03
Voluntary Turnover Rate	8.7%	13.5%	15.6%	14.6%

1 Excluding Arcadis Netherlands, Germany, Arcadis Gen and CallisonRTKL
Our full list non-financial reporting People metrics can be found on page 294

Health and Safety

Connected material topic 22

Important to these stakeholders:
- Employees
- Clients

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

The health, safety, and wellbeing of employees and stakeholders is central to everything we do at Arcadis. The Health and 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).

The Health & Safety Program is the responsibility of a Global team, led by the Global H&S director, who directly reports to Rob Mooren, the Senior Leader accountable for H&S.

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 is designed to standardize 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 information available to them regarding the preventive measures available to eliminate or minimize risk on our projects.

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 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, which is included in quarterly reporting to the Executive Board and Supervisory Board. This review includes comparisons to other operating companies, historical performance, and targets/objectives.

Performance 2020
For the ninth year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2020 (0.13, an 19% decrease from 2019 when it was 0.16), is at the lowest level since Arcadis began collecting global H&S data in 2004, when it was 1.13. The Arcadis TRCF has decreased by 55% over the past five years.

Our Lost Time Case Frequency (LTCF) for 2020 (0.05) also decreased when compared to 2019 (0.09). The Arcadis LTCF has decreased by 61% over the past five years. 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 0.70 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2019). 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. No work-related fatalities occurred in the five-year period.

Global H&S objectives for 2020 were for all Arcadis leaders to complete at least one leadership H&S stewardship activity annually, 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. 93% of leaders performed a leadership H&S Stewardship activity (a light decrease from 94% of leaders in 2019) and 70% of staff performed a documented proactive H&S action in 2020 (an increase from 60% of staff in 2019).

In addition, we put our People First to align with our People & Culture value by focusing on the health and wellbeing of our people in 2020. To that end, we set an objective that every Arcadis region and/or country implement at least 80% of the actions identified in their regional wellbeing plans. 100% of the regions/countries achieved that objective.

Health & Safety awareness key in 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. This started in Asia at the beginning of the year, and quickly expanded to a global effort at the end of the first quarter. H&S was a key topic 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 which was realized in two weeks, were important first steps. At the same time hygiene protocols, cleaning protocols and awareness campaigns were developed and activated to ensure our people were well informed about the dangers. Meanwhile 90% 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 2021 and beyond
The global H&S objectives for 2021 have been defined around raising awareness with all employees and Arcadis leadership. They focus on creating a proactive H&S culture and making sure we are prepared for safe execution of all our projects. We expect Arcadis management to complete at least one leadership H&S stewardship activity annually, from our top leaders it is expected they perform at least two leadership H&S stewardship activities on an annual base. Next to that we expect at least 50% of all staff to perform a documented proactive health and safety action. Finally, a third objective is for all projects that take place outside off an office environment to have a well-defined health & safety plan in place before actual site activities take place. Next to that we are putting additional focus on the mental health and wellbeing of our employees by appointing a global mental health, wellbeing and resilience manager who will make sure all our current programs around the topic are aligned.

The six fundamental Health and 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 employees use the TRACK process to:

Think through the task
Recognize the hazards
Assess the risks
Control the risks
Keep health and 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, significant near misses, and unsafe acts and conditions immediately so that they can be investigated, corrected to prevent reoccurrence, and the lesson learned shared.

Business ethics

Connected material topic 34

Important to these stakeholders:
- Civil society
- Shareholders

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Today's complex business environment demands that we firmly embed integrity in our daily business practices. Integrity means that we always work to the highest professional and ethical standards and establish trust by being open, honest and responsible. Integrity is a fulfilment of our high standards of responsibility to the client, shareholders, business partners and employees, 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. The AGBP 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.

www.arcadis.com

Governance

The Corporate Compliance Committee is composed of NV General Counsel, Chief People Officer (member of the Executive Leadership Team) as well as the Chief Compliance Officer. 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.

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 into the Arcadis General Business Principles (AGBP).

Targeted anti-corruption training sessions by leadership members and by Compliance Officers were held in various regions throughout the year.

Dealing with dilemmas
The AGBP cannot anticipate the array of dilemmas we may face in our day-to-day operations. An active policy in this area means recognizing dilemmas and taking responsibility for resolving them. We encourage employees to discuss business dilemmas with each other and with their management, to make integrity an integral part of our culture.

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 optimal value for clients. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.

Responsible employment practices
Our people are key to our success and we respect human and labor rights so that our people 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. The same policy applies to recruitment. No form of discrimination or harassment is tolerated.

Monitoring and accountability
We require all our people to sign off on and comply with the AGBP. In addition, every other year Arcadis employees complete online training aimed at increasing awareness of our AGBP and values. This training specifically addresses issues like corruption, collusion, bribery and other risks to which our employees may be exposed. It was rolled out in November 2020 and made available in 16 languages. In 2020, a total of 91% of all employees passed the AGBP training. 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.

Management of operating companies certifies compliance through an annual Document of Representation. Arcadis will not hold employees accountable for any loss of business resulting from compliance with the AGBP.

Integrity Line
Arcadis has a reporting procedure which includes an anonymous global Integrity Phone Line managed by a third party for the event people are uncomfortable reporting in the line or to Compliance. Reporting tools are available to our employees 24 hours/7 days a week. Reports of potential or suspected misconduct can be made in native languages. In 2020, a number of 72 alleged breaches of the Arcadis General Business Principles was reported to the Arcadis Corporate Compliance Committee, all of which were investigated or advised upon (2019: 77).

10 referrals from before 2020 were also still under investigation during the year. Inappropriate behavior (employment-related) was the category with most reported issues. Violation of the AGBP may lead to sanctions, up to and including discharge. Company-wide we had 11 dismissals on grounds related to breaches of the General Business Principles.

Tax policies and compliance (paying fair taxes)

Connected material topic 35

Important to these stakeholders:
- Civil society

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Tax policies and compliance (paying fair taxes) was identified as a material topic as per the Stakeholder Dialogue (see page 51). In this regard, Arcadis' tax policy and tax principles as set by the Executive Board are based upon and informed by the same core values embedded in the Arcadis General Business Principles (AGBP). More information on Arcadis' business ethics can be found on page 70.

Arcadis believes that tax should follow business. Consequently, profits are allocated to the countries in which business value is created in accordance with domestic and international tax rules and standards (such as OECD Guidelines) and application of the arm's length principle. Arcadis does not seek to avoid tax using secrecy jurisdictions, or so-called tax havens, without commercial substance nor via profit-shifting.

Arcadis complies with its statutory obligations, pays its tax on time, and builds and maintains a good, honest, and open working relationships with tax authorities. In this respect, Arcadis agreed on a horizontal monitoring covenant with the Dutch tax authorities. Further, Arcadis may seek to conclude agreements with tax authorities to get upfront certainty on tax positions, based on a full disclosure of all relevant facts and circumstances.

Arcadis aims to comply with the letter and spirit of the law and makes tax-related disclosures in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards (such as IFRS).

Arcadis has shown a steady performance in the annual Tax Transparency Benchmark of the Dutch Association of Investors for Sustainable Development with an average score of 17 points over past three years. Its relative rank moved to 39-41 out of 77 companies (2019: 29-31).

Together with Deloitte, Arcadis has in 2019 performed an innovative crowdsourcing exercise among international students to determine how responsibility to society in the domain of taxation is perceived. From this exercise it flows that important elements are 'profit shifting', the use of tax havens and/or foreign subsidiaries for purposes of tax avoidance. These elements are aligned with Arcadis' tax strategy and its tax principles and therefore underline its responsibility to society in the domain of taxation.

Arcadis' weighted average normalized Effective Tax Rate (ETR) of 28.4% over the past five years, also confirms its responsibility to society in the domain of taxation.

Throughout the year, (potential) tax risks are identified, monitored, and acted upon, to mitigate and preemptively avoid said risks. The Company seeks to provide third party tax assurance by among others having its material corporate income tax returns reviewed by a big-4 tax firm. Material tax risk management topics are reported to the Audit and Risk Committee.

Information with respect to the reconciliation of the Effective Tax Rate to statutory tax rate can be found in note 11 of the Consolidated financial statements.

Privacy (and personal data protection)

Connected material topic 36

Important to these stakeholders:
- Employees
- Clients

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

In 2020, the change program in Digital matured and the demand of digital products also from our clients has grown. This reinforced the importance of effective embedding of the 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. In this exceptional year, as part of the resilience program of the COVID-19 Task Force, we issued privacy guidance to help the organization find the right balance between health & safety and data protection.

The network of regional Privacy Officers has been trained in a series of global privacy sessions in collaboration with senior experts including on handling personal data security incidents. In addition, all Arcadians have been enrolled to take training on the EU General Data Protection Regulation (GDPR) as part of the global cyber security training assignment. To support our people to deliver the future strategy of the business, privacy has been introduced as a topic in Basecamp (the online awareness program that is part of Expedition DNA program). In addition, the Arcadis General Business Principles Training has been refreshed with real life scenarios on privacy. This Training was assigned to all Arcadians in 2020. Following the ruling of the European Court of Justice in July 2020 on the validity of mechanisms for personal data transfers outside Europe ('Schrems II'), Arcadis has established a Privacy Task Force with senior leaders participating to further explore and identify actions in response to the ruling. The ruling may have implications on our personal data transfers out of the EU.

Risk management framework

Connected material topic 37

Important to these stakeholders:
- Shareholders

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Exposure to risk is inevitable in the pursuit of Arcadis' goals and therefore a risk management framework is designed specifically to manage risk exposures, considering our risk appetite in context of the strategy. The risk governance structure, risk profile and appetite, and the main risks for Arcadis are explained in detail in the Enterprise Risk Management section starting on page 159.

One Arcadis Brand

Connected material topic 15

Important to these stakeholders:
- Shareholders
- Employees
- Clients

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

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 is designed to bring clarity and understanding to why we exist and assist us in expressing our brand consistently around the world.

Through a refreshed brand strategy, we see the areas of differentiation are around 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 awareness versus our competitive set and also measure effectiveness of our thought leadership program that is closely connected to business opportunities.

Client experience (CX)

Connected material topic 16

Important to these stakeholders:
- Clients
- Shareholders

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Our Client Experience program is focused on creating a better experience for our people and our clients, and ultimately our clients' customers. Putting the client and the end user at the heart of how we think, behave and interact with our clients can make our Arcadis vision tangible in the short-term and build a more resilient culture in the long-term.

It is a people-centric approach with focus on individual client contacts as people - not as the organization they represent, we try to understand and overcome client pain points, co-create solutions using design-thinking methodologies, to make our client's lives easier and enable solutions through digital technologies, and we partner with our clients to help them meet their customers' needs.

We also recognize that our client needs are changing in the digital era. Many clients are expecting us to communicate data and digital insights. In many sectors, we can see client relationships pivoting toward digital as a new norm. Speed of delivery, insights and cost savings continue to be of paramount importance. Digital tooling and platforms allow us and clients to optimize all these aspects. New digital value propositions are also starting to make an impact, helping solve client pain points and deliver added value. Digital is quickly becoming a key aspect of the optimal client experience we aim for.

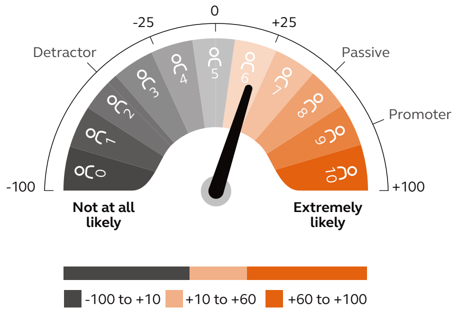
To ensure we can give our key clients the best client experience possible, it is essential to listen to them and understand their needs. In order to get detailed insights in how we are and could be meeting their needs, we conducted a global CX survey among key clients in Q3 2020. We received 331 responses across all regions, with all of our focus market sectors represented. Overall Arcadis shows a Net Promotor Score (NPS) of 21, and a satisfaction score of 8.2.

Clients tell us that our people services are unmatched -we are trustworthy, knowledgeable, competent, and integrity driven- while at the same time we're requested to further enhance our service delivery and to further invest in industry-leading solutions related to digitalization and sustainability.

The survey results will help us to build stronger client relations with our key accounts, as well as help us create actionable programs to improve our clients journey with us across all regions. Our global sales leadership, together with the regional client development leadership, has created an action plan focused on tangible actions to drive improvement across regions. We are committed to our 2021 client experience (CX) program to further increase consistency of our CX approach, to be more value-adding to our clients, and more seamless in delivery on all levels, so that we can delight our clients every step of the way.

We have made the survey information available to our broader sales community through a revised dashboard where scores can be benchmarked against peers, and detailed insights can be viewed as a basis for account leaders to take action to respond to client feedback.

Client Net Promoter Score



% Promoters – % Detractors = Net Promoter Score

City Shapers

"This year at City Shapers we are challenging ourselves proposing a thought leadership piece towards potentially the world most expensive construction project. The beauty of City Shapers is you don't need to be an industry expert to get involved but the urge to learn and stepping outside of the comfort zone."
– Lily Woo, Workplace Strategy Consultant, Hong Kong

"I'm grateful to exchange ideas with passionate people to provide solutions for urban issues we experience first-hand. City Shapers is personal leadership amplified as we slowly evolve to the Leader that we aspire to be through our Mentors, while sticking to our commitment in providing client outcomes that are human-centric and business-driven."
– Tricia Nadine Pulido, Project Manager Arcadis GEC Manila, The Philippines

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 the four mega trends Urbanization, Climate Change, Digitalization and Societal Expectations.

The City Shapers program has three objectives: personal and professional development, Arcadis acceleration and client outcomes. The program establishes early career professionals 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 NYC, Sao Paolo, Madrid, Brussels, Hong Kong, Melbourne, Manila and Singapore.

In 2020, 27 City Shapers chapters globally were started exploring the global mega trends which resulted in 16 chapters pitching their city projects on varying topics including mobility challenges, waste management and health & safety solutions, all demonstrating great knowledge and capabilities.

These pitches were evaluated by a diverse group of business representatives such as sector leaders, sustainability leaders, solutions leaders and board members of the Lovinklaan Foundation. We are grateful the Lovinklaan Foundation is able to grant 3 Quests for each of the top 5 highest evaluated teams.

The City Shapers program is looking to continue the annual cycle again in 2021.

Expedition DNA

Arcadis is continuing our digital transformation. Taking a high engagement approach to change management is viewed by Arcadis as the single most important element of guaranteeing the success of our digital transformation. In 2018, Expedition DNA was launched as the key cultural and people-engagement program to accelerate our digital transformation, in collaboration with the Lovinklaan Foundation. Expedition DNA has been designed to align with the Lovinklaan Foundation mission to shape the future of the business, ensure the continuity of the enterprise, and enabling our people to grow and reach their full potential.

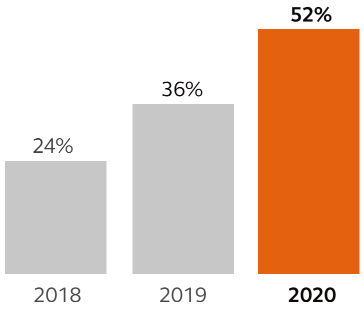
The Expedition DNA program comprises of two key elements. The first is Base Camp: a bespoke online platform that enables all Arcadians to engage with digital content and establishes a baseline level of digital literacy across the business, framed around a common language. The second element are Expeditions which focuses on building deeper digital skills and engagement of Digital Ambassadors who are able to drive change back into the business.

In March 2020, the quality and positive impact of the Expedition DNA program was recognized by being awarded best digital transformation program at the Environmental Business Journal Achievement Awards.

Despite the impact of COVID-19 on travel and events in the 2020 year, the Expedition DNA program has continued to go from strength to strength in building a critical mass of employee engagement in the digital transformation program. Base Camp has exceeded expectations, with over 16,000 Arcadians now participating in that program. New content has been released to build upon the strong foundation of the original Base Camp program. The most significant new content release in 2020 has been a module focused specifically on Sustainability, in order to align these two core elements of the Arcadis business strategy.

The program is underpinned by a strong commitment to inclusion and accessibility to all Arcadians, which has driven the decisions to release a Mandarin version of Base Camp. This has resulted in a 317% increase in Base Camp participation within the Asia region of Arcadis since the launch of the Mandarin version in February 2020. Furthermore, a digital accessibility audit has been undertaken to ensure that Base Camp is fully accessible to employees with neurodiversity and disabilities. The outcomes of this audit will form part of a continuous development plan for 2021.

Participants in Base Camp Program
as a % of total workforce



As travel restrictions have been in place, and face-to-face events have not been able to be held during the 2020 year, the proposed program for Expeditions was placed on hold. This provided the time necessary to reimagine the face-to-face program, once again bringing Sustainability and Digital together into the core of the program. A further focus of the reimagination of the Expeditions was to provide for an engaging experience that could be delivered both virtually and face-to-face to ensure that the program is able to be more readily scaled, provide more opportunities for Arcadians to participate, and further improve accessibility for employees unable to easily travel. The new program will be launched in 2021.

The continued impact on the business is highly valued. The program ensures that our people are using a common language and can confidently talk about digital amongst each other, and with clients, which is fundamental for ensuring we are able to deliver change in the business and win more digital work. The program has also enabled our people to use new digital skills and have an innovative mindset in the delivery of client work. It has built digital skill sets and capabilities across the organization which has enabled Arcadis to deliver on our evolving commitments to clients, and to succeed in achieving digital frontrunner status in our sector by 2021.

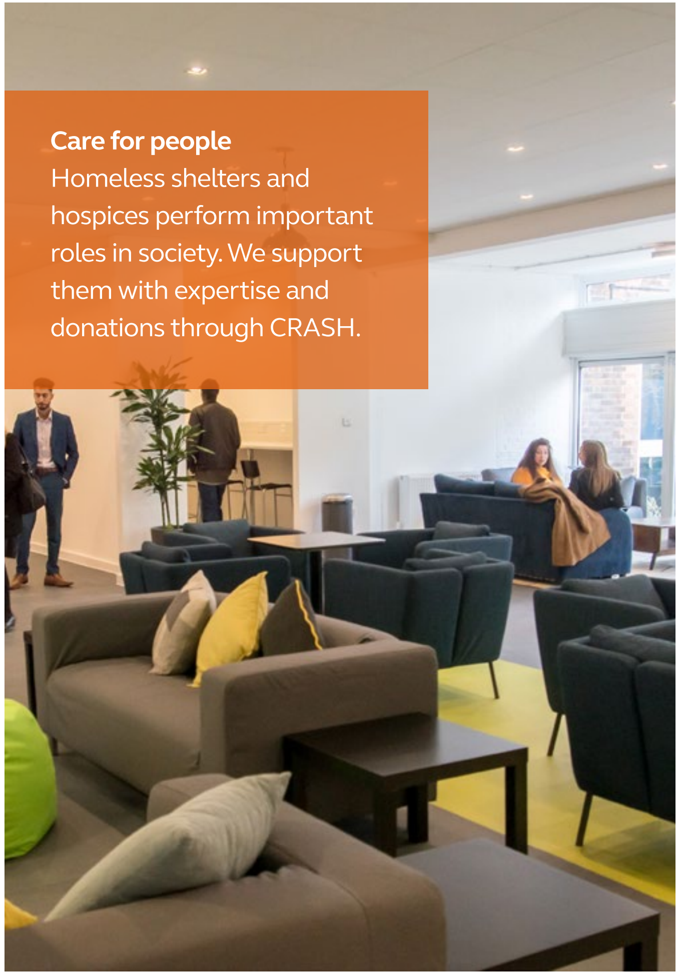
For the reasons outlined above, Arcadis will continue to invest in this program and its expansion beyond digital transformation to becoming the cultural and strategic transformation cornerstone program supporting the new business strategy. Investment has been made in bringing digital and sustainability into the core of the program, ensuring the program is resilient and able to be scaled to provide increased opportunities for Arcadians to actively develop their knowledge to deliver on the business strategy.

Sustainability

In line with the new business strategy, Expedition DNA has been re-imagined to bring sustainability into its core, and align with an upgraded digital offering, to provide opportunities for Arcadians to build their understanding and skills. This was kicked off in December 2020 with the launch of the new Sustainability module in Base Camp – the online strategic awareness program of Expedition DNA. The Sustainability module aims to build a common language and understanding of sustainability for all Arcadians by introducing the SDGs, demonstrating the portfolio of client work Arcadis has undertaken in this space, and outlining the impact of key mega-trends such as urbanization, as a critical sustainability challenge. It also brings sustainability and digital together by exploring dynamic urban solutions such as intelligent water systems and smart mobility as focus areas for Arcadis service provision. In addition to the new Base Camp module, the Expedition program has also been re-imagined with a focus to build sustainability into the core of that program, to build skills and develop applied capabilities in digital innovation. The new Expedition program can be delivered virtually and face-to-face and has a strong sustainability focus running through the full 10-week program. The first Expedition in the new format will kick off in March 2021.

CRASH | United Kingdom

Care for people
Homeless shelters and hospices perform important roles in society. We support them with expertise and donations through CRASH.



CRASH Charity

Challenge

CRASH is a UK based organization seeking to improve conditions in and increase the capacity of homeless shelters and hospices throughout the country. Caritas Anchor House in London is proud to be more than just a roof over the heads of the 140 people who call it home. It is one of 44 homeless shelters or hospices receiving support from Crash in the past two years. Arcadis has been a corporate patron for the CRASH organization since 2007 and Arcadis' Chief Operating Officer Alan Brookes is currently the Chairman of CRASH.

Solution

CRASH Charity organization counts many member companies belonging to the construction industry. In Caritas Anchor House, CRASH Corporate Patrons and supporters came together to completely gut and rebuild their large, run-down lounge into a fresh and inspiring space, zoned for socializing, working and quiet areas for relaxing. CRASH does this by organizing expertise from its member, product donations as well as grants from those organizations and their employees.

Impact

CRASH has helped 44 homelessness and hospice projects during April 2019 - March 2020. Time and expertise donations totaled almost £0.5 million, with products donated adding up to almost £0.2 million and grants more than £0.2 million, for a total of £0.9 million. The newly renovated lounge at Caritas Anchor House is designed to be a multi-functional space for residents to unwind, build their social networks and most importantly, to feel at home. Its value is best described by resident Cathy: "I was living on the street before I got a room of my own here. I can't believe how lovely the new space is. I'm going to take some photos for my son because I'm so proud of my home."

Sustainable solutions

£0.9million

donated in expertise, products and grants

How we are different
Leaving a legacy in the communities where we work and live that will help men, women and children for years to come.

Impact
Creating social value in places that care for people.

3 GOOD HEALTH AND WELL-BEING | 11 SUSTAINABLE CITIES AND COMMUNITIES

Innovation & Growth

Performance & developments
Innovation & Growth

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

Our focus on innovation stems from an inherent ambition to continuously improve our relevance, to clients and to 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 and firmly believe that sustainability is not a passing fad, but a firm and important requirement for anyone who wants to run a successful business.

For definitions and methods of measure for the indicators included on this spread, please refer to page 298. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

- Deterioration
- Unchanged
- Improvement

Organic revenue growth
net revenues
-2% (Deterioration)
2019: 3%

Book-to-bill ratio
net revenues
1.04 (Improvement)
2019: 1.00

Organic revenue growth Global Key Clients
net revenues
3% (Deterioration)
2019: 5%

Organic revenue growth Global Cities
net revenues
4% (Deterioration)
2019: 12%

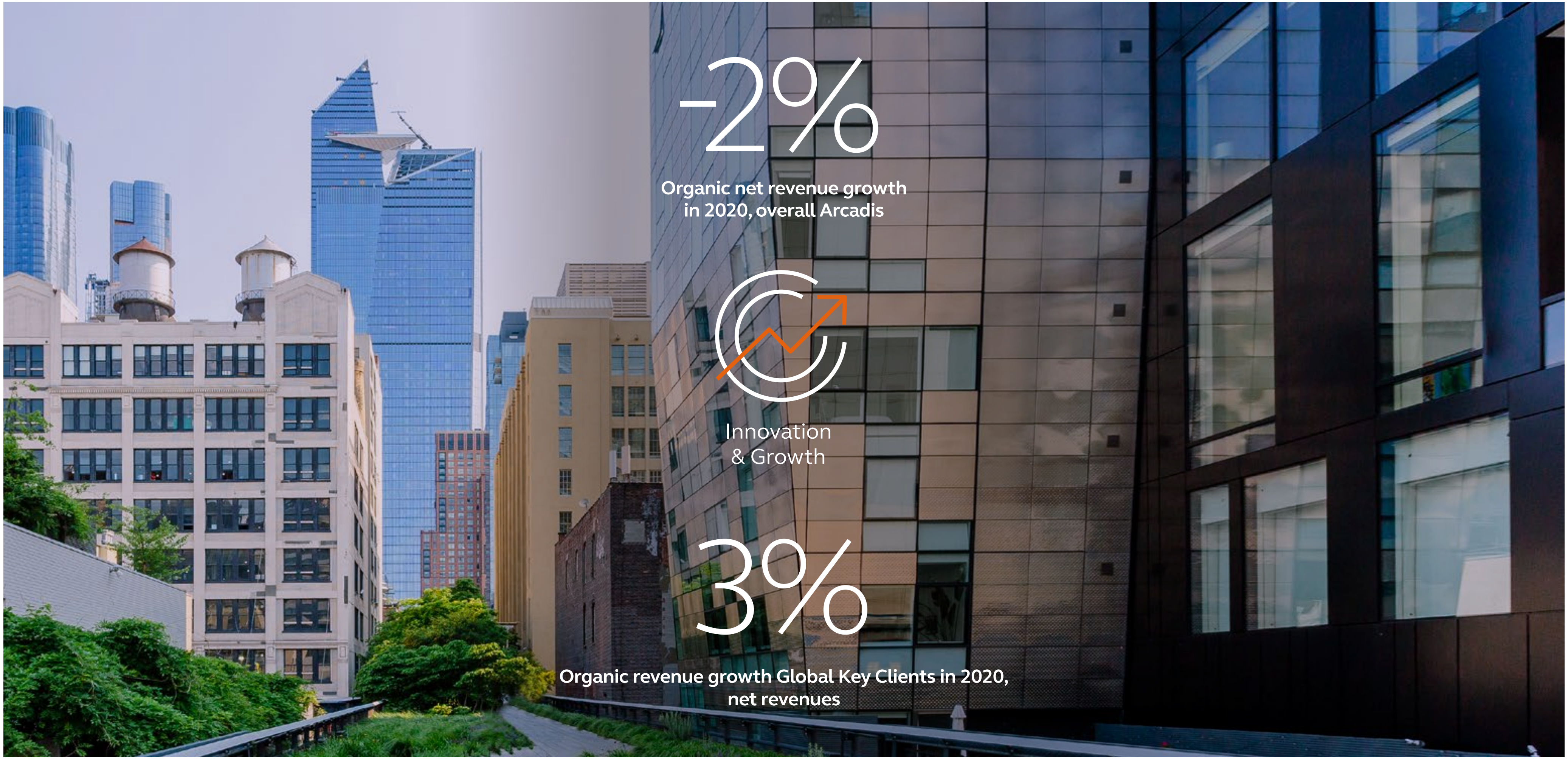
% of revenues using BIM level 2
61% (Improvement)
2019: 42%

Arcadis Way implementation progress
as % of net revenues
64% (Improvement)
2019: 63%

Arcadis' carbon footprint
MT CO_2 per FTE
1.59 (Improvement)
2019: 2.55

Number of identified environmental non-compliances
nil (Improvement)
2019: 1

% of revenues that relate to relevant SDGs
80% (Improvement)
2019: 79%


-2%
Organic net revenue growth in 2020, overall Arcadis
Innovation & Growth
3%
Organic revenue growth Global Key Clients in 2020, net revenues

Performance & development Innovation & Growth

Our primary focus is organic growth, however, as opportunities present themselves regularly, we also look to further expand our activities through acquisitions. In January 2020, we announced the acquisition of Over Morgen, a fast-growing Dutch consultancy company with 80 employees focusing on solving various societal challenges by creating sustainable societies through an integrated approach that combines area development and energy transition. Financial details of the acquisition were not disclosed.

Arcadis and Over Morgen will combine their complementary capabilities to assist clients in creating sustainable environments. Over Morgen excels at providing integrated, innovative sustainable solutions, and Arcadis brings strength in project realization, management, maintenance, and cost management, as well as an extensive global network and decades of knowledge and experience. This acquisition fits well into Arcadis' ambition of creating sustainable and resilient societies; in addition, it will also provide for fertile ground for talent development and knowledge sharing at a time during which an increasing number of clients worldwide are pressing forward on sustainability.

Organic revenue growth

Connected material topic 6

Important to these stakeholders:
- Shareholders
- Employees

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Net revenues totaled €2,494 million and decreased organically by 2%, while the currency impact was -1%. Revenues increased in the Americas, Australia and Germany, but this was offset by a decline in CallisonRTKL and Asia and a modest revenue decline in other European countries and the Middle East. Where there was decline, this was directly related to the COVID-19 impact on economies and markets.

Net revenue from our Top 200 Key Clients has grown with 1%, with a book-to-bill of 1.04. Organic net revenue growth for these clients was 4%, this consist of 11% growth for key clients in the Americas, 4% growth in AsiaPacific, offsetting a decline in Europe and the Middle East of -2%.

Backlog at the end of December 2020 was €2.0 billion (2019: €2.0 billion), representing nine months of net revenues and in line with last year. Excluding cancellations which were mainly in Asia and CRTKL the backlog growth was 5%.

As from January 2019 the Arcadis Key Clients Program has been broadened from 40 Global Key Clients representing ~15% of our revenues to 200 Key Clients with a global, regional or local focus and representing ~50% of our total business. The Key Clients Program in its adjusted shape allows to manage and monitor the core of our business performance and profitable growth. As we increased volume thresholds for Key Clients to be labelled 'Global Key Clients' in the 2020 program the number of clients in this category has reduced from 40 to 20, while the remainder has been re-labeled as 'Regional Key Clients'. Within this group of 20 Global Key Clients the Organic Net Revenue growth for 2020 is at +3.1% (like for like comparison is taking into account the carve out of the CVW program from the Shell account towards a local government client). The NR increase for our group of Global Key Clients is caused by decreasing business in our Oil & Gas and manufacturing sectors by -9%, compensated by a 10% growth in other sectors. Book-to-bill ratio end of 2020 and our FY2020 profitability for our Global Key Clients are on average both on target. These numbers give us comfort in reaching our 2021 set goals.

Sales & Business Development

Helping our clients to be successful is front and center of our engagement with our markets. We strive to make a real difference to our client's bottom line, sustainability, and resilience, and we are doing this in a purposeful way.

Each year, a lot of time and effort go into understanding our clients' pain points and challenges, what they really need to succeed and how they expect to work with us. Our Sales and Business Development teams listen constantly and carefully to clients and focus on finding the best approach to adding value, whether through established best practices or digitally driven innovation.

By optimizing the client experience in working with Arcadis, we believe we are making a real positive impact on clients. We also carefully select those markets and clients where we can create the greatest value, to ensure our efforts deliver mutual success. The four major global programs we have in place have again proven success in 2020.

In our Global Sectors Program we focus on eight sectors: industrial manufacturing, technology, energy & resources, contractors, property & investment, government, transportation and water. Our team of sector leaders and account leaders focus on the client relationships and needs of selected leading global, regional, and local clients in each sector. The global pandemic and recession has impacted all our key clients in various degrees and, in turn, our business with them. The economic downturn and uncertainty has been particularly harsh with clients in the Oil/Gas, Chemical, Automotive and Aerospace sectors. In most cases, programs and projects have been postponed rather than cancelled. Those sectors least negatively impacted and, in some cases, benefiting are Pharmaceuticals, Financial Institutions, and Technology.

Our Global Solutions Program is centered around eight core service solutions and seven asset solutions. The program focuses on enhancing client outcomes through identifying and scaling excellence and driving collaboration across the business. Our global solution leaders are constantly on a mission to be thought leaders, providing global knowledge and capabilities, support and influence Arcadis pursuits, champion technical excellence and lead digital thinking globally with regions.

Our Global Solutions team has focused in 2020 on supporting our clients throughout the pandemic by offering response and recovery solutions. At the same time we have continued scaling best practices, enhance collaboration, explore sustainability, and share digital innovations. Our efforts in digitalizing solutions have continued via sprint teams, and we set up a new team for program management working with Arcadis Gen. New global Communities of Practice were erected for Program & Project Management to enhance our seamless delivery capability and for Systems Engineering to scale our European infrastructure expertise globally.

We continue to support the global urbanization challenge through our Global Cities Program where we support a portfolio of 21 cities that aim to create livable cities by improving resilience, mobility, and urbanization. We help cities to become more intelligent, by applying data analytics to make better decisions and smarter cities. Our global cities community provides a platform where colleagues across regions can exchange insights about the most prominent urban issues, and initiate city-to-city collaboration. Our Global Cities Program has been closely monitoring opportunities that spring from COVID-19, as governments are attempting to stimulate the economy through various methods such as accelerating project designs and construction (shovel-ready) or investing in new ways to stimulate economic recovery.

In 2020 we successfully continued our key clients program for the 2nd year in a row. Through the program we focused on 200 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 2020 with all financial KPI's significantly above Arcadis average: growth, profit, orders, working capital. We have reviewed the key clients program, and will continue in 2021 with an adjusted key client mix of 180 clients aligned to the outcome of our three-year strategy review and extensive COVID-19 impact analysis we conducted.

Through other programs, we have focused on investing in upskilling our people, in account management skills, program management best practices and digital innovation to name a few. Our intention is to ensure client account leaders are well equipped to offer clients the most excellent service, industry best practices and best of digital innovation.

Developments in 2020 - Global Sectors

Industrial Manufacturing

The pandemic has strongly impacted the industrial manufacturing sector in 2020. Many of our clients have slowed down or delayed their investments. The automotive and aerospace industries have been hit the most due to supply chain disruptions, shutdowns of manufacturing, and declining sales. Our life sciences clients show stability but have become more cautious in their investment programs, while most of our chemicals clients have been strongly affected by the pandemic. As a result our order intake for industrial manufacturing has been negatively impacted by these evolutions.

We continue to focus on three strategic growth priorities: CapEx program support, Business Continuity, and PFAS.

Technology

Most of the winners from the COVID-19-related global slowdown and recession are in the technology sector as organizations and individuals become even more familiar with and dependent on the internet, e-commerce and electronic means of communicating, doing business and entertaining ourselves. Capital investment for tech firms continues to be comparatively strong as companies build resiliency and scale for the new digital work and working remotely has drastically accelerated by the pandemic. There is beginning to be a strong emphasis on sustainability as many other ESG metrics are being emphasized by activist investors. Strong gains in this area are also being recognized due to the pandemic, so companies are setting goals they can achieve.

In 2020 we have further grown our relationship with several global technology players, and we will continue to focus on delivering a broad portfolio of solutions for a selected group of strategic technology clients globally.

Energy & Resources

The energy & resources sector continues to undergo critical change, driven by a delicate equation of continued energy demand versus the challenge of climate change. Fuel sources are required to be cleaner going forward, and geopolitical events increase volatility of supply and demand. Oil & gas firms have drastically reduced CapEx spend in 2020, delaying or terminating projects and laying off large numbers of staff supporting non-core functions. Our business reflected these changed market conditions, with several of our largest clients terminating or delaying key projects. Nevertheless we have benefited from supplier reduction initiatives leading to large contracts with some of our key clients. The mining sector went through a market decline -and CapEx investment reduction- in 2020 initially, followed by restoration of the market – including project remobilizations with most of our key clients in the sector. The power industry has clearly been a bright spot in 2020, with its status as an essential service, continuing their investment programs throughout the year with minimal delays

In 2020, we have strengthened and prolonged framework agreements with several of our oil & gas key clients, and we have been able to win multiple renewable energy projects and transmission grid projects.

Contractors

In 2020 we continued to see a multitude of large and complex construction opportunities around the world and we're building a solid pipeline across all regions. While we've seen some delays due to the pandemic in H1 2020 in some of our regions, activity has started to resume in H2 and tenders are going ahead as planned. Our focus has also been to strategize and position ourselves in new growth markets such as US and Latin America. Our Global Excellence Center capacity has been highly successful in supporting our competitiveness, while our Global Solutions team have supported our bids by bringing world-class expertise and technology to the proposals we jointly develop with our contractor key clients.

Property & Investment

2020 has been a special year for our clients in the property & investment. Real estate fund clients with cash have been using the market void to close larger deals and clean up their assets. An excellent example is a sustainability asset management assignment we received from a major investment client to advise and implement portfolio-wide projects to improve their asset sustainability performance. Our client's carbon footprint targets are now translating into advisory work. Retail banks are fighting to cut costs to respond to their tough low-interest environments. We are leveraging our projects and assurance frameworks to deliver real cost savings while keeping in control. Competition is tough but our digital and GEC capabilities are making us competitive. Same story with our clients in commercial development: those who have access to cash are taking market share from those dependent on traditional debt finance.

Developments in 2020 - Global Solutions
Our global solutions program has a clear mission to identify and scale excellence and drive collaboration across the business through working with regions, client development and digital colleagues to enhance client outcomes. In 2020 our global solutions team has taken up an explicit responsibility for our Horizon 1 (H1) digital initiatives and this role has further evolved and grown, especially in regards to digital innovation and transformation. An excellent example is 'Cost Clarity' our Digital Cost Management platform that was recently developed and launched is now being scaled across our UK, ME, and Asia regions.

Our global solutions program is lead by 15 global solution leaders whose role includes: leveraging global best-practice at a regional level; being a thought leader, driving each solution forward, internally and externally; championing technical excellence and professionalization across each solution; collaborating across regions with other teams and solution leaders to bring the best of Arcadis to our clients.

Developments in 2020 - Global Cities
The world around us is changing at a faster pace than ever before as the 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 the 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.

In 2020 the pandemic has 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 has developed -in close collaboration with our Solution Leaders- a series of thought leadership pieces and case studies around 'Post-Pandemic Resilience'. With that we explore the path to resilience for those tested to their limits, the road to recovery for some of the hardest hit and the steps needed to fortify and build back stronger.

Innovation and digitalization

Connected material topic 14

Important to these stakeholders:
- Clients
- Shareholders
- Employees

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Industries are increasingly impacted and transformed by digital technologies. Enablement of new business models, as well as extension of their core, is the next new normal. With investments in technologies in our sector have doubled over the last two years it is clear change is upon us.

In this context, it is our ambition to be a digital frontrunner in our sector. To achieve this, we have consolidated, Core IT, Customer Solutions, and Digital, all under Technology with an objective to have 'Digital' at the core of everything. This means our digital is becoming our next new normal.

To accelerate our digital transformation, we continue to build upon our dual transformation strategy. We strengthen the core by digitalizing and automating our current business with Platforms, Services and Data with a core objective and focus on value addition and customer experiences. At the same time, we innovate and incubate the business of the future based on Digital products to new innovative business models.

The digitalization and automation of our existing core business have been ongoing for many years. However, in 2020, powered by our platform and services, we saw further adoption and outcomes delivered by our Global Products, Solutions, and Services leaders.

Their client and business knowledge, extensive networks throughout the organization, and clear strategic roadmaps, allowed them to further accelerate the business towards BIM, Digital Twins, Automation, Machine Learning and Intelligent Insights.

In 2020, we continued to incubate new ideas alongside the delivery of ideas incubated in 2019. Initiatives like Automation Acceleration, Federation of innovation, and design among multiple teams accelerated our capabilities to build, validate and launch new products, solutions, and value propositions. Concurrently we have our external innovation program together with our ecosystem partner, Venture Capital, and academia, we continue to accelerate start-ups to develop the new digital offerings of the future. Our new digital entity, Arcadis Gen continues to lead innovating and delivering on new Digital products to market: Arcadis Gen (see page 96).

We have seen a significant uptake of Digital in 2020. This is recognized by our clients, industry and independent research firms like Bluefield, Verdantix to name the few. We measure the impact of our multiple digital interventions against client value addition & satisfaction, sustainable practices alongside an increase in revenue and profits. The underpinning of our digital achievement and aspiration is our digital development and culture program Expedition DNA (see page 76), and we are constantly investing in our talent and people practices. We expect that this will further accelerate working towards securing our position as a digital frontrunner.

Sustainability

To achieve our purpose – Improving Quality of Life – we place sustainability at the heart of everything we do. Our work, making communities more resilient, developing livable places, and enhancing mobility, provides long-term solutions for some of the most complex challenges of our time.

We take a holistic view of sustainability. For a solution to be sustainable, it must be create value for society and communities while respecting the boundaries of our planet. As we look to the future, we aim to improve quality of life with every project we do and to give our clients and our own people a deep sense of pride in working for the common good.

Our ambition is to make a significant, quantifiable, and positive contribution to the achievement of sustainable development. We do this by maximizing not only economic benefits, but also environmental and social benefits. We achieve this through our client solutions, business operations and engagement with people and communities.

We are taking significant steps to achieve our ambition. When we launched in 2020 our new Global Sustainability Strategy 2021-2023, we committed to tangible goals across three pillars to ensure we move closer to our sustainability ideals and make the world a better place. These pillars are: Client Solutions, Business Operations and People and Communities. These goals can be found on our corporate website.

Client Solutions – Delivering sustainable outcomes

We will provide solutions that address our clients' greatest challenges and deliver sustainable outcomes that positively impact the environment, society, and the economy. We will focus our efforts on developing solutions that focus on energy and carbon reductions, conserving nature and biodiversity, the circular economy, and climate adaptation.

For our Client Solutions, we committed that we will make sustainability a demonstrable aspect of all our technical and advisory solutions. To achieve this, we have developed a global approach on integrating sustainability in our solutions and projects.

Client research and opportunity selection

1. Identify project-level sustainable measures & ambitions
2. Measure progress and communicate impact

Further, we defined five sustainability themes for our solutions where we aim to have measurable sustainable impact:

ENERGY & CARBON	Reduce carbon emissions and energy use through the construction and use phases of projects – reduce, renew, recycle.
CLIMATE ADAPTATION	Recognize that climate is changing and ensure that our projects are adaptive to that change.
CIRCULARITY	Use resources efficiently, reduce waste, recycle, and move towards biobased and circular materials.
NATURE & BIODIVERSITY	Reduce impact our projects have by incorporating nature and biodiversity positive elements into designs.
SOCIETAL IMPACT	Ensure that the stakeholder impact of our projects is positive and just, while promoting health and wellbeing.

Goals for our Client Solutions

- We will make sustainability a demonstrable aspect of all our technical and advisory solutions.
- We will make sustainability a part of every project, every bid, and every client engagement.
- By 2023, we will not engage in projects that have a net, long-term negative impact on quality of life or the advancement of the SDGs.

Business Operations – Our footprint

We are committed to operating our company in ways that reduce harm to the environment, society, and the economy, while improving quality of life for our stakeholders. We will embed environmental, social and governance (ESG) considerations into our operations and value chain and demonstrate continuous improvements by transparently reporting on our performance.

From 2020, we continue our journey to net-zero, offsetting our global scope 1, scope 2 and material scope 3 emissions by investing in high quality, accredited, abatement and compensation programs. Furthermore, we have set the goal that by 2030, we will have reduced our GHG emissions to operate in line with 1.5°C science-based targets. In 2020, we formalized this commitment with a signed commitment letter to the ‘Business Ambition for 1.5°C’ through the Science Based Targets Initiative.

Sustainability is further integrated into our business operations through the remuneration of senior executives. One third of the long-term incentives of the Executive Board and Executive Leadership Team members depends on a sustainability target measured by our score on the Sustainalytics ESG Risk Rating. Sustainalytics is a leading independent global ESG ratings 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 2020, we implemented a program with the objective to improve the governance over the collection of non-financial indicators, which will be enabled by a global data reporting platform. Arcadis has completed an indicator identification and software selection process which will be rolled out in 2021 to better connect non-financial and financial data. These non-financial indicators will be reported quarterly in our financial disclosures. By 2023, we have committed to disclosing climate and sustainability-related financial information according to the Task Force for Climate Related Disclosures standards.

In 2020, Arcadis has also further integrated sustainable thinking into its finances. In October, Arcadis formally closed an ESG linked Schuldschein loan of €150 million. Arcadis can benefit from an interest-discount when it reaches a target Sustainalytics ESG Risk management score.

Goals for our Business Operations

- From 2020, offset all material scope 1, 2 and 3 emissions by investing in high quality, accredited, abatement and compensation programs.
- By 2030, reduce GHG emissions to operate in line with 1.5°C science-based targets as formalized in late 2020 with the Science-Based Target Initiative’s forthcoming net-zero standard.
- From 2023, disclose climate and sustainability information in line with The Task Force for Climate Related Disclosures.

- From 2023, include updates of all non-financial KPIs, in quarterly financial disclosures.
- Maintain and improve upon our top-quartile performance as ranked by our core rating agencies.

People and Communities –Driving better outcomes for all

Our commitment to sustainability extends beyond our client projects and our own business operations. We recognize that our company's most important assets are our people and the communities where they live, work, and give back to society. We aim to cultivate a workforce that is diverse, inclusive, and empowered to create a more sustainable world. In our strategy update for 2020, we committed to creating a workforce that is 40% female by 2023.

We aim to empower all our people to act sustainably and in line with this goal, we rolled out a sustainability engagement module to all our people in 2020. We also set a goal to build on our existing community outreach programs and ensure that every person in Arcadis is given opportunities to positively impact their communities. All around the world, our people do pro bono work and volunteer their expertise and time to make communities more livable and resilient. Arcadians have established more than 200 engagement programs that are focused on giving back to the communities where we live and work, as well as helping people in need.

Over the past decade, Arcadis and the Lovinklaan Foundation have partnered with UN-Habitat in the Shelter Program, through which more than 2,200 Arcadians have taken part in more than 100 missions in 31 countries. Whether it is helping the people of Mozambique assess the damage from a tropical cyclone or providing expert pandemic resilience best practice through our COVID-19 virtual helpdesk, Shelter missions give our people hands-on opportunities to enrich the lives of some of the world's most vulnerable people. In 2020, we celebrated the ten-year anniversary of the Shelter Program and formally renewed our partnership agreement with UN-Habitat.

Goals for our People and Communities

- Provide appropriate, practical training to all Arcadians to deliver sustainable outcomes for clients and make operations more sustainable.
- By 2023, our workforce will be more than 40% female.
- By 2023, we achieve top quartile performance for professional services, as measured by our 'Your Voice' staff surveys.
- By 2023, reduce voluntary staff turnover to less than 10% a year.
- By 2022, develop a globally coordinated community engagement platform, to deliver more sustainable outcomes for communities.

Updated Global Sustainability Policy

In September 2020, we published an updated Global Sustainability Policy Statement that built on work we've done previously but also reflected our increased ambitions. In November 2020, our new global strategy was launched, with a focus on digital advancements and sustainability. In 2019, sustainability performance was built into the Long Term Incentive Program for our Executive Board and Executive Leadership Team. In 2020, we expanded these efforts to incorporate sustainability performance into the Short Term Incentive Program, resulting in sustainability incentives for the majority of senior leadership. As we look to the future, we aim to improve quality of life with every project we do and to give our clients and our own people a deep sense of pride in working for the common good.

Governance

The Sustainability Program is the responsibility of a Global team led by the Global Sustainability Director, who directly reports to Stephan Ritter, the Executive Leadership Team (ELT) member accountable for Sustainability. The Global Sustainability Director is supported by a Sustainability Steering Committee, which in addition to Mr. Ritter includes the CFO, the Group Executive Sales & Business Development and the Group Executive – Asia Pacific. The Supervisory Board has established a separate Sustainability Committee as well that is described in the Corporate Governance section of this report. In December 2020, we announced the creation of a Chief of Sustainability role, to be filled starting March 2021.

Sustainability partnerships

Collaboration is key to come to the best and most sustainable solutions. SDG 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 society.

World Business Council for Sustainable Development

In 2020, we continued to build focus in our membership to the World Business Council for Sustainable Development. Starting the 1st of January 2020, Arcadis CEO Peter Oosterveer joined the Executive Committee of WBCSD. This group of 23 CEOs from corporations around the world is responsible for supervising the strategy and monitoring the effectiveness of operations, controls, and governance of WBCSD. In this capacity, Peter Oosterveer is a leading voice in contributing to the sustainable practices of all the member companies of WBCSD.

We focus our efforts in WBCSD on programs that align with our business operations, particularly programs where we can contribute our deep knowledge in mobility, water, and digital solutions. We are co-leads of the Transforming Urban Mobility program within the Cities and Mobility program of WBCSD and we are involved in the Sustainable Built Environment, Redefining Value, and 50L Home programs.

Starting the year off, we participated in a workshop on Science Based Targets for Nature in February before contributing to WBCSD's World Water Day press releases with a blog on the connection between water and climate change in March. As the world quickly shifted to the new reality of living in a pandemic, we shifted our focus to the built environment. Our plans for 2020 initially involved examining the ways that data can create more livable and sustainable cities but grew to include analysis of the factors that make cities resilient to COVID-19 and ways that cities can rebuild stronger.

As COVID-19 highlighted inequalities around the world, we signed on to the CEO Guide to Human Rights. This pledge urges our peers in the business community to raise the bar on human rights performance, embed human rights in corporate culture, set clear expectations of suppliers and business partners and drive meaningful engagement and collaborations with peers, governments as well as civil society.

In the second half of 2020, we were involved in serval initiatives focused on the efficient use of resources. These ranged from designing a home that uses just 50 liters of water each day to investigating the Circular BioEconomy. These thought exercises will help us all navigate a more resource constrained future.

Looking towards 2021, we will be heavily involved in Transforming Urban Mobility. This will include researching ways for economies around the world to optimize and decarbonize their mobility systems within the unique challenges faced by different countries. We will also use our digital expertise to contribute to the Sustainable Built Environment program, with a focus on reaching Net Zero within our cities. Most importantly, we will continue working with and learning from leaders around the globe as we all strive for a more sustainable future.

UN Global Compact

We have been a member of the UN Global Compact (UNGC) since 2009 and are committed to its objectives and to the ten universal principles regarding human rights, labor standards, environmental stewardship, and anti-corruption. Our values, mission, and strategy are fully aligned with the UNGC principles, and our signing of these principles reflects our ambition to be a sustainability leader. We are committed to making the UNGC and its principles part of the day-to-day operations of our Company and included this commitment in our General Business Principles. Arcadis regards its suppliers and subcontractors as partners and collaborates with them to ensure their activities are aligned with our UNGC commitment. In addition, Arcadis adheres to the Guidelines for Multinational Enterprises as issued by the Organization for Economic Cooperation and Development (OECD).

UN Habitat

Arcadis and UN-Habitat contribute to one of the most urgent challenges in the world: sustainable urbanization. UN-Habitat's mission is to promote socially and environmentally sustainable towns and cities by improving the quality of life of citizens around the world. Arcadis supports UN-Habitat in facing these urban challenges by providing pro bono expertise through the Shelter program, a global partnership that makes a real difference.

Tent

2020 was the second year of Arcadis' membership in the Tent Partnership for Refugees. In 2020 we added more European Arcadis companies to our program. In agreement with Tent, we have updated the pledge that Arcadis took in 2019 in order to include the refugee initiatives of the newly joining companies. However, the commitment we made, to offer employment opportunities for 45 refugees, has remained the same. Our revised pledge:

"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 structure of each internship varies by location, aiming to provide relevant local experience and opportunities to progress their career. 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."

Due to COVID-19 we have experienced a delay in new hires and talent programs in 2020, but we were still able to work with 22 refugees in various programs across Europe.

KLM

Since 2017, Arcadis NV has 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.

Institute for Sustainable Infrastructure

In 2013, Arcadis North America became a charter member of the Institute for Sustainable Infrastructure (ISI). Arcadis 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. 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 US Green Building Council, the group responsible for LEED building certifications.

Community engagement

Arcadis and its people dedicate time, expertise and money to many local community engagement initiatives. In our social programs, we perform volunteer-based activities and projects in the following program lines:

Create today is about Arcadians providing hands on assistance, through a range of one-day activities such as volunteering at food banks, performing riverside clean ups and organizing charity events to raise money or collect goods for those in need.

Create tomorrow is about 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 is all about 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. Just as 2020 changed the ways we work, it changed the ways we contribute to our communities. Seeing great need in their communities, Arcadians around the globe were moved to help out in ways they could. Often this year, our work in the community focused on meeting the immediate needs of our communities today and preparing the next generation for the future through educational outreach. As we look towards 2021 and the post pandemic world, we are already making plans to relaunch our Local Sparks program, reinitiate pro bono work, and get involved in our communities once again creating today, tomorrow, and the future.

Local Sparks program
In 2019, as part of Arcadis' goal to ensure that all its employees are active in some form of community engagement by 2030, Arcadis launched the Local Sparks program. In cooperation with the Lovinklaan Foundation and the KNHM Foundation, two of our largest shareholders, a three-year commitment was made to this program. Local Sparks consists of a web-based platform where Arcadians can share information on projects they are involved in and two different programs that award funding to community projects. In 2020, many planned projects had to be put on hold until they could be completed safely but one project was completed in the Czech Republic before lockdowns began and another project in the Philippines was able to quickly refocus to deliver results virtually.

Wheels in Motion
Arcadians in Prague organized a 3km charity run to help children with mobility impairments. Children in wheelchairs had the opportunity to participate in the event through the help of support runners assigned to each child. Money was raised to provide a family with a new wheelchair for their child.

BANGON
BANGON, which means 'Rise Up' in Filipino, was started in 2019 to provide children in the Philippines with educational support. With the challenges that the pandemic brought to the most vulnerable children worldwide, Arcadians doubled down on their efforts to provide teaching tools, snacks, and literacy items to schools in need.

STEM Program
When COVID-19 hit, Arcadians in North America jumped into action to make masks for the US Coast Guard, design and print 'ear savers' for hospital workers using 3D printers, donate blood, and more. As schools shut down, accessibility to hands-on science, technology, engineering and mathematics (STEM) learning opportunities for many families across North America with school-age children was reduced. In an effort to provide a fun and free way for students to engage with STEM topics, Arcadis hosted a virtual science fair over the summer and created virtual STEM learning modules, 'STEM Chats', in a series of online educational videos to continue providing STEM resources through the fall.

The Virtual Science Fair had 45+ students from the US and Canada ranging from Kindergarten to 12th grade. Arcadis subject matter experts were assigned as mentors to each student and as judges for each submitted science project. The fair was launched on our virtual platform, CX 360, which allowed each student to view their own and all other students' science fair projects in virtual meeting rooms. Awards were presented to the top placing participants during a live ceremony by Arcadis North America CEO, Alex Rothchild.

As we continue our effort to provide STEM learning opportunities during the COVID-19 pandemic, the STEM Chats are geared toward K-12 students and accessible to the public as a resource students, teachers and parents can access at their convenience. The STEM Chats cover a range of science, technology, engineering and math topics, including biology, technical writing, app development and many more.

UK Charity Board

Arcadis' UK Charity Board stayed active throughout 2020. Early on in the pandemic, leaders recognized the opportunity to use office snack budgets to promote food security in the UK through donations to Fare Share, a UK wide food bank charity. The Arcadis Community Fund program, which provides grants to community groups, sports teams, clubs or societies that Arcadians are actively involved in also stayed active throughout 2020. This program allows Arcadians in the UK to apply for grants to support organizations they are involved in that deliver positive and lasting benefits to the community in the areas of healthy and active lifestyles, the environment, or education and skills. In 2020, ten community grants were awarded to groups ranging from youth football clubs to community gardens.

CRASH

CRASH charity is a UK based initiative focused on creating improved conditions in homeless shelters and hospices. The charity harnesses and channels the expertise, products and generosity of the construction and property industry to create places that care for people, doing so with approximately 20 'active' projects at any one time. Arcadis is a corporate patron for CRASH.

Reporting standards

The EU-directive on non-financial information (2014/95/eu) was implemented in national law in 2017. Arcadis complies with this EU-directive by disclosing our business model, and disclosing information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. This information includes a description of the policies, outcomes and risks related to these matters, and can be found throughout the Executive Board report. We have followed the Global Reporting Initiative's (GRI) Sustainability Reporting Standards while compiling the sustainability performance included in this Annual Integrated Report. The GRI Standards is the most widely used standardized sustainability reporting framework in the world. As part of our new strategy, we have committed to the Taskforce on Climate Related Financial Disclosures (TCFD) compliant reporting by 2023. In addition, we are evaluating the implications of the new EU Taxonomy regulations.

Energy and emissions - carbon footprint

Connected material topic 26

Important to these stakeholders:
- Civil society
- Shareholders

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

On the 14th of December Arcadis signed the Business Ambition for 1.5°C Commitment Letter with the highest level of ambition, which was accepted by SBTi, United Nations Global Compact and We Mean Business a couple of days later. By signing this letter Arcadis commits to align its ambition with the pledge made by countries at the 2015 Paris climate conference to limit global warming to 1.5°C.

To embed a global reduction program and the way our business handles environmental management, Arcadis has developed a Global Environmental Management System Standard (EMSS) in 2020. The system will be implemented in phases in the coming year. This Standard entails all the material environmental impact we have as a company. Since energy and the correlating emissions are a big part of our environmental impact, they form a core element of the Standard.

Globally we have been consistently reporting on our emissions since 2010. With the implementation of the EMSS Arcadis aims to increase the quality of data, which is something we will always strive for, and get an even better handle on energy management. Integrating energy consumption and material environmental impact in this global system allows us to broaden our approach to environmental and energy management. For example, we are now investigating and setting targets in areas that are not automatically included when you measure your consumption, such as circularity in workplace (from procurement to waste management) that has an aim to reduce our waste. In order to reduce waste, we have to look at our purchasing patterns and what we can do better, instead of just separating different waste streams. Ultimately what we purchase as a company ends up in our own waste streams.

Arcadis reports its emissions in line with the Greenhouse Gas (GHG) protocol, embedded also in our EMSS. While each region continues to have some flexibility in adopting their own targets and tracking their own progress, Arcadis requires regions to report a select set of global metrics annually that we have determined to be material to our organization's environmental impact. Metrics are compiled globally and summarized in the Annual Report; additional details are published publicly via the Carbon Disclosure Project. 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.

Every year information is assessed for quality and where necessary adjusted for improved data capture methodologies. Due to COVID-19 2020 has proven to be an a-typical year in terms of energy consumption. This added another challenge for our reporting team as there are little to no guidelines or references available on the effects of a pandemic, and thus mostly working from home on energy consumption. To be able to measure this impact a calculation methodology was developed that improves consistency across our regions. It also gives additional insight in the effects in our scope 3 emissions since we moved many of our scope 1&2 emissions (heating, cooling, electricity consumption, etc.) to our scope 3 (energy consumption at employee's homes).

An example of how we aim to reduce our emissions and how this is received by the market is the mobility policy we developed in our Dutch operations. This year Arcadis the Netherlands received the 'Spitsbrekers 2020' award for having the most effective mobility policy in reducing traffic. The Dutch Minister of Infrastructure and Water complimented the Arcadis' efforts and policy as 'Incredibly Inspiring' and an example for other companies in the Netherlands. With this program Arcadis the Netherlands was able to reduce its total kilometers spent in traffic with ~40% in the past 10 years.

Since the release of our Annual Integrated Report is before we have received all energy consumption data the energy consumption and footprint mentioned in the following tables are estimations based on measured data from January 2020 to November 2020. The most up to date information on energy consumption and footprint is posted on our website. On this page you will also find the latest update on our offset program and the projects we invest in. The total material emissions for 2020 will be offset as soon as we have finalized our 2020 reporting cycle.

Carbon footprint results

Emission per FTE by emission source

CO_2-eq Emissions (MT CO_2-eq /FTE)	2020	2019	2018	2017	2016
Scope 1 Vehicles (Business)	0.33	0.48	0.44	0.54	0.57
Scope 1 Vehicles (Commuting)	0.00	0.05	0.06	0.07	0.08
Scope 1 Natural Gas	0.09	0.08	0.05	0.08	0.08
Scope 2 Electricity	0.68	0.60	0.96	1.02	1.05
Scope 3 Air	0.30	0.79	0.81	0.83	0.90
Scope 3 Auto	0.07	0.38	0.49	0.60	0.64
Scope 3 Public Transport	0.12	0.18	0.18	0.19	0.18
Scope 3 Fuel (Other)	0.00	0.00	0.00	0.00	0.00
Total	**1.59**	**2.55**	**2.98**	**3.34**	**3.50**

Estimated Scope 1, 2 and material 3 emissions 2020

MT CO_2-eq	
Scope 1	11.250
Scope 2	18.100
Scope 3	13.220
Total	**42.570**

In the above mentioned 2020 estimates for electricity consumption, we have not used reduced conversion factors for electricity purchased with GO's and i-REC's (market-based). This will be included in the final carbon footprint.

Significant steps were made to improve the quality of our reporting in 2020. In 2021 we will officially set our target in compliance with the Science Based Targets initiative (SBTi) with the ambition to keep global warming (and our impact in this) below 1.5°C. Big part of this journey is designing the roadmap how to achieve this goal.

From 2015-2019, Arcadis voluntarily respond to Forests Response in the Carbon Disclosure Project (CDP). Given the nature of our business and the fact our direct impact on Forests is minimal, in 2020 Arcadis requested to be removed from the Forest response. This request was approved by CDP in August 2020. Therefore, we will not report our Paper consumption in the Annual Integrated Report anymore. We will keep track of our paper consumption in our Carbon Footprint posted on our website.

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Environmental non-compliance

Connected material topic 32

Important to these stakeholders:
- Civil society
- Shareholders

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

In 2020 there have been no environmental violations or notices of violations from a regulatory environmental authority where a monetary civil penalty of an amount higher than €10 K was imposed on Arcadis.

Climate change

Connected material topic 33

Important to these stakeholders:
- Civil society
- Shareholders

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

This year we encountered horrific wildfires in Australia and California and flooding in the Philippines. Arcadis has offices in all these locations. Even though our assets were not damaged, experiencing natural disasters from so close leaves an impact on employees and increases the need to start planning for a future that includes extreme weather. Therefore, we started the journey to perform Climate Scenario Analysis for our locations around the globe. Once finished (in 2021) this will allow us to minimize our risk and if it does occur it allows us to quickly respond because there is a plan available.

The Californian wildfires have led to work for Arcadis. In December 2020 we were awarded a contract by California's Department of Resources Recycling and Recovery (CalRecycle) to be the primary consultant for wildfire debris and hazard tree removal in Southern California, following the state's devasting wildfire season. The total project is valued at US$52.4 million and encompasses an estimated 823 properties and 120,000 hazard trees in Los Angeles, Fresno, Madera and Tulare counties. A team of approximately 200 biologists, archaeologists, geologists, industrial hygienists, arborists and foresters will work together to manage the region's safe restoration and improve wildfire resilience.

Given the fact Arcadis' impact to limit effects of climate change is by far biggest in the projects we do for clients, we now have a business area 'Resilience'. This business area focusses on projects that mitigate climate change risks and transform the way we generate energy. In 2020 Arcadis delivered many projects in this business area and started new challenging ones. An example of the latter is a 4 year project in which we support the City of Antwerp on their route to a climate neutral 2050 by delivering program management and technical expertise for the development of a City-wide District Heating Network. This district heating network will connect the Port of Antwerp with the city hence unlocking industrial waste heat from Europe's largest chemistry cluster. By 2030 the first pilot zones will already result in a reduction of 8,1% of the total CO_2 emissions of the city.

Circular economy and Clean Tech

Circularity and the Circular economy

The circular economy is restorative and regenerative by design. Relying on systemwide innovation, it aims to redefine products and services to design waste out, while minimizing negative impacts. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural, and social capital.

In 2020, Arcadis contributed to the World Business Council for Sustainable Development (WBCSD) project on the circular economy: Factor10. In 2020 this project also resulted in a report titled 'Circular bioeconomy: The business opportunity contributing to a sustainable world'. This report described that a shift to a sustainable, low-carbon, circular bioeconomy represents a business opportunity worth US$7.7 trillion.

In a circular bioeconomy, biological resources are renewable, sustainably managed, recovered and reused as much as possible. The report supports companies on their journey through case studies and guidance to overcome the sustainability trade-offs associated with circular bioeconomy business models.

Arcadis contributed a case study to this WBCSD report from a recent project in the Netherlands: the Holland Casino Venlo. Arcadis and MVSA Architects designed this resource and energy efficient building with a strategy using organic construction materials. The design incorporates the previous casino structure, reducing the need to replace what is still usable and hence saving the associated cost and CO_2 emissions. The building's skeleton consists of removable and reusable wooden beams and the insulation is made of 100% hemp fiber, keeping the carbon captured during growth in the material. Many of the materials used have residual value, increasing the likelihood of reuse at the building's end of-life. Arcadis was also involved in 2020 in the development of a WBCSD report related to the circular economy, titled 'Wastewater Zero: a call to action for business to raise ambition for SDG 6'. The report proposes six areas where business should focus attention. Arcadis CEO Peter Oosterveer endorsed the Call to Action in the report. We also mentioned a client case in this report, a novel technique we developed known as Water Kaizen Blitz (WKB). Built on the principles of lean manufacturing, the WKB entails a short, intense dive into understanding how, when, why and where a company uses water in manufacturing operations, with the development of ideas for water efficiency and the quantification of estimated savings, capital costs and return on investment. Arcadis deployed this technique for a chemical manufacturing company, identifying fifteen project opportunities, each with a return on investment of less than two years, saving more than US$3 million a year with a capital investment of only US$760,000. Finally, Arcadis in the Netherlands played an important role in the National Conference on Circular Economy 2020 where it hosted a debate on the top challenges in circular purchasing and tenders.

Energy and Carbon/Clean Tech

Arcadis applies Clean Tech in its own operations to drive down its carbon footprint and transition to renewable energy use. On three Dutch offices we now have solar panels with an ambition to expand to more offices. From 2020, we continue our journey to net-zero, offsetting all material scope 1, 2 and 3 emissions by investing in high quality, accredited, abatement and compensation programs. Our operations in the Netherlands, Belgium and Singapore are already carbon-neutral and we continue to focus on reducing energy use. In 2020, around 14% of our global electricity consumption is from renewable sources. Starting in 2020, we are offsetting all material Scope 1, 2, and 3 emissions and by 2030, we are committed to reducing our GHG emissions in support of the pledge made by countries at the 2015 Paris climate conference to limit global warming by 1.5ºC.

We also assist clients to implement Clean Tech solutions in pursuit of their sustainable ambitions. In the Netherlands, Arcadis developed a carbon reduction strategy for Vitens, the largest drinking water company in the Netherlands. We did an inventory and valuation of all potential measures and policies to reduce their carbon footprint. We provided an interactive decision-support tool based on multi-criteria analysis that provides proof for effective investment decisions.

Arcadis assists clients with clean tech solutions like Thermal In Situ Sustainable Remediation (TISR^{SM}). TISR^{SM} links renewable energy to sustainable site restoration and is an inexpensive, practical and environmentally sustainable method for heating target subsurface contaminant treatment zones. We performed the design, engineering, implementation, and performance monitoring of the technology for a client in Brazil based on technology developed by our people and funded by the Lovinklaan Imagine Award.

In 2020 Arcadis acquired Over Morgen, a fast-growing Dutch sustainability advisory firm. Over Morgen's goal is to help create a sustainable environment that fosters future-proof social and technological development. One of the services where Over Morgen and Arcadis deliver combined strengths to provide digital sustainable solutions is around Mobility as a Service (MaaS). Together with a consortium of partners, Over Morgen has created Amaze, the first commercial, complete Mobility as a Service app in the Netherlands. This clean tech solution simplifies travelers' life by integrating planning, booking, payment and travelling and delivering personalized travel advice.

For windfarms (onshore and offshore) we provide solutions in geotechnical consulting, permitting and engineering. Arcadis also provides services around solar projects and heat/cold storage installations. Next to that we help power grid clients expand their electricity infrastructure needed for the energy transition.

In 2020 we developed, through global collaboration, a digital application that enables our clients in creating and maintaining their real estate portfolios in the most sustainable and cost-efficient way. COSIS has been included in a variety of bids to key clients and successfully implemented in several projects within the property and investment domain. In 2021 we intend to further upscale COSIS to an instrument that can be used for clients across multiple Arcadis regions.

Arcadis Gen, our digital business, has unrivalled expertise in embedding non-financial investment analytics and optimization into the decision-making process of regulated utilities and transport operators. Our methods, processes and digital tools apply 6 capitals valuation to every single investment in our customers businesses - whether that be a large environmental scheme, replacement of pipes, or indeed the purchase of a cyber security system. Using this optimization tool and software at Yorkshire Water we could identify that for every £1 spent this was worth £4.66 in societal benefit. Our systematic approach contributed to securing £379 million funding through the regulatory challenge. Delivering evidence-based decisions which are cognizant of not just financial implications but also on the human, social, natural, and intellectual capitals.

Disclosures related to ESG matters

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, 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.

About the non-financial information of this report

Arcadis Annual Integrated Report 2020 has been prepared in line with the GRI Standards for Sustainability Reporting: Core option. A detailed overview of the GRI indicators can be found in the GRI Content Index table in our non-financial reporting website.

Responsible Procurement

In 2020, Arcadis' procurement approach was based on regional support and guidance with a focus on risks presented from our Global Purchasing Principles and Global Partnering Policy and mitigating those risks regionally. Our Global Purchasing Principles and Global Partnering Policy addresses sustainability, equality, diversity & inclusion, safety, health, environment and quality. In November of 2020 as part of our new three-year global strategy, the Arcadis executive leadership team made the decision to invest in a center-led, global procurement function. In 2021 the procurement team will be focused on further professionalizing the function, and the integration of Environmental, Social, and Governance factors into Arcadis' global supply chain.

External Recognition	Score 2020	Score 2019	Score 2018
Sustainalytics	ESG Rating: 78 (Top 2%, 2nd place in industry) ESG Risk Rating: 17.9 (Top 1%, 1st place in industry) Note: lower score = lower risk	ESG Rating: 73 ESG Risk Rating: 22.9	ESG Rating: 70 ESG Risk Rating: n/a
EcoVadis	Overall: 64 points Silver medal Top 7% worldwide and top 5% in our industry	n/a	Overall: 51 points
MSCI	AA ('Leader') Within top 21% of industry	AA ('Leader')	AA ('Leader')
ISS ESG	ESG Corporate Rating: C Within top 20% (2nd decile) of industry	ESG Corporate Rating: C	ESG Corporate Rating: C
CDP Climate Change questionnaire	B Above Europe regional average and industry average (= C)	B	B
S&P Global Corporate Sustainability Assessment - DJSI	55 Top 18% of industry	59 Top 27% of industry	44

Positive disruption: Arcadis Gen

Since its establishment as a new global digital business in January 2020, Arcadis Gen has been focused on unlocking the power of data for a more sustainable, efficient and resilient world, all while steadily increasing revenues and signing additional clients. Now active on multiple continents, the new company acts as a catalyst to accelerate the digital transformation within Arcadis. As Arcadis seeks to digitize its core busines offerings, Arcadis Gen is fully focused on rapid development of scalable digital products. In addition, it positions Arcadis closer to technology and start-up ecosystems, improving our ability to be involved in cutting edge developments at an early stage. Arcadis Gen currently offers four main solutions. Here are some examples of how and where they are applied.

AppliedInsight

AppliedInsight puts easy to use, advanced analytics into the hands of all types of organizations, large and small. AppliedInsight is a cloud-based subscription service that supplies applications for any optimization challenge a utility or organization faces. By taking advantage of artificial intelligence to improve decision making, clients can achieve efficiency savings and improve performance up to 20%. Each application on AppliedInsight features examples, guides for data input and the ability to validate and repair data, so apps can be deployed with little to no services. One such AppliedInsight solution, the Universal Visual Optimizer, is currently applied for a water client in the UK to optimize investments to meet constraints arising from COVID-19.

InvestSmart

InvestSmart provides property owners and investors who are planning on buying new property to expand their portfolio access to their entire asset base history in one digital platform, including due diligence reports. InvestSmart allows investors to make faster decisions around investments with the ability to commission asset evaluation services digitally and through better collaboration and oversight with team features like in-platform notation and amends to reports, speeding up due diligence transactions to increase deal capacity overnight. A large European Financial Institution is applying InvestSmart to make smart investment decisions in new property portfolios, ensuring high quality due diligence work.

Enterprise Decision Analytics

Enterprise Decision Analytics (EDA) enables customers to prioritize investment decisions in their organization using advanced analytics, modeling and optimization. Featuring accurate predictability of asset deterioration and failure, EDA can calculate the cost and risk of that failure for organizations, allowing them to build a more resilient plan for the future. When organizations apply EDA to their asset and portfolio plans, they can generate investment efficiency gains of 30% and delivery organizational process efficiencies of 80%, while meeting important organizational goals like sustainability targets. EDA is currently used to ensure the delivery of high quality, low-cost drinking water for 4.3M customers of Severn Trent Water.

Enterprise Asset Management Solution

Arcadis Gen's Enterprise Asset Management (EAM) Solutions allow customers to better manage asset data, business processes and resources to deliver their operational outcomes in a common system, driven by processes tailored to their industry. Each industry specific EAM Solution delivers more value from enterprise asset management systems based on Arcadis Gen's deep industry expertise in sectors like rail, roadway and aviation, and includes features like targeted mobile apps to connected field staff to organizations and complete asset base modeling down to the lowest level of detail available.

ARCADIS gen

EAM Solutions helps clients reduce maintenance costs, and operational costs resulting from asset failure, by up to 20%. EAM is currently applied to assist a US rail client achieve a 40% cost savings which is reinvested into improved rail service

Arcadis Gen's deep asset knowledge, combined with advanced analytics capabilities helps customers improve reliability, performance, efficiency and safety across their operations. Arcadis Gen's solutions can be applied from the very earliest stages of strategic planning through to operational delivery and caters to a growing range of industries including transportation, water supply, power supply, real estate and investment markets. Despite the global economic challenges of 2020, Arcadis Gen has had a strong and resilient year, focused on our customers and providing high quality asset management solutions.

Arcadis Gen formed as a business in early 2020 from the combination of three product organizations to create a small but innovative organization to lead Arcadis in the digital product market. Gen grew revenue organically on existing product sales by over 30% during 2020 predominantly due to two major product implementation contracts in the Transport Space, one in the UK and one in the US. It is important to note that c 75% of Gens revenue currently comes from product implementation and Analytics services. Arcadis Gen also invested £3m in the harmonization of the three technology platforms that were in use by the businesses forming Arcadis Gen and in the development of new products to launch in 2021.

"We are using technology in new ways to bring value to clients quicker, more reliably and with better control, creating scalable solutions which are applied globally and generate recurring returns."

Rachel White
CEO of Arcadis Gen

Innovation & Growth

Severn Trent Water

Based in the heart of the UK, Severn Trent Water (STW) provides water and wastewater to almost eight million people.

Using Arcadis Gen's Enterprise Decision Analytics software STW is making the most of their data – guiding investment choices for their three million assets and managing the health and performance of their assets in a single, web-based, platform.

In 2020, we helped STW respond to the challenge of unforeseen water demand created by unseasonably high temperatures and a population in lockdown. Arcadis Gen built a machine learning model to understand the impact of demand changes and predict and visualize water demand in a simple, intuitive set of dashboards – allowing them to keep the water flowing for their eight million customers.

Arlington Fleet

Arlington Fleet offer heavy maintenance and repair for all types of Traction and Rolling Stock, including recovery and rescue of damaged or derailed rail vehicles.

Formed in 2004 by a coalition of railway engineering professionals wanting to bring enterprise and innovation to the UK rail industry, Arlington Fleet recognized the benefits of digitizing their operations.

With Arcadis Gen's Mainline Rail Enterprise Asset Management Industry Solution, Arlington Fleet now manage all their assets and programs in a single piece of industry-specific software. Arlington Fleet now have a single source of truth for better, data-driven, decision making and seamless operational efficiency – to keep the UK's railways running.

Leeds Teaching Hospitals NHS Trust | United Kingdom

Making it happen
Running a hospital is a challenging activity. Add in budget constraints and a complex portfolio of real estate that has grown over decades and you know there is real work to do.

Leeds Teaching Hospitals

Challenge

NHS Trusts face many competing objectives including estate age, overdue maintenance and utilization of space. How do we spend the money we have to address these challenges most effectively? In making this assessment, it is important to explore the effects of a poorly performing estate on a healthcare provider. Whether it's on the condition of their buildings, their investment and project management choices or the effectiveness of the facility management service delivery. Exploring these effects allows for further analysis of the correlation between the overarching clinical performance of a Trust and the performance of their estate. Using optimization and prescriptive analytics provides a real understanding of said correlation to support and inform strategic investment decision making.

Solution

Older, more complex sites with multiple buildings and a scale that has outgrown its initial scope may find themselves with a more intricate scope of work with inter-related, and sometimes competing drivers. Providing insight into the backlog risk carried by the site owner may sometimes be as simple as a red-amber-green analysis to immediately assess where things need attention. Arcadis Gen used a data-driven approach using the Arcadis Digital Estate Investment Tool which can realize 20% efficiency through optimization and prescriptive analytics. Coupled with best practices from other sectors like utilities and education, a less subjective and more actionable agenda emerges.

Impact

The co-creation that is part of this process makes it possible for outcomes to truly support both the business case and the strategy for future developments of the estate. Furthermore, the easier identification of investment necessities speeds up the decision-making process. The approach also allows for different scenarios to be profiled based on changing of investment levels in backlog maintenance. This results in a well-defined program of work which reduces backlog, risks and carbon footprint; increases efficiency; and ensures alignment with clinical and corporate strategies.

Digital leadership

20%

efficiency through optimization

How we are different
Applying technology to create insight and take the subjectivity away from decision making and investment choices.

Impact
Improves the understanding of cost of ownership of the estate.

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.

Our harmonize way of working

Single cloud platform covering People, Clients, Sales, Delivery, Finance, and Business Intelligence

Key processes and operational control points for projects

Market-to-opportunity

- Create awareness
- Identify need
- Create opportunity

Control points: Client go/no-go; Opportunity go/no-go

Pursuit-to-win

- Create pursuit team & approach
- Create offer
- Contract awarding

Control points: Strategic Pursuit Committee

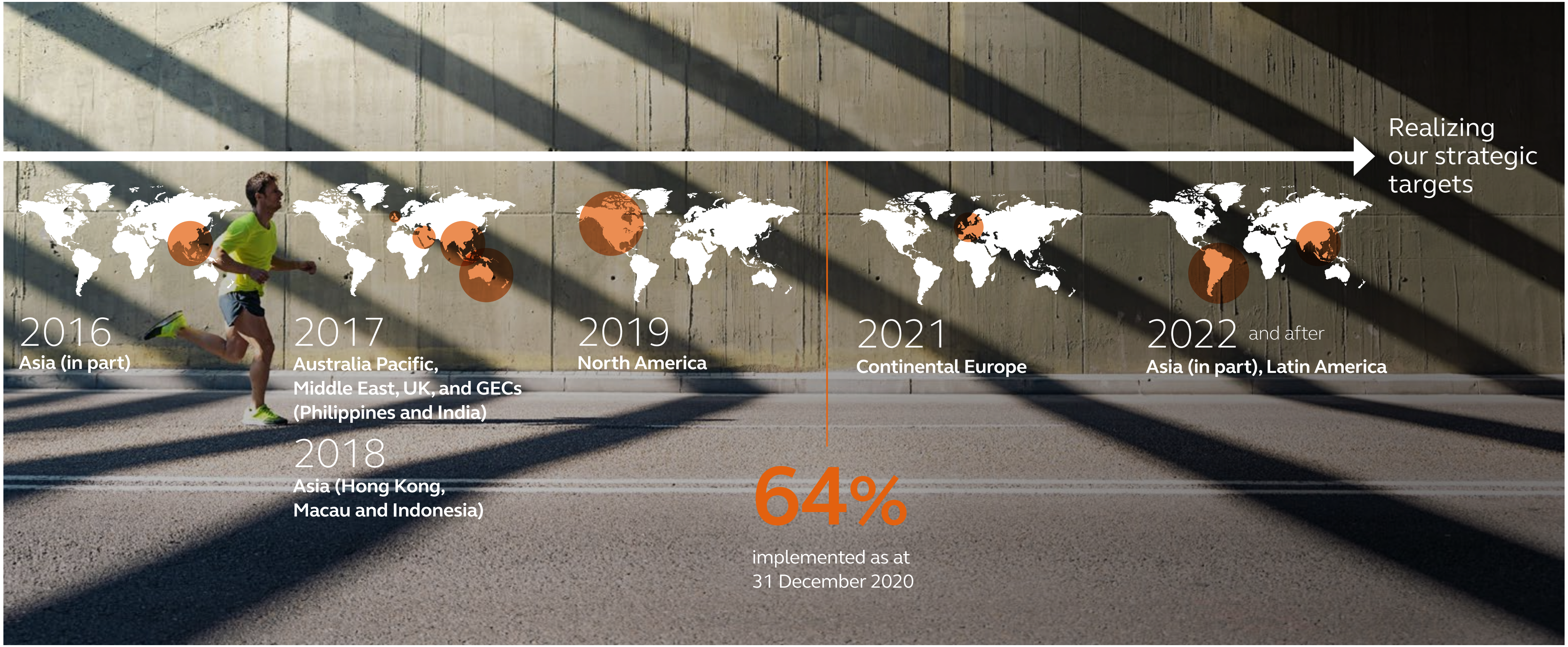
Deliver-to-result

- Initiate project
- Plan project
- Control project / Execute project
- Close project

Control points: Sign contract; Handover meeting; Project kick-off; Project reviews; Reflect & learn

Progress Arcadis Way implementation

Net revenues of countries on Arcadis Way as percentage of total net revenues



BMW | Dadong, China

Records for safety and completion time
With strict safety standards, major safety accidents were prevented, while all program timing milestones were met.

Factory of the Future

Challenge

Covering an area of nearly one million square meters, with the construction plant alone spanning an 400,000 square meters, the Dadong factory for BMW is a huge feat. As the world's most advanced automotive production line, it adopted German automatic technology. The whole process was implemented with artificial intelligence control and robot operations, plus diverse, innovative and high-level technology methods which increased the complexity and difficulty for the project management's task of ensuring process performance.

Solution

With a strategic and integrated tendering cost management approach, Arcadis successfully reduced the total direct construction cost from US$420 million to US$320 million, saving 24% without changing any scope of work or reducing standards. None of the 22 major contract packages went over budget, and more importantly, the cost estimate was 95% accurate compared to the final contract price. Despite all the difficulties and unforeseen circumstances, Arcadis achieved every program timing milestone, and the main 130,000 square meters production plant was completed within twelve months, which is a record for a similar BMW plant. Arcadis implemented the strictest safety standard aimed to achieve a zero major safety accidents goal, and as a result we also achieved a record of ten million safety working hours.

Impact

Ultimately, BMW Dadong factory is an influential and high-profile project, and is an example of the in-depth collaboration between 'Germany Industry 4.0' and 'China Manufacturing 2025'. This project meant BMW moved the world's latest production technology and advanced production line to China without any reservation. The successful operation, as the largest tax-paying enterprise in Liaoning province, will drive the upstream and downstream industries together, thereby promoting local employment.

Focus and scale

24%

cost savings without changing scope or standards

How we are different

Integrated approach, highest safety standards and strict cost and time controls.

Impact

Will drive downstream and upstream industrial development and employment.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Performance & developments
Focus & Performance

Focus where we can lead, and deliver client and project excellence.

At Arcadis, we build leadership positions based on relevance for clients, local presence, and global positions. Businesses that fail to meet our criteria are de-prioritized. Consistency is created through the Arcadis Way. We can offer competitive delivery models by increasing the utilization of our Global Excellence Centers.

For definitions and methods of measure for the indicators included on this spread, please refer to page 298. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 287 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Deterioration
Unchanged
Improvement

[1] Target and reported performance based on IAS 17

Gross revenues
in € millions
3,303
2019: 3,473

Dividend per share
proposed, in €
0.60
2019: --

Net Income from Operations
in € millions
133
2019: 120

Days Sales Outstanding
(DSO)
66
2019: 88

Net debt to EBITDA ratio
average
0.7
2019: 1.4

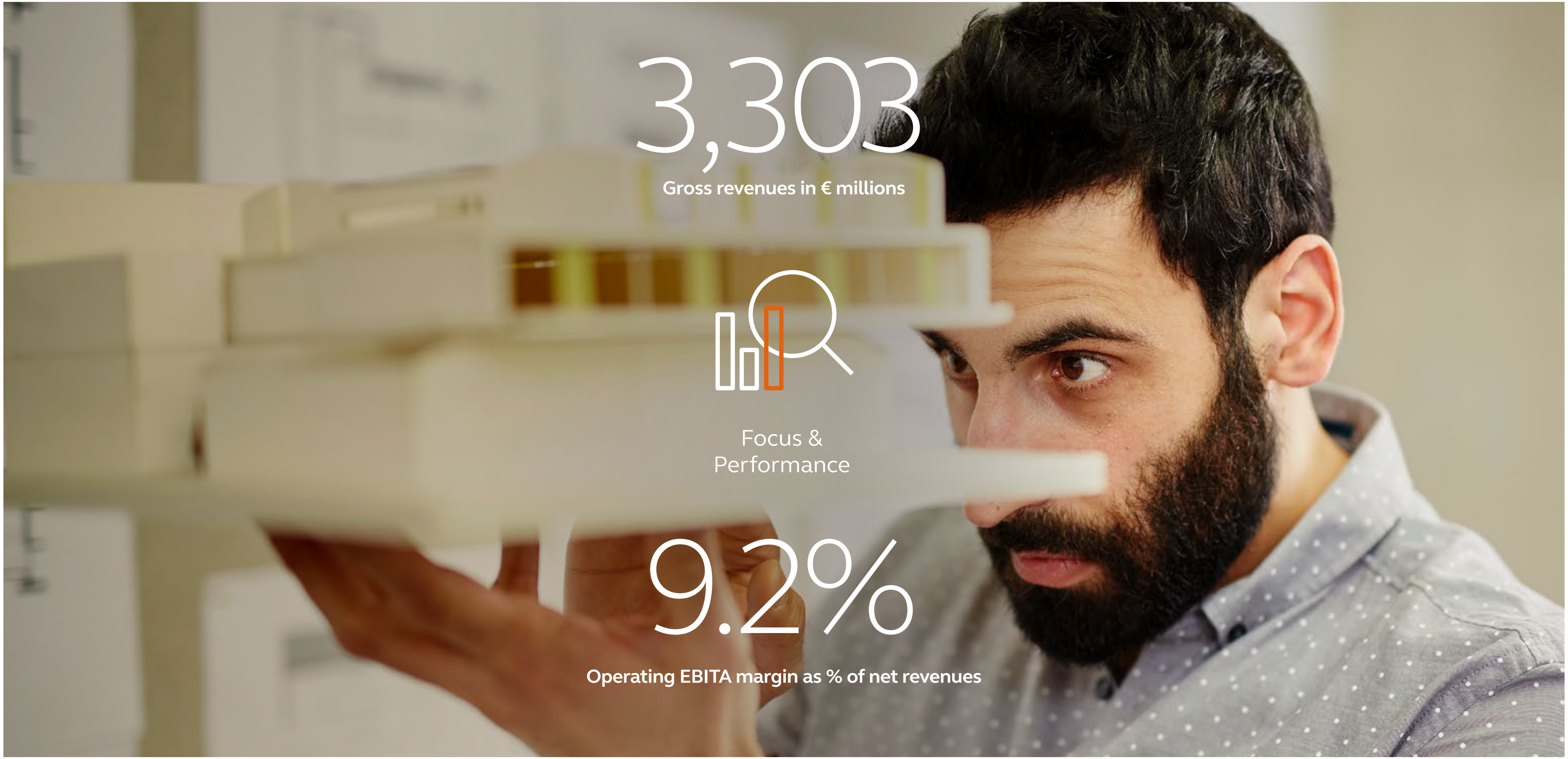
Net Income from Operations per share
in €
1.49
2019: 1.36

Operating EBITA margin
as % of net revenues
9.2%
2019: 8.2%

Net working capital
as % of gross revenues
12.6%
2019: 16.6%

Return on Invested Capital[1]
(ROIC)
9.6%
2019: 6.1%

Free Cash Flow
in € millions
324
2019: 97


3,303
Gross revenues in € millions
Focus & Performance
9.2%
Operating EBITA margin as % of net revenues

Performance & development Focus & Performance

In 2020, we delivered a strong operational performance and an excellent free cash flow against the backdrop of the ongoing COVID-19 pandemic. We are very proud that we delivered on all our key strategic targets set for the year. Our business has proven to be resilient with only a modest organic revenue decline of 2%. We strengthened our balance sheet and successfully completed a €150 million re-financing in a transaction that was oversubscribed multiple times. As part of our continuous reorientation to focus on regions which support our strategic framework, we announced in October to reduce our footprint in the Middle East, we expect this process to take several years to complete.

Financial highlights for the year

- Operating EBITA margin improved to 9.2% (2019: 8.2%)
- Organic net revenue decline of 2% to €2.5 billion (gross revenues of €3.3 billion)
- Excellent free cash flow of €324 million (2019: €97 million)
- Net working capital at 12.6% (2019: 16.6%); DSO at 66 days (2019: 88 days)
- Reduction of net debt to €48 million, resulting in an average net debt/EBITDA ratio of 0.7x
- Organic backlog growth at 5%
- Dividend proposal of €0.60 per share, with pay-out ratio at 40%
- Decision to significantly reduce footprint in the Middle East
- Non-cash goodwill/intangibles impairment for Middle East and CallisonRTKL of €126 million

Direct economic value generated

Connected material topic 1

Important to these stakeholders:
- Shareholders
- Employees

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Gross revenues for the year amount to €3,303 million (2019: €3,473 million). Net revenues totaled €2,494 million and decreased organically by 2%, while the currency impact was -1%. Revenues increased in the Americas, Australia and Germany, but this was offset by a decline in CallisonRTKL and Asia and a modest revenue decline in other European countries. Furthermore, revenue declined in the Middle East driven by our decision to further reduce our footprint in that region.

Make Every Project Count

One of our top 10 priorities is the Make Every Project Count (MEPC) program. The program aims to significantly improve project financial performance by focusing on aligning our people, behaviors, processes and systems with The Arcadis Way. It is an important lever to improve our financial performance over the next years and be a leader in our industry.

MEPC has a bottom-up approach. In Maturity Assessmentworkshops – performed on a business unit level – our people evaluate and rate their unit's maturity on ten principles that describe how we do business at Arcadis. Those principles cover the whole project lifecycle: from sales and project delivery towards project close-out and capturing lessons learned. Units identify improvement areas and agree actions to improve their maturity. At the start of the program in 2018, we performed 120 of those one-days workshops, the outcomes have been evaluated in all regions and the action plans were actualized if needed. The Maturity Assessments will be performed every year for the duration of the program. In addition, we developed a number of tools (or 'building blocks') on a central level, aimed to support our units in increasing their maturity.

Examples of these building blocks are a project review training for our line managers, improved risk management tools for project managers and client portfolio analyses for our sales community.

Make Every Project Count requires participation from different roles in the company: project management, Finance, Legal, risk management, line management and Sales & Business Development. Our client and project excellence focus will enable us to execute our projects consistently and flawlessly. This will also drive Sales & Business Development and sales excellence across the project lifecycle.

In 2020 we witnessed a further reduction of the number of loss-making projects and there was more focus on cash collection, contributing to the record cash flow for the company this year. This success was down to a combination of better collaboration, client selection/negotiation and operational discipline as well as more attention to risk management. As a result, the number of negative surprises in our project performance declined in 2020. By executing structured (monthly) reviews, being transparent on all challenges, asking for help and tracking scope changes, our teams control and manage their projects in a disciplined way. The combination of the right people, selectivity, mindset and discipline led to this achievement.

We expect the MEPC program to continue to contribute to Arcadis' financial performance improvement in projects in the coming years.

Direct economic value distributed

Connected material topic 2

Important to these stakeholders:
- Shareholders
- Civil society

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

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 2020 was 182,950 shares (2019: 176,225). Of the total volume traded, 64% of the shares were traded via Euronext, 19% via BATS, 10% via CHI-X, 5% via Turqoise and 2% via Equiduct.

As at 31 December 2020, and pursuant to the Dutch Financial Supervision Act, the largest shareholders in Arcadis were:

Stichting Lovinklaan	18%
APG Asset Management	15%
Fideliy Management & Research	10%
Impax Asset Management	8%
Vereniging KNHM	4%

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. Twice a year, at the presentation of its full-year and half-year results, Arcadis holds a financial analyst conference, which is broadcasted live over the internet. Conference calls were held in 2020 for financial analysts and investors at the presentation of the trading updates. On 18 November 2020 Arcadis held its first virtual Capital Markets Day where it presented its strategy for 2021-2023.

As part of its communications policy, Arcadis regularly keeps the public informed about other important developments, such as significant project wins or acquisitions, through ad hoc press releases.

In 2020, Arcadis held investor roadshows and participated in (virtual) investor conferences in the world's major financial centers including Boston, Brussels, Frankfurt, Paris, London, New York. while also hosting (virtual) meetings for investors at its offices. Approximately 200 investor meetings were held in the year. Arcadis is currently covered by seven financial analysts.

The annual General Meeting of Shareholders is scheduled for 29 April 2021 at 2.00 p.m. CET. The agenda for this meeting will be available in March 2021 from the Company upon request and will be published on the Company's website.

Number of outstanding ordinary shares
The total number of outstanding ordinary shares as at 31 December 2020 was 90,118,714 (see note 25 of the Consolidated financial statements). During 2020, 504,386 shares were repurchased to cover obligations related to incentive plans and stock dividend, while 1,577,872 previously repurchased shares were used for the exercising of options and vesting of Restricted Share Units.

The average number of shares, used for calculating earnings per share, increased to 89.6 million (2019: 88.4 million). For more information on the number of outstanding shares and options, and on share purchase plans, see notes 9, 12 and 25 to the Consolidated financial statements.

Share price development
On the last trading day of 2020, the Arcadis share price closed at €27.04, while on the last trading day of 2019 it closed at €20.78, a year-on-year absolute increase of 30.5%. 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 international, publicly listed companies in the consulting and engineering industry with activities and a size comparable to those of Arcadis: Aecom (New York Stock Exchange); Cardno (Australian Securities Exchange); Hill International (New York Stock Exchange); Jacobs (New York Stock Exchange); AF Pöyry (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); Wood Group (London Stock Exchange); Worley Parsons (Australian Securities Exchange); WSP (Toronto Stock Exchange).

Earnings per share
The basic earnings per share for 2020 amounted to €0.24 (2019: €0.14). Earnings per share based on Net Income from Operations amounted to €1.49 (2019: €1.36). See note 12 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 €0.60 per share (2019: cancelled) is proposed, being 40% of Net Income from Operations. Shareholders will be offered the choice between a cash dividend or a dividend in shares, with further details to be provided in the agenda for the annual General Meeting of Shareholders.

Profit and loss performance

Connected material topic 5

Important to these stakeholders:
- Shareholders
- Employees

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

The profit and loss performance of Arcadis in 2020 and 2019 is summarized as follows (see also the Consolidated financial statements):

In € millions	2020	2019
Operating income reported	83	175
Depreciation and amortization	(125)	(117)
Amortization other intangible assets	(22)	(17)
Impairment charges	(119)	–
EBITDA	**349**	**309**
EBITA	224	192
Non-operating costs	5	21
Operating EBITA	**229**	**213**

EBITDA and EBITA
Our EBITDA in the year was €349 million (2019: €309 million). Adjusted EBITDA excluding IFRS 16 impact and used for net debt/EBITDA and free cash flow calculation was €271 million (2019: €239 million). EBITA increased by 17% to 224 million (2019: €192 million). Operating EBITA increased by 8% to €229 million (2019: €213 million) and the operating EBITA margin increased to 9.2% (2019: 8.2%). This increase was the result of improved project management, the increased use of Global Excellence Centers and the focus on Key Clients in combination with the actions initiated in the first quarter to mitigate the impact of COVID-19.

As part of its ongoing global strategy review, Arcadis has concluded that it will further reduce its footprint in the Middle East. The implementation will be executed in a controlled manner that will not impact clients and delivery of current projects. As a consequence of this decision, Arcadis has impaired all remaining goodwill and identifiable intangible assets on its balance sheet for its Middle East business (€66 million in total). Notwithstanding the strong performance, we do see the impact of COVID-19 in some parts of our business, in particular in our work for private sector clients as well in the retail sector of CallisonRTKL. Due to weaker than expected results and forecast for CallisonRTKL, a non-cash goodwill impairment of €59 million has been booked.

Personnel costs

Personnel costs were €1,925 million, a 4% decrease compared to the previous year (2019: €1,996 million). Our global workforce was 26,804 and slightly higher than last year (2019: 26,436 FTE's).

Other operational costs

Other operational costs were €229 million (2019: €281 million) and significantly lower than last year due to measures taken in Q1 to mitigate the impact of COVID-19.

Depreciation and amortization

Depreciation and amortization of property, plants and equipment and software and right of use assets was €125 million (2019: €117 million). Identifiable intangible assets related to acquisitions such as the profit included in backlog, customer relationships, and brand values are amortized. The amortization in 2020 was €22 million (2019: €17 million). The goodwill impairment charge was €119 million and related to the Middle East and CallisonRTKL.

Net finance expense

Net finance expenses decreased to €27 million (2019: €40 million). The interest expense on loans and borrowings of €18 million (2019: €25 million) reduced due to lower average gross debt and lower interest rates.

Results for associates and joint ventures

The expected credit loss on shareholder loans and corporate guarantees was an income of €20 million (2019: €82 million expense). Results from investment accounted for using the equity method was €1 million (2019: €1 million).

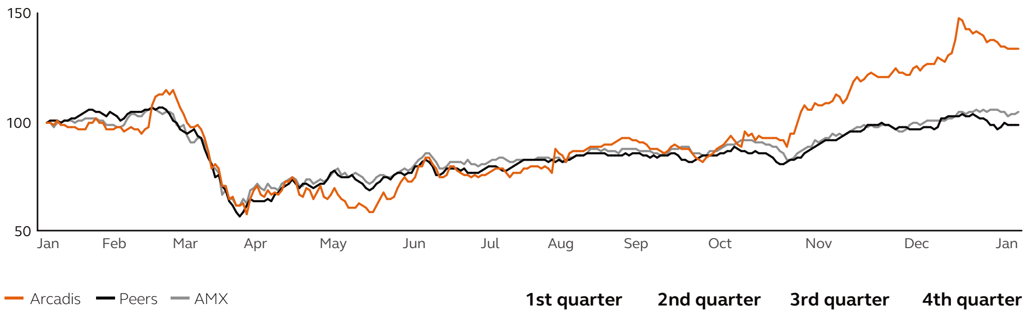
Income taxes

The underlying income tax rate was 33.2% (2019: 27.3%), 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 for the year was €22 million (2019: €12 million). Net income from operations was €133 million, up 11% year-over-year (2019: €120 million) or €1.49 per share (2019: €1.36).

Share price



	1st quarter	2nd quarter	3rd quarter	4th quarter
High	€ 24.24	€ 17.71	€ 19.65	€ 27.62
Low	€ 12.19	€ 12.38	€ 15.88	€ 18.69

Balance sheet performance

Connected material topic 8

Important to these stakeholders:
- Shareholders
- Civil society
- Employees

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Year-on-year, the balance sheet total decreased to €2,764 million (2019: €3,163 million). The total amount of intangible assets, including goodwill, decreased to €886 million (2018: €1,080 million), this was mainly impacted by the goodwill impairments and foreign exchange effects.

(Net) working capital and Days Sales Outstanding (DSO)

Net working capital as a percentage of annualized Q4 2020 gross revenues substantially improved to 12.6% (2019: 16.6%), while the days sales outstanding decreased to 66 days (2019: 88 days). This is mainly the result of the strong cash program undertaken to reduce working capital in all regions and a significant improvement in the invoicing process in the US, following the Oracle implementation. At 31 December, Net working capital, and Net working capital as a percentage of Gross revenues was calculated as follows:

In € millions	2020	2019
Trade receivables (excl. receivables from associates)	467	602
Contract assets (unbilled receivables)	466	670
Contract liabilities (billing in excess of revenues)	(296)	(285)
Provision for onerous contracts (loss provisions)	(40)	(91)
Accounts payable	(183)	(279)
Net working capital	**414**	**617**
Q4 gross revenues, annualized	3,278	3,720
Net working capital as % of Gross revenues	**12.6%**	**16.6%**

Cash and cash equivalents

Cash and cash equivalents at year-end amounted to €449 million (2019: €297 million).

Equity

The movements in total equity are summarized in the Consolidated statement of changes in equity on page 196.

Loans and borrowings

Long-term loans and borrowings decreased to €401 million (2019: €461 million). Short-term loans and borrowings, including the current portion of long-term debt, decreased to €99 million (2019: €150 million).

On 14 October, Arcadis closed the refinancing of the matured Schuldschein loans with new €150 million Schuldschein loans in three-, five- and seven-year tranches. The Schuldschein loans were placed with an international group of institutional investors, Asian and European commercial banks and local German banks and was oversubscribed multiple times. With this successful transaction, the maturity profile of Arcadis has become more well-spread and has been extended up until 2027. Also, the Lender base has been further diversified. The weighted average fixed interest rate on these loans has been set to 1.56%. These Schuldschein loans have been ESG-linked, which means that an interest discount and premium can be achieved, depending on Arcadis meeting certain ESG-requirements.

Net debt

Net debt (according to bank covenants) was €48 million (2019: €310 million).

The net debt and EBITDA for most bank covenant reporting purposes are lease-adjusted, except for the new Schuldschein loans refinanced in 2020. The total lease liabilities at 31 December 2020 amounted to €278 million (2019: €291 million).

Balance sheet ratios

The year-end net debt to EBITDA ratio was 0.2 (2019: 1.3) excluding IFRS 16 impact. Based on the average net debt for June 2020 and December 2020, the leverage ratio per the bank covenants was 0.7 (2019: 1.4). The Return on Invested Capital was 9.6% (2019: 6.1%).

Covenants in loan agreements with banks stipulate that the average IFRS 16 adjusted net debt to EBITDA ratio should be below 3.0, which is measured twice a year: at the end of June and at year-end. For the new Schuldschein loans loans the ratio includes the IFRS 16 impact and therefore the ratio should be below 3.5. The calculation is based on the average of net debt at the moment of measurement and on the previous moment of measurement, divided by the (pro-forma) EBITDA of the twelve months preceding. According to this definition, the average net debt to EBITDA ratio at year-end 2020 was 0.7 (2019: 1.4). Arcadis' long-term goal is an IFRS 16 adjusted net debt to EBITDA ratio between 1.0 and 2.0.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to relevant Net Finance Expense ratio must exceed 1.75, measured twice a year at year-end and at the end of June. At 31 December 2020, this ratio calculated in accordance with agreements with lenders is 3.2 (2018: 2.7).

Management has assessed the going concern assumption. A sensitivity analysis performed on the balance sheet ratios supports the preparation of the Consolidated financial statements based on going concern (see also note 31 of the Consolidated financial statements).

Cash flow performance

Connected material topic 9

Important to these stakeholders:
- Shareholders
- Employees

See our overview of material topics on page 51, and the connectivity matrix on pages 58 and 59.

Free cash flow significantly improved to €324 million (2019: €97 million). This is mainly the result of the strong cash program undertaken to reduce working capital in all regions and a significant improvement in the invoicing process notably in the US , following the Oracle implementation. In addition, the deferral of social- and tax charges payments in mainly North America and UK, as allowed under government programs to reduce the impact of COVID-19, had a positive impact of €47 million. Cash outflows relating to the divestment of ALEN in the year amounted to €64 million and are presented in the Consolidated cash flow statement as 'Investments in/loans to associates and joint ventures'.

Performance by Segment

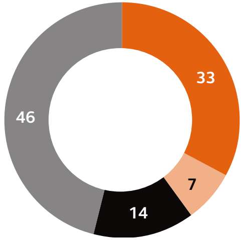
The four Segments of Arcadis (Europe & Middle East, the Americas, Asia Pacific, and CallisonRTKL) reflect the operating model and responsibilities of the members of the Executive Board. The performance and developments of these Segments are described in more detail in the next sections of this Annual Integrated Report.

Financial dates

The tentative financial publication dates for Arcadis NV in 2021:

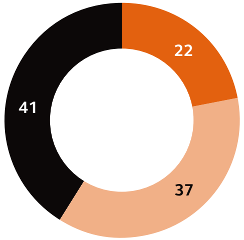
20 April	Trading update Q1
29 April	Annual General Meeting of Shareholders
29 July	First half year results
28 October	Trading update Q3

Performance by segment: Europe & Middle East



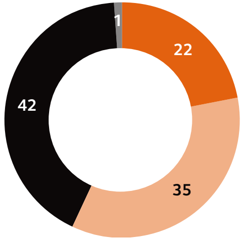
Expertise in %

- Infrastructure
- Water
- Environment
- Buildings



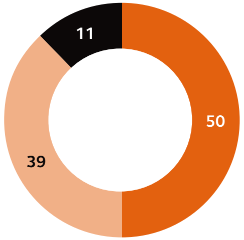
Clients in %

- Public
- Regulated
- Private industrial



Services in %

- Consultancy
- Design & engineering
- Program, project & cost management
- Architectural design



Segments in %

- Continental Europe
- United Kingdom
- Middle East

Number in workforce
headcount as at 31 December

11,275

2019: 11,551

% of net revenues
of total Arcadis

45%

2019: 44%

Performance in 2020

Performance by segment: Europe & Middle East

People & Culture

Number in workforce
headcount as at 31 December
11,275
2019: 11,551

Employee engagement score[1]
on a scale of -100 to +100
+22
2019: +12

Voluntary turnover rate
as % of permanent employees
7%
2019: 12%

Total Recordable Case Frequency (TRCF)
per 200,000 work hours
0.09
2019: 0.14

Female employees
as a % of total workforce
32%
2019: 32%

Innovation & Growth

Organic revenue growth
net revenues
-2%
2019: 1%

Organic revenue growth Global Key Clients
net revenues
8%
2019: -2%

Book-to-bill ratio
net revenues
1.14
2019: 1.01

Arcadis Way implementation progress[2]
as % of net revenues
50%
2019: 51%

Arcadis' carbon footprint
MT CO_2 per FTE
1.41
2019: 2.02

Focus & Performance

Gross revenues
in € millions
1,339
2019: 1,390

Net revenues
in € millions
1,119
2019: 1,145

Operating EBITA margin
as % of net revenues
8.2%
2019: 7.6%

Net working capital
as % of gross revenues
11.1%
2019: 15.8%

Days Sales Outstanding (DSO)
54
2019: 76

1 2019 outcome based on a pilot group
2 As revenues in countries without Arcadis Way grew faster, the percentage declined, there was no effect from system implementation

Multiple clients | Germany

Green power
Newly built ultra-high voltage transmission lines will provide wind and solar power to electricity consumers nationwide.

Renewable energy backbone

Challenge

The 'Energiewende'– a nationwide transformation from fossil-fueled to renewable energy sources is currently the most ambitious modernization project for Germany's national economy. Renewable electricity, primarily generated from wind power in the north and east of the country needs to be transported to the main electricity consumers – particularly the large industrial operations – in the south and west. Several thousand kilometers of new ultra-high voltage power lines are needed. A multi-billion euro investment volume, an ambitious schedule and many stakeholders, decision-makers, affected parties, and land owners involved, the obstacles for design, coordination and communication are immense. Planning the lines requires cutting-edge project management capabilities meeting highest standards. Multiple and interdependent design, communication and approval workstreams need to be managed and advanced simultaneously.

Solution

In a joint approach with cooperation partners Arcadis conducts, supervises and manages stakeholder and communication management, surveying activities, geotechnical and subsoil investigations, routing and project planning, permitting procedures for overhead and subsurface power lines, approval negotiations with property and land owners, objection and claim management, and preparation of documents for several line sections. Both the communication and permitting part and the technical exploration and design programs are digitally optimized with expert systems – based on a proven international one team approach. All those involved in the project are aware that they are not working on a standard energy infrastructure project here, but on a milestone in sustainable and climate-friendly energy supply in Europe.

Impact

Newly built ultra-high voltage transmission lines will form the infrastructural backbone for the nationwide supply of sustainably generated energy. Thanks to them, consumers in Bavaria can benefit from wind power generated in the Baltic Sea. The use of fossil fuels for energy generation will be substantially reduced - with positive consequences for climate protection. In this respect, this project fits perfectly into the Arcadis strategy: Sustainable solutions, CO_2 phase-out, focus on digitalization and automation.

Sustainable solutions

1,300 km

highway for wind and solar energy

How we are different

Unique combination of skills: digital solutions, communication, infrastructure design, project management.

Impact

An iconic international milestone project for climate protection.

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Performance by segment: Europe & Middle East

Key business developments in 2020

Throughout all markets we see a continued movement towards public sector work in for example infrastructure development, energy transition, while some countries introduced stimulus programs. As a result we were able to outperform market trends In the UK, COVID-19 severely impacted private sector markets, while Middle East revenues were impacted by the virus as well as the lower oil price. Italy and France also saw strong virus effects.

Key developments Europe & Middle East

- Overall net revenue declined organically by a modest 2% due to the impact of COVID-19. Due to structural strategic improvements and actions taken to mitigate costs the margin improved to 8.2%.

Alan Brookes
Chief Operating Officer
Formerly Group Executive responsible for Europe & Middle East

"Our resilience has proven very effective. We continued to serve our clients without interruption and helped a number of them battle the effects of the pandemic on their business."

Continental Europe

Market dynamics

Market trends and opportunities that we identified for Continental Europe include:

- Public investment continued at strength throughout Europe as governments invest in infrastructure development, the energy transition, early COVID-19 recovery programs or European Green Deal incentive programs. The Dutch government accelerated infrastructure related project studies to our benefit, but construction execution remains a challenge due to nitrogen and PFAS issues. France saw the first work from a €100 billion government stimulus plan of which €11 billion in transport infrastructures and mobility, €9 billion in clean energies and resource efficiency and €10 billion in low-carbon and sustainable construction.
- Private sector participants were more subdued in their investments as uncertainties stemming from COVID-19 and lockdowns as well as Brexit temporarily caused negative impacts in sectors like real estate, retail, and longer-term concerns in airports. In other sectors, such as data centers, or supply chain (warehousing, logistics, ports) investment benefited from increased demand.
- Environmental restoration services, product stewardship, maintained pace, with growth potential increasing. Similarly, sustainability consulting and resilience advisory are seeing increased investment. For public sector project finance, sustainability qualifications are sharpened at European level. In the private sector, investors are pushing corporations to operate more sustainably. This is also driving demand for environmental planning services.
- PFAS is developing into a business opportunity with Arcadis having a leading position in remediation technology for this emerging contaminant. In the Netherlands, this success will depend on the resolution of the nitrogen emission issue which is currently blocking many contracting projects. Arcadis is doing quite some work to support clients with nitrogen issues.
- The energy transition creates its own market dynamic and interesting consulting opportunities in which balancing public and private interests as well as community acceptance drive growth. With the acquisition of Over Morgen early in the year, Arcadis now has a leading position in that market in the Netherlands.

Strategy implementation in Continental Europe

Strategic focus for Continental Europe is on further developing digital capabilities to bring efficiencies, cost savings and better end user insights to our clients. In addition, sustainability is now no longer a choice. It is a requirement regardless of whether the financing come from public or from private sources as many mandates now come with sustainability requirements. The energy transition also received a lot of attention as it is an important development in addressing climate change. Technology companies are becoming increasingly important in our client portfolio. Our people retention strategy is working but keeping track of mental health has become more important as many countries remained in lock-down through large parts of the year. With work-from-home being the dominant way of working for many of our people this comes with its own challenges. Sector focus adjustments were made across different markets as investment levels in certain segments has diminished, while in others it flourishes under COVID-19 conditions.

Developments in 2020

Public investment continued at strength throughout Continental Europe as governments invest in infrastructure development, the energy transition, early COVID-19 recovery programs or European Green Deal incentive programs. Revenue in Continental Europe slightly declined, but the operating margin improved in the Netherlands, Germany and Belgium, offsetting project write offs in Europe South.

Examples of important new project wins and/or projects that were completed during 2020 include:

- In the Netherlands Arcadis is rolling out an emerging mobility technology, Mobility as a Service (MaaS) in the Amsterdam region. MaaS is a concept that aims to bring together multiple modes of travel, combining options for different transport providers into a single service.
- Arcadis and twenty other partners have joined the municipality of Hoogeveen to create the first hydrogen-based residential neighborhood in the Netherlands.
- The Senate and House of Representatives, the Council of State and the Ministry of General Affairs are seated at the Binnenhof in The Hague, an eight-century-old monument that is continuously ‘in operation’. After a period of intensive use, the Binnenhof is faced with many technical and architectural defects. Large-scale renovation is necessary to be ready for the next 30 years for users and visitors. Arcadis is involved as a technical advisor in the renovation of the Binnenhof on behalf of the Central Government Real Estate Agency, for the building parts of the Lower House.

- In Germany, Arcadis is working on improving resilience at the Schönerlinde wastewater treatment plant near Berlin where changing precipitation patterns caused by climate change increase overflow risks which can affect environment and groundwater quality.
- Arcadis enables the energy transition in Germany providing management, permitting and planning activities as well as various public participation formats on several, altogether 1,300km long power lines across the county, an investment volume of over fourteen billion euros.
- Arcadis in Belgium won and initiated an important multi-year study project in the Antwerp harbor (2nd Tijsmanstunnel) as an enabler for a future-proof mobility solution and the global position of the Port of Antwerp as an important industrial and logistics hub.
- For the City of Antwerp Arcadis will assist and advise for 7 years on the development of a district heating network, connecting the industrial cluster in the Port of Antwerp with residential areas to support the energy transition in cooperation with the newly acquired Over Morgen team from the Netherlands.
- Arcadis was selected to help improve the nautical accessibility of the Port of Zeebrugge, providing environmental, communication and project support services and social cost-benefit analysis.
- In France, Arcadis became involved in the restoration of Notre-Dame Cathedral by providing technical expertise on the cathedral's structure and its medieval construction.
- Also in Paris, Arcadis won the design and build of Paris 2024 Olympic Village in a consortium led by two French developers. This will be the first carbon-neutral Olympic Village ever built (100% wood-structure buildings).

The number in workforce in Continental Europe increased slightly to 5,881 (2019: 5,875), in which we have 37% female employees. We have over 500 employees in the Global Excellence Centers/ Global Shared Service Center supporting Continental Europe, and this is expected to increase in the future. Although Your Voice is not implemented across all of Continental Europe (Netherlands and Germany in 2021), in the countries that have, we saw positive improvement across engagement areas. Additionally, we saw a decrease in voluntary turnover across all our European countries (2020: 6.7%).

United Kingdom and Ireland

Market dynamics

Market trends, risks, and opportunities that we identified for the UK and Ireland include:

- COVID-19 has had a significant impact across the UK with economic activity declining by 11% in 2020. In particular, the construction sector contracted by 16%. Businesses that were able to maintain output performed well in a year that for many businesses involved unprecedented disruption. The Republic of Ireland fared a lot better with GDP shrinking by only 2%, indicating a quicker recovery in 2021.
- The pandemic has accelerated the shift in balance of investment towards public sector clients focused mainly on transport infrastructure such as High Speed 2 (HS2), rail and road investment programs, which Arcadis is well placed to benefit. Commercial and industrial markets have slowed during 2020 because of the pandemic.
- Long-term capital funding allocations for many government departments have given a high-level of confidence in the rate of investment in schools and hospitals. By contrast, the UK housing market, which is currently performing well due to a relaxation in property taxes, faces an uncertain future when the relaxations end in early 2021. The UK Government's long-term programs will be used as a trigger for investment in the construction sector focused on product innovation, the decarbonisation agenda and skills development.
- Despite being delayed by one year, the UN's COP26 conference in Glasgow has galvanised action across the globe, highlighted by China's pledge to reach net zero carbon by 2060. Over 100 countries have pledged to achieve net zero carbon by 2050. The UK is setting ambitious plans, through a '10 point green plan', though is behind schedule to meet 2050 goals.
- The UK's withdrawal from the EU was over-shadowed by the pandemic in 2020. Many measures are in place, but the UK is unlikely to be as prepared as has been planned when the transition deal was agreed. There will be some initial disruption, even now a trade deal is secured.
- A brisk recovery is expected in 2021 and 2022, with GDP recovery to 2019 volumes by late 2022. Most of the recovery is expected to come from a rebound in consumer spending. Corporate investment is expected to remain subdued, even as the UK Government investment grows to levels not seen since the late 1970s. Businesses like Arcadis, with a well-diversified client base and access to long-term strategic investments, will be well placed for the challenges of 2021 and 2022.

Reflections on the 2017-2020 strategy
In the UK, great strides have been made in strengthening the three pillars of our strategy, 'Creating a Sustainable Future'.

Over the past three years, the UK has invested heavily in promoting the equality, diversity and inclusion agenda, making significant progress in developing our **people and culture**. Arcadis was named a *'Leader in Diversity'* by the Financial Times in 2019, ranking in the top 5% of European companies for diversity in the workplace, and achieved Disability Confident status from the UK Government. The team have focused closely on bridging the gender pay gap and introduced initiatives to promote positive role models through success in the Women in Engineering Awards and our STEM ambassador outreach efforts with schools and colleges. The work to support colleagues' mental health has also been recognised by the Legal & General 'Not a Red Card' awards, winning the top prize for 'Best Mental Health Initiative' in 2019.

In tandem with other regions, the UK has invested heavily in **innovation and growth**. We have developed our people's skills through Digital Basecamp training modules and the Expedition DNA programme, ensuring access to tools and resources to enable clients to benefit from data-led digital solutions. We have also embedded design thinking in our solutions to clients' most complex problems, partnering with tech-industry mentors and leveraging start-up agility through the Techstars Programme.

Through our unified innovation platform, QuickLaunch, we have been able to capture innovative ideas and solutions and accelerate several initiatives that have delivered proven value to our clients. These solutions have not only helped the digitalisation of our core services but have also supported the creation of new digital tools to embed sustainability, automation, digital data collection and analysis as part of clients' business as usual activities.

Harnessing the power of best practice through the 'Arcadis Way' has enabled us to make great inroads into scaling successes throughout the UK and Ireland. Through a number of focus and performance initiatives, a suite of management information tools have been developed to provide clear performance data across the project lifecycle, creating a strong analytical foundation to improve operational efficiency and client satisfaction from onset of a project to completion. Furthermore, our 'Collaboration Hub' platform provides unrivalled access to our own best practice across bidding, project delivery and standard operating procedures. Supplemented by our Professional Services Board created in 2020, there is a clear focus on ensuring high service quality is present across – and between – our service lines and is delivered consistently within our teams and client accounts.

Developments in 2020
Revenue was in line with last year due to growth in Infrastructure, Environment and Water compensating for a decline in Buildings, the operating margin improved. A major new contract for the High Speed Rail 2 project provides significant continuity of work in Infrastructure.

Examples of important new project wins, achievements and/or projects that were completed during 2020 include:

- As COVID-19 infection rates rose sharply in early 2020, Arcadis acted quickly and played an integral role in the delivery of three NHS emergency Nightingale hospitals in Birmingham, Harrogate and Cardiff. The team provided project and cost management services at pace to create new critical care facilities to help fight the pandemic.
- Arcadis is working on the largest infrastructure project in Europe, HS2 and helped the project meet its net zero carbon ambitions. With our client, Eiffage Kier Ferrovial BAM, in 2020 the team developed HS2's carbon baseline to minimise emissions as the new line is built. As a result of a range of design interventions and construction optimisations, forecast embedded carbon emissions have reduced by over 40%. The team are also investigating ways to maximise the biodiversity benefits that will be delivered by the project. Our designs are helping to achieve significant improvements, with a predicted 22.5% gain in habitats along the 80km section of railway between London and Birmingham.
- Arcadis secured a new commission with Sheffield City Region to design South Yorkshire's digital infrastructure strategy. The team are reviewing the existing strategy, which sets out a vision where connectivity creates new jobs and uses the technology to improve the lives of people in the region. The commission includes an assessment of public assets with the potential to support and contribute to full fibre and 5G roll-out both now and in the future.

- Arcadis has been appointed by Transport for Wales to monitor progress and compliance on one of its major highways' improvement projects. The existing three-lane single carriageway will be upgraded to a 70mph all-purpose dual carriageway with six junctions. The project, which totals 17.7km in length, also includes active travel and non-motorised user routes. Overall, the scheme consists of 35 new widened bridges.
- Arcadis is supporting Tesco's plan to deliver and install the UK's largest retail electric vehicle charging network. This saw the team provide project, program management and process consultancy services to ensure that the EV charging points were installed as efficiently as possible across a portfolio of 400 stores nationwide. The project marks a 14% increase in the number of public charging bays in the UK, making it easier for people to recharge whenever and wherever they are.
- Arcadis has been appointed to a seven-year framework with local partner, ByrneLooby, for the provision of engineering design services to support Irish Water's capital delivery programme. Together, this partnership – our biggest win in Ireland - will provide innovative solutions to complex challenges, targeting a green and sustainable approach to water and wastewater engineering.
- Working in partnership with the City of Edinburgh Council, Arcadis is supporting the regeneration of Granton Waterfront, a 66-acre site which has plans for 3,500 new homes, a primary school, healthcare, retail and public spaces. The Local Authority is keen to develop high quality homes employing modern methods of construction with a focus on sustainability, supporting the target for the City to become zero carbon by 2030.

Although COVID-19 ushered in new ways of working overnight, employees across the UK adapted quickly to the changes. Through our 'Beat the Market' program, the team met the challenges and opportunities in the industry head-on, training over 200 people in virtual bidding skills and successfully helping clients navigate the new operating environment. To protect and improve health and wellbeing, two all-employee surveys were conducted in 2020 to gather insight from our people. The findings led to new initiatives to support homeworking and personal and mental wellbeing. The insight from the surveys also helped to inform the plans for the new London office, which the business will move into in Spring 2021, and the development of a new UK wide workplace strategy.

In 2020, Arcadis UK was once again named one of the Top 25 Big Companies to work for in the Sunday Times Best Companies, recognized for our inclusive culture and values, career opportunities and work-life balance. The business also rose seven places in the rankings to reach number 15 out of 50 in Glassdoor Employees' Choice Awards. A core focus for the business in the UK and Ireland has been continuing to build on the strength of these successes, with a focus on enhancing client experience, accelerating digital innovation and ensuring client excellence is achieved efficiently and cost effectively.

The number in workforce in the UK and Ireland at the end of 2020 was 4,135, with 29.3% of employees being female. The number of employees in the Global Excellence Centers (GECs)/Global Shared Service Center supporting the UK business is approximately 800 employees. With the potential impact on long-term labor availability post Brexit, the GEC capability continues to boost the UK business and has already led to the adoption of new technologies and efficiency gains. We also saw voluntary turnover rate decrease to 6.8% (2019: 12.8%) which was aided by employee outreach programs , and we also saw continued levels of engagement (+31).

Middle East

Market dynamics

The Middle East region faced challenging market conditions and a reduction of the oil price as result of COVID-19. This was felt across almost all sectors, notably commercial development, construction, travel, and hospitality. Gulf Cooperation Council governments introduced a series of restrictions in the first half of 2020 on business and movement, introduced stimulus measures and accelerated tax reforms. In addition, governments reprioritized budget allocations to address growing budget deficits, whilst balancing alignment to their Strategic Visions.

The Expo in Dubai was postponed to 2021 and while the development of new real estate projects in Dubai came to a halt, construction on existing projects and investment in infrastructure and social housing projects in Abu-Dhabi continued. In KSA the Public Investment Fund (PIF), the Kingdom's sovereign wealth fund, awarded several giga-projects in the second half of the year, which are fundamental to support long-term objectives and reforms planned, to diversify away from a largely Oil dependent economy. The establishment of formal diplomatic ties between several GCC countries and Israel, as well as the lifting of the embargo with Qatar are fundamental events that will bring more stability to the Middle East region and provide a positive impact on the economy.

Strategy implementation

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.

Developments in 2020

Organic growth in the Middle East was impacted as COVID-19 and lower oil prices made market conditions challenging, which resulted in delay in the award of projects. However, in the second half of the year a significant number of opportunities were awarded, mostly related to signature projects in KSA related to Vision 2030. This resulted in a strong organic backlog growth at year-end, which was also helped by the continued focus on key clients. Staff turnover was also significantly lower while employee engagement improved.

The continued focus on our people during uncertain times saw engagement remain relatively stable (+41) and our voluntary turnover come down to 9.2% (2019:12.8%). Our workforce of 1,152 workers remained stable (2019: 1,136) with 18% female employees. The Middle East in 2020 was supported by 336 people in the Global Excellence Centers/Global Shared Service Center.

Segment financial results

The overall financial results of the Segment in 2020 were as follows:

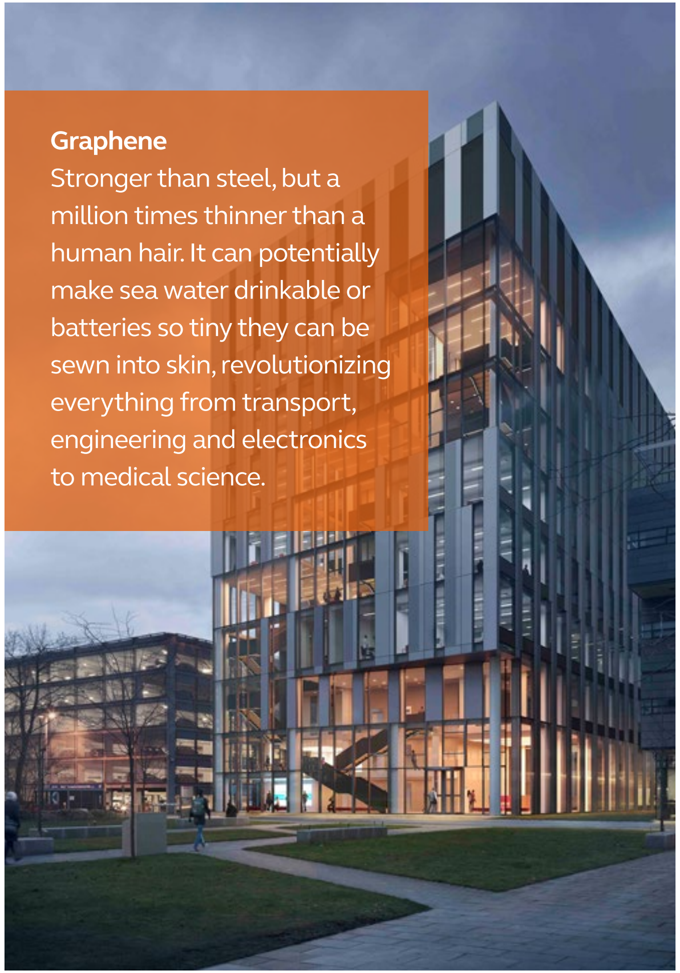
Segment financial results

	Revenues		Revenue growth			
In € millions	2020	2019	Total	Organic	Acquisitions	Currency
Gross revenues	1,339	1,390	-4%			
Net revenues	1,119	1,145	-2%	-2%	0%	-1%

	2020	2019
EBITA	86.2	85.0
EBITA margin	7.7%	7.4%
Operating EBITA[1]	91.8	87.5
Operating EBITA margin	8.2%	7.6%

[1] Operating EBITA excludes acquisitions, restructuring, and integration-related costs

University of Manchester | United Kingdom



Graphene
Stronger than steel, but a million times thinner than a human hair. It can potentially make sea water drinkable or batteries so tiny they can be sewn into skin, revolutionizing everything from transport, engineering and electronics to medical science.

Commercializing graphene

Challenge

The University of Manchester is at the heart of these new developments, pioneering research into how graphene and other advanced materials can change the world. However, to continue leading the race to commercialize graphene, the University needs new state-of-the-art facilities for its growing research and innovation base. Arcadis has a long-standing relationship with the University, having worked on National Graphene Institute and the Graphene Engineering Innovation Centre as Project Manager and Full Design Team. The new trifecta of buildings was completed with the Henry Royce Institute, which opened its doors in 2020 to provide a hub for world-class research.

Solution

At 46 meters high, the Henry Royce Institute is the tallest building on the university campus, and home to world-leading materials scientists, state-of-the-art equipment and collaborative space for industrial engagement. Here, scientists, industry and the public can come together to accelerate the innovation and adoption of advanced materials to meet our ever-evolving global challenges. As project manager, cost manager and Full Design Team, we worked with architects NBBJ, contractor Laing O'Rourke, structural engineer Ramboll and building services engineer ARUP to lead the delivery of this new £200 million facility. Working as a unified team we overcame the logistical challenges associated with the project being constructed in a busy city center location. These were resolved by techniques including offsite construction and advanced digital engineering, ensuring seamless, timely and cohesive project delivery.

Impact

Together, the National Graphene Institute, Graphene Engineering Innovation Center and Henry Royce Institute form a new 'Graphene City'. Home to more than 350 scientists, manufacturers, engineers and innovators, the buildings provide the critical mass necessary to drive forward innovation, research and development in graphene and advanced materials. As a flagship project in the Government's Northern Powerhouse agenda, Graphene City will enhance industrial competitiveness, it will also cement Manchester and the UK as a world leader in advanced materials research. With it, new skills, new jobs, a boost to the localeconomy, and innovations that will surely deliver on a mission to shape more sustainable societies.

Sustainable solutions

3
multi-million-pound facilities delivered

How we are different
Working as a unified team to ensure seamless, timely and cohesive project delivery.

Impact
New skills, new jobs, a local economy boost, and innovation.

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

ProRail | Driebergen-Zeist, The Netherlands

Underway, fast and safely
Creation of a more sustainable, energy-efficient, and beautiful station estate.

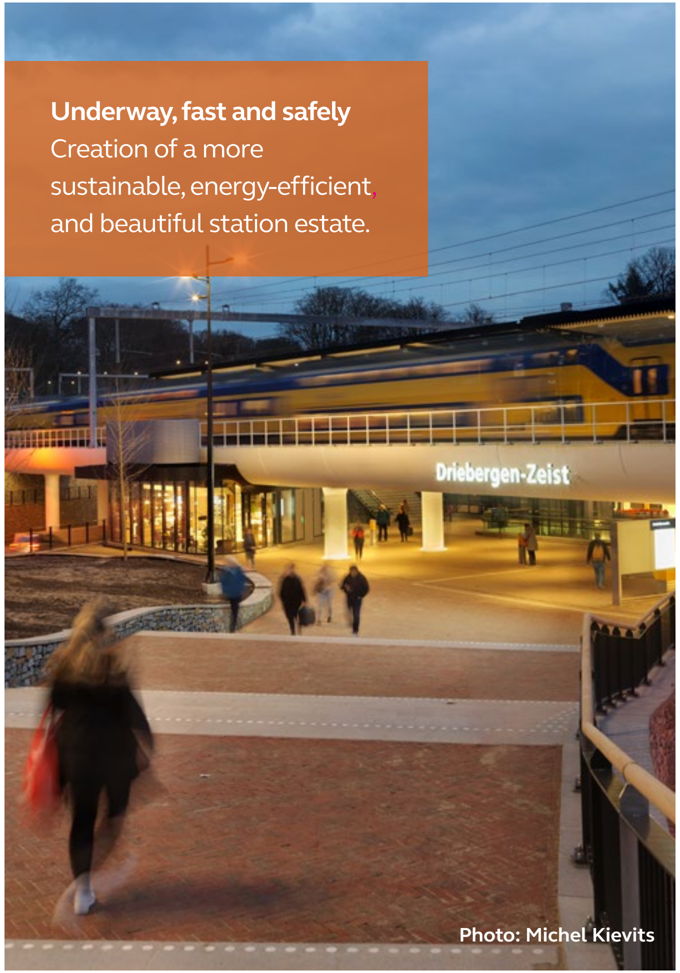


Photo: Michel Kievits

Sustainable hub, historic site

Challenge

The Driebergen-Zeist station area has been known for years as an unsafe traffic bottleneck. Thanks to the radical redevelopment, it has now changed into a green, sustainable and safe station landscape. Arcadis played an important role in the project. Located on the highway A12, the railway and the regional bus network, the area sees a lot of car traffic, but it is also an important public transport transfer point. However, the inadequate infrastructure caused structural traffic congestion, long traffic jams at the level crossing and unsafe situations on and around the track. This has been a concern for many travelers, motorists and surrounding companies for years.

Solution

The development of a completely renovated station estate resolved these bottlenecks and transformed the station and its surroundings into a compact, safe, and sustainable traffic and public transport hub. There is an extra track and a wide, centrally located platform, while the new bus station will make the surrounding municipalities more accessible. The station estate also fits seamlessly into the green environment with its monumental trees and historic estates. Sustainability is guaranteed, as materials from the old station were reused and solar panels put on the platform roofs. Together with ProRail, Arcadis supervised the construction, with a focus on limiting nuisance to residents and travelers. We were involved from initiation to completion, made the reference design, image quality plan and the temporary station design. We ensured communication and coordination with residents, companies, and estates. Activities also included safety, permitting, tendering and implementation supervision. Now that the station estate is ready, we remain involved in the aftercare.

Impact

Everyone will benefit from the renewal of the station area, which has a capacity of 12,500 passengers per day. Public transport users and motorists will travel with pleasure to Driebergen-Zeist, while the surrounding companies will be more accessible. The layout as a station landscape with design elements of the English landscape style gives the area a suitable, pleasant, and safe appearance. The new station area not only makes Driebergen-Zeist more accessible, but also more sustainable, energy-efficient, and even more beautiful than it already was.

Sustainable solutions

20%

more trains on the Schiphol-Utrecht-Nijmegen corridor

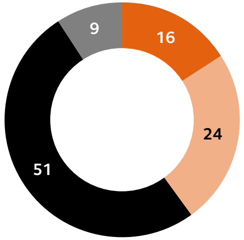
How we are different

Comprehensive and integrated approach from start to finish.

Impact

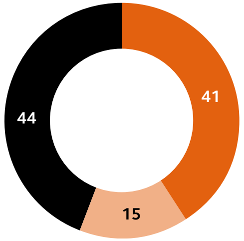
Increased capacity, more user friendly, 50-60% less energy consumption.

Performance by segment: The Americas



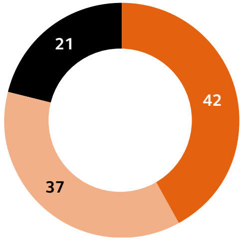
Expertise in %

- Infrastructure
- Water
- Environment
- Buildings



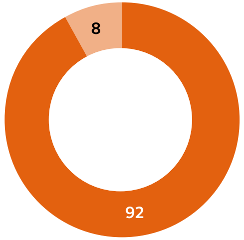
Clients in %

- Public
- Regulated
- Private industrial



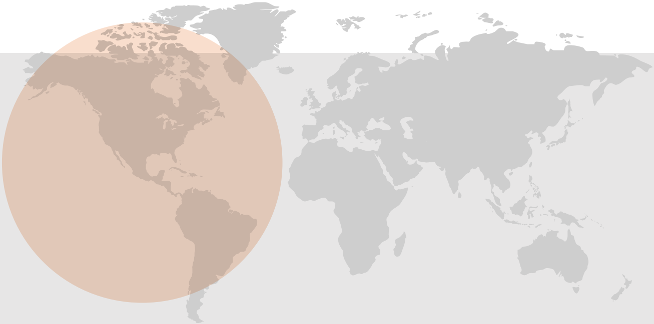
Services in %

- Consultancy
- Design & engineering
- Program, project & cost management
- Architectural design



Segments in %

- North America
- Latin America



Number in workforce
headcount as at 31 December

7,733

2019: 7,331

% of net revenues
of total Arcadis

35%

2019: 33%

Performance in 2020

Performance by segment: The Americas

People & Culture

Number in workforce headcount as at 31 December	7,733	2019: 7,331
Employee engagement score on a scale of -100 to +100	+40	2019: +28
Voluntary turnover rate as % of permanent employees	7%	2019: 9%
Total Recordable Case Frequency (TRCF) per 200,000 work hours	0.24	2019: 0.25
Female employees as a % of total workforce	37%	2019: 37%

Innovation & Growth

Organic revenue growth net revenues	5%	2019: 9%
Organic revenue growth Global Key Clients net revenues	-6%	2019: 11%
Book-to-bill ratio net revenues	1.03	2019: 1.03
Arcadis Way implementation progress[2] as % of net revenues	91%	2019: 91%
Arcadis' carbon footprint MT CO_2 per FTE	2.46	2019: 4.22

Focus & Performance

Gross revenues in € millions	1,370	2019: 1,394
Net revenues in € millions	876	2019: 860
Operating EBITA margin as % of net revenues	11.6%	2019: 8.3%
Net working capital as % of gross revenues	11.9%	2019: 16.2%
Days Sales Outstanding (DSO)	70	2019: 97

California's Department of Resources Recycling and Recovery | California, United States

Safe restoration
Arcadis is working tirelessly, in full alignment with CalRecycle and the California Office of Emergency Services, to make these residential areas habitable once again.

Recovering from catastrophic wildfires

Challenge

The wildfire season of 2020 devasted California, burning approximately 4.2 million acres of land and displacing more than 53,000 people. In order to protect the health of the community, and ultimately get people back into their homes, cleaning the impacted area in a coordinated and expedited manner is critical. California's Department of Resources Recycling and Recovery (CalRecycle) awarded Arcadis based on a competitive bid to be the primary consultant for wildfire debris and hazard tree removal in Southern California.

Solution

Debris and hazard tree removal requires a complex understanding of fire's structural, ecological and chemical impacts. In California, most structural damage occurs in residential areas. Homes are filled with wiring, electronic equipment and appliances that typically contain heavy metals that, when burned at high temperatures, become hazardous ash. Arcadis will assess soil for toxins and evaluate air quality for asbestos and heavy metals to ensure cleanup operations can be performed safely.

Impact

The total contract is valued at US$52.4 million and encompasses an estimated 823 properties and 120,000 hazard trees in Los Angeles, Fresno, Madera, Mono and Tulare counties.
A team of over 200 crew leaders, biologists, archaeologists, geologists, industrial hygienists, arborists and foresters will work together to manage the region's safe restoration and improve wildfire resilience.

Sustainable solutions

~823

properties requiring debris assessment and removal

How we are different
Prioritizing safety with a large multidisciplinary team and in-depth knowledge of fire's structural, ecological and chemical impact.

Impact
Protecting the health of the community and restoring the environment.

3 GOOD HEALTH AND WELL-BEING

Key business developments in 2020

Our North America business continued to keenly focus on our people, clients, and performance while navigating COVID-19 challenges. The result was net revenue organic growth in all business lines, record bookings, and significant improvements in margin and working capital. In Latin America, we saw double digit organic growth led by large infrastructure projects and critical environmental assignments in Brazil. North America achieved record year-end backlog and Latin America has its highest backlog in five years which positions us well for 2021.

Key developments The Americas

- Organic net revenue growth was 5% for the year. Good organic growth in North America was supported by double digit organic growth in Latin America. The operating EBITA margin increased to 11.6% (2019: 8.3%), due to performance improvements in both North and Latin America.

Mary Ann Hopkins
Chief Growth Officer
Formerly Group Executive responsible for The Americas

"Collaboration across our business throughout the Americas and globally has enabled us to bring high impact sustainable and digitally enabled solutions to our clients. Our passion to delight our clients, creating the best possible Client Experience, has led to our success in delivering strong financial results for 2020."

North America

Market dynamics

- Challenging economic conditions due to the COVID-19 crisis, low oil/gas prices, social and political unrest, and high unemployment offset by an accommodating fiscal policy and federal stimulus.
- Reduced private sector spending in some sectors in 2020 will likely continue into 2021. However, sectors, such as technology, pharmaceutical, and financial institutions provide opportunities.
- Federal spending will be largely unchanged while many State and Municipal clients will be impacted by lower tax receipts and higher costs associated with COVID-19. Transportation-oriented markets will decline without Federal stimulus, while fee-based utilities (water and power) will be less impacted.
- Supporting climate resilience from the effects of climate change such as forest fires, floods, and hurricanes, is critical.
- Sustainability is rapidly becoming a substantial priority across all client sectors.

Strategy implementation in North America

In concert with our global strategy, our North America business drove profitably across our core business lines of environment, water, and infrastructure. Key to our success was the implementation of strategic programs and initiatives to ensure our long-term performance including:

- **People Experience** – Recognizing our people are our most vital resource, we continued to invest in recruiting, developing, advancing, and retaining the best talent in the industry. We are proud of our high employee engagement rating, nine points above industry standard, as well as our low voluntary turnover rate at 7.0%, which is significantly below industry benchmarks. We expanded of our Diversity, Equity, and Inclusion program including launch of the Latin Heritage Network and Invisible Disabilities Employee Affinity Groups and the Black and Latinx task force.
- **Client Experience (CX)** – Continuing focus on CX Experience, we launched a special CX in a Virtual World program to assist our people in serving clients remotely during the pandemic. Our strong CX programs and focus were evident in the results of our annual CX client survey conducted by an outside advisory firm which indicated very high satisfaction and loyalty scores and a 'Best in Class' rating.
- **Digital** – North America has claimed digital market leadership as illustrated by our #1 ranking for digital environmental, health, and safety by independent benchmarking firm Verdantix and as a top digital consultant in the water utilities market.
- **Innovation** – Our culture of innovation empowers our people to respond as new technologies and global challenges emerge. Examples include deploying 5 new technologies and securing 6 new patents in areas ranging from carbon sequestration to sustainable environmental remediation to PFAS sampling technology.
- **Health and Safety (H&S)** – The strength of our health and safety culture proved critical to successfully navigating the pandemic. Our COVID-19 SAFE Return Team developed COVID-19 protocols, case management flow charts, an H&S App installed on our employee's mobile device to keep them well informed, and awareness training that enabled employees to work safely. We had fewer total injuries and motor vehicle incidents were reduced by 50% compared to 2019.
- **Global Excellence Centers/Global Shared Service Centers (GEC/GSSC)** – Major progress was made in expanding our talent (35% increase in people) based in India, Philippines, and Romania, and weaving those resources into the fabric of our North America business. Our GEC expertise was used to cost effectively deliver services and bring remarkable innovations in design, consulting, and digital solutions to clients. Additionally, we significantly expanded use of our GSSC to support enabling functions in finance/accounting, human resources, and proposal development.
- **Arcadis Way** – We continued to leverage and reap benefits from a uniform way of working globally by optimizing our Oracle cloud-based Enterprise Resource Planning system for project and client management, standardizing and reducing our real estate footprint, further professionalizing our pursuit management systems, and launching Collaboration Hub for global knowledge sharing.

Developments in 2020

North America delivered strong financial results overcoming major headwinds from the pandemic and economic fallout. Climate resilience and sustainability is rapidly becoming a substantial priority across all client sectors. Net revenue increased organically from 2019 with all core business lines recognizing growth. The operating EBITA margin improved significantly in 2020. Key to the success wasthe implementation of strategic programs and initiatives around people, client experience, digital solutions, and innovation.

Examples of important and diverse new program/project wins that contributed to our success include:

- Arcadis was awarded two contracts with the State of California, valued at >US$100 million gross revenue to assess and manage fire debris and damaged trees related to climate change and the massive wildfires that swept through the state in 2019 and 2020.
- Arcadis was selected to provide imbedded support for program management and technical expertise to the Galveston District Corps of Engineers, for the design and construction of the 'Texas spine', a series resilience features of levees, floodwalls, and barrier gates that run about 75 miles along the Galveston Island up to the Sabine Pass.
- The City of Lancaster, Ohio selected Arcadis to design its new 6 million gallon per day water treatment plant. The plant will replace one of the city's two water plants to upgrade local infrastructure, increase capacity and help strengthen the city's resilient future.
- Arcadis was successful in securing five projects with SiFi Networks that will generate more than US$5 million in net revenue over the next 24 months. Arcadis will be responsible for construction management, project controls and the project management associated with the installation of fiber networks.
- Arcadis Canada is further expanding our position in the fast-growing Light Rail Transit market space in Canada with a new US$1.3 million CAD net revenue contract to provide on call Environmental Services on our existing Hurontario Light Rail Transit.
- The Port Authority of New York and New Jersey has made a commitment to resilience and sustainability and selected Arcadis to develop a refined set of guidelines that will influence their future capital projects. These guidelines will serve as a model for many other New York City agencies and utilities who are looking to adopt Envision into their programs and projects.
- Arcadis was selected by the Tennessee Department of Transportation (TDOT) to perform statewide Intelligent Transportation System (ITS) engineering services. Under this five-year contract Arcadis services may include integrated corridor management, active traffic management, connected and autonomous vehicle technology, and various ITS expansion/upgrade/relocation projects.

The workforce in in North America decreased in 2020 to 5,418 (2019: 5,598), whereby 37% of employees are female. North America has grown its use of Global Excellence Centers/Global Shared Service Center to 393 employees. We also saw voluntary turnover rate decrease to 7% (2019: 9.4%), while engagement levels improved to +35 (2019 +28).

Latin America

Market dynamics

- High levels of global liquidity coupled with large, long term investment opportunities and record low interest rates in Brazil continue to drive private capital inflows and M&A activity.
- Latin American countries implemented important measures to foster economic activities, including tax breaks and temporary labor subsidies.
- The efforts in Brazil to privatize public service concessions has continued with a new regulatory framework for sanitation which is attracting private investments and where Arcadis plays a leading role.
- The regions' GDP is expected to decrease by 7.7% in 2020, but late 2020 economic recovery pace indicates a 4.2% growth for 2021, driven by optimism associated with the vaccine, but most importantly, an expected stronger commodities market driven by demand from China.
- The Political agenda could potentially challenge growth predictions if fiscal and administrative reforms in Brazil take longer than expected. Potential tensions around the Presidential and legislative elections planned for Chile and Peru could also provide for some uncertainty.

Strategy Implementation in Latin America

Implementing the corporate strategy at the regional level, involved efforts to integrate the business, maximizing synergies and gaining efficiencies. Despite COVID-19, Latin America successfully focused on growing the volume of our business while also improving profitability across our key markets: mining, industrial, water/sewage, power and transportation and logistics.

We have also invested in several key strategic programs for long-term performance, summarized in our strategic pillars below:

People & Culture: In our journey to become the employer of choice, we have continued to deploy and improve tools to better capture employee feedback and improve our training programs. We are proud of our engagement Net Promoter Score of 8.3 which is 0.4 higher than industry benchmark. Latin America continues to have one of the lowest turnover ratios and we have taken important steps in fostering Diversity & Inclusion programs. We have also supported our employees with mental health programs and home office support.

Focus & Performance: Latin America continues to deliver improved results, with significant organic growth and overall portfolio diversification and greater contribution from private clients. Collaboration across business lines and sharing of expertise amongst the countries continues to contribute to a focused and profitable client and sector portfolio. Operating result and project performance has brought operating profit to much improved levels with continued focus on reducing underperforming contracts and settling legacy issues. Private sector now accounts for more than 85% of our portfolio, on track with our strategy of reducing the exposure to public contracts.

Innovation & Growth: All of our key market sectors delivered growth compared to last year. As a result of our local remediation leading expertise, we also continue to grow our client base across other countries in the region. The region has achieved more than 40% of design services in BIM, positioning Arcadis as one of the leading service providers in the region. Digital solutions are at the core of almost all of our projects, with very successful implementation of field monitoring, GIS and data services to several clients across the region.

Developments in 2020
Latin America continued its improvement trend started in 2019. Net organic growth was driven primarily by Brazil with excellent performance in both the Environment and Infrastructure business lines. The operating EBITA margin further improved over 2019.

Examples of important new project wins and/or projects that were completed during 2020 include:
- Environmental Construction Service project with Westrock in Brazil that consisted of a pulp & paper plant decommissioning and environmental restoration for a real estate redevelopment.
- Arcadis Canada and Chile supported the Organic Recycling Program under a partnership between the Ministry of Environment and Climate Change from Canada and Ministry of Environment from Chile. The Program aims at reducing greenhouse gases (GHG) in the waste sector through organic waste management in the municipalities and in the private sector.
- Arcadis Chile delivered the Arturo Merino Benítez International Airport (AMB) Expansion Project in Santiago, Chile - with a 100% BIM approach.
- Arcadis Brazil is providing project management services for the S11D Eliezer Batista Mining Complex expansion, in Pará, Brazil. This iconic project launched in 2016 embeds innovative and sustainable solutions resulting in less consumption of diesel, natural moisture processing and through its technology it does not require a tailings dam.
- Vale's Serra Norte Portfolio Management in Pará, Brazil is a project led by Arcadis Brazil, involving support for governance, risk analysis, implementation of innovative digital solutions for management and development of lean construction alternatives.
- Arcadis Chile and Peru are currently delivering engineering services for the Anglo American Quellaveco Copper Project in Peru – one of the world's largest copper deposits. Arcadis tailings dam design focused on water reusage and delivered a 50% reduction in water consumption.
- With the purpose of assessing and proposing enhancements to the Oil & Gas offshore environmental licensing process in Brazil, Arcadis worked with IADB comparing local licensing to others in 5 reference countries (UK, US, Norway, Australia and Mexico). Recommendations were made to add a sustainability approach and suggesting data integration through digital platform management, that shall have positive effect in reducing investment risks.

The total workforce in Latin America increased in 2020 to 2,231 (2019: 1,400) which was largely due to the strong revenue increase. 37% of the employees are female. Our employee engagement results were very high throughout the year (+50) and we saw voluntary turnover at a low level of 6.4% (2019: 7.9%).

Segment financial results

The overall financial results of the Segment in 2020 were as follows:

	Revenues		Revenue growth			
In € millions	2020	2019	Total	Organic	Acquisitions	Currency
Gross revenues	1,370	1,394	-2%			
Net revenues	876	860	2%	5%	0%	-4%

	2020	2019
EBITA	105.1	57.3
EBITA margin	12.0%	6.7%
Operating EBITA[1]	101.7	71.4
Operating EBITA margin	11.6%	8.3%

1 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

Cidade Center Norte | São Paulo, Brazil

Making sustainability tangible
Environmental, Social Governance, ESG for short is a method to assess and track the sustainability of an asset and its users and how that is governed to ensure it works well.

Mixed-use sustainability

Challenge

Cidade Center Norte (CNN), a large mixed-use shopping and leisure location in a competitive market, has the ambition to embed Environmental, Social and Governance (ESG) into its strategy. Doing so, it aspires to become a more resilient business, contributing to the sustainable development of São Paulo, while at the same time building more responsible and value-added relationships with its various stakeholders. Sustainable companies have more appeal and for Cidade Center it will become an additional reason why people shop at its malls, stay in its hotel and organize events at its venues.

Solution

Arcadis equipped the client with the knowledge and tools to handle both strategic and practical aspects related to the rollout of an ESG agenda. This included support in the development of a vision, definition of ESG targets linked to executive remuneration and the development of a branded sustainability program which leaves a positive mark on CNN´s history, supporting their progress into becoming a more ethical, efficient and empathetic business.

Impact

Over a period of 36 months, CNN worked on nurturing a sustainability culture among its people, engaging all business areas, and working on best practices in the retail, hospitality and event parts of the business, positively influencing its value chain, and at the same time offering a more sustainable experience to its visitors. Stakeholders attest to the evolution of CNN’s ESG agenda and experience the benefits generated by the company’s sustainability commitment. For the owners, the ESG risk management brings benefits, for retailers, the resource efficiency and cost reduction are important. Suppliers are involved in the promotion of human rights. The added transparency benefits partners. Hotel guests now enjoy organic food. Exhibitors can discard their waste in responsible ways. In addition, social investment for the community increased, visitor safety improved, and employee wellbeing is better as well.

Sustainable solutions

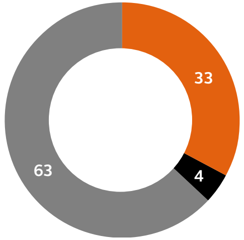
70 million

visitors get a more sustainable experience

How we are different
Comprehensive multidisciplinary program delivering tangible outcomes on a ‘soft’ topic.

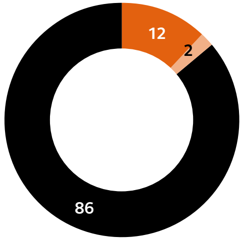
Impact
Multi stakeholder benefits.

Performance by segment: Asia Pacific



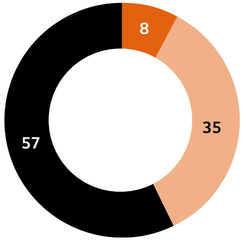
Expertise in %

- Infrastructure
- Water
- Environment
- Buildings



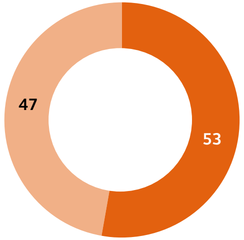
Clients in %

- Public
- Regulated
- Private industrial



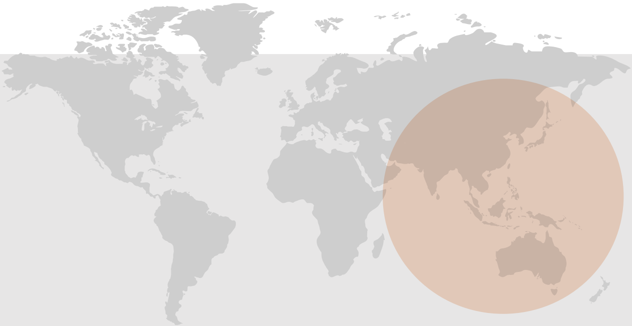
Services in %

- Consultancy
- Design & engineering
- Program, project & cost management
- Architectural design



Segments in %

- Asia
- Australia Pacific



Number in workforce
headcount as at 31 December

4,612

2019: 4,790

% of net revenues
of total Arcadis

13%

2019: 14%

Performance in 2020

Performance by segment: Asia Pacific

People & Culture

Number in workforce headcount as at 31 December	Employee engagement score[1] on a scale of -100 to +100	Voluntary turnover rate as % of permanent employees	Total Recordable Case Frequency (TRCF) per 200,000 work hours	Female employees as a % of total workforce
4,612	+11	15%	0.12	46%
2019: 4,790	2019: +28	2019: 21%	2019: 0.20	2019: 48%

Innovation & Growth

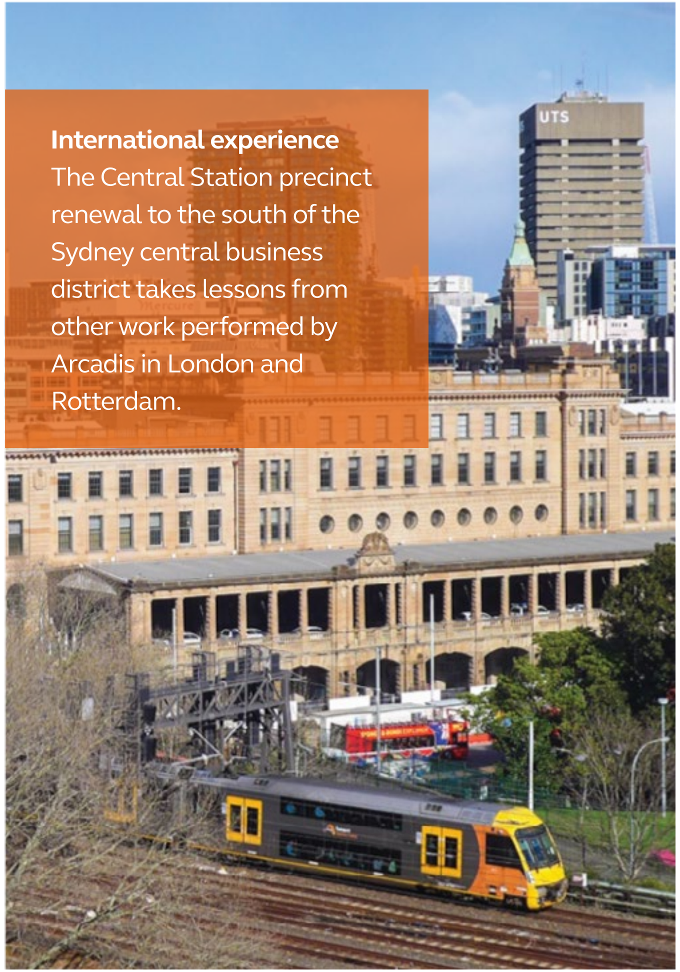
Organic revenue growth net revenues	Organic revenue growth Global Key Clients net revenues	Book-to-bill ratio net revenues	Arcadis Way implementation progress[2] as % of net revenues	Arcadis' carbon footprint MT CO_2 per FTE
-4%	8%	0.86	73%	1.14
2019: 3%	2019: 14%	2019: 0.93	2019: 78%	2019: 1.38

Focus & Performance

Gross revenues in € millions	Net revenues in € millions	Operating EBITA margin as % of net revenues	Net working capital as % of gross revenues	Days Sales Outstanding (DSO)
358	323	10.6%	22.2%	87
2019: 388	2019: 350	2019: 10.0%	2019: 22.1%	2019: 88

1 2019 outcome based on a pilot group
2 As revenues in countries without Arcadis Way grew faster, the percentage declined, there was no effect from system implementation

Central Precinct Renewal | Sydney, Australia



International experience
The Central Station precinct renewal to the south of the Sydney central business district takes lessons from other work performed by Arcadis in London and Rotterdam.

Revitalizing a Transport Hub

Challenge

NSW's heritage-listed Central Station precinct's vision is to be a vibrant and exciting place, connecting commuters and bringing new economic opportunities to the southern part of the Sydney CBD. Arcadis is helping deliver the large-scale urban planning development of Central Station, reimagining the historical Sydney precinct as an innovative, contemporary transport interchange to function as a vibrant urban gateway, Drawing on Arcadis' global expertise, a sustainable and innovative stakeholder-led approach to urban design would allow the character and heritage of this inner-city landmark to be retained while creating an exciting new CBD destination reinforcing Sydney's reputation as a truly global city.

Solution

Utilising experience leading similar major regeneration projects including London Bridge Station, Rotterdam Central Station and Federation Square, the Arcadis team is providing expert technical advice around the engineering aspects of the urban structure plan. The cultural and historical significance of the Central Station precinct meant it was critical to engage industry stakeholders and community at an early phase, with considered feedback and insights becoming inspiration for further progression of the project. Overwhelmingly, stakeholders shared a common vision for the transport precinct to become an exciting destination where people gather together and once again, enjoy this famed public location.

Impact

The Central Precinct renewal design focused on successful revitalisation of the surrounding urban neighbourhood through new public spaces as a key driver of urban regeneration. The over station development of Central Station will uncork access to Sydney's CBD South, providing new economic benefits through easy access to a major transport hub connected to the bus, light rail and metro rail networks. The underground station development phase of the project also utilises Arcadis' technical expertise to transform the connectivity of the city to the southwest, bringing efficiency to the commuting experience of public transport users without losing the character and history of Sydney's most famous railway station. Through digital innovations like the 'Central Hub' the needs of all stakeholders can be considered to achieve the regeneration of this landmark Sydney precinct creating a new sense of place anchored by a revitalised economic and transport hub for people living, working, studying and visiting Sydney's CBD.

Focus and scale

24 hectares

Busy interchange renewed

How we are different

A new approach to design documentation was the digital information hub open to the whole project team, making information accessible, visual and engaging.

Impact

A sustainable precinct, revitalized hub, and expanding economy.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

Performance by segment: Asia Pacific

Key business developments in 2020

Australia Pacific's performance was outstanding, despite COVID-19 impacts. The performance once again benefited from a strong infrastructure pipeline driven by investment and growth in major cities, and the Federal and State Governments seeking to stimulate the COVID-19 impacted economy. Our Asia business performed well despite being impacted by COVID-19 in China, which forms most of the Asian business. The diversification strategy of the past two years is bearing fruit as a focus on the Greater Bay Area, project management and environment resulted in solid growth from the core of cost management.

Key developments Asia Pacific

- Asia Pacific organic net revenue declined by 4%. Australia Pacific maintained its strong performance by growing organically, whilst Asia declined as a result of the COVID-19 impacts.
- Operating EBITA margin significantly improved to 10.6% (2019: 10.0%) as a result of the balancing effect of Asia's decline due to COVID-19 and continued strong performance in Australia.

Greg Steele
Future Global Business Area Leader Mobility
Formerly Group Executive responsible for Asia Pacific

"Given the COVID-19 impacts, particularly in China, I am delighted with the performance of Asia Pacific. Asia in 2020 delivered on its transformation plan with predicable results once COVID-19 impacts were realised. Australia Pacific continued its 'best-in-class' performance in growth, margins and cash conversion. I am pleased that staff turnover decreased."

Asia

Market dynamics

Market trends and opportunities that impacted the region were:

- COVID-19 impacts, particularly in China.
- Strong growth of the China Tech industry continuing.
- Rising costs in China resulting in the establishment of factories in other South East Asian countries such as Vietnam, where Arcadis experienced strong growth.
- Poor market conditions in Singapore and Malaysia continued.
- Good growth in the Greater Bay Area and Philippines.
- Increased relevance of livability, environment and water issues in Asian cities.

Strategy implementation in Asia

A focus on diversifying the business from the core of cost management, into project management and environment started to bear fruit with some good wins and projects being delivered. The digitization of our cost management business progressed well, with the benefits of this investment beginning to be realized in 2020. The wellbeing and diversity and inclusion program implemented for all staff was well received. Staff turnover decreased.

Developments in 2020

The net revenues in Asia declined due to the pandemic, which in particular impacted the Buildings business in China in the early part of the year. The operating margin improved in the second half of the year, led by a recovery in China. The diversification strategy initiated two years ago, to increasingly focus on the Greater Bay Area and on Environment and moving beyond the core of cost management services, has resulted in improved performance.

Examples of new project wins and/or projects that were completed during 2020 include:

- Suncity Group Holdings Limited ('Suncity', HKEx: 1383) has appointed Arcadis to deliver Project Management and Cost Management services on the new Westside City Project in Manila. Suncity acquired a 45-year lease agreement for the hotel and casino development which forms part of the Westside City Project within the Entertainment City in Manila. When completed, the development area will be over 206,000 sq. m, which includes a luxury hotel with over 475 keys, multiple F&B outlets, flagship retail, wellness club, MICE facilities and a casino with over 400 gaming tables and over 1,200 slot machines. The development will be a new landmark destination in Entertainment City. Arcadis has a long-standing partnership with Suncity, having delivered services on several of their high-profile projects in Macau. As Suncity looks to expand into the Philippines, Arcadis was able to draw on their deep local expertise and insights in Manila to provide multi-disciplinary services to this new integrated resort.
- Arcadis provided integrated tendering cost management for the nearly 1 million square meters site and plants of the BMW factory in Dadong, China. Arcadis successfully reduced the total direct construction cost from US$420 million to US$320 million, saving 24% without changing any scope of work or reducing standards.

The total workforce in Asia remained stable at 3,495 (2019: 3,505), with 52% of employees who are female. Asia is supported by 193 employees in the Global Excellence Centers/Global Shared Service Center. Over the year we saw voluntary turnover rate decrease to 17% (2019: 22.5%) and although we have made good progress in our people and culture activities, our engagement level (+4) signifies continued focus is required to ensure our progression to being a best place to work.

Australia Pacific

Market dynamics

The region continues to perform strongly off the back of a strong infrastructure market. Trends and opportunities include:

- Our key markets of infrastructure and environment are still solid.
- Whist the building sector is declining as a result of the impacts of COVID-19, the buildings market associated with metro and rail stations remains strong.
- High population growth in major cities continues to drive urban renewal and enhanced mobility initiatives.
- Very strong infrastructure pipeline in Sydney, Melbourne and Perth driven by population growth.
- Federal and State Governments increasing infrastructure investment in cities and regionally to boost the COVID-19 impacted economy.

Strategy implementation in Australia Pacific

A continued focus on client & pursuit excellence will remain core to the strategy as will improving project delivery performance and better use of Global Excellence Centers. The region will continue to diversify its business into markets including environment, tunnels and energy.

Developments in 2020

Australia Pacific's result was strong, despite COVID-19 impacts. The performance benefited from a solid infrastructure pipeline driven by investment and growth in major cities, and the Federal and State Governments projects awarded since the beginning of the pandemic.

Examples of new project wins and/or projects that were worked on in 2020 include:

- Arcadis is helping deliver the large-scale urban planning development of Central Station, reimagining the historical Sydney precinct as an innovative, contemporary transport interchange to function as a vibrant urban gateway. Drawing on Arcadis' global expertise, a sustainable and innovative stakeholder-led approach to urban design would allow the character and heritage of this inner-city landmark to be retained while creating an exciting new CBD destination reinforcing Sydney's reputation as a truly global city. The project size is 24 hectares.
- Arcadis has been selected to provide the civil engineering design for Sydney's AU$2.6 billion Gateway Road Project, a new above ground, toll-free connection from the recently opened St Peters Interchange to Sydney Airport, towards Port Botany and beyond.

The workforce in Australia Pacific slightly increased to 1,086 (2019: 991), whereby 28.5% of employees are female. The number of employees in the Global Excellence Centers/Global Shared Service Center supporting Australia is approximately 386. Over the year we saw voluntary attrition decrease to 9.9% (2019: 12.5%). Engagement was at +38.

Segment financial results

The overall financial results of the Segment in 2020 were as follows:

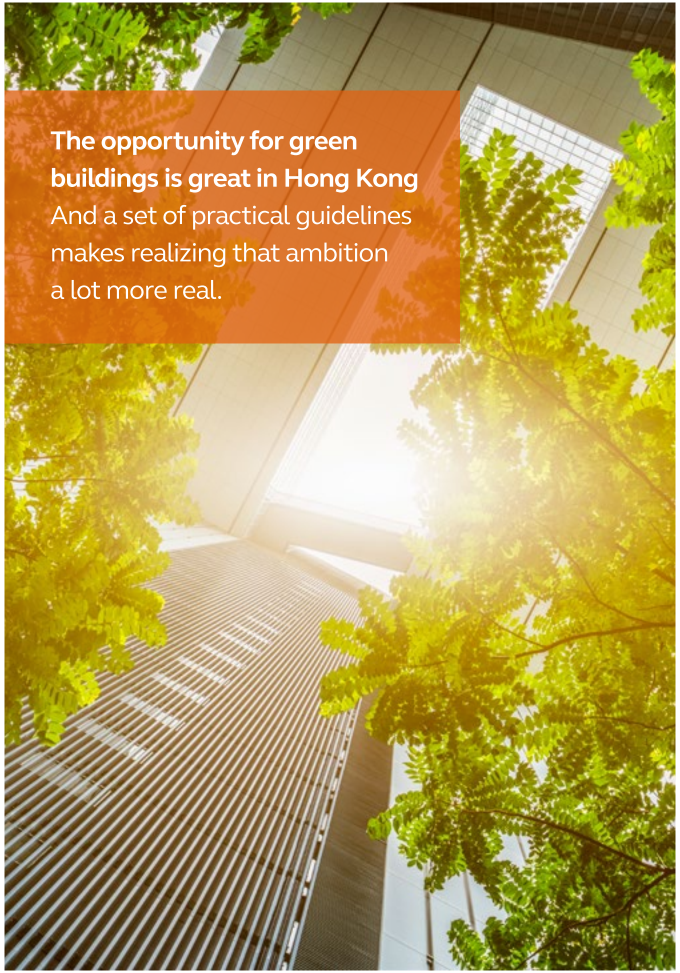
Segment financial results

	Revenues		Revenue growth			
In € millions	2020	2019	Total	Organic	Acquisitions	Currency
Gross revenues	358	388	-8%			
Net revenues	323	350	-8%	-4%	-2%	-2%

	2020	2019
EBITA	33.0	31.5
EBITA margin	10.2%	9.0%
Operating EBITA[1]	34.1	35.1
Operating EBITA margin	10.6%	10.0%

1 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

Multiple clients | Global



The opportunity for green buildings is great in Hong Kong
And a set of practical guidelines makes realizing that ambition a lot more real.

Green Building Guidebook

Challenge

Hong Kong is famous for its many buildings – both new and existing. There is a huge opportunity to make those buildings work more efficiently for local communities, and for the environment. That's why the Hong Kong Green Building Council appointed Arcadis to develop a Hong Kong Smart Green Building Best Practice Guidebook, with a set of practical guidelines and strategies for smart green building development that optimizes the performance of Hong Kong's buildings.

Solution

Adopting this change, is not just about identifying the right smart technology, or making sure the solution has a material benefit to end user, it needs to be successfully implemented across planning, costing, design, procurement, construction, project management, handover and operation. For Arcadis, what makes this project so unique is that the Guidebook we produced will be the first of its kind in the region to redefine the balance between green and smart. To make this happen, we are undertaking comprehensive research, benchmarking analysis and maintaining stakeholder engagement. All of this will produce over 30 key practical smart green strategy recommendations. This is the key to accelerating Hong Kong's building industry and achieving its vision of smart and sustainable development.

Impact

The Guidebook identifies innovative, smart green technologies throughout the entire building lifecycle. It can improve reliability and performance, reduce carbon footprint and automate processes, all with the use of sensors, actuators and microchips. And with technology like machine learning, supported by real time data, the optimization of a building's performance can be achieved through data driven insights, ensuring a building adapts to the needs of the end user. The installation of technology in existing buildings needs to consider the associated disruption it could bring to the asset, tenants and workforce. Upgrading and installing new technology into an existing infrastructure and operational process will require major integration works, involving IT professionals working with building controls they may not be familiar with. This level of disruption can also bring with it resistance to change, so it's not just about simply adopting software, there is a need to manage its engagement with the end user, the current process and existing culture.

Sustainable solutions

Optimizing building performance

How we are different
Full research, benchmarking analysis and stakeholder engagement made it work.

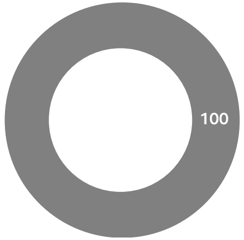
Impact
More reliability, less carbon footprint.

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

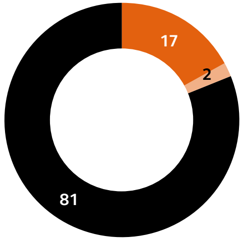
13 CLIMATE ACTION

Performance by segment: CallisonRTKL



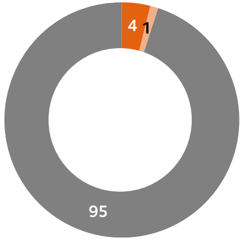
Expertise in %

- Infrastructure
- Water
- Environment
- Buildings



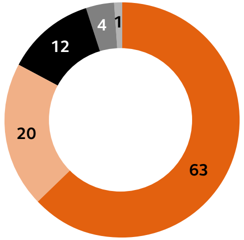
Clients in %

- Public
- Regulated
- Private industrial



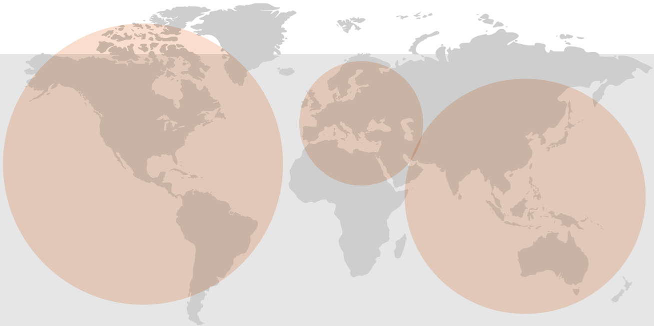
Services in %

- Consultancy
- Design & engineering
- Program, project & cost management
- Architectural design



Segments in %

- North America
- Asia
- Middle East
- UK/Europe
- Other



Number in workforce
headcount as at 31 December

1,245

2019: 1,526

% of net revenues
of total Arcadis

7%

2019: 9%

Performance by segment: CallisonRTKL

Performance in 2020

People & Culture

Number in workforce headcount as at 31 December	1,245	2019: 1,526
Employee engagement score[1]	69%	2019: 68%
Voluntary turnover rate as % of permanent employees	10%	2019: 17%
Total Recordable Case Frequency (TRCF) per 200,000 work hours	0.14	2019: 0.00
Female employees as a % of total workforce	32%	2019: 48%

Innovation & Growth

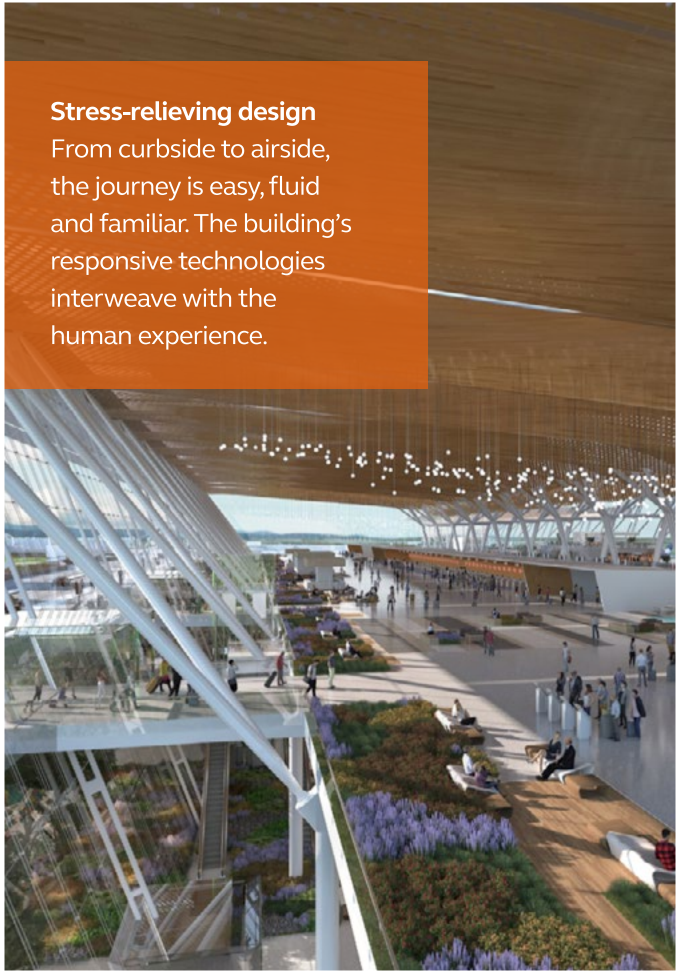
Organic revenue growth net revenues	-19%	2019: -5%
Organic revenue growth Global Key Clients net revenues	–	2019: –
Book-to-bill ratio net revenues	0.79	2019: 0.94
Arcadis Way implementation progress as % of net revenues	to start	2019: to start
Arcadis' carbon footprint MT CO_2 per FTE	2.38	2019: 4.10

Focus & Performance

Gross revenues in € millions	236	2019: 301
Net revenues in € millions	176	2019: 222
Operating EBITA margin as % of net revenues	0.8%	2019: 8.4%
Net working capital as % of gross revenues	12.4%	2019: 14.8%
Days Sales Outstanding (DSO)	93	2019: 98

1 CallisonRTKL implemented its own employee engagement survey in 2019

Grupo Aeropuertario del Pacifico | Guadalajara, Mexico



Stress-relieving design
From curbside to airside, the journey is easy, fluid and familiar. The building's responsive technologies interweave with the human experience.

Guadalajara Int'l Terminal 2

Challenge

Airport demands are increasing; the new 29-gate Terminal 2 must go beyond transportation. T2 is charged with generating new revenue, providing new services and delivering an experience to the traveler along their journey. By monitoring the most stressful parts of travel (such as ticketing and security), CallisonRTKL designers explore stress-relieving design elements. And with a company goal of Net Zero carbon for operation by 2030, the need for sustainable design strategies is all-too-necessary.

Solution

It's a new Guadalajara. A new airport terminal that is all about the customer experience; it is a living, breathing, complex system that passengers experience in a unique way. By using the local culture, music, food and terrain as inspiration, Guadalajara will fully enhance the customer experience. Biophilic plant features will ease the commute, as the landscaping flows into the building with displays of local flora, and the large glass windows invite the mountains that surround it. With the goal of creating an airport more resilient and responsive to climate, designers looked to the flight of the Mexican Eagle as it soars through the sky for inspiration. By considering the sunpath within the terminal, CallisonRTKL was able to implement sustainable design strategies like solar energy harvest points and the roofs mechanical cooling systems, each contributing to reduction in the airport's energy use.

Impact

Our Performance-Driven Design^{SM} (PDD) team collaborated heavily with designers to create a compelling design with measurable benefits to people, place and planet. From curbside to airside, the journey is easy, fluid and familiar. Comfortable waiting areas with eco-friendly interior gardens and lots of day light, visual art spaces and live performance spaces take the hassle out of traveling. Unperceivable to passengers and employees, the building's responsive technologies interweave with the human experience. Reflective surfaces maximize daylighting. Building system design will ventilate, heat, and cool, self-adjusting throughout the day to optimize passenger comfort with net positive impact on the environment.

Sustainable solutions

29 gates

generating new revenue

How we are different

Guadalajara will be a Net Zero airport by implementing research-backed, sustainable design strategies.

Impact

Infrastructure with the long term in mind is built in a 'plug and play' method, ensuring ease of upgrade as technologies evolve.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

Key business developments in 2020

The significant impact of COVID-19 on the global economy, especially the design space, affected the CallisonRTKL business. COVID-19 most affected the retail and entertainment sectors. The impact on workplace was mixed. Interior fit-outs/corporate occupiers decreased but return-to-office consultancy showed opportunities. Our institutional pipeline is strong, although the current economy highlighted a need for a better balance of commercial and institutional work. Our agility and quick pivot to 100% remote working underlines our digital resiliency. In 2020 we committed to being a Carbon Neutral firm.

Key developments CallisonRTKL

- Organic net revenues declined by 19%, affecting mainly retail and entertainment sectors, which were most severely impacted by industry wide slow-down driven by COVID-19 crisis.
- Cost control measures have been taken to mitigate the impact from COVID-19, whilst only partly compensating for the significant revenue decline as CallisonRTKL prepares for market recovery.
- As part of a working capital improvement program, a provision of €7 million was booked on overdue trade receivables in the fourth quarter.
- Operational EBITA margin came out to 0.8%.
- The above along with the moderate future year-over-year projections led to a goodwill impairment of €59 million.
- New Executive structure put in place, including new CEO and new CFO, and creation of the COO position.
- Voluntary turnover rate decrease to 9.7% (2019: 16.6%) as the business contracted.
- China continued to be a stronghold with a steady stream of new business from existing clients.
- Institutional businesses started showing healthy signs of rebounding in Q4, especially in the US.

Mary Ann Hopkins
Chief Growth Officer
Formerly Group Executive responsible for CallisonRTKL

"We are in an era of unprecedented disruption, which has created pressure for CallisonRTKL, but also provides an opportunity for transformation. CallisonRTKL will provide innovative solutions and positively impact the environment, advancing health and wellbeing, and user experience through a human-centric, data-driven, digital design approach."

CallisonRTKL

Market dynamics

The firm's diversity in markets proved critical for weathering 2020 economic impacts.

- As retail, Shopping/Entertainment and Commercial office districts came to a near standstill, other practices like Hospitality and Healthcare were taking a conservative 'wait and see' approach. As non-essential Healthcare spending was put on hold, opportunities for sector cross-collaborations increased as hotel operators and office occupiers leaned on healthcare expertise to navigate a new way of conducting business. The digital consumer experience, primarily applied to retail environments, is now a critical offering as brand interaction is pushed more heavily to a virtual space. Across all markets and regions, there continues to be a market for repositioning and renovation work.
- The US and Europe are still experiencing the impacts of sporadic shut-downs due to COVID-19 spikes and continued uncertainty. Meanwhile, Asia is rebounding with healthy backlog and pipeline, though competition for fees has become more volatile.
- While most of the hospitality industry is slow to recover, luxury projects are moving forward. We are partnering with our luxury retail and high-end residential teams to craft new messaging and provide our expertise in this segment.
- Institutional and public sector work remained more stable in 2020. We anticipate the institutional markets, particularly government and mission critical to recover more quickly than other markets in 2021.

Strategy implementation in CallisonRTKL

CallisonRTKL's strategy implementation for 2020 was focused on both our internal processes and our external market position. To create a more robust and client-focused foundation internally we retooled parts of our firm's infrastructure, including the introduction of a dedicated research team, expanded sustainability and digital transformation teams, and new leadership in finance, marketing, and communications to improve our systems, reporting and client experience.

We established a group of advanced practices to influence and improve how we work and promote the next generation of practice that is critical to CallisonRTKL's continued advancement. The four teams – design, delivery, digital transformation and performance driven design (PDD) - worked collaboratively to evolve our processes and develop new programs to advance our practices in a meaningful way. Outcomes from the advanced practices include:

- Design research focused on new ways of working, data analytics, social behavior, new materials, construction techniques, and sustainability, bringing science and partners to the table to advance the impact of our work and reach with our clients.
- Promotion of a digital culture through comprehensive firmwide training to provide new skills and upskills for our staff to introduce new technical capability but also improve upon existing ability (such as BIM, Computational Design, VR, etc.). Using our Homeschool platform, we continued to enhance digital literacy, promote conversation across the firm, and capture innovative thought already flourishing across the practice through firmwide events, such as The Digital Evolution Lab competition.
- The advancement of living deliverables aimed at transforming our traditionally static communication methods into a set of immersive and data-enabled deliverables acting as a digital twin of the built environment.
- A renewed focus on computational design to immediately gain efficiencies in our process and the way we work, with a long-term focus on how it relates to other advanced technologies such as robotics and construction.
- Our PDD team focused on a deep analysis of CallisonRTKL's carbon consumption as a firm and transitioning us to become carbon neutral in 2021. They teamed with design and digital partners to develop climate focused analytic tools and products and provided sustainability consulting to projects across the firm, notably teaming on innovative carbon-neutral and carbon-positive projects.

To build efficiencies for future geographic expansion we leveraged our existing geographic infrastructure to connect expertise and clients across all regions. We also expanded our focus on institutional markets and secondary city markets supported by agile teams, to support the increase of client diversification for improved EBITA performance and firm resiliency over different economic cycles.

From an external perspective CallisonRTKL created cross-practice strategies to bolster our impact in the marketplace, centered around our key initiatives of resiliency, wellbeing, technology, and mobility focused through a human-centric design approach.

- We are focused on expanding our resilient solutions as related to environmental, social and economic resiliency. Targets include campuses, communities, and cities planning for economic and environmental resilience to promote diversity and longevity.

- Wellbeing is currently a US$1.67 trillion industry. Consumers expect brands to impact their quality of life or their personal wellbeing. As consumer focus shifts from products to places, CallisonRTKL is positioned to partner with our clients in both their programmatic and built environment solutions to quantitatively and qualitatively improve wellbeing.
- Developing capabilities for structured and refined digital propositions and services by scaling up existing support resources and application development, allows us to implement a phased pivot from traditional design and delivery services to a built-asset advisory business, bolstering our strength in markets.
- We are focused on mobility at a personal, community and city level. Advanced mobility – whether in the workplace, planning and/or development is critical to success, longevity and resilience.

Developments in 2020

Organic net revenues declined by 19%, affecting mainly retail and entertainment sectors, which were most severely impacted by industry wide slow-down driven by COVID-19 crisis. Impact on Workplace business was mixed. China continued to be a stronghold with a steady stream of new business from existing clients. Cost control measures have been taken to mitigate the impact from COVID-19, whilst only partly compensating for the significant revenue decline as CallisonRTKL prepares for market recovery. As part of a working capital improvement program, a provision of €7 million was booked on overdue trade receivables in the fourth quarter.

Examples of important new project wins and/or projects that were completed during 2020 include:

- Guadalajara Airport – Mexico (Key Project Win for New Market Expansion): A new CallisonRTKL designed airport terminal that is all about the customer experience. Beyond just transportation, it is a living, breathing, complex system. In the new terminal passengers experience the area's local culture, music and food .
- Warren Clinic – AIA National Award Winner 2020: Saint Francis Health System engaged CallisonRTKL to design and brand their outpatient clinic model and experience. This distinguishes the Warren Clinic as patient friendly, operationally efficient clinics, reflecting their vision, mission and values. The clinic prototype with a 'plug-n-play' concept supports future regional sites in Oklahoma, USA.
- 4040 Wilson – Innovative Repositioning: 4040 Wilson's design began as Ballston's tallest office tower a 20-story, 427,000-square foot, Class A building with stunning city views and LEED Gold. With declining office demand, CallisonRTKL transformed 4040 Wilson to a mixed-use mecca of 2.5 million square feet of commercial and community space in Arlington, VA, USA.
- 7-11 Lab Stores (shop! Design Awards Gold Award - Convenience Store): Two miles from the location where the 7-Eleven concept was born 90 years ago, CallisonRTKL's Dallas 7-Eleven Lab store is a first of its kind. This C-store concept has curation and innovation at its core. One of few test stores that 7-Eleven plans to open, it will provide an innovation platform to experiment with new products, experiences and store designs.
- Mamsha Al Saadiyat (Dubai) - Best Residential Project in UAE Construction Week Awards. Located in the Cultural District of Saadiyat Island, the site has nine residential towers, and a beach promenade that overlooks the Arabian Gulf. Mamsha Al Saadiyat houses dining, entertainment, and retail outlets which sit on the signature element, the 1.4km promenade along the island's shoreline.
- The Wullcomb (UK residential): In partnership with Long Harbor, CallisonRTKL designed a new residential rental concept rooted in customer journey and experience. Comprising commercial floor space, residential units and parking in Leicester, UK, The Wullcomb and other Long Harbour 'Way of Life' projects are the first of their kind to be consumer led, putting human experience at the heart of the project.
- Nokia – Irving, TX: Completed in early 2020, Nokia's Texas headquarters, integrates global standards with regionally relevant and refined design details. Consolidating existing office spaces from recent M+A the newly renovated two-building campus, with 65,000-SF of R&D labs, accommodates growth and fosters innovation and technology.

CallisonRTKL has a global workforce of 1,228 people, with 47% of female employees and CallisonRTKL is also supported by 54 employees in the Global Excellence Centers. With an employee engagement score of 69%, as measured by a global survey, CallisonRTKL has continued to focus on People and culture activities and seen the voluntary turnover rate decrease to 9.7% (2019: 16.6) as the business contracted.

Segment financial results

The overall financial results of the Segment in 2020 were as follows:

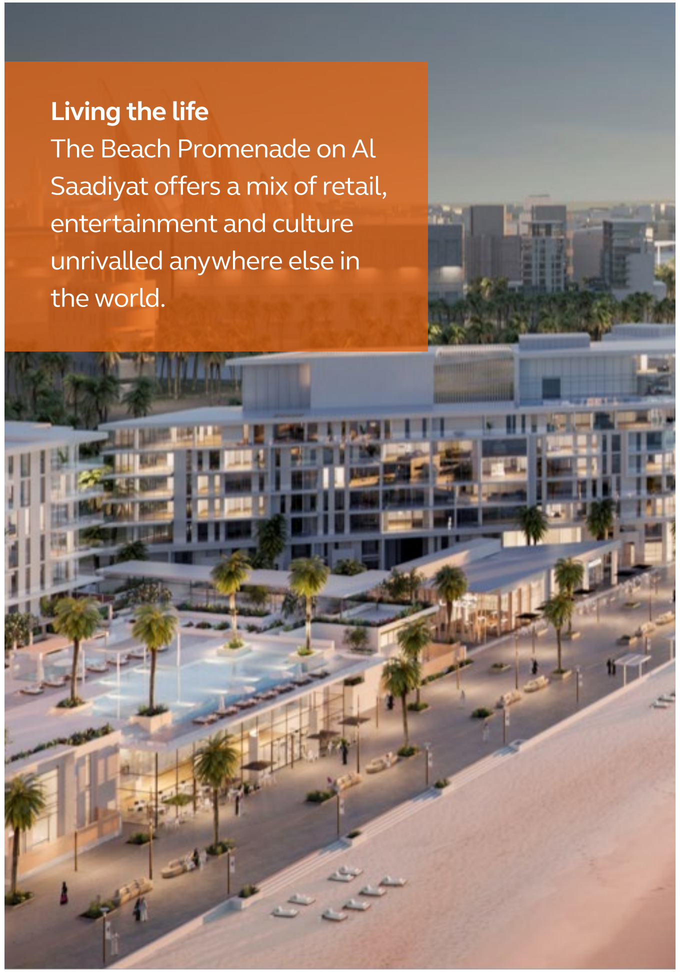
Segment financial results

	Revenues		Revenue growth			
In € millions	2020	2019	Total	Organic	Acquisitions	Currency
Gross revenues	236	301	-22%			
Net revenues	176	222	-21%	-19%	0%	-2%

	2020	2019
EBITA	(0.2)	18.3
EBITA margin	(0.1%)	8.3%
Operating EBITA[1]	1.4	18.6
Operating EBITA margin	0.8%	8.4%

1 Operating EBITA excludes acquisitions, restructuring, and integration-related costs

Tourism Development Investment Company (TDIC) | Abu Dhabi, UAE



Promenade Al Saadiyat

Challenge

Evoking the crisp, clean architecture of Miami Beach in design, the Beach Promenade in the Cultural District of Saadiyat Island offers the luxury of beachfront living and entertainment within walking distance of world-class museums and exclusive retail.

Solution

Situated along the spectacular Arabian Gulf near Abu Dhabi, this project is anchored by the Guggenheim Museum to the west and offers a mix of retail, entertainment and culture unrivalled anywhere else in the world. The signature element of the project is a 1.4 km promenade, reinforced with retail and dining outlets along most of its length. Many of these establishments will reside in the base of the residential buildings (the podium) or in a series of smaller pavilions, located in the courtyards between podiums. This variety provides a breakdown and layering of spaces for a more human scale. A trapezoidal public square between plots 3 and 4 links the Saadiyat Island cultural district with the beach and sea beyond. Linked with dining options, it will have a piazza atmosphere in the center.

Impact

The CallisonRTKL team responsible for master planning and architecture on this project sought to create a development that provided its residents with much more than a place to live and made use of the superlative global arts and culture scene available on Saadiyat Island as well as the backdrop of the Arabian Gulf to provide a home quite unlike any other. Throughout the project, CallisonRTKL undertook multiple rounds of energy modelling, and sustainability and materiality studies, to ensure the project is as energy efficient as possible in its development. In consequence, Mamsha Al Saadiyat received a 2 Pearl accreditation from the Abu Dhabi Urban Planning Council's sustainability rating, Estidama. The project is also responsive to local climate conditions. It was a winner of the residential project of the year award in the 2020 Construction Week Awards.

Sustainable solutions

1.4 km

total beach promenade length

How we are different

Human scale, resilient, climate responsive, sustainable and energy efficient design.

Impact

Provide residents with much more than a place to live.

7 AFFORDABLE AND CLEAN ENERGY

Shelter Program overview 2020

The Arcadis UN-Habitat Shelter program partnership celebrated its ten-year anniversary in 2020. As COVID-19 turned into a pandemic in March it was clear the Shelter Program should react to this new phenomenon which posed so many questions. In cooperation with UN-Habitat, a COVID-19 Helpdesk was created. In months thereafter a Shelter COVID-19 core team produced a series of information leaflets, on topics like sanitation, waste disposal, the provision of public health information and securing and ensuring access to basic services such as water, food, and energy, as well as guidelines for shorter and longer urban action on COVID-19 for UN-Habitat and partners.

A highlight was the celebration of the ten-year anniversary of the program. In a webinar organized as Urban Thinkers Campus, the executive director of UN-Habitat Ms Maimunah Mohd Sharif explained the importance of the Shelter program for UN-Habitat. Arcadis CEO Peter Oosterveer highlighted the achievements of the program and expressed Arcadis' commitment to the partnership. In the webinar Arcadis' recommendations for healthy, pandemic resilient cities were discussed with UN-Habitat experts and a worldwide audience.


Abu Dhabi (2020)


Jamaica (2017)

Arcadis Shelter Program overview 2020

Nepal (2015)

The webinar coincided with the ninth Shelter Academy for knowledge transfer, organized as online event, in which alumni of previous Shelter Academies received presentations and personal consultations by Arcadis experts, and shared experience with each other.

In July, as COVID-19 lingered, technical project support of Arcadis for UN-Habitat continued online. A joint Shelter team worked on an Environmental and Social Safeguard System, to be implemented across UN-Habitat. Online missions included support for Ghana and Ivory Coast, on coastal development and climate change. After the large blast in Beirut a dedicated team worked on Water Resilient Design Guidelines for Communal Spaces, to reconstruct damaged public spaces. In the Philippines marine pollution was combatted in the Healthy Oceans Clean Cities Initiative (HOCCI).

The Shelter team worked remarkably well online, with colleagues from around the world able to join forces in support quickly. The Shelter urban workshops for Arcadis people also thrived online.

UN-Habitat and Arcadis have re-signed their partnership agreements for another two years, and the Lovinklaan Foundation confirmed financial support accordingly. This enables Arcadis to continue to provide technical support for UN-Habitat in projects where this support is needed most.

Governance & Compliance Operating responsibility

Composition of the Executive Board

Peter Oosterveer
Dutch nationality,
1957
BSc
Term 2017 - 2021

Chief Executive Officer and Chairman of the Executive Board
IT/Arcadis Way, 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 Chairman 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.

Before joining Arcadis, Peter worked at Fluor Corporation which he joined in 1988 as Controls System Engineer. Peter led Fluor's global SAP implementation, worked as General Manager for the company in the Netherlands and ultimately became part of Fluor's Corporate Leadership Team, working in the United States, initially as President of Energy and Chemicals and in 2014 as Chief Operating Officer.

Prior to his career at Fluor, Peter worked for Hoogovens IJmuiden (now Tata Steel) and Alpha Engineering. Peter Oosterveer is also a former Director of the US-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 Chairperson 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.

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
US nationality,
1965
MS
In ELT since
11 March 2018

Chief Growth Officer
Global Account Management, Global Commercial Excellence, Global Strategy and Business 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, CRTKL, 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
Male,
Dutch nationality,
1956
Term 2013 – 2021

Chairman Supervisory Board, Selection Committee (Chair), Audit and Risk Committee, Remuneration Committee, Sustainability Committee

Current other non-Executive Board positions:
- Chairman 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.
- Chairman of the board of the foundation Preference Shares NEDAP N.V.

Current other positions:
- Managing Director of Brandaris Capital
- Executive Director Dutch Star Companies ONE

Previous positions:
Member of the Supervisory Board of the KNRM (Raad van Toezicht) (2015-2020); Chairman of the Supervisory Board of Stadsherstel Amsterdam N.V. (2011-2015; member SB 2003-2015); Chairman 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); Chairman 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
Male,
Dutch nationality,
1962
Term 2015 – 2023

Vice-Chairman Supervisory Board, Audit and Risk Committee (Chair)

Current other non-Executive Board positions:
- Member Supervisory Board ABN Amro Bank N.V.
- Director Rijn Capital B.V.
- Member Supervisory Board Antoni van Leeuwenhoek hospital (Dutch cancer centre)

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).

Ruth Markland
Female,
British nationality,
1953
Term 2009 – 2021

Remuneration Committee (Chair), Selection Committee

Current other non-Executive Board positions:
- Senior Independent Director Quilter PLC

Previous positions:
Independent non-Executive Board Member Deloitte LLP (2015-2020); Non-executive Director The Sage Group PLC (2007-2017); Non-executive Director Standard Chartered PLC (2003-2015); Lawyer/ Partner, Freshfields (1977-2003) in their offices in London, Singapore, and Hong Kong; Lawyer, Nabarro Nathanson (1975-1977).

Deanna L.M. Goodwin
Female,
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

Male, Singaporean nationality, 1961

Term 2017 – 2021

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-Chairman 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 USA, Hong Kong and Singapore.

Michael C. Putnam

Male, 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).

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. On 1 December 2019, the Dutch Act implementing the amended European Shareholder Rights Directive entered into force (with a few provisions exempted). The Directive aims to encourage effective and sustainable shareholder engagement in listed companies. Key elements relate to remuneration of the Executive Board and the Supervisory Board. In 2020, we completed the implementation of the new rules within Arcadis. Implementation efforts included alignment of the remuneration policy for the Executive Board with the new rules and the introduction of a remuneration policy for the Supervisory Board. Other governance documents that were aligned with the new rules include the Articles of Association, the Executive Board and Executive Leadership Team Rules, the Supervisory Board regulation and the Remuneration Committee charter.

In November 2020, Arcadis announced changes to its Executive Leadership Team to create a leaner and more agile team which is fully aligned with the new three-year strategy. Going forward, the Executive Leadership Team will consist of six members including the CEO and CFO instead of nine members.

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 153 and 154. Long-term value creation within Arcadis is addressed on pages 20 and 37. Our company culture is discussed in the section People & Culture starting on page 60. The section on Enterprise Risk Management can be found on page 159.

An overview of the corporate governance structure of Arcadis in 2020 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 156.

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 Chairperson 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 147 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 148 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, including the dynamics of and the relationship between the Executive Leadership Team and the Executive Board, 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 Chairperson and one as Vice-Chairperson[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, as of financial year 2017, 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[2]. In the event of a reappointment after eight years, reasons will be given in the report of the Supervisory Board.

1 In 2020, Niek Hoek was chairperson and Michiel Lap was vice-chairperson
2 Based on the transitional arrangement in the Corporate Governance Code 2016, the reappointment of Ruth Markland during the annual General Meeting 2017 for a third four-year term was exempted from this best practice provision 2.2.2. Furthermore, best practice provision 2.2.2 does not apply to Maarten Schönfeld, whose third four-year term ended in 2020

The Supervisory Board has established the following committees from among its members: an Audit and Risk Committee, a Selection Committee, and a Remuneration Committee. In 2020, the Sustainability Committee was established. 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 present composition of the Supervisory Board, its committees, and information about the Supervisory Board members are provided on pages 149 and 150 of this Annual Integrated Report.

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[3]. 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 female members, and at least 30% shall consist of male members. Likewise, for the Supervisory Board at least 30% shall consist of female members, and at least 30% shall consist of male members. After the appointment in September 2020 of Virginie Duperat-Vergne as member of the Executive Board, the Executive Board consists of one female (50%) and one male member (50%). With the changes to the Executive Leadership Team in November 2020, the Executive Leadership Team consists of three female (50%) and three male (50%) members. The Supervisory Board consists of four male (66,7%) and two female members (33,3%). With this Arcadis achieved its gender diversity targets.

Nationality/geographical provenance – targets & outcome

Arcadis is active in many regions and countries worldwide. Arcadis set the following targets in terms of nationality/geographical provenance. In the Executive Leadership Team, at least three regions where Arcadis is active shall be represented. In the Supervisory Board, at least three regions where Arcadis is active shall be represented. Based on the current composition of the Executive Leadership Team and the Supervisory Board, 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 five 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.

[3] For more information about Diversity and Inclusion within Arcadis globally, please see page 194

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.

Diversity in the Executive Board and the Executive Leadership Team

	Year of birth	Gender	Nationality
Mr. Oosterveer	1957	Male	Dutch
Ms. Duperat-Vergne	1975	Female	French
Ms. Van Blokland	1964	Female	Dutch
Mr. Brookes	1961	Male	British
Ms. Hopkins	1965	Female	American
Mr. Ritter	1968	Male	German
Former members of the Executive Leadership Team[4]			
Mr. Blokhuis	1967	Male	Dutch
Mr. Mooren	1956	Male	Dutch
Mr. Steele	1961	Male	Australian
Ms. Kuijlaars	1967	Female	British

	International experience	Professional service/ engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Oosterveer	●	●	●		●
Ms. Duperat-Vergne	●		●	●	●
Ms. Van Blokland	●	●			●
Mr. Brookes	●	●	●		●
Ms. Hopkins	●	●	●		●
Mr. Ritter	●				●
Former members of the Executive Leadership Team[5]					
Mr. Blokhuis	●	●			●
Mr. Mooren	●	●			●
Mr. Steele	●	●			●
Ms. Kuijlaars	●	●	●	●	●

Diversity in the Supervisory Board

	Year of birth	Gender	Nationality
Mr. Hoek	1956	Male	Dutch
Mr. Lap	1962	Male	Dutch
Ms. Markland	1953	Female	British
Ms. Goodwin	1965	Female	Canadian
Mr. Ang	1961	Male	Singaporean
Mr. Putnam	1960	Male	British
Former members of the Supervisory Board[6]			
Mr. Schönfeld	1949	Male	Dutch

	International experience	Professional service/ engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Hoek	●	●	●	●	●
Mr. Lap	●		●	●	
Ms. Markland	●	●	●		●
Ms. Goodwin	●	●		●	●
Mr. Ang	●	●	●		●
Mr. Putnam	●	●			●
Former members of the Supervisory Board[7]					
Mr. Schönfeld	●		●	●	

[4] Mr. Blokhuis, Mr. Mooren and Mr. Steele were members of the Executive Leadership Team until 19 November 2020
Ms Kuijlaars was a member of the Executive Board until 4 March 2020
[5] Mr. Blokhuis, Mr. Mooren and Mr. Steele were members of the Executive Leadership Team until 19 November 2020
Ms Kuijlaars was a member of the Executive Board until 4 March 2020
[6] Mr. Schönfeld was a member of the Supervisory Board until 6 May 2020
[7] Mr. Schönfeld was a member of the Supervisory Board until 6 May 2020

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 147 to 150 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 2020, the total number of ordinary shares issued was 90,442,091. Currently, only ordinary shares and 600 priority shares have been issued. See note 25 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 25 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. The lead partner was changed again in 2017 due to retirement.

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 2020, see page 237), 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 →

www.arcadis.com/governance

City of Amsterdam | The Netherlands

Becoming more sustainable
Amsterdam Zuid-Oost wants to be a sustainable, healthy and carbon neutral city district. The energy transition for this district is best served with a comprehensive master plan and business plan.

Roadmap to carbon neutral

Challenge

Climate change drives a transition from fossil fuels to renewable energy. Cities must lead this effort. They face many choices and need to work across a broad range of stakeholders. Time constraints and budget limitations add to the challenge. Amsterdam Zuid-Oost (South East) aspires to be sustainable, healthy and carbon-neutral. It has several ongoing energy initiatives. It also boasts many chances for sustainable energy supply, energy savings and exchange of residual energy flows with industry. But how to shape this into a program that takes advantage of existing opportunities and develop effective new ideas that people can embrace.

Solution

For a complete alternative energy solution in such a complex setting, any single company would struggle. The solution is ZOEnergy, a local, independent and socially anchored sustainability organization. It emerged from the Zero Emissions Cities project of the World Business Council for Sustainable Development. ZOEnergy is a public/private consortium which bundles the knowledge of of Alliander, DNV GL, Engie, TNO, the municipality of Amsterdam and Arcadis. As a team it draws up an energy master plan, a business plan and an approach for environmental management. Promising technical solutions will be followed up with stakeholders. The master plan determines investment levels and desired returns. The business plan offers business cases for use by the parties in the area. The environmental management supports collaboration with key stakeholders to explore the interest in draft proposals.

Impact

As a driving force, ZOEnergy will make a socially profitable contribution to achieving the sustainability ambitions of Amsterdam Zuid-Oost. The energy master plan maps out the potential opportunities to reduce 4,000 kilotonnes of carbon emissions per year in order to be climate neutral. Amsterdam Zuid-Oost, with approximately 86,000 inhabitants and 6,200 businesses, can technically reduce approximately 70% of its emissions, 22% of which cost-effectively at this time. Cleaner air, and lower energy costs will become a benefit to all these residents.

Sustainable solutions

70%

emission reduction technically possible

How we are different

By working together better results are achieved.

Impact

Energy and carbon footprint reduction potential clearly identified.

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. Arcadis' risk and control 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 Arcadis' risk universe and the risk and control framework and makes adjustments as conditions change. Following this review, the Arcadis Risk & Control Framework (the ARC Framework) is updated and communicated to the wider leadership team. During 2020, sustainability was added to the ARC Framework to maintain alignment with the Arcadis strategy. Additionally, the ARC Framework was enhanced to include risks and controls aligned to our digital strategy.

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 the three pillars from Arcadis' 2018-2020 strategy: People & Culture, Innovation & Growth and Focus & Performance. ARC is the cornerstone of Arcadis' risk management approach and supports Arcadis in embedding a more risk conscious way of working in all layers of the organization.

Following its introduction in 2018, Arcadis further embedded the ARC Framework into how it does business, managing its risk exposure in accordance with its risk appetite whilst remaining competitive in a rapidly evolving business environment. This has allowed the company to evolve its business models in line with our risk appetite, execute the Top 10 priorities in a controlled manner and experience less surprises in business performance.

Risks at a glance the Arcadis Risk and Control

Decreasing Stable Increasing
Averse Low Medium High

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, 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	Stable	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 due to cyber-attacks	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 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 statutory laws and regulations in applicable jurisdictions in which Arcadis operates or with Arcadis' internal authority schemes and other company standards, policies or guidelines	Fines, claims, reputational damage and negative effect on Company culture	Stable	Averse

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 Chief Risk Officer (CRO) 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 operation and effectiveness of the ARC Framework in the regions (see below 'Arcadis Risk Assurance Program').

The Risk Management function provides both risk assurance and proactive risk support to the business. In 2020, Risk Management has continued its contribution to the business through playing an increasingly 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 new delivery models that emerge as a result of the execution of Arcadis' digital models.

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 from time to time 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: Senior Business Representative(s) from one or more regions, Arcadis NV General Counsel, Head of Internal Audit, Group Executive Project Services and the CRO. Their appointment is confirmed by the Executive Board/ELT.

Risk appetite

The amount of risk the Board is willing to take in order to achieve the strategic objectives is referred to as the risk appetite. The ARC Framework balances risk and opportunity and clearly sets out 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 sixteen key risks.

The Key Risk Indicators are measured on a quarterly basis to provide an early warning as to where exposure to certain risks may be exceeding the appetite. Where risk exposure is outside of the appetite range, existing controls 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 and chose that 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 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 Human Resources, Legal, Health & Safety, Compliance & Privacy, Finance and Information Security. These functions assist and support the first line with identification and analysis of key risks (including the likely impact and probability of the risks arising), mitigation of risk through the introduction of policies, standards, procedures and guidelines, providing training and awareness, and with the periodic assessment of the design and operating effectiveness of the risk mitigating controls. The function is led by the CRO, reporting directly to the CFO with a dotted line to the COO. This allows the function to retain appropriate focus on project risks and financial reporting risks.

As Arcadis enters a new strategic cycle in 2021, it will inevitably encounter risks during the implementation of the new strategy. Critical to managing these risks will be the roll-out of a 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 that will have to be taken to roll-out the programs.

Arcadis' Internal Audit function provides the third line of defense. Its role is explained in more detail on the next page.

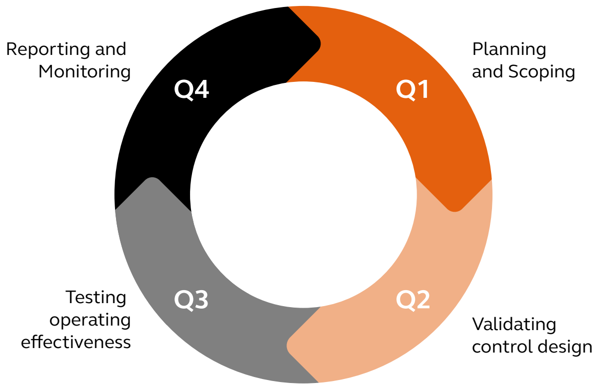
Arcadis' Risk Assurance Program

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 regions. Controls found not to be designed or operating effectively are remediated.

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 CRO and Group Controller.

Attention is given to observed weaknesses, instances of misconduct and irregularities, indications from whistle blowers, lessons learned and findings and recommendations from the internal audit department and the external auditor.

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 will be actioned and communicated by Corporate Risk Management. Where remediations 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 remediations are being actioned.

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 in respect of the key risks in their areas of responsibility. They are supported in this by relevant functional leaders and Corporate Risk Management. The DORs includes a statement regarding the design and operating effectiveness of controls.

Based on the Regional and Functional DORs, Arcadis NV issues a DOR (including an In-Control Statement) to the external auditor.

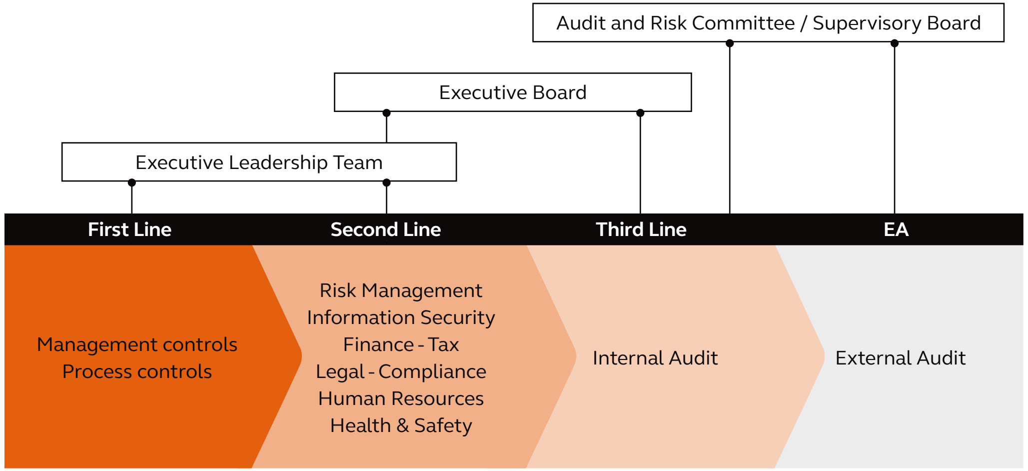
Internal Audit

Arcadis' Internal Audit function operates under the responsibility of the Executive Board. Its objective is to enhance Arcadis' performance through assurance.

The Head of Internal Audit has direct access to the Executive Board, Chairman 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 risk assessment of Arcadis which focuses on the main risk management and internal control systems and the Top 10 strategic priorities of the organization. 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 audit plan is reassessed quarterly against changes in the overall risk environment of Arcadis. The audits of Internal Audit are aligned with the second line functions.

Three Lines of Defense



In 2020, 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 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 Arcadis Way and the transition of the organization to Oracle ERP Cloud. In addition, it undertook assessments related to the Sustainability and Digital agenda of Arcadis.

During 2020, 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. The main reportable observations were around the embedment assessments of Arcadis Way in the North America region, in processes supporting non-financial reporting and in CallisonRTKL.

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 ELT members. Regional leadership is responsible for executing and monitoring the progress of remedial measures put in place to mitigate and manage the reported risks.

The EB 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 as a result of audits.

Enterprise Risk Management

Main risks table

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 2020, market losers, as a result of declining sectors, decreasing GDP and economic uncertainty were not entirely balanced with market winners, which thereby increased the exposure to risk. This impact will likely stabilize through 2021, however, a sustained weakened market would put pressure on Arcadis' financial performance in the medium-term.

Specific risk-mitigating actions in 2020

1. Arcadis launched a new strategy in Q4 which was developed based on the drivers of its business to evolve from the global recession. By embracing the opportunity presented by sustainability and digital, the focus is on the pervasive factors that underpin Arcadis' market rather than on specific markets themselves.
2. By fostering relationships with key clients, Arcadis broadens the scope and value of what it provides.
3. Continuous scenario planning has allowed Arcadis to successfully predict and navigate the impact of specific market events.

Risk Appetite: External Risk Trend:

Further activities planned for 2021

1. Arcadis will continue to re-evaluate regional portfolios focusing on markets where it has a strong position.
2. Simplification of the organization will increase agility in the markets served and the costs employed to do so.
3. Monitoring of the new strategy implementation with a focus on the critical elements within.

Capability & Innovation risk

Market needs are rapidly changing and maintaining a comprehensive understanding of what is needed to achieve a sustainable future and by when is key. Arcadis is aware that it must innovate based on the changing market demands and not based on its existing 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.

Specific risk-mitigating actions in 2020

1. With the support of the Lovinklaan Foundation, Expedition DNA, an award-winning online strategic transformation program, enables an increasing number of Arcadians to act upon digital client opportunities in a more effective way. It also facilitates the company to staff teams in an effective manner when it comes to projects that require an innovative mindset, sustainability focus and digital capabilities. More than 16,000 Arcadians have taken part in Expedition DNA.
2. Recognizing the key role technology plays in the development and delivery of services and products, Arcadis appointed a Chief Technology Officer (CTO) who has put in place an organization structure to enable, from a technology perspective, the digital strategy to be realized. This centralizes efforts and allows achievement of scale within delivery.
3. The Innovation Framework continues to allow Arcadis to maximize the potential of innovative ideas globally. Quick Launch, the global innovation platform brings the Innovation Framework to life for all Arcadians enabling ideas to be launched, validated and developed with the support of experts.
4. Arcadis continued the digitalization of core solutions and further accelerated this through the Automation Acceleration program. Additionally, guidance was provided to the business on how to commercialize automated services in traditional and innovative pricing models.

Risk Appetite: External Risk Trend:

Further activities planned for 2021

1. Expedition DNA will be reimagined to include additional topics such as advanced analytics and automation.
2. Increasing the speed to market of products and solutions through the Quick Launch platform.
3. As Arcadis expands its digital offerings, investing in common development platforms across the business allows increased control, implementation of common application standards and development guidelines.

Averse Low Medium High Decreasing Stable Increasing

Acquisition & Divestment risk

In 2020, Arcadis' did not undertake any large mergers or acquisitions but chose to focus on the organic growth of the global organization. It added some strategically significant companies to its portfolio, with a focus on adding value through increasing its sustainability competencies.

Specific risk-mitigating actions in 2020

1. Arcadis continued to review its portfolio in certain regions which led to decisions to exit certain markets and sectors to reduce its overall risk profile and better align with the new strategy.
2. 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. It applies lessons learned when integrating subsequent acquisitions.
3. Arcadis completed the divestment of the ALEN associate which has allowed leadership to focus fully on the path of long-term value creation.

Risk Appetite: External Risk Trend:

Further activities planned for 2021

1. Arcadis will implement its new strategy and in the event of a potential acquisition process, would systematically apply its diligent process for reviewing targets and assessing added value. Arcadis includes in its review the ability to finance acquisitions and the managerial capabilities required for integration.
2. As part of its strategy plan implementation and in order to focus on strategic markets and opportunities, Arcadis might divest some small non-core entities.

Corporate Financing risk

Debt capital markets were impacted by the global pandemic, however, were at the same time heavily supported by government stimulus packages. Arcadis' ability to access capital from external sources remained good. On-going discussions with existing and potential lenders have increased in frequency to maximize financing flexibility for the group. The strong operational free cash flow performance, jointly with the sale of the ALEN associate and the fulfillment of corporate guarantees have further strengthened the balance sheet.

Specific risk-mitigating actions in 2020

1. Arcadis increased the level of financial scenario analysis performed 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. The financial modelling capabilities were supported by an investment bank and expanded in 2020 to consider a wider range of financial metrics.
2. Evaluated a wide range of financing facilities available through government related programs across the globe, in response to the pandemic. Successfully applied for eligibility for the COVID Corporate Finance facility (CCFF) from the Bank of England to ensure sufficient backup liquidity was available if and when needed.
3. Arcadis continued to actively review the level of diversification and maturity of the existing debt portfolio, in line with market conditions and its risk appetite. This was best demonstrated by the successful refinancing of a significant Schuldschein loan with an ESG linked coupon.

Risk Appetite: External Risk Trend:

Further activities planned for 2021

1. Alignment of financial covenants to the implementation of IFRS 16. Taking an increasingly holistic view of bank funding with potential consolidation of ESG related facilities will only offer more financing options, also allowing further alignment with the new strategy.
2. The existing Treasury policy will be refreshed and presented to the EB for approval. The implementation of a new Investment Appraisal framework approved in 2020, will assist in management of Capex and Operational expenditure 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

Client buying patterns are changing and in 2020 Arcadis engaged with clients in non-traditional, increasingly virtual ways. Clients are looking for integrated thinking to solve complex problems in a sustainable way and are increasingly transferring risk to their supply chain. With increased uncertainty in economies across the globe, maintaining a robust pipeline of opportunities and a healthy book-to-bill ratio has been imperative in 2020.

Specific risk-mitigating actions in 2020

1. Increased focus by client development teams to understand the changing needs of clients whilst also performing its own analysis of the impact of COVID-19 to sectors and clients has allowed Arcadis to focus sales efforts and drive organic growth.
2. A further focus within the Global Key Client program achieved a reprioritization of sales efforts on the Top 200 clients. The addition of new clients in this Top 200 made the business increasingly resilient to changing market conditions. Within the Top 200, Arcadis has selected contractors with whom it will team for large design and build projects.
3. Monitoring government stimulus packages in the markets in which Arcadis operates allowed it to pursue new and/or accelerated projects.
4. Pursuit Boards involve senior stakeholders, creating better focus on pursuits by ensuring that pursuit 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, Arcadis is managing risk from the bid stage in the project lifecycle for the benefit of its own performance and its client outcomes. Within the Pursuit Boards, win themes are identified that increase Arcadis' win and capture rates.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2021

1. Continuation of the Global Key Client program will see a focus on the Top 180 clients. This will result in a concentration of Arcadis' sales efforts without a significant impact to revenue.
2. Focus on professionalization of the Account Leader role through individual coaching. Executive-led interviews will assist in reviewing account plans and pipelines to ensure that Arcadis has a consistent high performing approach.
3. Arcadis will expand and further improve the Client Experience program which includes client interviews and sharing of best practice. This program has proven to result in improved client satisfaction.

Project & Contract Execution risk

Arcadis experiences a variety of risks in project delivery including service delivery quality, project management, commercial and contract terms and the impact of external events on project performance. The risk of underperformance in the delivery of client projects has been impacted by both the impacts of Arcadians working increasingly remotely and due to the trend of clients transferring risk into their supply chain.

Arcadis' project teams have been able to respond to changing demands and risk profiles on traditional projects and teams are also involved in client projects with new contract types and alternative delivery models.

Specific risk-mitigating actions in 2020

1. The Make Every Project Count (MEPC) program continued to drive a culture of delivering successful and profitable projects. In 2020, MEPC was further integrated into the Arcadis Way making it a fundamental element of the way Arcadis works. The Arcadis Way of project management has been further embedded into the business allowing projects to benefit from mandatory MEPC control points within the project lifecycle.
2. MEPC maturity assessments were completed, with business units evaluating maturity against ten principals with action plans formed to achieve continued improvement in project performance. Deep-dives were undertaken on client accounts and projects that had under-performed so that lessons learned could be shared across all regions.
3. Dashboards with increased project performance analytics were provided to Project Managers to enable corrective actions to be put in place earlier in project lifecycles, when needed.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2021

1. The MEPC program will be further enhanced with the integration of cash collection best practices observed during 2020 into the program. Cash and project management improvements will be key focus areas for CRTKL.
2. Increased attention will be given to client experience in project reviews. Project reviews will also be revisited to ensure alignment with the new strategy.
3. As Arcadis continues to roll out Arcadis Way in additional regions, the benefits of better collaboration, client selection/negotiation and improved project risk management will be realized. This will be complemented by the continued roll-out of the Line Manager Experience program which allows Line Managers to continue to lead project teams successfully.
4. Increased digitization and accelerated automation efforts will have an impact on project performance through efficiencies gained in technical delivery.

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 new strategy and increased digital focus. Keeping the workforce engaged whilst also looking after their health and wellbeing has been critical in 2020.

Specific risk-mitigating actions in 2020

1. Arcadis remains committed to becoming increasingly proactive in engaging with employees and acting on feedback. The employee listening platform – 'Your Voice' was launched globally to help measure employee engagement and lived organizational culture. The platform focuses on increased communication between leadership and teams and ensures that Arcadis will be able to continually hear and take actions on its feedback across the globe. This global program increases levels of insight into shaping engagement with employees with a more inclusive and people-led experience.
2. Academies continued to assist the development of professional capabilities needed to differentiate Arcadis in the marketplace and achieve strategic aims. With limited group sessions available, there was continued online delivery and virtual attendance of The Digital Academy, Program Management Academy and Project Management Academy. Arcadis offered virtual Line Manager Experience (LMEx) labs to improve Line Manager skill set globally, especially as how Arcadians engage with each other has changed in 2020. Regions implemented the LMEx program specific to the needs of their workforce and aligned to a global framework.
3. The performance management framework, 'Grow Perform Succeed', continues to provide more frequent and meaningful performance conversations, focused on the future, employee growth and career development. This promotes a growth mindset where employees are encouraged to develop their skills to suit the changing market demands. The program has helped develop a more feedback-oriented culture with continuous quality dialogue between employees and their line managers.
4. A more focused approach has taken place on activities to improve regions becoming a 'best place to work'. All regions took action on their top 3 to 5 areas identified areas of improvement that were aligned to a global framework on becoming a 'best' place of work. Overall in 2020, Arcadis has experienced an increase in employee engagement as a result.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2021

1. Arcadis will launch an 'Aligned Leadership Program' in order to activate the leadership framework which allows identification and development of Senior Leadership talents that fits its future strategy. In addition, ELT will review top talent quarterly to take a more proactive approach and refresh the succession plans globally.
2. The design of D&I global strategy with a focus on employee wellbeing will enable continued progress on Diversity, Inclusion & Belonging, making the business more sustainable, solutions more innovative and improving business performance. Arcadis will appoint a Global Diversity, Inclusion & Belonging leader who will be charged with realizing the D&I strategy and will be tasked with creating a clear global governance structure and reporting framework.
3. Further investment in digital and sustainability training for Arcadians to empower them to succeed in the new strategy. Global strategic workforce planning will help identify clear future capabilities and training needs, so Arcadis' capabilities are future-proofed

Transformational Programs

Transformation programs are established to deliver strategic aims and objectives. However, Arcadis recognizes that in pursuit of the benefits of transformation 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 too many initiatives may negate or reduce the intended positive impact they bring, with people potentially becoming confused, disengaged or distracted from their day-to-day activities.

Specific risk-mitigating actions in 2020

1. Arcadis appointed a global leader to oversee the strategy implementation, reporting directly to the CEO to ensure that the new strategy benefits are realized.
2. Arcadis further strengthened the selection process of transformational programs and the risk management processes employed in project planning and delivery. Management of the portfolio of programs allows for prioritizing the right projects to fulfil the Arcadis strategy. Balancing the change loads within the organization and the pace at which it wants to achieve transformation whilst maintaining current business performance is vital to successful transformation.
3. The staged roll-out of Arcadis Way continues with benefits sought from lessons learned from previous implementations. The implementation timelines have been revisited to mitigate the risk of significant impact to the business. The roll-out has been considered within the wider portfolio of transformation and has been continuously tracked and harmonized.
4. Arcadis has adopted an agile approach to change management within transformation projects to allow for benefits to be realized sooner in the project lifecycle with iterations providing increased benefits as it progresses.

Risk Appetite: Low | External Risk Trend: Increasing

Further activities planned for 2021

1. A portfolio risk management process will be implemented within the new strategy transformation program.
2. A transformational governance approach will be established for engagement with, and escalation to, ELT members so that issues can be resolved in a timely manner. An ELT member will be accountable for each transformation program to ensure balancing of investment, benefits and risk.
3. A Leadership Program focused on change management is being put in place to leverage Arcadis' unique skills and technology to help the business to maintain a leading position through continuous change.

Averse | Low | Medium | High | Decreasing | Stable | Increasing

Third Party Management risk

Inadequate performance by third parties (e.g. suppliers, agents, sub-contractors, joint venture partners, ecosystem partners) can negatively impact 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 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 regarding this risk.

Specific risk-mitigating actions in 2020

1. A Global Chief Procurement Officer was appointed to form a global procurement organization consisting of existing regional procurement functions.
2. The Procurement function continued 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 and create a global standard approach. The intention is that this procurement module will be finalized in 2021. Legal & Compliance will support with the development of the appropriate due diligence questions.
3. Guidance on client selection and deselection and the appropriate third-party due diligence approach was embedded into the Client and Opportunity Go/No-Go process in Arcadis Way, enabling a consistent global approach.

Risk Appetite: Low | External Risk Trend: Increasing

Further activities planned for 2021

1. Following the development of the cloud-based procurement system, it will be rolled out to the regions on the Oracle ERP Cloud platform eventually bringing all regions onto the same third-party management platform. The supplier due diligence and decision-making process will be automated where possible.
2. Best practices and lessons learned from regional procurement teams will be scaled globally to achieve increased levels of cost management.
3. A refreshed Global Procurement policy will be developed and implemented reflecting alignment with the new strategy, e.g. increasing focus on sustainability factors and digital considerations in Arcadis' supply chain.

Health & Safety risk

The global pandemic presented a major health risk to Arcadians. There was significant impact to Arcadis' operations, workplaces, customer expectations and employee mental health and wellbeing. However, Arcadis' core business activities remained substantially the same in 2020, and from that perspective the risk of health and safety incidents occurring has not significantly changed this year. Due to the continued focus on the opportunity Go/No Go process, health and safety concerns on potential projects are being raised at a much earlier stage. 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 2020

1. Regional employee mental health and wellbeing programs were implemented with the achievement of the planned objectives forming part of the KPIs for each region. There was a specific focus on the mental health impacts of COVID-19 on the workforce given the many of the changes that COVID-19 brings to both working, and society in general.
2. Agile approaches have been carried out to respond to the unprecedented challenges in 2020 whilst maintaining focus on critical elements of H&S framework. The online delivery of monthly H&S communication campaigns, Take Time for Safety calls, Track to Zero Awards, and Global H&S day successfully promoted the Arcadis Health & Safety culture to employees.
3. Monthly awareness campaigns increased awareness across the organization contributing to a decrease of reportable incidents and lost time injuries.

Risk Appetite: Averse | External Risk Trend: Increasing

Further activities planned for 2021

1. An expanded Global Mental Health and Wellbeing program will be rolled-out across the globe.
2. Arcadis will implement a 3-year strategic plan for Health & Safety with a focus on simplification, global collaboration, and digitalization and management of expectations of internal and external stakeholders.
3. Regional H&S Field Assessment applications will be consolidated to decrease the complexity of managing multiple applications, improve knowledge sharing and integrate reporting.

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, through close monitoring of EBITDA performance and composition of net debt. 2020 brought unprecedented uncertainty around free cash flow generation, which required preservation measures to be put in place quickly.

Specific risk-mitigating actions in 2020

1. A program to focus across all regions on unbilled and overdue receivables was launched. Increased analytical reports, stricter monitoring and changes to commercial behavior and operating procedures were successfully employed to better manage Net working capital and free cash flow performance.
2. Continuous financial scenario analysis, looking at most likely outcomes and worst-case scenarios, was performed through 2020 to ensure that Arcadis monitored its liquidity effectively.
3. In response to the impact of the emerging global pandemic in Q1, Arcadis implemented cost and cash preservation measures across the organization.

Risk Appetite: Low | External Risk Trend: Stable

Further activities planned for 2021

1. There will be a continued focus on overdue and aged receivables, including reporting and analysis from Corporate Finance provided to company management for their consideration.
2. Embedding the lessons learned from 2020 into regular project management principles, cost and cash management, and contracting will enable Arcadis to maintain a strong cash flow performance.
3. The launching of a Cash Knowledge hub globally which will allow all Arcadians to access the latest training, guidance, tools and techniques for cash flow management.

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 was reappointed as statutory auditor for the Arcadis group. The Independent Auditor's Report on page 279 reflects the significant financial reporting risks as identified by the external auditor.

Specific risk-mitigating actions in 2020

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 2020.
2. Cross-functional collaboration to define 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.
3. Financial modelling and sensitivity testing to identify any material uncertainty that may cast significant doubt on Arcadis' ability to continue and reporting on a going concern basis was performed.

Risk Appetite: Averse | External Risk Trend: Stable

Further activities planned for 2021

1. Centralized testing of the operating effectiveness of financial accounting and reporting controls in the regions which have gone live on the Oracle Cloud platform, including further development of automated controls.
2. Improving forecasting capabilities and collaboration with other functions to work with a single data source.
3. Preparation for tagging the notes to the consolidated financial statements with XBRL-tags and continued preparation for the IBOR reform and its financial accounting and reporting impact.

Averse | Low | Medium | High | Decreasing | Stable | Increasing

Enterprise Risk Management

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 increased client awareness of certifications. 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 2020

1. As part of the further embedding of Arcadis' Information Security Management System (ISMS), a global data approach in terms of information classification and data quality has been put in place to complement Information Security policies.
2. All Arcadians are required to complete Information Security training annually and complete a test to demonstrate their knowledge. The training is developed to reinforce key elements of the ISMS with completion rates and pass rates being monitored centrally. A global phishing campaign was also undertaken to raise awareness of such threats.
3. Building on the development of the Information Security Strategy and the ISMS in 2019, Arcadis has successfully been ISO 27001 certified in one of its key markets.
4. Arcadis further strengthened incident detection and response processes, rolled out multi-factor authentication, enhanced the security of the virtual private network and enforced endpoint management on devices and applications. Continued security assessments and point in time independent external assessments have been performed acting on any recommendations made. Internal penetration testing capabilities were developed, and tests performed.

Risk Appetite: Averse | External Risk Trend: Increasing

Further activities planned for 2021

1. Deployment of additional security architecture components in response to an ever-evolving threat landscape. The addition of new tools, technologies, and capabilities will further enhance Arcadis' defense posture, as well as improving resiliency and availability.
2. Based on formal classification of Arcadis' data, additional controls for protection of certain sensitive data will be implemented.
3. The ISMS will continue to be rolled out across regions in a centrally controlled manner, with certain key markets seeking ISO 27001 accreditation.

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. This risk has been elevated in 2020 with the majority of Arcadians working remotely. Arcadis therefore needs to ensure that its IT systems are developed and improved in line with its digital offering to support its future competitiveness in this growing market and enable it to provide its services in an effective and efficient manner.

Specific risk-mitigating actions in 2020

1. Invested in technology to expand bandwidth and network capabilities to allow all Arcadians to seamlessly work from home during 2020.
2. Enhanced the Global IT control framework which is used to test the design and operating effectiveness of controls.
3. Implemented an Application Compliance framework (focused on requirements around compliance, privacy and security) to assess compliance a number of digital solutions. The launching of Digital Solution development guidelines increases the effectiveness and efficiency of technology delivery.

Risk Appetite: Averse | External Risk Trend: Stable

Further activities planned for 2021

1. Complete a compliance assessment of all critical digital solutions using the Application Compliance framework.
2. The embedment of Digital Solution Development guidelines within the business globally will further enhance Arcadis' processes to develop digital offerings.
3. Continued testing of the Global IT control framework which will continue to be enhanced in line with Arcadis' increased dependence on IT to pursue its strategy.

Averse | Low | Medium | High | Decreasing | Stable | Increasing

Compliance risk

Sustainability risk

Society, shareholders, and markets have increasing attention towards and demand for delivery of sustainability. Arcadis' purpose: 'Improving Quality of Life' represents its commitment to maximize its impact in creating a sustainable world. This is evidenced as Arcadis drives sustainability into client solutions; leads by example in its business operations; and empowers its people to make a positive difference for communities. This increased focus on sustainability performance gives Arcadis the opportunity to outperform and differentiate from competitors, and to innovate and grow. There is an increased risk in Arcadis' inability to deliver innovative and leading solutions that will help clients to achieve their sustainability goals, and for it to meet the challenging sustainability targets set for its own operations.

Specific risk-mitigating actions in 2020

1. As sustainability requirements and aspirations evolve, Arcadis will deliver innovative solutions that accelerate transition to a sustainable world. Arcadis has initiated a program that enables it to drive measurable & positive contribution to sustainable development for its clients by maximizing energy, carbon, nature, biodiversity, circularity, adaptation, and societal benefit.
2. 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.
3. 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, Arcadis have established a Supervisory Board Sustainability Committee to drive improved governance. The EB has approved an additional 16th risk category in the ARC Framework that incorporates the specific sustainability risks. This will allow Arcadis to formalize and embed control mechanisms to mitigate those risks.

Risk Appetite: Low | External Risk Trend: Increasing

Further activities planned for 2021

1. Appointment of a Chief Sustainability officer to amplify Arcadis' sustainability achievements and accelerate the implementation of its sustainability strategy.
2. Advancing the integration of sustainability into The Arcadis Way. Arcadis will further embed ESG considerations into opportunity Go/No-Go decisions, developing solutions and learning & development programs, and measuring outcomes. Arcadis will strengthen its approach to sustainability risk by further embedding the business controls within the ARC Framework across the business.
3. Develop Arcadis' roadmap to achieve carbon footprint reduction in line with science-based targets and the development of climate risk scenarios that impact clients and its own business.

Regulatory & Policy Compliance risk

Arcadis does business in accordance with its General Business Principles, laws and regulations including labor laws, privacy regulations, accounting standards, tax laws, health and safety regulations, as well as governance and periodic filing requirements, applicable in the jurisdictions in which it operates. Management is responsible for raising awareness of, and applying, applicable laws and regulations. Global, Regional and Local policies are developed and implemented to support compliance.

Specific risk-mitigating actions in 2020

1. Arcadis employees undertake training on the Arcadis General Business Principles (AGBP). This training was refreshed and rolled-out globally using practical examples built to bring potential issues to life. Additionally, privacy training was provided reinforcing the requirements of the business in relation to data privacy for both our data controller and processor role.
2. Privacy impact assessment tools were embedded into the Opportunity Go/NoGo process in Arcadis Way, enabling the business to apply a consistent approach and fulfil record keeping obligations.
3. The Global Integrity and Anti-Corruption Program in 2020 continued to focus on encouraging management to own integrity. Various integrity sessions were carried out during senior leadership meetings, led by regional CEOs as joint effort supported by people from local and global Legal or Compliance functions.
4. 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.

Risk Appetite: Averse | External Risk Trend: Stable

Further activities planned for 2021

1. The General Business Principles will be reviewed for societal, legislative and other developments, and updated if necessary.
2. The Global Integrity and Anti-Corruption Program 2021 will support current country/region and new Global Business Area (GBA) leadership in the implementation of the new strategy by helping leaders maintain focus on integrity and be accountable and continue to enhance our culture of integrity and a safe 'speak-up' culture.
3. Following the ruling of the European Court of Justice in July 2020 on the validity of mechanisms for personal data transfers outside Europe ('Schrems II'), Arcadis has established a Privacy Task Force with senior leaders participating to further explore and identify actions in response to the ruling.

Averse | Low | Medium | High | Decreasing | Stable | Increasing

Management statements

As a result of the management testing carried out in 2020, 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 162.

The Executive Board/ELT has reviewed the Letters of Representation and In-Control statements, along with reports from Internal Audit and the external auditor. It has assessed the effectiveness of the design and operation of the ARC Framework in 2020 and has discussed this with the Audit and Risk Committee and the Supervisory Board.

During 2020, 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 2021.

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; and
- 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 160.

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 2020 and the developments during the financial year of Arcadis and its group companies included in the Consolidated financial statements; and
- the Annual Report describes the main risks Arcadis is facing in the Main Risks table on page 160.

The above statements are given on the basis that the ARC Framework is primarily 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 2020, taking a closer look at the Supervisory Board Priorities 2020 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.

2020 was the third and final year of the implementation of our strategy, 'Creating a Sustainable Future'. It was a year marked by unprecedented challenges and uncertainty. Through resilience, focus and flexibility as well as remarkable leadership demonstrated by Arcadians around the globe, the Company was able to further improve its financial performance and deliver on virtually all the strategic targets.

Like every year, at the outset of 2020 the Supervisory Board, in coordination with the Executive Board, identified a number of topics which would become the SB priorities for the year. Early in the year, as the pandemic started making its way around the world, the Company's response to COVID-19 was added to that list. 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 2020 (priorities in **bold** below).

Priorities 2020 and Our Role as Supervisory Board

Throughout the year, the Supervisory Board was kept updated of **the impact of COVID-19** on the Arcadis business and its people through both its regular as well as frequent intermediate calls. Financial indicators were monitored closely, and updated scenario analyses were presented and discussed throughout the year. The Supervisory Board fully supported the Company's COVID-19 related decision to withdraw the dividend proposal and to cancel the share buy-back program. The Supervisory Board is exceptionally impressed with the way Arcadians around the globe responded with determination, commitment and resilience to the many challenges posed by the COVID-19 pandemic.

The Supervisory Board notes that, despite the challenges presented by COVID-19, great progress was made on the SB priorities for 2020. The Company improved its financial performance across the board in 2020 and delivered on many of the **Strategic Plan commitments**, including increased utilization of the GECs, higher Operating EBITA margin %, a reduction of Net working capital and days sales outstanding, and significantly improved free cash flow and leverage ratio. The Make Every Project Count program continued to contribute to the delivery of strong, predictable performance in 2020. The Supervisory Board will continue to promote and push forward this and other initiatives to increase discipline and focus on the right clients and projects. The Supervisory Board was closely involved in, and fully supports, the decision to gradually reduce the Company's footprint in the Middle East in the next few years. The Supervisory Board supported the decision to impair all the remaining goodwill as a consequence of this decision as well as the goodwill impairment for CallisonRTKL due to the impact of COVID-19. The Supervisory Board is very pleased with the considerable, structural improvement in cash collection in 2020. Cash improvement initiatives have been at the center of our discussions with the Company, including how to make cash collection a top priority for responsible line management, and personal leadership from ELT members. The Supervisory Board still sees potential to further reduce overdue receivables in 2021 and this topic will remain on the attention list for 2021. Similarly, the meeting frequently discussed the Company's efforts **to reduce indirect costs** through organizational simplification, improved billability and effective utilization of Global Shared Services Centers. The Supervisory Board is encouraged by the cost reductions realized in 2020 and is convinced that the Company's Strategic Plan 2021-2023 will contribute to further optimization in 2021 and beyond.

The Supervisory Board was pleased to see the **divestment of ALEN** realized in the summer of 2020, enabling the Company to leave this legacy issue behind.

At its request, the Supervisory Board was more closely involved in each step of the **Strategic Plan 2021-2023** process than in previous cycles, continuously providing feedback, acting as a sounding board and raising questions along the way. The meeting received regular status updates and discussed how the new strategy and operating model can further improve performance and further simplify the organization. Throughout the year, transition risks were assessed and discussed, and the Supervisory Board emphasized the importance of clarity around responsibilities, accountability, role modelling from the top, and clear communication to all Arcadians. We discussed with the Company how to learn from past mistakes, how to retain focus on opportunities, and how to manage the transition risks. We stressed the importance of maintaining local strength and of awareness around cultural differences. We discussed the need for a robust implementation program and strong leaders to channel the change management effort. Going forward, the Supervisory Board will receive regular progress updates from the (strategy) implementation team. The Board is very satisfied with both the process and the outcome and is confident that with the 2021-2023 strategy Arcadis is set up for further growth in 2021 and beyond. Regarding the SB priority to **advance and anchor Arcadis Gen**, the Supervisory Board notes that Arcadis Gen has made a promising start. We expect its role as a catalyst for the digital transformation of Arcadis to accelerate with the launch of the new strategy. The further advancement of Arcadis Gen will be one of the SB priorities for 2021.

The Supervisory Board was closely involved in the selection of Virginie Duperat-Vergne as Chief Financial Officer and is very pleased with her appointment by the General Meeting of Shareholders in September 2020. We are convinced that her appointment and the alignment of the Executive Leadership Team with the new priorities were major steps forward in optimizing the leadership structure of the Company.

The Supervisory Board is encouraged by the work done in 2020 on the People topics of talent management, diversity and inclusion, reduction of attrition levels and **succession planning**. The foundation is laid, and impact is already visible; the Supervisory Board is keen to see further steps on succession planning in 2021. This topic will remain an SB Priority in 2021.

The Supervisory Board was pleased to see the Company accelerate its efforts in 2020 to put **sustainability** at the center of its business operations and client solutions. The Supervisory Board set up a separate Sustainability Committee to be able to give the topic the focused attention it requires. The Sustainability Committee focuses on the environmental and social agenda of Arcadis, which demonstrates and measures the Company's commitment to improving quality of life (see also the report of the Sustainability Committee below on page 180).

The Supervisory Board received regular updates on the roll-out of the **Arcadis Way**, including updated implementation risk and mitigation assessments and how lessons learned from implementation in other Regions (in particular North America, where the challenges which had resulted in delays in invoicing to clients in 2019 have been remedied in 2020) are being used.

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. 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 2020.

Supervisory Board meetings attendance

In 2020, 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. We also had five 'Supervisory Board-only' meetings, as per our regular schedule. Considering the exceptional challenges we faced this year, 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, seven intermediate calls were therefore scheduled, focusing on, inter alia, the impact of COVID-19 on our business (with special attention for CRTKL), reducing the Company's footprint in the Middle East, the search for a new CFO, refinancing the Company's debt and the new strategy. Except for one meeting at the beginning of 2020, all meetings 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 Executive 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 (including re-assessment of the internal controls from a remote working perspective) and Risk Management. In 2020, the Supervisory Board conducted, with the Risk Management function and the responsible ELT member, in-depth risk reviews of each of the Company's segments. Furthermore, legal developments, Claims and Claim related trends, Integrity, Compliance and the Integrity and Anti-Corruption program, People topics (including succession planning, talent management, voluntary turnover and global engagement score), IT, developments in the organization, M&A/divestment/portfolio opportunities, and important project wins were discussed in each meeting. To mirror the Client and Project focus of Arcadis, in each scheduled meeting of the SB business leaders were invited to present on the work performed for a Key Global Client.

Supervisory Board members were rarely absent from either Supervisory Board meetings or Supervisory Board Committee meetings. The attendance percentage for the full Supervisory Board meetings was 98% (2019: 97.1%), for Supervisory Board-only meetings 100% (2019: 97.1%), for Audit and Risk Committee meetings 100% (2019: 93.7%), for Remuneration Committee meetings 100% (2019: 91.6%), for Selection Committee meetings 100% (2019: 100%) and for meetings of the newly created Sustainability Committee 100% (no meetings in 2019).

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 function heads also takes 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 board members of the Priority Foundation. The board of the Priority Foundation also includes ten Arcadis employees from across the organization. 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 25 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, we evaluate 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 2020, we performed these assessments with two structured questionnaires prepared in co-ordination with the Company.
The assessment of the functioning of the Chairman of the Supervisory Board was led by the Vice-Chairman of the Supervisory Board outside the presence of the Chairman. In conclusion, we noted that discussions in the Supervisory Board and effective and efficient, and we are pleased with the (quality of the) information we receive from the Company. We noted (i) the improved focus on risk management, although more work remains to be done, especially in terms of swift and decisive follow-up on issues spotted; (ii) the need to prioritize succession planning at senior management level; and (iii) the need for more in-depth audit topics in AARC meetings. The Supervisory Board identified the need to bolster its knowledge of and involvement in Technology and Information Security matters. This will be an attention item for the Supervisory Board in 2021.

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 2020 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. Sarah Kuijlaars, former Executive Board member and CFO, left Arcadis for personal reasons and in mutual agreement in March 2020. The Supervisory Board is very pleased with the appointment of Virginie Duperat-Vergne as her successor in September 2020.

In February 2021 we assessed the performance of the Executive Board, the two Executive Board members and the Executive Leadership Team in 2020. Following the discussions during the year, and following the assessments early 2021, 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 2020, 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 147 and 148 of this Annual Integrated Report. For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to pages 149 and 150 of this Annual Integrated Report.

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 Chairman, 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 2020, 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. Schönfeld (Chairman and member until 6 May 2020), N. Hoek, M. Lap (Chairman as from 6 May 2020), M. Putnam, D. Goodwin (member as from 6 May 2020).

In 2020, the Audit and Risk Committee (AARC) met four times. Each meeting was attended by the CEO, the (interim) CFO and the internal and external auditors. Except for one meeting at the beginning of 2020, all meetings took place fully virtually. An intermediate call in March was added to the schedule to discuss insights and estimates of the financial impact of COVID-19, as well as cash and cost measures taken.
The Chairman of the Committee had regular contact with the CEO and the (interim) 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 following the AARC meeting.

Focus and Performance

Financial performance of the Company remained the common thread of the Committee's discussions and activities throughout 2020. Special attention was given in each meeting to the impact of the global COVID-19 pandemic on Arcadis, its clients and its people. The AARC frequently discussed DRO, DRO targets, cash collection and cash flow, and discussed the importance of embedment of the improved cash collection culture in the organization. The utilization of our Global Excellence Centers, cost management and containment measures, goodwill, attrition, order intake and price setting, the growth of pipeline and backlog were recurring agenda items.

Particular attention was also given to the performance of CRTKL, to the implementation of the Arcadis Way (including the strengthening of risk and change management in this regard), and to Information Security. With the Company's new Chief Technology Officer who joined in April, the meeting discussed, inter alia, the Information Security action plan for 2020, the need to embed Information Security policies -and ownership thereof- into the business, the quality of governance, awareness around the importance of compliance with Information Security policies, the maturity of controls, and incidents. In the fourth quarter the meeting discussed the measures that are being taken to upgrade the company's information security against a growing number of threats. Discussed were the roll-out of multi-factor authentication across Arcadis, a more secure Virtual Private Network, the introduction of end point encryption on personal and company devices for home use, as well as staff training on information security for which completion rates increased to 91% (2019 88%). To allow for closer monitoring and follow-up on potential issues, it was decided that going forward, the Chief Technology Officer shall provide quarterly functional updates to the AARC, much like the Head of Internal Audit and the Chief Risk Officer.

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, the meeting requested Internal Audit to re-assess internal controls from a remote working perspective. 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 risks posed by the new business model of Arcadis Gen, the win rate of large strategic pursuits and the further embedding of Risk Management in the Company's operations. 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 the AARC and SB meetings in February of each year. As an overall conclusion for the year, the meeting confirmed in February 2021 the tangible progress made on embedding Risk Management into the way Arcadis works. The ELT and leadership throughout Arcadis take ownership of the key risks, their management and, where necessary, mitigation. More work is being undertaken to address certain identified risks, including information security, the need to keep pace with rapid developments in technology and our Digital business (including a thorough understanding of the implications of different/new business models, contractual requirements and intellectual property aspects), the possible implications of the invalidation of the EU-US Privacy shield, and the embedment of non-financial indicators in the Arcadis business.

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 improvement for AARC meetings include IT and information security, either through further education or attracting additional expertise, and the need to step away from the regular agenda for deep dives into pressing topics, i.e. on the risks inherent in the strategic implementation, CRTKL, capital allocation, and the Arcadis Way.

In response to the COVID-19 pandemic, the meeting fully supported the decision taken at the end of March 2020 to stop the share buy-back program and withdraw the dividend proposal from the agenda of the annual General Meeting 2020 as precautionary measures.

As is customary, during the April meeting 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 2020 during this meeting, 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 2020 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 goodwill, the implications of COVID-19, revenue recognition and collection of (un)billed receivables (in particular in the Middle East) and the implementation of the Arcadis Way. Throughout the year, the Committee discussed and assessed with PwC the progress made regarding its key audit findings.

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.

The Committee was kept closely informed on the embedment of the Company's Privacy program in the business and on the activities of the Task Force Privacy Shield which addresses the implications for Arcadis of the European Court of Justice ruling which determined that the EU-US Privacy Shield is invalid as a transfer mechanism for EU originating personal data. The committee furthermore discussed the importance of timely addressing privacy requirements (ensuring privacy-by-design) and continued privacy awareness 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 2020.

Also on the agenda were presentations by the Global Head of Tax on the Arcadis tax position and tax trends, by the Corporate Insurance Manager on the Arcadis insurance program and developments in the insurance market, and by PwC on digitalization of the finance function of the future.

Remuneration Committee report

R. Markland (Chair), N. Hoek, D. Goodwin (until May 2020), W.G. Ang

In 2020, the Arcadis Remuneration Committee (RemCo) met five times. The Chief Executive Officer (CEO), the Chief People Officer (CPO) and the Chief Financial Officer (CFO) were invited to attend (parts of) the meetings.

In the first quarter, the RemCo assessed the performance of the Executive Board (EB) and Executive Leadership Team (ELT). Based on this assessment, a decision with regards to the STI payout was made. In addition, the RemCo made decisions regarding the remuneration of the ELT members, based on a benchmark analysis performed previously. Finally, the RemCo approved a revision of the EB remuneration policy to reflect the changes in the shareholder rights directive II (SRD II), which policy was put forward for resolution in the annual General Meeting in May 2020.

The remainder of the RemCo meetings in 2020 were used to review the EB remuneration policy as part of the biannual cycle. In various meetings, the reference group, the benchmark and the STI and LTI metrics were reviewed. The revised policy will be put forward for resolution in the annual General Meeting in April 2021.

Selection Committee report
N. Hoek (Chair), R. Markland, D. Goodwin, W.G. Ang

In 2020, the Arcadis Selection Committee (ASC) met three times. The Chief Executive Officer and the Chief People Officer attended (parts of) of these meetings. In the first quarter of 2020, the replacement of the Chief Financial Officer was discussed and in the selection process both external and internal candidates were considered leading to the nomination and the formal appointment of Mrs. Virginie Duperat – Vergne in September 2020. During the ASC meetings in February and December, the committee discussed the succession Plan of the Executive Board and the Executive Leadership Team. The committee also discussed and agreed on the nomination of Mr. P. Oosterveer for re-appointment as member of the Executive Board for a period of four years, which re-appointment will be on the agenda of the annual General Meeting in April 2021.

Furthermore, the replacement of Mrs. R. Markland as a member of the Supervisory Board was discussed in Q1 2020. The third and final term of Mrs. Markland will expire at the annual General Meeting in 2021. After twelve years and in line with the Corporate Governance Code, she will not be eligible for re-appointment and the search for her replacement has been initiated, considering the profile and diversity policy for the Supervisory Board. Mrs. R. Markland consulted the Supervisory Board members (apart from Mr. N.W. Hoek) about the re-appointment of the Chair of the Supervisory Board whose term ends in April 2021. Supervisory Board members were unanimous in their positive view of the performance of Mr. Hoek as Chair and that it was in the best interests of Arcadis to request Mr Hoek to renew his appointment, particularly to maintain continuity as the new strategy of the group is implemented. Consequently, the ASC committee discussed and agreed on the nomination of Mr. N.W. Hoek for re-appointment as member and Chair of the Supervisory Board for two years, which re-appointment will be on the agenda of the General Meeting of shareholders in April 2021. Similarly, the committee also discussed and agreed on the nomination of Mr. W.G. Ang for re-appointment as member of the Supervisory Board for four years.

Sustainability Committee report
M. Putnam (Chair), D. Goodwin, N. Hoek

In July 2020, Arcadis established a Sustainability Committee at Supervisory Board level. In 2020, this committee met three times. In its first meeting, the committee discussed the mutually beneficial relationship between Arcadis and the World Business Council for Sustainable Development (WBCSD) and discussed the significantly increased interest of investors in sustainability. The committee also evaluated the joint session the Supervisory Board held with the Executive Leadership Team on the new Sustainability Strategy.

In the second meeting in October, the Committee discussed the integration of the criteria of the Sustainalytics rating agency in the Long-Term Incentive program. The progress on the development and implementation of an enhanced approach to non-financial reporting was also discussed, including a possible selection of software vendors to select from. Also, in that meeting, an executive from the WBCSD discussed a SWOT analysis of Environmental Social and Governance aspects at Arcadis.

In its final meeting in December, the Committee focused on a program to capture client value and drive the application of sustainability in the projects Arcadis undertakes for clients. In addition, it discussed sustainability in relation to the three to be formed Global Business Areas, Resilience, Places and Mobility.

2020 financial statements, and dividend

The Executive Board has prepared this Annual Integrated Report, including the 2020 financial statements. PricewaterhouseCoopers, the external auditor, has issued its auditor report which can be found starting on page 279 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)*.

We recommend that the General Meeting (i) adopt the 2020 Financial Statements, (ii) approve the proposal to distribute a dividend of €0.60 per ordinary share, to be provided in cash or in shares at the option of the shareholder(s), and (iii) discharge the members of the Executive Board for their management of the Company and its affairs during 2020, and the members of the Supervisory Board for their supervision over said management.

Concluding remarks

2020 was a 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 clients paid off. Continued discipline in terms of cost reduction and cash collection and sustained focus on the core topics of the strategy for 2018-2020 contributed to the year's strong results. We believe that the strategy for 2021-2023 as presented in November 2020 is the right strategy to realize the full potential of Arcadis. 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 2021.

Amsterdam, the Netherlands, 17 February 2021

On behalf of the Supervisory Board
Niek W. Hoek, Chairman

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 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'). The remuneration policies 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.

Introduction

This report outlines the application of the remuneration policy for the Executive Board in 2020 as well as actual performance in 2020 against set performance criteria. It also outlines the application of the remuneration policy for the Supervisory Board in 2020.

2020 General meeting advisory vote

During the 2020 General Meeting, there was strong support for the agenda items related to remuneration. Both the remuneration policy for members of the Executive Board and the remuneration policy for members of the Supervisory Board were adopted with the required majority. In addition, positive advisory votes were cast regarding both the remuneration report Executive Board 2019 and the remuneration report Supervisory Board 2019.

2020 financial performance

In the unprecedented environment we all experienced in 2020, Arcadis has demonstrated to be very resilient and delivered strong performance as we pursued our quest to improve quality of life for our clients and for the communities in which we operate. The flexibility, agility and dedication of our employees enabled us to continue to deliver our projects. The foundational and institutionalized performance enhancements, combined with the measures we initiated at the beginning of the pandemic, allowed us to perform so well. This resulted in a strong improvement of our operating EBITA margin, outstanding free cash flow, and healthy backlog growth which combined created our strong financial position. We are very proud that we have been able to deliver on all our strategic targets for the year, despite the challenging environment.

The health and economic crisis resulting from COVID-19 and the disruption this has caused globally, underscores the importance for societies to continue with investments necessary to enhance the resilience and sustainability of our environments, in addition to the growing necessity to better protect ourselves against the impacts of climate change. For us at Arcadis, it is imperative to fully integrate resilience thinking in all the work for our clients and to use this as an opportunity for change. Therefore, we will continue to invest in the expertise of our people, in sustainable solutions and digital offerings as this supports societal needs and whilst making economic sense.

In November, we shared our new strategic Plan for 2021-2023 called 'Maximizing Impact'. We strongly believe global mega trends will drive market opportunities for us and Arcadis has the experience, capabilities, and solutions to address these.

Contribution of remuneration to the performance of the Company

The total remuneration in 2020 for both Executive Board and Supervisory Board is in line with the remuneration policies as adopted in 2020.

The total remuneration for the Executive Board consists of fixed remuneration and variable remuneration. The fixed remuneration equals the amounts in the remuneration policy. Both the short-term and long-term variable remuneration are in line with the approved remuneration policy.

The short-term incentive criteria for 2020 are directly linked to the strategic pillars, therefore supporting the long-term performance of the Company. The financial criteria support sustainable revenue growth, while making sure enough free cashflow is generated. The people criteria focus on reduction of our voluntary turnover, which is a leading measure for stability of the Company. Finally, role modelling leadership behavior is measured in order to embrace the right culture in the Company.
For the long-term incentive, the criteria, being Total Shareholder Return, Earnings per Share and Sustainability, contribute to the long-term performance of the Company.

The total remuneration for the Supervisory Board reflects the amounts as approved by the General Meeting in 2020.

Executive Board remuneration policy applicable to 2020

In May 2020, 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 2020. The revisions made served to ensure compliance of the Executive Board remuneration policy with the Shareholder Rights Directive II.

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 annual performance criteria that support long-term value creation.

2020 Labor market reference groups

Arcadis has developed from a multi-local to a leading international company with clear focus on creating a sustainable future. 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, the remuneration policy is based on a comparison against two reference groups of sixteen companies each. A clear distinction is made between Dutch headquarter companies with significant international activities on the one hand and global industry peer companies on the other hand.

The remuneration policy aims to align Arcadis with the market median of both reference groups on Total Direct Compensation (the sum of fixed remuneration, short-term variable remuneration and long-term variable remuneration).

Dutch headquarter companies	Global industry peer companies
Aalberts Industries (NL)	AECOM (USA)
AkzoNobel (NL)	Amec Foster Wheeler (UK)
BAM (NL)	Cardno (AUS)
Boskalis (NL)	CBRE (USA)
Brunel (NL)	Hill International (USA)
DSM (NL)	Jacobs Engineering (USA)
Fugro (NL)	Jones Lang LaSalle (USA)
KPN (NL)	Pöyry (FIN)
PostNL (NL)	RPS Group (UK)
SBM Offshore (NL)	SNC Lavalin (CAN)
TKH Group (NL)	Stantec (CAN)
TomTom (NL)	Sweco (Sw)
Randstad (NL)	Tetra Tech (USA)
Refresco (NL)	Worley Parsons (AUS)
Vopak (NL)	WS Atkins (UK)
Wolters Kluwer (NL)	WSP Global (CAN)

In 2020, the labor market reference groups have been reviewed. As a result of this review, a combined group of Dutch headquarter companies and Global industry peer companies will be proposed for 2021.

Internal pay ratio

When drafting the remuneration policy for the Executive Board, Arcadis considered the pay ratio within the organization. For 2020, Arcadis has a pay ratio 25, implying that the CEO pay is 25 times the average compensation within the organization. The Arcadis internal pay ratio is calculated by dividing the total CEO compensation by the average employee compensation[1,2]. The internal pay ratio of 2020 has decreased compared to the pay ratio of 2019, which was 29.

1 Average employee compensation is based on total personnel costs and the average number of full-time employees over one year excluding CEO as disclosed in note 8 of the Consolidated financial statements and as stated in the five-year summary on page 291

2 Considering transparency and clarity, Arcadis applies a methodology to calculate the internal pay ratio that is IFRS-driven (i.e. linked to Arcadis' notes to the Consolidated Financial statements). From 2019, the pay ratio calculation is based on IFRS values, previous years have been restated to apply consistent calculation

In 2020, the Supervisory Board carried out a benchmarking of the CEO compensation. The benchmark showed that the current compensation of the CEO is below median. In discussion with the CEO, the Supervisory Board concluded that it would not be appropriate to make any changes for 2021.

Fixed remuneration

In 2020, the fixed compensation for the Executive Board has not changed compared to 2019. The following annual fixed remuneration levels applied to members of the Executive Board as set by the General Meeting on 6 May 2020:

Executive Board member	Annual fixed remuneration
CEO (P. Oosterveer)	€660,000
CFO (V. Duperat-Vergne) / former CFO (S. Kuijlaars)[3]	€475,000

[3] (Former) CFO compensation as disclosed above compared to the consolidated Financial Statements is normalized as if our (former) CFO was employed for a full year

In April 2020, as part of the response of the company to the COVID-19 pandemic, the CEO informed the Supervisory Board that he would accept a reduction of his base salary by 10% for a 6 month period.

Short-term variable remuneration

The short-term variable remuneration ranges from 0% to 85% of the fixed remuneration, with 50% payout when targets are met. The short-term variable remuneration is paid fully in cash in line with the remuneration policy.

2020 Performance criteria

To support the Company's strategy ending in 2020, the criteria for the short-term variable remuneration are based on the three pillars of the strategy and are partly financial and partly non-financial. The financially driven criteria determine 60% and reflect the financial priorities of the Company. They support the pillars of the strategy relating to Focus & Performance and Innovation & Growth. The remaining 40% support the People & Culture pillar.

The criteria for the members of the Executive Board are:

Strategic pillar	Criteria	Weight
Focus & Performance	reported EBITA %	20%
Focus & Performance	free cash flow	20%
Innovation & Growth	organic net revenue growth %	20%
People & Culture	voluntary turnover rate	20%
People & Culture	role modeling leadership behavior	20%

- Reported EBITA %: Earnings Before Interest, Taxes, and Amortization/Impairment of goodwill and/or identifiable assets.
- Free cash flow: cash flow from operating activities minus (dis)(in)vestments in (in)tangible assets.
- Organic net revenue growth (revenue) %: year-on-year Net revenue change minus contributions from acquisitions in that period plus contributions of divestments in the previous period, minus exchange rate differences, and adjusted, if applicable, for non-recurring items.
- Voluntary Turnover Rate: voluntary termination of permanent employees divided by the average number of permanent employees during a 12-month period (January – December). A termination is voluntary when the decision for termination is made by the employee.
- Role modelling leadership behavior: The assessment of this target is done by comparing the actual performance with a matrix, indicating on different aspects, what it means to meet expectations, exceed expectations or falling short of meeting expectations. The assessment of this target considers how the Executive Board members have performed towards the identity, mission and values of the company.

The short-term variable remuneration targets are set annually by the Supervisory Board based on the plan and budget for the respective year and considering the strategic aspirations. No payout will be made for below threshold performance. All short-term variable remuneration criteria allow for rewarding excellent performance. Short-term variable remuneration will not exceed 85% of the fixed compensation.

In 2020, the performance of the company against the targets set was as follows.

Criteria	Realization payout as percentage of target	payout as % of fixed compensation
Reported EBITA %	100%	10%
Free cash flow (in € millions)	170%	17%
Organic net revenue growth %	0%	0%
Voluntary turnover rate %	170%	17%

The performance on the financial targets and the Role Modelling Leadership Behavior target (as assessed by the Supervisory Board) leads to the following payout:

Name	Annual Base Salary	Currency	STI target %	Realization (as percentage of Annual Base Salary) Free cash flow	Reported EBITA%	Organic Net-Revunue Growth %	Voluntary turnover rate %	Leadership Behavior	Total	Pay out €
CEO (P. Oosterveer)	660,000	EUR	50%	17%	10%	0%	17%	17%	61%	402,600
CFO (V. Duperat-Vergne)	475,000	EUR	50%	17%	10%	0%	17%	15%	59%	81,740

The STI payout of the CFO is prorated based on her join date.

In April 2020, as part of his review of the response of the company to the COVID-19 pandemic, the CEO informed the Supervisory Board that he did not plan to accept the STI payout due to him in 2020. Subsequently, on her appointment, the CFO also indicated a similar intention. Recognizing the strong leadership shown by this action, the Supervisory Board has exercised its discretion to reduce the STI otherwise due to the CEO and CFO to zero.

For 2021, dependent on the adoption of the revised remuneration policy at the General Meeting, the Supervisory Board has selected the following performance criteria for short-term remuneration:

- 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. The weighting of each metric is 20%. As the actual targets are considered commercially sensitive, realization against them will only be disclosed retrospectively in the remuneration report for 2021.

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 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 Volume Weighted Average Price (VWAP)[4].

In 2020, the members of the Executive Board received the following Long-term variable remuneration:

	% of fixed remuneration	Grant value (in €)	VWAP (in €)	Number of performance shares	Fair value (in €)[5]	Total IFRS grant value (in €)
CEO (P. Oosterveer)	110%	726,000	20.27	35,817	11.13	398,641
CFO (V. Duperat-Vergne)[6]	n/a	n/a	n/a	5,859	17.95	105,189

[5] The fair value per the grant date, determined in accordance with IFRS

[6] Mrs. Duperat-Vergne joined Arcadis on 14 September 2020. As per her join date, she received a RSU grant

[4] Volume Weighted Average Price (VWAP) of a 30-day period starting on the day of the publication of the annual results

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%.

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 (USA)	RPS Group (UK)	Wood Group (UK)
Cardno (AUS)	SNC-Lavalin (CAN)	Worley Parsons (AUS)
Hill International (USA)	Sweco (SE)	WSP Global (CAN)
Jacobs Engineering (USA)	Tetra Tech (USA)	

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[7] 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	0	50%	100%	150%

[7] % growth from t0 to tx, divided by # years

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 12,000 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
	0	50%	100%	150%
Target performance period 2020 - 2022		75	77	79

The target of this performance criterion was set using the Sustainalytics ESG 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.

Moving forward, the old methodology will be phased-out and the new ESG Risk methodology will be the only methodology Sustainalytics supports. Therefore, the target of this performance criterion will from now on be measured using the ESG Risk methodology. For 2021, Arcadis will adopt this new ESG Risk methodology. The realization of previous grants will be based on the ESG methodology.

Conditional performance shares held by member of the Executive Board

Number of conditional (performance) shares Arcadis NV Current EB members	31 December 2020	31 December 2019
P. Oosterveer	174,662	226,635
V. Duperat-Vergne	5,859[8]	-

[8] Mrs. Duperat-Vergne joined Arcadis on 14 September 2020. As per her join date, she received a RSU grant

Vested shares

Conditional performance shares vested in 2020

Over the performance period 2017 - 2019 Arcadis ended on the 4th place of the peer group. Therefore, the conditional performance shares that were granted in 2017 vested at 125% in 2020.

# shares	2017 grant	2020 vesting
CEO (P. Oosterveer)	87,790	109,738[9]

[9] The fair value of the 2020 vesting is €12.81 per share

Conditional performance shares to vest 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

The members of the Executive Board have to 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.

Conditional performance shares to vest in 2022
The conditional performance shares that were granted in 2019 will vest in 2022. The performance criteria over the performance period 2019-2021 are Total Shareholder Return, Earnings Per Share and Sustainalytics. The realization on these performance criteria will be determined in February 2022.

# shares	2019 grant	2022 vesting
CEO (P. Oosterveer)	51,055	to be determined

Total remuneration

The total remuneration of the Executive Board members over 2020 and 2019, 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[10]	Fringe benefits	one-year variable	multi-year variable				Fixed	Variable
CEO (P. Oosterveer) based on due	2019	826	58	373	0	n/a	18	1,275	70%	30%
	2020	790	60	0	1,406	n/a	17	2,273	38%	62%
CEO (P. Oosterveer) based on IFRS	2019	826	58	373	1,049	n/a	18	2,324	38%	62%
	2020	790	60	0	914	n/a	17	1,781	48%	52%
CFO (S. Kuijlaars) based on due	2019	555	61	245	0	n/a	18	879	72%	28%
	2020	231	23	0	96	523[11]	8	882	89%	11%
CFO (S. Kuijlaars) based on IFRS	2019	555	61	245	393	n/a	18	1,272	49%	51%
	2020	231	23	0	250	523	8	1,036	76%	24%
CFO (V. Duperat-Vergne)[12] based on due	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2020	161	56	0	0	n/a	5	222	100%	0%
CFO (V. Duperat-Vergne) based on IFRS	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2020	161	56	0	12	n/a	5	234	95%	5%

[10] Base salary includes pension compensation for pension accrual for fixed remuneration above €110,111
[11] This includes the Dutch excessive tax levy ('pseudo eindheffing' (Art. 32bb Dutch wage tax Act))
[12] CFO (V. Duperat-Vergne) remuneration based on actual

An overview of the company's performance, the annual change in remuneration of the Executive Board members and the average remuneration on a full-time equivalent basis of employees of the company is as follows:

	2020		2019		2018		2017		2016		2015
	actual	change (%)	actual	change (%)	actual	change (%)	actual	change (%)	actual	change (%)	actual
Operating EBITA margin (%)	9.2%	12%	8.2%	12%	7.3%	(4%)	7.6%	7%	7.1%	(26%)	9.6%
Free Cash Flow (in € millions)	324	234%	97	(35%)	149	53%	98	22%	80	(34%)	121
Organic net revenue Growth % (net revenue in %)	(2%)	(5%)	3%	0%	3%	2%	1%	5%	(4%)	(5%)	0%
TSR (index 2015 = 100)	146	30%	112	95%	57	(44%)	103	43%	72	(28%)	100
Sustainalytics	77	5%	73	4%	70	9%	64	3%	62	0%	62
Average remuneration employees (€ thousands)	71	(7%)	76	5%	73	0%	72	(2%)	74	(1%)	75
CEO (€ thousands)	2,273	78%	1,275	14%	1,115	(15%)	1,311	51%	866	(18%)	1,062
CFO (€ thousands)	762	(13%)	879	19%	737	17%	630	1%	624	(20%)	779
Supervisory Board											
Niek Hoek	98	(6%)	104	(1%)	105	0%	105	19%	88	1%	87
Deanna Goodwin	69	(14%)	80	0%	80	(1%)	81	62%	50		
Ruth Markland	67	(13%)	77	(5%)	81	3%	79	8%	73	(3%)	75
Michael Putnam	69	(14%)	80	31%	61						
Maarten Schonfeld	23	(68%)	72	(1%)	73	0%	73	6%	69	6%	65
Michiel Lap	68	(15%)	80	(5%)	84	9%	77	13%	68	51%	45
Wee Gee Ang	66	(22%)	84	0%	84	47%	57				

Retirement and other benefits, contracts

Retirement benefits

In 2020, 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 6.66% of the pensionable salary (annual base salary minus offset) for the salary part below €110,111 (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 €110,111.

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. They may also participate in the Employee Stock Purchase Plan (ESPP) to purchase up to a maximum of €400 per month of Arcadis shares from the Lovinklaan Foundation at a discount (see note 9 of the Consolidated financial statements). 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. The ESPP from the Lovinklaan Foundation ended on 31 December 2020 and will not be renewed.

Management agreements and severance pay

In line with current Dutch legislation, all Executive Board members work for Arcadis NV under a management agreement: Mr. Oosterveer (appointed in 2017) and Ms. Duperat-Vergne (appointed in 2020) both have been appointed for a term which continues through the end of the annual General Meeting in the fourth year after their respective appointments. 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.

The reappointment of Mr. P. Oosterveer for another four-year term will be brought forward for resolution at the annual General Meeting in April 2021.

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 2020. 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.

Proposed revisions to the remuneration policy in 2021

In 2020, the Supervisory Board has reviewed the remuneration policy for members of the Executive Board. The revised remuneration policy for members of the Executive Board will be submitted to the General Meeting for adoption in April 2021.

The full text of the revised policy and an explanation of what is proposed will be sent to shareholders with the notice convening the annual General Meeting.

To validate the newly proposed remuneration policy, the proposed changes have been discussed with various shareholders and employee representatives. Both shareholders and employee representatives were supportive of the proposed changes . On a regular basis, the remuneration of the Executive Board is and will continue to be included in our interaction with various stakeholders, including but not limited to non-governmental organizations, customers and suppliers.

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 €	Chairman	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 chairperson, 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 2020:

In €	Niek W. Hoek	Deanna Goodwin	Ruth Markland	Wee Gee Ang	Michiel Lap	Maarten Schönfeld[1]	Michael Putnam
SB membership	80,750	55,100	55,100	55,100	55,100	19,333	55,100
Committee membership	17,100	10,067	9,500	6,650	10,067	4,000	11,333
Attendance allowance	0	4,000	2,500	4,000	2,500	0	2,500
Total	**97,850**	**69,167**	**67,100**	**65,750**	**67,667**	**23,333**	**68,933**

[1] Mr. Schönfeld retired from the Supervisory Board per the 2020 General Meeting

The total remuneration of the Supervisory Board members has reduced because the Supervisory Board members joined the Executive Board members in a salary reduction of 10% for a six-month period. In addition, due to limited travel in 2020, the attendance allowance has been paid only once.

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
Ruth Markland, Chair

Financial statements

Consolidated Income statement

for the year ended 31 December

In € thousands	Note	2020	2019
Gross revenues	6	**3,303,208**	**3,473,370**
Materials, services of third parties and subcontractors		(809,644)	(896,768)
Net revenues[1]	6	*2,493,564*	*2,576,602*
Personnel costs	8,9	(1,925,126)	(1,995,787)
Other operational costs	8	(228,955)	(281,168)
Depreciation and amortization	13, 14, 15	(124,705)	(116,641)
Amortization other intangible assets	13	(21,889)	(16,609)
Impairment charges	13	(118,881)	–
Other income	7	9,295	9,053
Total Operational costs		**(2,410,261)**	**(2,401,152)**
Operating income		**83,303**	**175,450**
Finance income	10	3,591	5,306
Finance expenses	10	(38,363)	(47,740)
Fair value change of derivatives	10	7,326	2,914
Net finance expense	10	**(27,446)**	**(39,520)**
Expected Credit Loss on shareholder loans and corporate guarantees	16	19,707	(82,431)
Result from investments accounted for using the equity method	16	967	1,251
Profit before income tax		**76,531**	**54,750**
Income taxes	11	(55,378)	(39,898)
Result for the period		**21,153**	**14,852**

Result attributable to:			
Equity holders of the Company (net income)		21,859	12,302
Non-controlling interests		(706)	2,550
Result for the period		**21,153**	**14,852**

Earnings per share (in €)			
Basic earnings per share	12	0.24	0.14
Diluted earnings per share	12	0.24	0.14

[1] Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis

The notes on pages 199 to 262 are an integral part of these Consolidated financial statements

Consolidated Statement of comprehensive income

for the year ended 31 December

In € thousands	2020	2019
Other comprehensive income, net of income tax		
Result for the period	**21,153**	**14,852**
Items that may be subsequently reclassified to profit or loss:		
Exchange rate differences for foreign operations	(65,789)	34,143
Exchange rate differences for equity accounted investees	(117)	(1,215)
Effective portion of changes in fair value of cash flow hedges	739	886
Items that will not be reclassified to profit or loss:		
Changes related to post-employment benefit obligations	(16,834)	(3,354)
Other comprehensive income, net of income tax	**(82,001)**	**30,460**
Total Comprehensive income for the period	**(60,848)**	**45,312**
Total comprehensive income attributable to:		
Equity holders of the Company	(60,155)	42,778
Non-controlling interests	(693)	2,534
Total Comprehensive income for the period	**(60,848)**	**45,312**

The notes on pages 199 to 262 are an integral part of these Consolidated financial statements

Non-GAAP performance measure

In € thousands	Note	2020	2019
Net income from operations[1]			
Result for the period attributable to equity holders (net income)		21,859	12,302
Amortization identifiable intangible assets, net of taxes		19,313	13,950
Goodwill impairment charges, net of taxes	13	118,881	–
Valuation changes of acquisition-related provisions, net of taxes	28	–	(364)
M&A&D costs		(7,961)	10,159
Expected Credit loss on shareholder loans and corporate guarantees	16	(19,707)	82,431
Lovinklaan employee share purchase plan [2]	9	1,055	1,303
Net income from operations		**133,440**	**119,781**
Net income from operations per share[1] (in €)			
Basic earnings per share	12	1.49	1.36
Diluted earnings per share	12	1.48	1.34

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis

2 The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation, and the Company has no influence on this scheme. Accordingly, the Company treats the related share-based expense as non-operational

Consolidated Balance sheet

as at 31 December

In € thousands	Note	2020	2019
Assets			
Non-current assets			
Intangible assets and goodwill	13	886,448	1,079,793
Property, plant & equipment	14	84,338	100,735
Right-of-use assets	15	255,950	266,769
Investments accounted for using the equity method	16	7,900	7,528
Other investments	17	2,048	2,280
Deferred tax assets	11	20,141	22,892
Pension assets for funded schemes in surplus	27	–	3,706
Derivatives	18	4,624	1,240
Other non-current assets	19	22,581	27,595
Total Non-current assets		**1,284,030**	**1,512,538**
Current assets			
Inventories		251	201
Derivatives	18	5,923	6,252
Trade receivables	20	468,479	602,900
Contract assets (unbilled receivables)	21	466,290	669,849
Corporate tax receivables	11	14,835	23,189
Other current assets	23	74,766	51,453
Assets classified as held for sale	22	71	–
Cash and cash equivalents	24	449,158	296,895
Total Current assets		**1,479,773**	**1,650,739**
Total Assets		**2,763,803**	**3,163,277**

	Note	2020	2019
Equity and liabilities			
Shareholders' equity			
Total equity attributable to equity holders of the Company	25, 45	**911,383**	**962,511**
Non-controlling interests	26	(1,237)	2,876
Total Equity		**910,146**	**965,387**
Non-current liabilities			
Provisions for employee benefits	27	60,153	49,493
Provisions for other liabilities and charges	28	27,748	23,057
Deferred tax liabilities	11	42,543	39,386
Loans and borrowings	29	400,964	460,583
Lease liabilities	15	208,980	215,461
Derivatives	18	545	822
Total Non-current liabilities		**740,933**	**788,802**
Current liabilities			
Contract liabilities (billing in excess of revenue)	21	295,740	285,044
Provision for onerous contracts (loss provisions)	21	40,401	90,545
Current portion of provisions	27, 28	15,225	23,306
Corporate tax liabilities	11	25,902	42,349
Current portion of loans and short-term borrowings	29	99,402	150,206
Current portion of lease liabilities	15	69,377	75,661
Derivatives	18	5,351	4,657
Bank overdrafts	24	291	472
Accounts payable, accrued expenses and other current liabilities	30	561,035	736,848
Total Current liabilities		**1,112,724**	**1,409,088**
Total Liabilities		**1,853,657**	**2,197,890**
Total Equity and liabilities		**2,763,803**	**3,163,277**

The notes on pages 199 to 262 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		**1,809**	**372,472**	**(545)**	**(48,418)**	**637,193**	**962,511**	**2,875**	**965,386**
Result for the period		–	–	–	–	21,859	21,859	(706)	21,153
Other comprehensive income:									
Exchange rate differences		–	–	–	(65,919)	–	(65,919)	13	(65,906)
Effective portion of changes in fair value of cash flow hedges	18	–	–	924	–	–	924	–	924
Taxes related to effective portion of changes in fair value of cash flow hedges	11	–	–	(185)	–	–	(185)	–	(185)
Remeasurements on post-employment benefit obligations	27	–	–	–	–	(18,381)	(18,381)	–	(18,381)
Taxes related to remeasurements on post-employment benefit obligations	11	–	–	–	–	1,547	1,547	–	1,547
Other comprehensive income, net of income taxes		**–**	**–**	**739**	**(65,919)**	**(16,834)**	**(82,014)**	**13**	**(82,001)**
Total comprehensive income for the period		**–**	**–**	**739**	**(65,919)**	**5,025**	**(60,155)**	**(693)**	**(60,848)**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	26	–	–	–	–		–	–	–
Dividends to shareholders	25	–	–	–	–	–	–	(3,419)	(3,419)
Issuance of shares	25	–	–	–	–	–	–	–	–
Share-based compensation	9	–	–	–	–	8,501	8,501	–	8,501
Taxes related to share-based compensation	11	–	–	–	–	115	115	–	115
Purchase of own shares	25	–	–	–	–	(7,954)	(7,954)	–	(7,954)
Share options exercised	25	–	–	–	–	8,365	8,365	–	8,365
Total transactions with owners of the Company		**–**	**–**	**–**	**–**	**9,027**	**9,027**	**(3,419)**	**5,608**
Balance at 31 December 2020		**1,809**	**372,472**	**194**	**(114,337)**	**651,245**	**911,383**	**(1,237)**	**910,146**

The notes on pages 199 to 262 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 2019		**1,780**	**372,501**	**(1,431)**	**(82,191)**	**652,232**	**942,891**	**2,199**	**945,090**
Result for the period		–	–	–	–	12,302	12,302	2,550	14,852
Other comprehensive income:									
Exchange rate differences		–	–	–	32,944	–	32,944	(16)	32,928
Effective portion of changes in fair value of cash flow hedges	18	–	–	962	–	–	962	–	962
Taxes related to effective portion of changes in fair value of cash flow hedges	11	–	–	(76)	–	–	(76)	–	(76)
Remeasurements on post-employment benefit obligations	27	–	–	–	–	(3,905)	(3,905)	–	(3,905)
Taxes related to remeasurements on post-employment benefit obligations	11	–	–	–	–	551	551	–	551
Other changes		–	–	–	829	(829)	–	–	–
Other comprehensive income, net of income taxes		**–**	**–**	**886**	**33,773**	**(4,183)**	**30,476**	**(16)**	**30,460**
Total comprehensive income for the period		**–**	**–**	**886**	**33,773**	**8,119**	**42,778**	**2,534**	**45,312**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	26	–	–	–	–	(15,748)	(15,748)	(602)	(16,350)
Dividends to shareholders	25	–	(23,477)	–	–	(17,766)	(41,243)	(1,256)	(42,499)
Issuance of shares	25	29	23,448	–	–	–	23,477	–	23,477
Share-based compensation	9	–	–	–	–	11,545	11,545	–	11,545
Taxes related to share-based compensation	11	–	–	–	–	1,598	1,598	–	1,598
Purchase of own shares	25	–	–	–	–	(13,613)	(13,613)	–	(13,613)
Share options exercised	25	–	–	–	–	10,826	10,826	–	10,826
Total transactions with owners of the Company		**29**	**(29)**	**–**	**–**	**(23,158)**	**(23,158)**	**(1,858)**	**(25,016)**
Balance at 31 December 2019		**1,809**	**372,472**	**(545)**	**(48,418)**	**637,193**	**962,511**	**2,876**	**965,387**

Consolidated financial statements

Consolidated Cash flow statement

for the year ended 31 December

In € thousands	Note	2020	2019
Cash flows from operating activities			
Result for the period		**21,153**	**14,852**
Adjustments for:			
Depreciation and amortization	13, 14, 15	124,705	116,641
Amortization other identifiable intangible assets	13	21,889	16,609
Impairment charges	13	118,881	–
Income taxes	11	55,378	39,898
Net finance expense	10	27,446	39,520
Expected Credit Loss on shareholder loans and corporate guarantees	16	(19,707)	82,431
Result from Investments accounted for using the equity method	16	(967)	(1,251)
Adjusted profit for the period (EBITDA)[1]		**348,778**	**308,700**
Change in Inventories		(53)	20
Change in Contract assets and liabilities, provision for onerous contracts		146,150	(117,482)
Change in Trade receivables		104,703	(5,979)
Change in Accounts payable		(82,788)	38,016
Change in Net working capital		**168,012**	**(85,425)**
Change in Other receivables		(27,056)	1,321
Change in Current liabilities		33,399	35,865
Change in Other working capital		**6,343**	**37,186**
Change in Provisions	27, 28	(19,792)	3,361
Share-based compensation	9	8,501	11,545
Gains/losses on derecognition of leases		761	(96)
Change in operational derivatives		2,658	16
Settlement of operational derivatives		(2,138)	(77)
Dividend received		494	1,531
Interest received		3,565	5,612
Interest paid		(23,582)	(30,547)
Corporate tax paid		(52,517)	(34,046)
Net cash from operating activities		**441,083**	**217,760**

[1] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis

	Note	2020	2019
Cash flows from investing activities			
Investments in (in)tangible assets	13, 14	(37,275)	(48,461)
Proceeds from sale of (in)tangible assets		2,577	2,726
Investments in consolidated companies - acquisitions	5	(7,369)	(7,299)
Investments in consolidated companies - consolidation	5	15,006	–
Investments in/loans to associates and joint ventures	16	(64,669)	(17,511)
Proceeds from (sale of) associates and joint ventures	16	–	–
Investments in other non-current assets and other investments	17, 19	(3,956)	(7,000)
Proceeds from (sale of) other non-current assets and other investments	17, 19	6,267	4,714
Net cash (used in)/from investing activities		**(89,419)**	**(72,831)**
Cash flows from financing activities			
Transactions with non-controlling interest	5	–	(7,952)
Proceeds from exercise of options	25	8,365	10,826
Purchase of own shares	25	(7,954)	(13,613)
Settlement of financing derivatives	18	4,628	1,487
New long-term loans and borrowings	29	220,247	265,974
Repayment of long-term loans and borrowings	29	(305,156)	(266,455)
New short-term borrowings	29	41,500	267,000
Repayment of short-term borrowings	29	(49,824)	(250,000)
Payment of lease liabilities	15	(82,888)	(74,808)
Dividends paid/received		(3,498)	(19,019)
Net cash (used in)/from financing activities		**(174,580)**	**(86,560)**
Net change in Cash and cash equivalents less Bank overdrafts		**177,084**	**58,370**
Exchange rate differences		(24,640)	(2,627)
Cash and cash equivalents less Bank overdrafts at 1 January		296,423	240,680
Cash and cash equivalents less Bank overdrafts at 31 December		**448,867**	**296,423**

The notes on pages 199 to 262 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 97-103
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 (IFRSs) as adopted by the European Union and in conformity with Part 9 of Book 2 of the Dutch Civil Code. 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.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 17 February 2021. 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 29 April 2021.

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; and
- 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

No material events occurred that resulted in an amendment of the comparative figures due to changes in accounting policies or errors. See note 5 and 21 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.

Foreign currency 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 effects on the amounts recognized in the Consolidated financial statements are related to:

- Revenue recognition ('cost to complete') and estimate of expected returns – see note 6
- Deferred tax recognition and uncertain tax treatments – see note 11
- (Goodwill) impairment testing and assumptions underlying recoverable amount – see note 13
- Recoverability of trade receivables – see note 20
- Contract assets (unbilled receivables), contract liabilities (billing in excess of revenue) and provisions for onerous contracts – see note 21
- Recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources – see note 28

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 profit or loss. 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

As of 1 January 2020, the Group adopted the amendments to IFRS 3 relating to the definition of a business and the amendments to IFRS 7, IFRS 9 and IAS39 relating to the interest rate benchmark reform. Adoption of these amendments did not have a material impact.

Developments relating to the published exposure draft of the new standard 'General Presentation and Disclosures', which is intended to replace IAS1, are closely monitored.

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 2020, the Group has US$268.50 million USD LIBOR (€230.13 million) and €81.5 million EURIBOR secured bank loans that will be subject to IBOR reform. The Group expects that the interest rate benchmark for USD LIBOR will only be changed to SOFR in 2023 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

3 Significant events in the current reporting period

The financial position and performance of the Group was particularly affected by the following unusual events and transactions during the reporting period:

- COVID-19, see below for further details.
- Strategic decision to reduce the footprint in the Middle East, which led to accelerated amortization of customer relationships (€6 million), impairment of goodwill (€60 million) and accelerated amortization of software (€2.5 million).
- Goodwill impairment on Middle East and CallisonRTKL for an amount of €119 million in total. See note 13 for further details.
- Sale of the investment in ALEN, resulting in a release of a part of the wind-down provision (€8.0 million) and a significant reduction in the Provision for Expected Credit Loss on corporate guarantees to €5.4 million on 31 December 2020 (31 December 2019: €92.8 million). Cash outflows relating to ALEN in the year amounted to €64.2 million and are presented in the Consolidated cash flow statement as 'Investments in/loans to associates and joint ventures'. See note 16 for further details.

COVID-19

As stated in the Interim Financial Statements 2020 for the six-month period ended 30 June 2020, Arcadis was impacted in 2020 by the COVID-19 pandemic. From the start of the outbreak, management seeks to obtain the best possible information to assess the risks, be agile and implement appropriate measures to respond.

In the first quarter of 2020 eight different workstreams were established in response to the pandemic, covering people, client care, financial impact, system continuity/IT, travel, communications, Global Excellence Centers and preparing Arcadis for the post-COVID world. Measures taken to monitor and prevent the effects of the COVID-19 virus included amongst others:

- Making use of government assistance where available and needed.
- Securing extra financing facilities, limiting cash outflows by cancelling the dividend to shareholders and stopping the share buy-back program.
- A hiring freeze for employees unless critical.
- Increased focus on working capital management with a specific program to maximize cash collection and reduce working capital needs and other cost cutting measures, such as a travel ban.

The following is relevant to understand the results disclosed in these Consolidated Financial Statements:

- No significant restructuring costs were recognized that are related to COVID-19.
- Approximately €17 million of government compensation for labor cost to provide continued employment was received, mainly in the United Kingdom and in China. This is recognized as a credit on Personnel costs and there are no formal requirements to refund the amounts.
- Insignificant other government grants, tax credits or rent concessions were received. Any rent concessions received are accounted for as lease modifications.
- The impact of COVID-19 on, amongst others, the retail business was one of the drivers of the €59 million goodwill impairment on Cash-Generating Unit CallisonRTKL, see note 13.
- Significant falls in bond yields impacted the discount rates and resulted in significant actuarial losses being recognized for defined benefit pension plans, see note 2.7
- Additional lines of credit were secured to ensure sustained liquidity, see note 31.
- A favorable impact of approximately €47 million on cash flow from operating activities was realized due to deferral of social and tax charges payments in mainly the United States and the United Kingdom, as allowed under government programs.
- A favorable impact on cash flow from financing activities by stopping the share buy-back program end of March 2020 (till 30 December 2020, see note 34), and by not paying out the proposed dividend to shareholder as a measure to preserve cash.

COVID-19 resulted in unprecedented uncertainty around free cash flow generation, which required preservation measures to be put in place quickly. Continuous financial scenario analysis, looking at most likely outcomes and worst-case scenarios, was performed through 2020 to ensure that Arcadis monitored its liquidity effectively. No material uncertainty relating to the Group's ability to continue as a going concern was identified, thus these Consolidated financial statements are prepared on a going concern basis. See also note 31.

4 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 2020, 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.

Following IFRS 8, the Company has the following segments as at 31 December 2020:

Operating segment	Reportable segment
Americas	Americas (Americas)
Europe & Middle East	Europe & Middle East (EME)
Asia Pacific	Asia Pacific (APAC)
Arcadis Gen	Europe & Middle East (EME) / Americas
CallisonRTKL	CallisonRTKL

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	2020	2019	2020	2019
Americas	984	1,007	378	418
Europe & Middle East	1,152	1,180	498	720
Asia Pacific	358	390	95	45
Total	**2,494**	**2,577**	**971**	**1,183**

Gross revenues generated in the Netherlands amounted to €295 million in 2020 (2019: €284 million), Net revenues to €248 million (2019: €231 million). Total assets in the Netherlands, including intercompany assets by Arcadis NV and its Dutch holdings companies, amounted to €1,902 million (2019: €2,295 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
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	3.0	2.3	(17.4)	–	–	0.0
Total Gross revenue	**1,372.0**	**1,349.7**	**360.8**	**238.1**	**(17.4)**	**3,303.2**	**–**	**3,303.2**
Materials, services of third parties and subcontractors	(496.3)	(230.1)	(38.5)	(62.1)	(17.4)	(809.6)	–	(809.6)
Net revenues[1]	875.7	1,119.6	322.3	176.0	–	2,493.6	–	2,493.6
Operating costs	(746.3)	(985.8)	(266.9)	(160.5)	–	(2,159.5)	5.4	(2,154.1)
Other income	0.5	4.4	2.9	0.3	–	8.1	1.2	9.3
Depreciation and amortization	(29.0)	(45.6)	(23.8)	(15.2)	–	(113.6)	(11.1)	(124.7)
EBITA[1]	**100.9**	**92.6**	**34.5**	**0.6**	**–**	**228.6**	**(4.5)**	**224.1**
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	**100.4**	**18.4**	**30.9**	**(61.9)**	**–**	**87.8**	**(4.5)**	**83.3**
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 profit before income tax	**93.6**	**15.2**	**27.5**	**(63.9)**	**–**	**72.4**	**4.2**	**76.6**
Income taxes	(99.4)	(18.8)	(9.9)	3.5	–	(124.6)	69.2	(55.4)
Profit for the period	**(5.8)**	**(3.6)**	**17.6**	**(60.4)**	**–**	**(52.2)**	**73.4**	**21.2**
Non-controlling interests	–	0.7	–	–	–	0.7	–	0.7
Net income	**(5.8)**	**(2.9)**	**17.6**	**(60.4)**	**–**	**(51.5)**	**73.4**	**21.9**
Operating EBITA[1]	**105.5**	**96.9**	**35.8**	**2.2**	**–**	**240.4**	**(11.3)**	**229.1**
Net income from operations[1]	**(5.8)**	**70.4**	**22.8**	**1.3**	**–**	**88.7**	**44.7**	**133.4**
Total assets	**689.5**	**1,048.8**	**453.1**	**289.7**	**–**	**2,481.1**	**282.7**	**2,763.8**
Investments accounted for using the equity method	0.4	6.4	–	1.2	–	8.0	–	8.0
Other financial assets	19.8	5.6	0.2	2.2	–	27.8	0.8	28.6
Total liabilities	**439.8**	**528.0**	**180.4**	**120.9**	**–**	**1,269.1**	**584.6**	**1,853.7**
Total capital expenditure	**6.2**	**12.4**	**6.5**	**1.2**	**–**	**26.3**	**10.9**	**37.2**
Total number in workforce[2]	**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 Financial & Non-Financial indicators starting on page 298 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
2019								
Timing of revenue recognition								
At a point in time	9.9	181.5	20.1	200.7	–	412.2	–	412.2
Over time	1,385.0	1,208.0	367.9	100.3	–	3,061.2	–	3,061.2
External Gross revenues	**1,394.9**	**1,389.5**	**388.0**	**301.0**	**–**	**3,473.4**	**–**	**3,473.4**
Inter–segment	1.5	13.6	3.6	3.6	(22.3)	–		–
Total Gross revenue	**1,396.4**	**1,403.1**	**391.6**	**304.6**	**(22.3)**	**3,473.4**	**–**	**3,473.4**
Materials, services of third parties and subcontractors	(537.3)	(258.0)	(41.5)	(82.4)	22.4	(896.8)	–	(896.8)
Net revenues[1]	859.1	1,145.1	350.1	222.2	0.1	2,576.6		2,576.6
Operating costs	(760.1)	(1,018.8)	(290.0)	(188.8)	–	(2,257.7)	(19.2)	(2,276.9)
Other income	0.3	6.5	0.0	1.2	–	8.0	1.0	9.0
Depreciation and amortization	(26.8)	(41.2)	(25.2)	(15.4)	–	(108.6)	(8.1)	(116.6)
EBITA[1]	**72.4**	**91.6**	**35.0**	**19.3**	**0.1**	**218.4**	**(26.3)**	**192.1**
Amortization other intangible assets	(1.2)	(7.7)	(4.2)	(3.5)	–	(16.6)	–	(16.6)
Goodwill impairment charges	–	–	–	–	–	–	–	–
Operating income	**71.2**	**83.9**	**30.7**	**15.8**	**0.1**	**201.8**	**(26.3)**	**175.5**
Net finance expense	(24.9)	(4.6)	(3.0)	(2.6)	–	(35.2)	(4.3)	(39.5)
Expected Credit Loss on shareholder loans and corporate guarantees	–	–	–	–	–	–	(82.4)	(82.4)
Result from investments accounted for using the equity method	0.2	1.0	–	–	–	1.2	–	1.2
Segment profit before income tax	**46.5**	**80.3**	**27.7**	**13.2**	**0.1**	**167.8**	**(113.0)**	**54.8**
Income taxes	(12.4)	(12.8)	(9.8)	(4.0)		(39.0)	(0.9)	(39.9)
Profit for the period	**34.1**	**67.6**	**17.9**	**9.2**	**0.1**	**128.7**	**(113.9)**	**14.9**
Non–controlling interests	–	(2.5)	–	–		(2.5)	–	(2.5)
Net income	**34.1**	**65.0**	**17.9**	**9.2**	**0.1**	**126.2**	**(113.9)**	**12.3**
Operating EBITA[1]	**75.2**	**93.9**	**37.9**	**18.4**	**0.1**	**225.5**	**(15.8)**	**209.7**
Net income from operations[1]	**35.1**	**72.3**	**21.4**	**11.5**	**0.1**	**140.3**	**(20.6)**	**119.8**
Total assets	**944.2**	**1,192.5**	**562.5**	**408.6**		**3,107.8**	**55.4**	**3,163.2**
Investments accounted for using the equity method[2]	0.4	5.9	–	1.3		7.5	–	7.5
Other financial assets	18.5	7.8	0.2	3.0		29.5	0.9	30.4
Total liabilities	**899.8**	**489.2**	**183.0**	**156.2**		**1,728.2**	**469.8**	**2,198.0**
Total capital expenditure	**9.9**	**13.8**	**4.3**	**10.9**		**38.9**	**9.6**	**48.5**
Total number in workforce[2]	**7,430**	**12,310**	**5,310**	**1,559**		**26,609**	**213**	**26,822**

[1] Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis

[2] As at 31 December, excluding temporary staff

5 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 2020, the total non-controlling interest amounted to €1.2 million negative (2019: €2.9 million) and is as such not material for the Group.

The main consolidated companies as at 31 December 2020 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

2020

In January 2020, Arcadis acquired 100% of the shares in Over Morgen, a fast-growing Dutch consultancy company with 80 employees focusing on solving various societal challenges by creating sustainable societies through an integrated approach that combines area development and energy transition.

The consideration for the Over Morgen business combination amounted to €9.9 million, including an earn-out of €1.1 million based on the achievement of 2020 targets. The net identifiable assets acquired amounted to €2.0 million and the goodwill to €7.8 million (part of Cash-Generating Unit Continental Europe). The acquisition accounting has been completed in 2020. Due to the relatively limited size of Over Morgen, no further disclosures are provided.

The acquisition accounting of Enterprise Asset Management Solutions (EAMS) Group, acquired in March 2019 for 50% with the remaining 50% stake acquired in December 2019, has been completed. Only immaterial Purchase Price Allocation adjustments were made in 2020, increasing the Goodwill on non-controlling interest in Shareholders' equity by €0.4 million. The deferred consideration paid in 2020 amounted to €5.1 million. There is a €2.5 million earn-out liability remaining in the balance sheet at 31 December 2020 whereby payment is dependent on the performance by the end of 2022.

From 2020, Arcadis consolidates its investment in the captive insurance company named White Rock Insurance (Netherlands) Pcc Limited. Arcadis' cell in White Rock, since 2014, is a deemed separate entity (silo) in accordance with IFRS 10 and Arcadis has control over this cell. As Arcadis did not consider the prior period error material, the 2019 figures have not been restated. The opening balance recognized included €15.0 million of cash and cash equivalents, €1.4 million of other current assets, €15.8 million of provisions and €0.5 million corporate tax liabilities. The balance sheet at 31 December 2020 includes €12.0 million of cash and cash equivalents, €0.8 million of other current assets, €10.5 million of provisions and €0.2 million corporate tax liabilities. The result for the year 2020 amounted to €2.0 million.

There are no other changes in consolidated interests in 2020 and thus no further disclosures are provided in this note. The announcement in October 2020 to reduce the footprint in the Middle East has not resulted in any disposals of activities in the year. The conditions for an asset to be classified as held for sale were not met at 31 December 2020, see also note 22.

2019

Main changes in 2019 related to the acquisition of EAMS, see above, which resulted in an amount of €15.7 million being recognized in equity as transaction with non-controlling interest shareholders. For the remaining 50% acquisition of EAMS, which is a transaction with non-controlling interest shareholders, an amount of £13.8 million (€16.3 million) was agreed. £6.8 million (€8.0 million) was paid on completion and £7.0 million (€8.1 million) is recognized as deferred consideration. This includes a £4.5 million (€5.2 million) contractual after-payment and a £2.5 million (€2.9 million) earn-out.

Also, the interest in several business activities in China and Indonesia was sold, resulting in a loss of €2.7 million recognized in Other income.

Deferred consideration

The contractual after-payments and earn-outs for acquisitions are disclosed below.

In € thousands	Initial recognition	Discount effect/interest	2020 Total	2019 Total
Balance at 1 January	**10,083**	**1,848**	**11,931**	**8,624**
Acquisitions	1,100	–	1,100	8,056
Interest accrual	–	(282)	(282)	477
Releases	–	–	–	(2,748)
Payments and redemptions	(7,126)	–	(7,126)	(3,155)
Exchange rate differences	(406)	(407)	(813)	677
Balance at 31 December	**3,651**	**1,159**	**4,810**	**11,931**

An amount of €3.6 million (2019: €4.8 million) of deferred consideration is reported as other long-term debt under ‘Loans and borrowings’ (see note 29). An amount of €1.2 million (2019: €7.2 million) is due within one year and reported as ‘Other current liabilities’ (see note 30).

At 31 December 2020, the deferred consideration relating to acquisitions prior to 2020 amounts to €3.7 million and relates to EAMS (2019), SEAMS (2018) and Estudos Téchnicos eProjectos ETEP Ltda (2012). The amount paid in 2020 of €7.1 million mainly related to E2 Manage Tech and EAMS.

6 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, and
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 measure of progress 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 20.

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	2020	2019
Revenue from services	2,534,750	2,790,934
Construction contract revenue	765,343	675,065
Revenue from licenses	3,115	7,371
Total Gross Revenue	**3,303,208**	**3,473,370**

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	2020	2019
Infrastructure	742,819	744,597
Water	411,237	435,982
Environment	946,934	968,620
Buildings	1,202,218	1,324,171
Total	**3,303,208**	**3,473,370**

For revenue by reporting segment and geography see note 4.

Timing of revenue recognition

The timing of revenue recognition in 2020 was as follows:

In € thousands	2020	2019
At a point in time	111,776	411,791
Over time	3,191,432	3,061,579
Total Revenues	**3,303,208**	**3,473,370**

Contract balances

The Group has recognized the following assets and liabilities related to contracts with customers:

In € thousands	2020	2019
Other non-current assets	1,190	1,570
Trade receivables	468,479	602,900
Contract assets (Unbilled receivables)	466,290	669,849
Contract liabilities (Billing in excess of revenue)	(295,740)	(285,044)
Provision for onerous contracts (loss provisions)	(40,401)	(90,545)
Total at 31 December	**599,818**	**898,730**

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 21.

Contract costs

The incremental costs to obtain a contract amounted to nil in 2020 (2019: €1.1 million). 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	2020	2021	2022	After 2022	Total
Expected revenue from (partially) unsatisfied performance obligations	1,137,632	415,545	161,146	172,648	1,886,971

7 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	2020	2019
Book gain / (loss) on sale of assets	(566)	(2,211)
Results from investments	(20)	704
Release of after-payments	–	2,748
Gain / (loss) on derecognition of leases	66	108
Sub-leasing income	110	328
Other	9,705	7,376
Total Other income	**9,295**	**9,053**

The category ‘Other’ in 2020 included €2.0 million of government grants (2019: €1.1 million), 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), €0.7 million refund from indirect tax claims, and several individually non-significant results.

On government grants, see also note 3.

8 Operational costs

All employee-related costs as well as non-project-related out-of-pocket expenses, are recognized as operational cost as incurred.

In € thousands	2020	2019
Salaries and wages	1,529,014	1,559,450
Social charges	161,529	164,986
Pension and early retirement charges	66,693	69,936
Other personnel costs (including temporary labor)	167,890	201,415
Total Personnel costs	**1,925,126**	**1,995,787**

In € thousands	2020	2019
Occupancy	29,788	37,824
Travel	12,669	48,317
Office related	89,935	86,792
Audit and consultancy services	29,281	32,302
Insurances	14,469	16,585
Marketing and advertising	7,006	11,455
Other	45,807	47,893
Total Operational costs	**228,955**	**281,168**

The category 'Other' included in 2020, amongst others, the impact of changes in provisions for trade receivables of €9.3 million, expense (2019: €3.8 million, expense) (see note 20), restructuring provision of €4.2 million, expense (2019: €3.3 million, expense), litigation provisions of €0.9 million, income (2019: €1.0 million, income) (see note 28) and €8.0 million of gain related to ALEN (2019: €10.0 million, expense) (see note 16).

The Personnel and Other operational costs in 2020 include €13.8 million of costs relating to digitization (2019: €13.7 million).

9 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 the granted shares 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 of Shareholders, 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 of Shareholders. 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: 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: continued employment during the vesting period of three years; no performance conditions.
- Special grant (of 2019): 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 2019	**2,175,830**	**16.09**
Exercised	(757,115)	14.27
Expired	(92,997)	15.66
Cancelled	(31,575)	16.63
Balance at 31 December 2019	**1,294,143**	**17.18**
Exercised	(555,338)	16.99
Expired	(70,454)	16.75
Cancelled	–	–
Balance at 31 December 2020	**668,351**	**17.37**

The weighted average share price at exercise date in 2020 was €23.40 (2019: €17.44). Part of the exercised options have been settled in cash instead of shares.

The number of outstanding options at 31 December 2020 is as follows:

Year of issue	Share price at grant date	Outstanding 1 January 2020	Exercised in 2020	Expired in 2020	Outstanding 31 December 2020
2010	€14.33	69,006	(39,620)	(29,386)	–
2010	€16.84	10,500	(2,500)	(8,000)	–
2011	€16.18	113,962	(50,798)	(1,424)	61,740
2011	€16.48	47,903	(10,500)	–	37,403
2011	€14.06	154,450	(45,850)	(7,100)	101,500
2012	€14.72	180,427	(98,035)	–	82,392
2012	€15.74	276,564	(136,554)	(2,444)	137,566
2013	€20.96	441,331	(171,481)	(22,100)	247,750
Total		**1,294,143**	**(555,338)**	**(70,454)**	**668,351**

Outstanding Restricted Share Unit (RSUs)

In 2020, 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	114,210	8 May 2020	ex-dividend date 2023	€12.82	€12.12 / €9.15
Grant CFO	5,859	14 September 2020	ex-dividend date 2023	€18.85	€17.82 / €18.22
Annual grant other employees	242,934	8 May 2020	ex-dividend date 2023	€12.82	€12.12

[1] Vesting is on the 5th business day after this date

The fair value (€12.12, €17.82) of the RSUs granted to other employees 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 (€9.15, €18.22) 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:

	2020	2019
Expected dividend yield (in %)	1.89	2.74
Risk-free interest rate (in %)	(0.38)	(0.16)
Expected volatility (in %)	39.92	38.66

The expected volatility is calculated based on the share price movements of the 36 months prior to grant date.

The assumptions for the grant to the CFO on 14 September 2020 include an expected dividend yield of 1.89, risk-free interest rate of -0.43% and expected volatility of 39.88%.

The total outstanding RSUs at 31 December 2020 is as follows:

Year of issue	Granted	Unconditional in	Total amount to be expensed over the vesting period (in €)	Share price at grant date	Outstanding 1 January 2020	Granted in 2020	Decrease by performance measure 2020	Vested in 2020	Cancelled/ forfeited in 2020	Outstanding 31 December 2020
2017 (28 April)	1,085,815	2020	17,471,310	€15.91	801,241	–	226,818	(1,000,376)	(27,683)	–
2018 (26 April)	697,522	2021	8,265,635	€15.75	612,967	–	–	–	(100,155)	512,812
2018 (July - September)	5,615	2021	97,710	€15.19	3,943	–	–	(1,672)	–	2,271
2019 (29 April)	316,381	2022	4,973,509	€15.72	302,043	–	–	–	(33,657)	268,386
2019 (29 April)	180,180	2022	3,176,573	€21.45/€15.72	180,180	–	–	–	(33,404)	146,776
2019 (29 April)	81,669	2020	1,341,822	€16.43	78,633	–	–	(77,955)	(678)	–
2019 (29 April)	81,669	2021	1,304,254	€15.97	77,113	–	–		(7,894)	69,219
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)	242,934	2023	2,944,360	€12.12	–	242,934	–	–	(2,831)	240,103
2020 (14 September)	5,859	2023	105,189	€18.22/ €17.82	–	5,859	–	–	–	5,859
Total					**2,065,121**	**363,003**	**226,818**	**(1,080,003)**	**(206,302)**	**1,368,637**

LTIP costs recognized in 2020

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 2020 at 100%.

Costs for the LTIP are spread over the vesting period and included in 'Salaries and wages' (see note 8). An amount of €7.4 million (2019: €10.2 million) is included in the results of 2020 for the share-based compensation granted in the period 2017 - 2020. This is excluding a €1.1 million expense relating to the Employee Share Purchase Plan (2019: €1.3 million).

Employee Share Purchase Plan (Lovinklaan Foundation)

The Company facilitates an Employee Share Purchase Plan (ESPP), also called the Global Share Plan (GSP), that allows employees to periodically purchase shares in the Company at a set discount. Shares and discounts are made available by the Lovinklaan Foundation. The ESPP has been implemented in several countries where the Company is located. The personal investment per employee is maximized at €400 per month. The plan ended on 31 December 2020 and will not be renewed.

A total of 2,390 employees participated in the plan at 31 December 2020 (2019: 3,432). As the ESPP is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme, the related share-based expenses of €1.1 million are treated as non-operational and excluded from Net Income from Operations.

10 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 8).

In € thousands	2020	2019
Interest income on notional cash pools	3,109	4,955
Other interest income	482	351
Finance income	**3,591**	**5,306**
Interest expense on loans & borrowings	(17,532)	(25,210)
Interest expense notional cash pools	(2,517)	(5,413)
Other interest expense	(1,534)	(1,704)
Interest expense leases	(7,881)	(9,810)
Foreign exchange differences	(8,899)	(5,603)
Finance expense	**(38,363)**	**(47,740)**
Fair value change of derivatives	7,326	2,914
Total	**(27,446)**	**(39,520)**

Finance income decreased to €3.6 million (2019: €5.3 million) due to lower interest within notional cash pools and lower interest income from loans to associates. 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 €38.4 million due to lower gross debt, lower interest rates within notional cash pools and lower other interest expenses. The interest expense on loans and borrowings of €17.5 million (2019: €25.2 million) was substantially lower than those of last year due 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 2020 amounts to €1.6 million (2019: €1.4 million). The increase in this amount relates to transaction fees for issuing the €150 million new Schuldschein loans in October 2020. The interest on lease liabilities of €7.9 million (2019: €9.8 million) is based on the Incremental Borrowing Rate, see note 15.

11 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; and
- 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	2020	2019
Current tax expense		
Current year	56,507	52,489
Adjustments for previous years	(9,156)	1,094
Total Current tax expense	**47,351**	**53,583**
Deferred tax expense		
Origination and reversal of temporary differences[1]	(4,648)	(7,732)
Adjustments for previous years	6,211	(753)
Changes in tax rates	1,796	(328)
(De)recognition of deferred tax assets[1]	4,668	(4,872)
Total Deferred tax expense	**8,027**	**(13,685)**
Total Income tax expense	**55,378**	**39,898**

[1] Comparative numbers of 2019 have been restated

With the sale of ALEN, the result on the Expected Credit Losses on shareholder loans and corporate guarantees relating to ALEN (see note 16) has been treated as non-taxable.

At 31 December 2020, the corporate tax receivable amounted to €14.8 million and the corporate tax liability amounted to €25.9 million. During 2020, the Group paid corporate income taxes for a total amount of €52.5 million (2019: €34.0 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 €27.7 million) is 115.6% (2019: excluding total result from investment in ALEN: 27.3%). For 2020 the effective tax rate was mainly impacted by non-deductible goodwill impairment charges of €118.9 million, excluding these impairments the effective tax rate is 33.2%.

The effective tax rate differs from the corporate income tax rate in the Netherlands, primarily due to the net negative impact of non-deductible items, changes in de-recognition of deferred tax assets, statutory tax rates in jurisdictions that we operate in that are different than the Dutch statutory income tax rate. The net negative impact was partially offset by prior year adjustments and other.

The Goodwill impairments relate to Cash-Generating Units Middle East and CallisonRTKL, see note 13.

In % and € thousands	2020 (%)	2020	2019 (%)	2019
Corporate tax rate in the Netherlands	25.0	41,695	25.0	36,482
Adjustment corporate income tax rates other countries	1.2	2,003	0.4	621
Weighted average corporate income tax rate	**26.2**	**43,698**	**25.4**	**37,103**
Non-deductible expenses/(income)	6.8	11,395	6.3	9,204
(De)recognition of deferred tax assets	2.8	4,668	(3.3)	(4,872)
Adjustments for previous years	(1.8)	(2,945)	0.2	341
Other	(0.8)	(1,438)	(1.3)	(1,878)
Effective tax rate [1]	**33.2**	**55,378**	**27.3**	**39,898**

[1] 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 16)

Consolidated financial statements

Deferred tax

The movement in deferred tax balances during the year 2020 was as follows:

In € thousands	Net balance at 31 December 2019	Impact of IFRS 16	Net balance at 1 January 2020	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Other	Exchange rate differences	Net balance at 31 December 2020	Assets	Liabilities
Intangible assets and goodwill	(50,350)	–	(50,350)	(13,174)	–	(474)	(289)	3,472	(60,815)	1,015	(61,830)
Property, plant & equipment	(1,770)	–	(1,770)	2,725	–	–	(15)	(200)	740	2,206	(1,466)
Right-of-use assets and lease liabilities	3,630	–	3,630	1,790	–	–	(2)	(155)	5,263	5,643	(380)
Contract assets and liabilities	(14,860)	–	(14,860)	6,047	–	–	(22)	(48)	(8,883)	3,005	(11,888)
Derivatives	(76)	–	(76)	(10)	(185)	–	–	261	(10)	–	(10)
Accrued expenses	23,895	–	23,895	2,356	–	–	294	(1,732)	24,813	25,761	(948)
Share-based compensation	1,270	–	1,270	(875)	–	–	–	(43)	352	352	–
Deferred compensation	4,261	–	4,261	(1,120)	1,547	–	–	(69)	4,619	4,619	–
Net operating losses	8,550	–	8,550	(1,495)	–	–	519	233	7,807	7,807	–
Provisions	5,244	–	5,244	(2,750)	–	–	1,453	(235)	3,712	3,712	–
Others	3,712	–	3,712	(1,521)	–	–	(2,231)	40	–	–	–
Deferred tax assets/liabilities	**(16,494)**	**–**	**(16,494)**	**(8,027)**	**1,362**	**(474)**	**(293)**	**1,524**	**(22,402)**	**54,120**	**(76,522)**
Offsetting	–	–	–	–	–	–	–	–	–	(33,979)	33,979
Net deferred taxes	**(16,494)**	**–**	**(16,494)**	**(8,027)**	**1,362**	**(474)**	**(293)**	**1,524**	**(22,402)**	**20,141**	**(42,543)**

The movement in deferred tax balances during the year 2019 was as follows:

In € thousands	Net balance at 31 December 2018	Impact of IFRS 16	Net balance at 1 January 2019	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Other	Exchange rate differences	Net balance at 31 December 2019	Assets	Liabilities
Intangible assets and goodwill	(47,282)	–	(47,282)	(1,587)	–	–	–	(1,481)	(50,350)	774	(51,124)
Property, plant & equipment	(1,888)	202	(1,686)	(163)	–	–	–	79	(1,770)	2,253	(4,023)
Right-of-use assets and lease liabilities	–	3,351	3,351	255	–	–	–	24	3,630	7,082	(3,452)
Contract assets and liabilities	(22,718)	–	(22,718)	8,285	–	–	–	(427)	(14,860)	4,117	(18,977)
Derivatives	–	–	–	–	(76)	–	–	–	(76)	–	(76)
Accrued expenses	22,666	–	22,666	787	–	–	–	442	23,895	24,329	(434)
Share-based compensation	645	–	645	614	–	–	–	11	1,270	1,270	–
Deferred compensation	4,497	–	4,497	(218)	–	–	(114)	96	4,261	4,261	–
Net operating losses	4,211	–	4,211	4,146	–	–	–	193	8,550	8,550	–
Provisions	4,399	–	4,399	162	551	–	95	37	5,244	5,287	(43)
Others	5,338	(3,489)	1,849	1,404	–	(396)	372	483	3,712	10,640	(6,928)
Deferred tax assets/liabilities	**(30,132)**	**64**	**(30,068)**	**13,685**	**475**	**(396)**	**353**	**(543)**	**(16,494)**	**68,563**	**(85,057)**
Offsetting	–	–	–	–	–	–	–	–	–	(45,671)	45,671
Net deferred taxes	**(30,132)**	**64**	**(30,068)**	**13,685**	**475**	**(396)**	**353**	**(543)**	**(16,494)**	**22,892**	**(39,386)**

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 2020, the gross amount of net operating losses, amounting to €32.0 million (2019: €38.5 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
2021	697	–	697	132
2022	17	17	–	–
2023	297	297	–	–
2024	368	368	–	–
2025	280	280	–	–
>2025	3,221	2,259	962	242
Unlimited	155,274	124,974	30,300	7,433
Total	**160,154**	**128,195**	**31,959**	**7,807**

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 judgment 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 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was €116.8 million (2019: €122.7 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.

Impact of Brexit on tax position

Following the signing of the Brexit Trade and Cooperation Agreement (the Agreement) between the UK and the EU, a great deal of uncertainty has been removed, in particular the risk of a 'no deal' Brexit. Now that the Agreement has been concluded, we believe that the UK's tax status has not changed materially.

Impact of COVID-19 on tax position

COVID-19 had a negative impact on certain areas of our business. This resulted in an increase in non-recognized deferred tax assets, specifically on net operating losses for the year. For further information, see note 3.

12 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	2020	2019
Average number of issued shares	90,442,091	89,906,557
Average number of treasury shares	(875,429)	(1,535,715)
Total average number of ordinary outstanding shares	**89,566,662**	**88,370,842**
Average number of potentially dilutive shares	658,154	707,002
Total average number of diluted shares	**90,224,816**	**89,077,844**

Of the outstanding options at 31 December 2020, a number of 668,351 options were in the money and exercisable (2019: 852,812). 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	2020	2019
Net income	21,859	12,302
Net income from operations[1]	133,440	119,781

[1] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators on page 298 for the definition as used by Arcadis

In €	2020	2019
Earnings per share/Diluted earnings per share		
Net income	0.24 / 0.24	0.14 / 0.14
Net income from operations[1]	1.49 / 1.48	1.36 / 1.34

[1] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis

13 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 straightline 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.

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	Intangibles under development	Total
Cost	914,748	268,269	79,517	45,139	1,307,672
Accumulated amortization	–	(197,937)	(55,490)	–	(253,427)
At 1 January 2019	**914,748**	**70,332**	**24,026**	**45,139**	**1,054,245**
Additions	–	311	2,497	10,995	13,803
Acquisitions of subsidiaries	695	39	1,859	–	2,593
Disposals	–	–	(489)	(513)	(1,002)
Amortization charges	–	(16,609)	(12,922)	–	(29,531)
Impairment charges	–	–	–	–	–
Reclassifications	–	–	28,581	(24,575)	4,006
Exchange rate differences	33,025	2,293	360	(1)	35,677
Movement 2019	**33,720**	**(13,966)**	**19,886**	**(14,094)**	**25,547**
Cost	948,468	270,911	112,325	31,046	1,362,750
Accumulated amortization	–	(214,546)	(68,411)	–	(282,957)
At 31 December 2019	**948,468**	**56,366**	**43,914**	**31,045**	**1,079,793**
Additions	–	–	5,095	9,207	14,302
Acquisitions of subsidiaries	7,894	1,655	(65)	–	9,484
Disposals	–	–	(183)	(813)	(996)
Amortization charges	–	(21,889)	(19,775)	–	(41,664)
Impairment charges	(118,881)	–	–	–	(118,881)
Reclassifications	–	95	9,214	(6,210)	3,099
Exchange rate differences	(55,865)	(2,017)	(764)	(43)	(58,689)
Movement 2020	**(166,852)**	**(22,156)**	**(6,478)**	**2,141**	**(193,345)**
Cost	781,616	270,645	125,623	33,186	1,211,070
Accumulated amortization	–	(236,435)	(88,187)	–	(324,622)
At 31 December 2020	**781,616**	**34,210**	**37,436**	**33,186**	**886,448**

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

In € thousands	2020	2019
Amortization Other intangible assets	21,889	16,609
Depreciation and amortization	19,775	12,922

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	2020	2019
North America	240,846	261,881
Latin America	–	–
Continental Europe	84,257	77,203
United Kingdom	223,123	245,032
Middle East	–	62,779
Asia	82,110	88,741
Australia Pacific	55,373	58,232
Arcadis Gen	8,960	–
CallisonRTKL	86,948	154,601
Total Goodwill at 31 December	**781,617**	**948,469**

Arcadis Gen, the global digital business of Arcadis, has been launched in January 2020 and is since then considered a separate CGU. It includes the goodwill relating to the acquisitions of SEAMS (2018) and EAMS (2019).

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 judgmental. The calculations use cash flow projections based on historical performance, our plan for 2021 as approved by the Executive Board and projections for 2022-2025, after which a terminal value was used at an average rate of 0.2% (2019: 2.3%), being the difference between local and the Eurozone inflation forecasts.

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 2021 and management's long-term projections; and
- 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.

The applied assumptions in the test of 2020 are included in the below table.

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%
Latin America	7.3%	7.8%-9.0%	16.8%	1.2%
Continental Europe	2.9%	8.5%-9.4%	10.6%	0.0%
United Kingdom	2.9%	9.5%-11.0%	10.9%	0.0%
Middle East	n/a	n/a	n/a	n/a
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 key assumptions included in the 2019 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	2.4%	9.4%-9.9%	9.8%	2.3%
Latin America	7.0%	4.6%-6.3%	14.6%	3.3%
Continental Europe	0.7%	8.0%-8.5%	9.0%	1.0%
United Kingdom	3.2%	8.6%-8.8%	9.4%	2.0%
Middle East	6.6%	7.7%-8.1%	12.1%	2.1%
Asia	1.9%	8.9%	10.6%	2.8%
Australia Pacific	3.6%	12.0%-13.3%	10.2%	2.5%
CallisonRTKL	1.1%	9.0%-10.3%	10.0%	2.4%

The weighted average pre-tax discount rate was 11.5% (2019: 9.9%) 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 7.6% (2019: 7.8%), which includes country specific premiums when applicable.

Observations from impairment testing

In the third quarter of 2020, trigger-based impairment tests resulted in €119 million of goodwill being impaired:

- An amount of €60 million, being all remaining goodwill on the balance sheet for the Middle East business, was impaired because of the strategic decision to significantly reduce the footprint in the Middle East. The Group will satisfy the contractual obligations the CGU has already committed to but is not taking into account any terminal value.
- An amount of €59 million was impaired on the CallisonRTKL goodwill, a CGU that showed weaker than expected results and forecasts.

The annual impairment test at 31 December 2020 and sensitivity analysis around the key assumptions in that test have indicated sufficient headroom for all other CGUs, 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.

The headroom for CallisonRTKL remains relatively limited. In case the recovery of this CGU is further delayed, goodwill may be further impaired. Management is, however, positive about the medium and long-term recovery of the CGU and has concluded that an impairment of the balance on 31 December 2020 is not necessary.

An impairment of the goodwill for CallisonRTKL will occur if the Operating EBITA margin in the terminal value drops below 6.2% or when the pre-tax discount rate increases to above 13.7%.

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	2020	2019
Customer Relationships	30,486	51,829
Trade names	2,719	3,648
Backlog	479	407
Other	525	480
Total Other intangible assets at 31 December	**34,209**	**56,364**

As a result of the strategic decision relating to the Middle East, as described above, Arcadis fully amortized the remaining identifiable intangible assets relating to the CGU. This impacted profit or loss in 2020 by €6 million.

In 2020 and 2019 no other changes were made in the useful life, amortization methods or the residual values of the Other intangible assets.

Software and Intangibles under development

Investments in Software mainly relate to the implementation of harmonized systems, which is part of the implementation of the Arcadis Way. An amount of €14.3 million was invested in Software and Intangibles under development in 2020 (2019: €13.5 million). The Intangibles under development of €33.2 million are related to the development of software not yet in use and are not yet amortized (2019: €31.0 million).

14 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.

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In 2020 and 2019 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	Total
At 1 January 2019	**3,085**	**65,877**	**25,082**	**7,937**	**101,981**
Additions	90	11,761	10,136	12,982	34,969
Acquisitions of subsidiaries	–	–	–	–	–
Disposals	(600)	(417)	(333)	(452)	(1,802)
Reclassifications	21,428	(13,581)	758	(12,569)	(3,964)
Depreciation charges	(4,987)	(14,488)	(13,135)	–	(32,610)
Exchange rate differences	68	1,309	580	203	2,160
Movement 2019	**15,999**	**(15,416)**	**(1,994)**	**164**	**(1,246)**
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	7,611	23,897
Acquisitions of subsidiaries	11	–	164	–	175
Disposals	96	(1,264)	(1,171)	(167)	(2,506)
Reclassifications	5,778	(2,775)	1,613	(7,736)	(3,120)
Depreciation charges	(6,079)	(12,601)	(11,300)	–	(29,980)
Exchange rate differences	(1,504)	(1,761)	(1,348)	(250)	(4,863)
Movement 2020	**(532)**	**(12,650)**	**(2,673)**	**(542)**	**(16,397)**
Cost	56,487	103,016	101,721	7,560	268,784
Accumulated depreciation	(37,936)	(65,206)	(81,304)	–	(184,446)
At 31 December 2020	**18,551**	**37,810**	**20,417**	**7,560**	**84,338**

A reclassification of €3 million has been made from Property, plant & equipment under development to Software.

15 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; and
- 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 28 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.

Judgment 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 7.

Rent concessions - Practical expedient
In response to the COVID-19 coronavirus pandemic, the International Accounting Standards Board (the Board) issued an amendment to IFRS 16 Leases to provide practical relief for lessees in accounting for rent concessions.
Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The Group did not come across significant rent concessions due to the pandemic as a result of which it was decided not to avail the practical expedient. Therefore, 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 over 2,700 active lease contracts at 31 December 2020 (31 December 2019: 2,800), 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. The future way of working is expected to change as compared to the pre COVID- 19 situation, 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; and
- Costs and business disruption required to replace a leased asset.

An amount of €34 million extension and/or renewal options are included in the Group's lease liability at 31 December 2020 reflecting that the Group could not replace leased assets without significant cost or business disruption.

As at 31 December 2020, potential future cash outflows of €122 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). During 2020 the financial impact of the reassessment of reasonable certainty led to a decrease in recognized lease liabilities and right-of-use assets of €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 €1.3 million were abandoned during the year and therefore were fully depreciated in 2020. The lease payments are to be made to the landlord in future as the lease could not be terminated due to which a lease liability of €1.3 million relates to abandoned leases.

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 2020 amounts to €305.7 million (2019: €337.2 million) and the maturity is as shown in the table below.

Maturity	2020	2019
0 - 1 Year	69,818	83,742
1 - 2 Year	54,308	67,038
2 -3 Year	44,049	50,520
3 - 4 Year	33,164	37,101
4 -5 Year	26,043	26,964
> 5 Year	78,300	71,805
Total	**305,682**	**337,171**

The undiscounted maturity of all sub-leasing contracts at 31 December 2020 amounts to €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 1 January 2019	**248,655**	**1,209**	**2,276**	**23,333**	**275,473**
Additions and remeasurements	45,433	178	7,189	10,156	62,956
Depreciation charges	(58,687)	(385)	(1,553)	(10,484)	(71,109)
Acquisitions / disposals	(4,600)	(1)	(30)	(5)	(4,636)
Exchange rate differences	3,791	23	66	205	4,085
Movement 2019	**(14,063)**	**(185)**	**5,672**	**(128)**	**(8,704)**
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**

Lease liabilities and restoration provisions

The following lease liabilities and restoration provisions (see also note 28) are recognized in the balance sheet:

In € thousands	2020	2019
Balance at 1 January	291,122	289,989
Additions and remeasurements	72,923	61,210
Payments	(82,888)	(74,808)
Acquisitions / disposals	1,498	–
Interest	7,881	9,810
Exchange rate differences	(12,179)	4,921
Balance at 31 December	**278,357**	**291,122**
Current	69,377	75,661
Non-current	208,980	215,461
Total	**278,357**	**291,122**

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	2020	2019
Depreciation	74,955	71,109
Interest expense (included in Net finance expense)	7,881	9,810
Other operational costs for short-term leases	2,301	5,122
Other operational costs for low-value leases	11	212
Other operational costs for loss on derecognition lease	827	12
Other income for gain on derecognition lease	2	(108)
Other income from sub-leasing	(110)	(328)
Total	**85,867**	**85,829**

In limited cases the Group acts as a lessor by sub-leasing (part of) a building. Such lease income, amounting to €0.1 million in 2020 (2019: €0.3 million), is recognized in Other income, see note 7. Gains or losses on the derecognition of leases amounted to €0.8 million loss. No impairments have been recognized.

16 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 together with the Group's balance sheet impact and share in profit of loss.

Name of entity	Place of business/ country of incorporation	Associate/ joint venture	% of ownership interest 2020	% of ownership interest 2019
Arcadis Logos Energia S.A.	Brazil	Associate	0.00%	49.99%
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 2020	Associates 2019	Joint ventures 2020	Joint ventures 2019	Total 2020	Total 2019
Balance at 1 January	**5,349**	**4,689**	**2,180**	**3,067**	**7,529**	**7,756**
Share in result by Arcadis	923	1,220	44	31	967	1,251
Investments	–	17,483	23	22	23	17,505
Divestments	(2)	–	–	(3)	(2)	(3)
Received dividends	–	(540)	(500)	(991)	(500)	(1,531)
Expected Credit loss	–	(16,234)	–	–	–	(16,234)
Exchange rate differences	(8)	(1,269)	(109)	54	(117)	(1,215)
Balance at 31 December	**6,262**	**5,349**	**1,638**	**2,180**	**7,900**	**7,529**

There are no loans to associates or joint ventures outstanding as at 31 December 2020.

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 2020 (2019: nil).

Material associates

Arcadis Logos Energia S.A. (ALEN), which held investments in several energy assets in Brazil, has been a material associate for the Group in the past. Arcadis' equity investment included 49.99% of share capital, representing 49.99% of voting rights. The equity investment in and shareholder loans to ALEN were part of the Net investment, to which the equity method was applied.

On 17 December 2019, the Company announced that it decided to stop investing in ALEN. On 4 August 2020, Arcadis signed a share purchase and sale agreement and transferred the shares it held to Porto de Cima Concessões S.A. for an amount of R$ 1 (€0). The other 50.01% of the shares were sold to the same buyer by Logos Holding S.A.

Below a summary is provided of the impact of ALEN related transactions (settlement of the sale and release of provisions) on the results of 2020 and the balance sheet positions as at 31 December 2020.

The net (balance sheet) positions of Arcadis are summarized as follows:

In € thousands	Note	31 Dec 2020	31 Dec 2019
Shareholder loans		–	–
Net investment in ALEN		**–**	**–**
Provision for Expected Credit Loss on corporate guarantees	30	(5,358)	(92,773)
Provisions (current portion)	28	(1,000)	(10,000)
On-balance sheet position		**(6,358)**	**(102,773)**
Outstanding corporate guarantees		5,358	92,773
Net position		**(1,000)**	**(10,000)**

Shareholder loans

In the first six months of 2020, Arcadis has provided an additional shareholder loan of €0.5 million to ALEN to pay interest due on its bank loans. The Expected Credit Loss model was applied since these loans were part of the Net investment in ALEN, therefore resulting in a loss of €0.5 million.

The day before the sale of the equity investment in ALEN all shareholder loans (gross value of R$324.4 million, being €53.5 million) were converted into equity, without changes in the voting rights held by Arcadis.

No shareholder loans and provision for Expected Credit Losses on shareholder loans are outstanding on the balance sheet as at 31 December 2020.

Guarantees

The shareholders in ALEN, Logos Holding S.A. and Arcadis, provided corporate guarantees to the lenders of ALEN for loans to ALEN and its affiliates. During 2020, these guarantees developed as follows:

In € millions	Note	2020	2019
Corporate guarantees at 1 January		**93**	**87**
New guarantees		3	13
Releases		(64)	–
Repayments		(3)	(6)
Exchange rate differences		(24)	(1)
Corporate guarantees at 31 December		**5**	**93**
Provision for ECL on corporate guarantees at 1 January		**(93)**	**(28)**
Additions		(3)	(65)
Amounts used		64	–
Release of unused amounts		3	–
Exchange rate differences		24	–
Provision for ECL on corporate guarantees at 31 December	30	**(5)**	**(93)**
Total exposure at 31 December		**–**	**–**

A total of €64.2 million for shareholder loans and corporate guarantees has been presented as cash outflow in the Consolidated Cash flow statement as 'investments in/loans to associates and joint ventures'.

For the remaining outstanding corporate guarantees on 31 December 2020 of R$34 million (€5.4 million), Arcadis remains exposed to credit losses and thus continued to provide for the full amount.

Upon a full release from its corporate guarantees, an indemnity clause will become applicable to Arcadis with that is fully offset by the release from the corporate guarantees. At 31 December 2020, the corporate guarantees were still in place.

Other provision

In 2019, a €10 million provision was recognized for costs to cover for (constructive) obligations (environmental liabilities) relating to an orderly wind-down of ALEN. During 2020, an amount of €1.0 million was used and €8.0 million released as the sale resulted in a release of Arcadis from its liabilities. An amount of €1.0 million is left as provision at 31 December, see note 28.

Summary profit or loss impact

The loss for the full year has been recognized in the Consolidated income statement on the following accounts:

In € thousands	2020	2019
Share in result by Arcadis	–	–
Result from investments accounted for using the equity method	**–**	**–**
Impairment on shareholder loans	(491)	(17,483)
Remeasurement Expected Credit Loss on shareholder loans and corporate guarantees	20,198	(64,948)
Expected Credit loss on shareholder loans and corporate guarantees	**19,707**	**(82,431)**
Other operational costs	7,961	(10,000)
Total result from investment in ALEN	**27,668**	**(92,431)**

Of the total Expected Credit loss of €19.7 million, an amount of €18.6 million is realized foreign exchange gains (including result of hedges). This relates to the payment of guarantees and not the recycling of currency translation adjustments.

17 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	2020	2019
Balance at 1 January	**2,280**	**637**
Investments	181	1,052
Divestments	(121)	(110)
Fair value changes	(20)	704
Others	(185)	–
Exchange rate differences	(87)	(3)
Balance at 31 December	**2,048**	**2,280**

The value of the investment in the Techstars cohorts amount to €1.6 million as at 31 December 2020 (2019: €1.8 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.

‘Others’ include the change as a result of the consolidation of White Rock Insurance (Netherlands) Pcc Limited, see note 5.

18 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 changes 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 a 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 changes 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 in 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 hedge inception and at each reporting date, the Group makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of 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 cease 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 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 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	2020	2019	2020	2019	2020	2019
Interest rate derivatives:						
Current	–	–	–	–	–	–
Non-current	4,624	1,240	545	822	4,079	418
Foreign exchange derivatives:						
Current	5,923	6,252	5,351	4,657	572	1,595
Non-current	–	–	–	–	–	–
Total at 31 December	**10,547**	**7,492**	**5,896**	**5,479**	**4,651**	**2,013**

See note 29 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 2020, the Group held for a notional amount of €36.0 million (2019: €81.5 million) floating to fixed interest rate swaps to hedge the interest rate risk. The position of the €45.5 million interest rate swap matured in May 2020, together with the Schuldschein loan repayment of €45.5 million. Hedge accounting is not applied to a €36.0 million interest rate derivative.

The market value of these derivatives per 31 December 2020 was €0.6 million negative (2019: €1.0 million negative). In addition, the Group has €40.0 million 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 2020 was €4.6 million positive (2019: €1.1million positive) and hedge accounting is applied on these derivatives.

Effects of hedge accounting on the financial position and performance

In € thousands	2020	2019
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	3,484	(429)
Change in value of hedged item used to determine hedge effectiveness	(3,320)	464
Ineffectiveness	134	(97)

Also, during 2020 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 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	2020	2019
Balance at 1 January	**2,013**	**966**
Changes in Income statement	6,809	2,826
Changes through Other comprehensive income	739	886
Cash settlement derivatives	(4,628)	(1,487)
Exchange rate differences	(282)	(1,178)
Balance at 31 December	**4,651**	**2,013**

The change in fair value of derivatives recognized in profit or loss is €4.7 million positive (2019: €2.9 million positive) together with foreign exchange results of €11.2 million negative (2019: €5.7 million negative) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to € 6.5 million negative (2019: €2.8 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	2020	2019
Interest rate derivatives	(412)	(1,210)
Foreign exchange derivatives (classified as cash flow hedges)	269	269
Cost of hedging reserve	336	395
Total	**193**	**(546)**

19 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	2020	2019
Balance at 1 January	**27,595**	**26,668**
New receivables	3,795	5,104
Received	(6,146)	(4,584)
Exchange rate differences	(2,663)	407
Balance at 31 December	**22,581**	**27,595**

Other non-current assets include long-term receivables of €9.8 million (2019: €11.3 million) related to the deferred compensation plan in the United States of America operating company, see note 27 for further details. The remaining amount consists of various other long-term receivables such as rental deposits, judicial deposits and retentions.

20 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	2020	2019
Trade receivables	518,342	661,979
Provision for trade receivables (individually impaired bad debt)	(51,029)	(59,668)
Provision for trade receivables (Expected Credit Loss)	(631)	(685)
Receivables from associates	1,797	1,274
Total at 31 December	**468,479**	**602,900**

Of the total gross Trade receivables, approximately 8% is subject to a so-called 'paid-when-paid' clause (2019: 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 31.

Ageing of Trade receivables

	2020			2019		
	Gross Receivables	Provision bad debt	Provision ECL	Gross Receivables	Provision bad debt	Provision ECL
Not past due	340,014	(4,183)	(171)	381,034	(4,155)	(357)
Past due 0-30 days	58,703	(919)	(30)	102,464	(1,076)	(75)
Past due 31-60 days	22,519	(442)	(18)	39,828	(550)	(41)
Past due 61-120 days	21,869	(807)	(33)	27,195	(599)	(49)
Past due 121-364 days	32,336	(9,304)	(27)	47,489	(6,201)	(78)
More than 364 days due	42,901	(35,374)	(352)	63,969	(47,087)	(85)
Total at 31 December	**518,342**	**(51,029)**	**(631)**	**661,978**	**(59,668)**	**(685)**

Increased focus in 2020 on working capital management has resulted in the collection of overdue receivables. The improvement was mainly seen in North America, UK and Asia.

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, which was in some countries impacted by COVID-19.

In summary, the Expected Credit Loss allowance at 31 December 2020 for the stage 1 and 2 losses was determined as follows:

In € thousands	Current	More than 30 days past due	More than 90 days past due	More than 120 days past due
Expected loss rate [1]	0.05%	0.07%	0.24%	0.19%
Gross carrying amount	344,310	97,332	7,927	119,915
Expected Credit Loss	**171**	**62**	**19**	**379**

[1] Weighted average loss rate for the Group, based on individual positions in countries and the applicable PDs

The total provision for Trade receivables developed as follows:

In € thousands	2020	2019
Balance at 1 January	**60,353**	**61,198**
Acquisitions/(divestments)	64	20
Additions charged to profit or loss	20,995	16,923
Release of unused amounts	(11,687)	(13,046)
Remeasurement Expected Credit Loss	(53)	(68)
Utilizations	(14,542)	(5,635)
Exchange rate differences	(3,470)	961
Balance at 31 December	**51,660**	**60,353**

21 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 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, are as follows:

In € thousands	2020 Contract assets	2020 Contract liabilities	2020 Provision for onerous contracts	2020 Net position	2019 Contract assets	2019 Contract liabilities	2019 Provision for onerous contracts	2019 Net position
Cumulative revenue	5,808,276	3,870,448	–	9,678,724	6,638,772	3,570,531	–	10,209,304
Loss provisions	–	–	(40,401)	(40,401)	–	–	(90,545)	(90,545)
Expected Credit Loss allowance	(39)	–	–	(39)	(62)	–	–	(62)
Billings to date	(5,341,947)	(4,166,188)	–	(9,508,135)	(5,968,861)	(3,855,575)	–	(9,824,435)
Total at 31 December	**466,290**	**(295,740)**	**(40,401)**	**130,149**	**669,849**	**(285,044)**	**(90,545)**	**294,260**

The significant decrease in the Provision for onerous contracts (loss provision) is mainly due to a reclassification made from the loss provisions to cumulative revenue for an amount of €61 million. Some operating companies kept reporting realized losses in the loss provisions until projects got administratively closed; this has been addressed in 2020 and only future losses that are provided for are shown in the provision. This reclassification did not impact profit or loss, nor did it impact the total Net working capital.

Advances received and retentions held by clients reported as part of Contract assets and liabilities amount to:

In € thousands	2020	2019
Amount of advances received	615	960
Amount of retentions held by clients	2,709	3,466

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 €1.2 million (2019: €4.5 million) of retentions have been recognized as 'Other non-current assets' (see note 19).

Expected Credit Loss allowance

COVID-19 has not significantly impacted the Expected Credit Loss allowance on Contract assets. The allowance developed as follows:

In € thousands	2020	2019
Balance at 1 January	**62**	**93**
Remeasurement Expected Credit Loss	(23)	(31)
Balance at 31 December	**39**	**62**

22 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 2020, non-current assets and disposal groups that meet the criteria as Asset held for sale amount to €0.1 million. The decision to reduce the footprint in the Middle East has not led to the recognition of an Asset held for sale as the conditions for this classification have not been met.

23 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	2020	2019
Other receivables	15,279	21,822
Prepaid expenses	59,487	29,631
Balance at 31 December	**74,766**	**51,453**

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 increase in 2020 is mainly due to prepayments on multi-year software licenses.

24 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 and Bank overdrafts are offset to the extent the offsetting criteria have been met, which include the legally enforceable 'right to set off' and the intention to settle on a net basis.

Cash and cash equivalents at the balance sheet date can be specified as below.

In € thousands	2020	2019
Bank and cash	412,720	264,064
Deposits	36,438	32,831
Balance at 31 December	**449,158**	**296,895**
Bank overdrafts used for cash management purposes	(291)	(472)
Cash and cash equivalents less bank overdraft	**448,867**	**296,423**

The average effective interest rate earned on cash during 2020 was 0.3% (2019: 1.0%). At 31 December 2020, €427.9 million of Cash and cash equivalents was freely available (2019: €259.4 million).

Restricted cash amounting to €21.2 million is composed of cash balances mainly held in China (2019: €37.5 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, in some Region's cash balances cannot be 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 2020, no Cash and cash equivalents and Bank overdrafts have been offset (2019: nil).

25 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
2020		
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 2019 and 2020 is presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
At 1 January 2019	**87,711,327**	**600**	**1,303,978**	**89,015,905**
Shares issued (stock dividend)	1,426,786	–	–	1,426,786
Repurchased shares	(850,000)	–	850,000	–
Exercised shares and options	757,115	–	(757,115)	–
At 31 December 2019	**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**

Priority shares

Total number of outstanding priority shares at 31 December 2020 is 600 (2019: 600). In 2020, 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; and
- 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 four (4) vacancies at 31 December 2020): 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 with its corporate sit in Arnhem, whose board members are appointed by and from the international employees of the 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 Chairman (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 2020: 16,038,364).

Issuance of shares

The General Meeting decided, 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. No shares were issued in 2020 to distribute to shareholders in the form of shares (stock dividend) as the dividend payment was cancelled (2019: 1,426,786).

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. 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 share repurchase plan was cancelled in March 2020 as a measure to preserve cash and ensure sufficient liquidity for the Group. On 30 December 2020, the Group started repurchasing shares again.

The following numbers of shares were repurchased over the past five years:

Year	Number of shares	Price at time of purchase (in €)
2016	1,000,000	11.38 to 17.75
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

The repurchased shares are to cover for the vesting/exercise of shares and options granted. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 1,577,872 has been placed back in the market through the exercise of options and vesting of Restricted Share Units in 2020 (2019: 757,115). Net proceeds of the exercise of options, included in Retained earnings, amounted to €8.4 million (2019: €10.8 million).

At 31 December 2020, the number of repurchased shares in stock (treasury stock) amounted to 323,377 (2019: 1,396,863).

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
2016	83,306,151	2,143,932	(1,000,000)	342,089	84,792,172
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

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 €65.9 million was deducted from the Translation reserve in 2020 (2019: €33.8 million addition).

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 €0.7 million was added to the Hedging reserve in 2020, net of a tax effect of €0.2 million (2019: €0.9 million and €0.1 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 of Shareholders 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 2020 amounts to €21.9 million. The Executive Board, with the approval of the Supervisory Board, proposes to deduct an amount of €32.2 million from the retained earnings and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €54.1 million, which represents a dividend of €0.60 per ordinary share (2019: €0.56, proposed but cancelled in March 2020), at the option of the respective shareholder(s) in cash or in the form of shares. Of the total Retained earnings, an amount of €72.6 million of legal reserves is restricted in distribution (2019: €55.6 million). See note 45 to the Company financial statements for further details.

26 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	2020	2019
Balance at 1 January	**2,877**	**2,199**
Share in profit for the year	(706)	2,549
Dividends to non-controlling shareholders	(3,419)	(1,253)
Exchange rate differences	11	(618)
Balance at 31 December	**(1,237)**	**2,877**

At 31 December 2020, the non-controlling interests mainly consisted of:

- Arcadis and Towell Sdn. Bhd. (25%) (2019: 25%)
- Hyder Middle East Limited International Company (30%) (2019: 30%)
- Hyder & Solaiman Elkhereiji Engineering Consultants (30%) (2019: 30%)
- Gerenciamento Nacala Ltda (40%) (2019: 40%)
- Arcadis CED Project Service Bureau BV (45%) (2019: 45%)

27 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 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**

In € thousands	Asset side	Liability side	Total 2019
Defined benefit pension plans	3,706	37,006	33,300
Other deferred compensation plans	–	19,095	19,095
Total provision for employee benefits	**3,706**	**56,101**	**52,395**
Non-current	3,706	49,493	45,787
Current	–	6,608	6,608
Total	**3,706**	**56,101**	**52,395**

Pension costs recognized in profit or loss

The total pension costs recognized in profit or loss were as follows:

In € thousands	2020	2019
Total defined benefit pension plans	4,268	4,731
Total defined contribution pension plan and other deferred compensation plans	62,515	65,325
Total pension costs	**66,783**	**70,056**

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	2020	2019
Personnel costs	66,693	69,936
Finance expenses	90	120
Total pension costs	**66,783**	**70,056**

Defined 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 approximately 24% of the total defined benefit liability (2019: 3%). The remaining 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).

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.

	2020			2019		
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)	120,498	120,335	163	113,796	117,503	(3,706)
Acer Group Pension Scheme (AGPS)	258,275	247,796	10,479	245,688	240,698	4,990
ME Termination Indemnity Plan (HME)	18,415	–	18,415	17,892	–	17,892
Other defined benefit pension plans			17,762			17,830
Total defined benefit pension plans			**46,819**			**37,006**

The movement in the defined benefit pension plans is as follows:

In € thousands	2020	2019
Balance at 1 January	**37,006**	**32,749**
Additions	4,313	3,361
Amounts used	(292)	(306)
Pension plan changes to net asset position	7,682	613
Exchange rate differences	(1,889)	589
Balance at 31 December	**46,819**	**37,006**
Non-current	46,792	36,979
Current	27	27
Total	**46,819**	**37,006**

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 2019	**(2,040)**	**4,198**	**13,013**	**17,578**	**32,749**
Current service cost	–	–	2,791		
Interest expense/(income)	(94)	92	588		
One-off equalization cost	–	–	–		
Reclassification	–	–	4,071		
Subtotal	**(94)**	**92**	**7,450**	**(2,717)**	**4,731**
Remeasurement:					
Return on plan assets excluding amounts included in interest expense/(income)	(9,651)	(18,696)	–		
(Gain)/loss from change in financial assumptions	12,832	24,799	(105)		
(Gain)/loss from change in demographic assumptions	(1,370)	(2,532)	(67)		
Experience (gain)/loss	(1,002)	(823)	322		
Total remeasurement	**809**	**2,748**	**150**	**198**	**3,905**
Exchange rate differences	(190)	274	335	3,180	3,599
Contributions by employer	(2,191)	(2,322)	–	(3,159)	(7,672)
Benefit payments from plans	–	–	(3,056)	2,750	(306)
Balance at 31 December 2019	**(3,706)**	**4,990**	**17,892**	**17,830**	**37,006**
Current service cost	–	–	2,091		
Interest expense/(income)	(89)	76	335		
One-off equalization cost	–	–	–		
Reclassification	–	–	–		
Subtotal	**(89)**	**76**	**2,426**	**1,856**	**4,269**
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	(231)		
(Gain)/loss from change in demographic assumptions	(164)	(2,787)	256		
Experience (gain)/loss	(1,116)	(300)	2,016		
Total remeasurement	**5,358**	**7,989**	**2,041**	**2,993**	**18,381**
Exchange rate differences	195	(265)	(1,076)	(4,498)	(5,644)
Contributions by employer	(1,595)	(2,311)	–	(2,995)	(6,901)
Benefit payments from plans	–	–	(2,868)	2,576	(292)
Balance at 31 December 2020	**163**	**10,479**	**18,415**	**17,762**	**46,819**

(A) EC Harris group pension scheme (ECH)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands / %	2020	%	2019	%
Equities	12,048	10	13,101	11
Fixed income	13,268	11	18,414	16
Property and real estate	4,915	4	5,531	5
Hedge funds	–	0	–	0
Cash	335	0	1,051	1
Other[1]	89,769	75	79,406	68
Total at 31 December	**120,335**	**100**	**117,503**	**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 %	2020	2019
Discount rate	1.40	2.10
Pension increases	1.80–3.30	2.05 – 3.45
Retail price index inflation	3.10	3.20
Consumer price index inflation	2.10	2.20

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 twenty 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	2020	2019
Male/female currently aged 65	22.4 / 24.6	22.3 / 24.3
Male/female reaching age of 65 in 20 years	23.7 / 26.1	23.7 / 25.8

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 % / € 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 increase	4,472

The sensitivity analysis as disclosed in the 2019 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	11,800
Rate of inflation	0.5%	5,900
Life expectancy	one–year increase	4,700

Defined benefit liability and employer contributions

The Company expects no contributions to be paid to the plan in 2021. The estimated net pension costs to be recognized in the Consolidated income statement in 2021 is nil as the interest income on assets sets off interest expense on liabilities. The estimated weighted average duration of the defined benefit obligation is around 20 years.

(B) Acer Group Pension Scheme (AGPS)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands / %	2020	%	2019	%
Equities	76,399	31	80,157	33
Fixed income	14,774	6	82,540	34
Property and real estate	6,802	3	7,223	3
Hedge funds	97,576	39	61,295	25
Cash	1,952	1	9,483	4
Others[1]	50,293	20	–	–
Total at 31 December	**247,796**	**100**	**240,698**	**100**

[1] Others include alternatives, commodities, return seeking credit and insured pensions

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2020	2019
Discount rate	1.40	2.10
Pension increases	1.80 – 3.30	2.05 – 3.45
Retail price index inflation	3.10	3.20
Consumer price index inflation	2.10	2.20

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	2020	2019
Male/female currently aged 65	22.4 / 24.6	22.3 / 24.3
Male/female reaching age of 65 in 20 years	23.7 / 26.1	23.7 / 25.8

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 2020, the sensitivity analysis 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 increase	12,298

The sensitivity analysis as disclosed in the 2019 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	23,600
Rate of inflation	0.5%	14,100
Life expectancy	one–year increase	10,600

Defined benefit liability and employer contributions

The Group has agreed that it will aim to eliminate any pension plan deficit within the next ten years. Therefore, funding levels are monitored on an annual basis.

The Company expects €2.2 million in contributions to be paid to the plan in 2021.
The estimated net pension costs to be recognized in the Consolidated income statement in 2021 amounts to €0.1 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 %	2020	2019
Discount rate	0.80	2.40
Salary increases (expected,per annum)	0–2.00	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 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	2020	2019
Male/female Saudi Arabia	60 / 55	60 / 55
Male/female 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 2020, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	200
Salary increases	0.5%	200

The sensitivity analysis as disclosed in the 2019 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	400
Salary increases	0.5%	400

Defined benefit liability and employer contributions

The Company expects €1.4 million of service costs and €0.1 million of interest costs to be recognized in the Consolidated income statement in 2021. 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	2020	2019
Deferred salaries	9,820	11,271
Future jubilee payments	4,601	3,500
Other	5,054	4,324
Balance at 31 December	**19,475**	**19,095**

The movement in the other deferred compensation is as follows:

In € thousands	2020	2019
Balance at 1 January	**19,095**	**17,288**
Acquisitions	80	–
Additions	1,713	1,555
Amounts used/released	(581)	(28)
Exchange rate differences	(832)	280
Balance at 31 December	**19,475**	**19,095**
Non-current	13,361	12,513
Current	6,114	6,582
Balance at 31 December	**19,475**	**19,095**

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 19 for an amount of €9.8 million (2019: €11.3 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 (2019: €3.5 million). The increase is due to changes in the participants and a decreased discount rate.

Other

Other deferred compensation includes €4.8 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 (2019: €4.0 million). The time allowance and conditions of entitlement are set out in legislation and vary by territory. An amount of €3.6 million is expected to be paid within one year (2019: €3.0 million).

28 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 10).

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.

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In € thousands	Restructuring	Litigation	Restoration	Other	Total
Balance at 1 January 2019	**4,953**	**16,899**	**4,061**	**6,960**	**32,873**
Additions	4,784	5,931	98	11,745	22,558
Amounts used	(6,050)	(648)	–	(111)	(6,809)
Release of unused amounts	(1,514)	(6,976)	–	(1,076)	(9,566)
Reclassifications	–	(185)	–	(22)	(207)
Exchange rate differences	46	424	137	297	904
Balance at 31 December 2019	**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**
Non-current	772	17,725	5,110	4,142	27,749
Current	1,344	2,919	1,152	3,670	9,085
Total	**2,116**	**20,644**	**6,262**	**7,812**	**36,834**

Restructuring

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly in Continental Europe, the UK and CallisonRTKL. 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. Existing plans currently include reduction of staff capacity in certain parts of the Company that are expected to be executed in the coming year.

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 €20.6 million (2019: €15.4 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.

The movement in the litigation provision in 2020 is due to various individually non-material claims. An addition of €15.8 million is due to the consolidation of the captive insurance company, see note 5. The captive is a version of a self-owned insurance company; one of its objectives is to provide coverage at a lower cost than available through the general insurance market. The provision for claims consolidated at 31 December 2020 amounts to €10.5 million.

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 included provisions for warranties and obligations relating to ALEN; an amount of €8.0 million relating to ALEN has been released in 2020, see note 16. The remaining other provisions are based on the obligation that the Company has with counterparties involved and the estimated cash out flows. No individual items within the other provisions are material and the Company expects that the other provisions will be substantively used within one to five years.

29 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.

Debt securities issued are recognized on the date they are originated. 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 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	2020	2019
Bank loans	1.3% – 5.0%	90,726	133,206
Loan notes issued to financial institutions	1.7% – 5.1%	397,366	455,822
Other long-term debt [1]	3.0% – 6.9%	3,598	4,761
Short-term borrowings	0.3% – 1.0%	8,676	17,000
Total loans and borrowings		**500,366**	**610,789**
Current [2]		99,402	150,206
Non-current		400,964	460,583
Total		**500,366**	**610,789**

1 Including retentions and expected after-payments not due within one year, amounting to €3.6 million (2019: €4.8 million)
2 Excluding after-payments for acquisitions, see note 5

The movement in non-current loans and borrowings is as follows:

In € thousands	2020	2019
Balance at 1 January	**460,583**	**386,061**
New debt	220,247	264,081
Accrued interest	(136)	465
Redemptions	(128,990)	(2,934)
From current to non-current liabilities	–	430
Acquisitions (deferred consideration)	–	2,779
From long-term to current position other long-term	(142,304)	(192,399)
Exchange rate differences	(8,436)	2,100
Balance at 31 December	**400,964**	**460,583**

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	2020	2019
2021	–	102,701
2022	114,647	112,499
2023	56,959	39,974
2024	96,476	205,409
2025	80,383	–
After 2025	52,499	–
Balance at 31 December	**400,964**	**460,583**

The movement in short-term debts and current portion of long-term debts is as follows:

In € thousands	2020	2019
Balance at 1 January	**150,206**	**202,163**
New debt	41,500	267,000
Redemptions	(224,571)	(513,526)
From long-term to current position other long-term	142,304	192,399
Exchange rate differences	(10,037)	2,170
Balance at 31 December	**99,402**	**150,206**

Interest rates

The interest rate ranges for the total loans and borrowings are as follows:

In %	2020	2019
0% - 4%	403,467	409,233
4% - 7%	96,899	201,556
Balance at 31 December	**500,366**	**610,789**
Weighted average interest rate [1]	**2.5%**	**3.3%**

[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 €504.4 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 (2019: €594.1 million).

Bank loans (Term loans)

In May 2020 and in October 2020 Schuldschein notes were repaid in the amounts €70.0 million and US$70.0 million (€ 57.3 million) respectively. These repayments were in accordance with the repayment schedule. In October 2020 Arcadis issued €150.0 million new Schuldschein loans in three-, five- and seven-year maturities. These loans bear interest rates which are partially fixed and partially floating. The weighted average fixed interest rate on these loans has been set to 1.6%. The new Schuldschein loans also contain an ESG linkage, which means that an interest discount and premium can be achieved, depending on Arcadis meeting certain ESG-requirements.

The current portion of long-term debt includes US$110.0 million (€90.0 million) in fixed rate 5.1% US Private Placement Notes with a maturity in June 2021 and the long term debt includes a total of Schuldschein debt in the amount of € 290.0 million and US$13.0 million (total value of € 300.6 million) maturing in 2022, 2023, 2025 and 2027.

At 31 December 2020, €36.0 million of floating rate bank debt has been converted by way of an interest rate swap into EUR fixed rate debt, at a rate of approximately 0.5%. The remaining lifetime of the swap is 1.5 years. See note 18 for further disclosures on derivatives. The €300.0 million Revolving Credit facility matures in December 2022. The US$115.0 million (€94.1 million) Revolving Credit Facility matures in January 2025. No further changes were made to these loan facilities and the debt covenants remain unchanged and consistent with all other debt instruments.

Financial covenants

The leverage covenant for the newly issued €150.0 million Schuldschein loans in October 2020 prescribes that the average net debt to EBITDA ratio is not to exceed the maximum ratio of 3.5. which is confirmed to the lenders twice a year. This leverage covenant is aligned to IFRS 16. At December 2020 the average net to EBITDA ratio calculated in accordance with the newly issued Schuldschein loans is 1.3. No other financial covenants exist for these loans.

The leverage covenant for the other long-term debt facilities 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 2020, the average net debt to EBITDA ratio calculated in accordance with agreements with the banks is 0.7 (2019: 1.4), see also note 31. These financial covenant ratios are not impacted by IFRS 16.

The lease-adjusted interest coverage ratio for the other, long-term debt facilities prescribes that EBITDA to Relevant Net Finance Expense (Net Finance Expense plus Operating Lease Expense) must exceed 1.75. At 31 December 2020, this ratio calculated in accordance with agreements with the lenders is 3.2 (2019: 2.7).

Credit facilities

The total short-term credit facilities amount to €681.9 million, which include all uncommitted credit facilities, bank guarantee facilities and surety bond lines with financial institutions of which €142.0 million has been used as per 31 December 2020 (2019: €401.9 million and €163.3 million respectively).

The Group has short-term uncommitted credit facilities of € 452.4 million with relationship banks and three bank guarantee facilities totaling € 72.8 million (2019: €97.3 million and €73.2 million respectively). These short-term credit facilities are used for the financing of working capital and general corporate purposes of the Group.

By the end of the year 2020, the total amount of bank guarantees and letters of credit that were outstanding under the €72.8 million guarantee facilities amounted to € 37.4 million (2019: €39.0 million). Additionally, there were other outstanding bank guarantees, letters of credit and surety bonds amounting to €95.0 million (2019: €105.6 million).

As from May 2020 Arcadis was found eligible to issue commercial paper under the COVID Corporate Financing Facility (CCFF) by the Bank of England for a maximum amount of £300.0 million (€335.4 million). Under this program Arcadis can issue commercial paper with the Bank of England as sole purchaser. The CCFF is considered to be an uncommitted credit facility. During 2020, Arcadis did not make use of this facility. The possibility to issue commercial paper under the CCFF will cease to exist by February 2021.

30 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	2020	2019
Accounts payable		183,313	279,367
Accrued expenses		38,060	41,353
Payables to employees		158,569	175,094
Taxes and social security contributions		110,919	81,163
After-payments relating to acquisitions	5	1,212	7,171
Payables to associates		–	669
Provisions for Expected Credit Loss on corporate guarantees	16	5,358	92,773
Other liabilities		63,604	59,258
Balance at 31 December		**561,035**	**736,848**

Of the total accounts payable approximately 47% is subject to a so-called ‘paid-when-paid’ clause (2019: 49%). 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 31.

COVID-19 relief measures provided by governments resulted in the deferral of tax and social security payments in mainly the UK, North America and CallisonRTKL, see also note 3.

The decrease in the provision for Expected Credit Loss on corporate guarantees is mainly due to payments and foreign exchange gains, see note 16.

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 15.

31 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 approved by the Executive Board.

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	2020	2019
Financial assets:			
Trade receivables	20	468,479	602,900
Contract assets (unbilled receivables)	21	466,290	669,849
Other receivables	23	15,279	21,822
Other non-current assets	19	22,581	27,595
Derivatives	18	10,547	7,491
Loans to associates and joint ventures	16	–	–
		983,176	**1,329,657**
Cash and cash equivalents less bank overdrafts	24	448,867	296,423
Total		**1,432,043**	**1,626,080**

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 20.

The ageing of Trade receivables and the provision for Trade receivables at reporting date is disclosed below and in note 20. 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 20.

	2020			2019		
In € thousands	Gross Receivables	Provision bad debt	Provision ECL	Gross Receivables	Provision bad debt	Provision ECL
Not past due	340,014	(4,183)	(171)	381,034	(4,155)	(357)
Past due 0-30 days	58,703	(919)	(30)	102,464	(1,076)	(75)
Past due 31-60 days	22,519	(442)	(18)	39,828	(550)	(41)
Past due 61-120 days	21,869	(807)	(33)	27,195	(599)	(49)
Past due 121-364 days	32,336	(9,304)	(27)	47,489	(6,201)	(78)
More than 364 days due	42,901	(35,374)	(352)	63,969	(47,089)	(85)
Total	**518,342**	**(51,029)**	**(631)**	**661,978**	**(59,668)**	**(685)**

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 in all of our regions. 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 2020 subject to the 'paid-when-paid principle' are disclosed in note 20. 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. A net gain €24.0 million has been recognized in 2020 on the loans to Arcadis Logos Energia S.A. (ALEN) due to the devaluation of the Brazilian Real, see note 16 for further details. At 31 December 2020, no material loans to associates were outstanding anymore.

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. The related risk is monitored on an ongoing basis both at local entity and group level. The Group keeps approximately 92% (2019: 86%) 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

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 €132.5 million outstanding as at 31 December 2020 (2019: €144.6 million). In addition, Arcadis NV has provided financial guarantees to banks for a maximum amount of €149.0 million (2019: €265.9 million). See note 16 for further details on the release of guarantees in 2020 provided by Arcadis to the lenders of Arcadis Logos Energia S.A. (ALEN) and the impact on the related Expected Credit Loss provision. No Expected Credit Losses are recognized from other 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 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 2020 subject to the 'paid-when-paid principle' are disclosed in note 30. The expectation is that all accounts payable will be paid within the normal course of business and are therefore classified as short-term liabilities.

Reference is made to note 3 for the impact of COVID-19 and measures taken to monitor liquidity.

Lines of credit

The Company maintains the lines of credit as summarized in the table below.

In millions				31 December 2020						31 December 2019			
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$87.5	€71.6		US$87.5	€71.6		US$87.5	€78.0		US$87.5	€78.0
Term loan	EURIBOR			€25.0			€25.0			€25.0			€25.0
Revolving Credit Facility	EURIBOR			€300.0			€0.0			€300.0			€0.0
Revolving Credit Facility	USD LIBOR		US$115.0	€94.1		€0.0	€0.0		US$115.0	€102.5		US$115.0	€102.5
Committed facilities	EURIBOR			€35.0			€0.0			€35.0			€0.0
Uncommitted multi-currency facilities	Floating			€117.0			€8.7			€97.3			€17.0
US Private Placement notes	5.1%		US$110.0	€90.0		US$110.0	€90.0		US$110.0	€98.0		US$110.0	€98.0
Schuldschein notes	Fixed/floating			€290.0			€290.0			€210.0			€210.0
Schuldschein notes	Fixed/floating		US$13.0	€10.6		US$13.0	€10.6		US$83.0	€74.0		US$83.0	€74.0
Guarantee facility	0.30% – 0.65%			€72.8			€37.4			€73.2			€39.0
Other (loans)	Various			€19.1			€0.9			€83.1			€1.7
Other (bank guarantees and surety bonds)	Various			€137.7			€95.0			€148.3			€105.7
COVID Corporate Financing Facility	Floating	£300.0		€335.4	£0.0		€0.0	£0.0		£0.0	£0.0		£0.0

In May and in October 2020 Schuldschein notes matured and were repaid in the amounts €70.0 million and US$70.0 million (€57.3 million) respectively. These repayments were in accordance with the repayment schedule and are reflected in the Consolidated Cash flow statement and the movement schedule as repayment of loans and borrowings.

In October 2020 Arcadis issued €150 million new Schuldschein loans in three-, five- and seven-year maturities. Cash received from the new Schuldschein issuance is shown in the Consolidated Cash flow statement and the movement schedule as new loans and borrowings.

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.

Consolidated financial statements

In € thousands	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
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 liabilities	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**
Contractual obligations at 31 December 2019					
Guarantees on behalf of associates	92,773	92,773	–	–	–
Off balance sheet lease commitments	763	763	–	–	–
Foreign exchange contracts:	–	–	–	–	–
Outflow	508,855	508,855	–	–	–
Inflow	(507,877)	(507,877)	–	–	–
Interest rate swaps:	–	–	–	–	–
Outflow	664	316	348	–	–
Inflow	(381)	(199)	(182)	–	–
Cross Currency swaps:	–	–	–	–	–
Outflow	51,982	1,848	3,708	46,426	–
Inflow	(44,089)	(1,018)	(2,047)	(41,024)	–
Deferred consideration	11,931	7,171	4,759	–	–
Interest	48,612	17,018	21,993	9,601	–
Lease liabilities	332,854	83,742	117,558	59,749	71,805
Loans and borrowings	610,789	150,206	215,199	245,384	–
Short-term bank debt	17,000	17,000	–	–	–
Accounts payable	279,367	279,367	–	–	–
Total	**1,403,243**	**499,760**	**361,336**	**320,136**	**71,805**

(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 in order to hedge these transaction risks.

Interest on borrowings is denominated in currencies that 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 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**
At 31 December 2019						
Trade receivables	4,049	14,438	935	1,420	–	325
Cash and cash equivalents	1,390	33,143	11,425	1,083	–	1,581
Derivatives	25,000	(26,415)	27,878	(6,065)	(5,475)	(15,259)
Loans and borrowings	(25,000)	5,787	(21,666)	6,747	5,628	14,203
Accounts payable	(1,120)	(8,354)	(502)	(192)	–	–
Lease liabilities	4,544	103	–	–	–	–
Balance exposure	**8,863**	**18,702**	**18,070**	**2,993**	**153**	**850**

The below exchange rates were applied in the year.

	2020		2019	
In €	Average	Year-end	Average	Year-end
US Dollar (USD)	0.88	0.82	0.89	0.89
Pound Sterling (GBP)	1.12	1.12	1.14	1.18
Chinese Yuan Renminbi (CNY)	0.13	0.13	0.13	0.13
Brazilian Real (BRL)	0.17	0.16	0.23	0.22
United Arab Emirates Dirham (AED)	0.24	0.22	0.24	0.24

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. Most foreign exchange forward transactions outstanding at year-end are due to mature in 2021.

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.

	2020		2019	
In €	Impact on net income	Impact on equity	Impact on net income	Impact on equity
10% change euro against the US dollar	1.2	49.4	2.3	40.3
10% change euro against the Pound Sterling	4.6	40.9	1.7	49.0
10% change euro against the Brazilian Real	0.3	2.0	0.4	2.5

All material balance sheet positions have been hedged with foreign exchange contracts. The translation risk relating to subsidiaries with a functional currency other than group reporting currency of Euro are not hedged.

(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 credits 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 € 497.1million at year-end 2020 (2019: €606.7 million).

The Group has €36.0 million of floating to fixed interest rate swaps with a fixed rate of approximately 0.5% and this will mature in May 2022.

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. Arcadis has been compliant with this aspect of the Group Treasury Policy during 2020.

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.

	2020		2019	
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	0.2	0.2	0.1	0.1

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.

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.

Consistent with the debt 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. Both Net Debt and EBITDA are lease-adjusted.

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 debt covenants as disclosed in the notes to these financial statements.

During 2020, Arcadis' strategic goal on financing, which was unchanged from 2019, 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 the lease-adjusted Interest Coverage ratio (minimum 1.75). The Total Leverage ratio for the Schuldschein loans issued in 2020 is maximum 3.5, which is based on IFRS 16. These ratios are included in the next tables.

In € millions	Note	31 December 2020	31 December 2019
Long-term loans and borrowings	29	401.0	460.6
Current portion of loans and borrowings	29	99.4	150.2
Lease liabilities	15	209.0	215.5
Current portion of lease liabilities	15	69.4	75.7
Bank overdrafts	24	0.3	0.5
Total debt		**779.1**	**902.5**
Less: cash and cash equivalents	24	(449.2)	(296.9)
Net debt		**329.9**	**605.6**
Less: lease liabilities	15	(278.3)	(291.2)
Less: non-current portion deferred consideration	5	(3.6)	(4.8)
Net debt according to debt covenants		**48.0**	**309.6**
EBITDA according to debt covenants[1]		**271.1**	**238.8**

[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 Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis)

Ratios

In €	2020 (IAS 17)	2020 (IFRS 16)	2019
Net debt to EBITDA[1] (at year-end net debt)	0.2	0.9	1.3
Net debt to EBITDA[1] ratio according to debt covenants (at average net debt, Total Leverage Ratio)	0.7	1.3	1.4
EBITDA to relevant Net finance expense ratio (lease - adjusted interest 'coverage ratio)	3.2		2.7

[1] Non-GAAP performance measure, to provide transparency on the underlying performance of our business (reference is made to the Glossary Financial & Non-Financial indicators starting on page 298 for the definition as used by Arcadis)

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 2020, Arcadis complied with all financial covenants.

Going concern assumption

Management has assessed the going concern assumption and exercised significant judgment 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.

Fair value

The fair values of financial assets and liabilities together with the carrying amounts recognized in the Consolidated balance sheet, are as follow:

			Carrying value per IFRS 9 category				
In € thousands	Carrying amount	Out of Scope IFRS 7	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**

Consolidated financial statements

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 2019							
Investments in associates and joint ventures	7,528	7,528	–	–	–		–
Other investments	2,280	–	–	2,280	–	2,280	2,280
Other non-current assets	27,595	–	27,595	–	–	27,595	27,595
(Un)billed receivables:							
Trade receivables	602,900	–	602,900	–	–	602,900	602,900
Contract assets (unbilled receivables)	669,849	–	669,849	–	–	669,849	669,849
Derivatives	7,492	–	–	8,377	(885)	7,492	7,492
Cash and cash equivalents	296,895	–	296,895	–	–	296,895	296,895
Total Financial assets	**1,614,539**	**7,528**	**1,597,239**	**10,657**	**(885)**	**1,607,011**	**1,607,011**
Loans and borrowings:							
Non-current	460,583	–	460,583	–	–	460,583	461,573
Current	150,206	–	150,206	–	–	150,206	149,563
Derivatives	5,479	–		5,479	–	5,479	5,479
Contract liabilities (billing in excess of revenue)	285,044	–	285,044	–	–	285,044	285,044
Provision for onerous contracts (loss provisions)	90,545	–	90,545	–	–	90,545	90,545
Accounts payable	279,367	–	279,367	–	–	279,367	279,367
Lease liabilities	291,122	–	291,122	–	–	291,122	291,122
Deferred consideration	11,931	–		11,931	–	11,931	11,931
Bank overdrafts and short-term bank debts	472	–	472	–	–	472	472
Total Financial liabilities	**1,574,749**	**–**	**1,557,339**	**17,410**	**–**	**1,574,749**	**1,575,096**

Fair value hierarchy

The financial instruments carried at fair value are analysed 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); and
- 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 17).

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.

32 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 the guarantee. Financial guarantees are subject to the Expected Credit Loss model, and a credit loss is recognized for expected cash shortfalls.

Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not quality for recognition as a provision (see note 28), unless it is assumed in a business combination (see note 5). Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

Summary of commitments

In € thousands	31 December 2020	31 December 2019
Short-term leases	818	699
Low-value leases	257	64
Total committed off-balance leases	**1,075**	**763**

In € thousands	31 December 2020	31 December 2019
Bank guarantees	132,449	144,623
Corporate guarantees	148,910	265,877
Eliminations	(90,582)	(189,629)
Guarantees	**190,777**	**220,871**
Leases	1,075	763
Other commitments	20,766	17,733
Total	**212,618**	**239,367**

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 2020, except for short-term and/or low-value leases. The lease expense recognized in profit or loss of 2020 relating to short-term and/or low-value leases amounted to €2.6 million (2019: €5.3 million).

See note 15 for further information on leases.

Guarantees

Arcadis has issued corporate guarantees as security for credit facilities, bank guarantee facilities and surety bond lines. Bank guarantees and surety bonds are, amongst others, 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 and where 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) have been paid and part has been released. See note 16 for further details.

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 16)

In € millions	Corporate guarantees	Bank guarantees	Eliminations[1]	Total
Debt facility financing	102.2	–	(94.6)	7.6
Bank guarantee financing	151.7	144.6	(83.3)	213.0
Other	12.1	–	(11.7)	0.4
Balance at 31 December 2019	**266.0**	**144.6**	**(189.6)**	**221.0**

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 16)

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 2020 and throughout the year, the vast majority of the outstanding bank guarantees and surety bonds posed an immaterial and insignificant risk to Arcadis.

The decrease in corporate guarantees is due to the releases of corporate guarantees for surety bond lines and debt facilities (including the corporate guarantees issued for the bank loans of the associate ALEN) and exchange rate differences. On 31 December 2020, only a part of the local bank guarantee facilities and local debt facilities have been used.

Other commitments

The other commitments amount to €20.8 million (2019: €17.7 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.

33 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 2020. Total revenues from joint arrangements amounted to €246.0 million (2019: €180.9 million).

Transactions with associates

The Group has entered into transactions with associates, see note 16 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 (€3.0 million) and Supervisory Board members (€0.5 million).

For the composition of the Executive Board, Executive Leadership Team and Supervisory Board in 2020 see pages 147 to 150. The remuneration in below table covers the period that members qualified as key management personnel.

In € thousands	2020	2019[1]
Salary	3,922	4,814
Bonus	–	1,943
Pension compensation	946	376
Pension	161	207
LTIP expense	2,351	3,122
Termination benefit	523	164
Total	**7,903**	**10,626**

[1] From 19 November 2020, changes in the Executive Leadership Team were effectuated

The Executive Leadership Team (including Executive Board members) forfeited its 2020 Short-Term Incentive.

In 2020 (and 2019) 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 2020 the Company contributed €1.6 million (2019: €2.2 million) to the plan of EC Harris, €2.3 million to the plan of Hyder (2019: €2.3 million), and €3.0 million to other defined benefit plans (2019: €3.2 million), see note 27.

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 17.7% in Arcadis NV at 31 December 2020 (2019: 18.2%).

The Foundation has an Employee Stock Purchase Plan/Global Share Plan in place (till the end of 2020), which allows Arcadis employees to purchase Arcadis shares from the Foundation with a discount. The costs associated to this amounted to €1.1 million in 2020 (2019: €1.3 million), see note 9. The Company is not involved in executing the plan, besides processing payments from employees to the foundation through the salary system of the Company.

Other contributions made by the Lovinklaan Foundation in 2020 to Arcadis related to the following programs:

- Shelter: €0.3 million (2019: €0.4 million)
- Quest: €0.1 million (2019: (2018: €0.3 million)
- Global Shapers: €0.1 million (2019: €0.4 million)
- Local Spark: €0.1 million (2019: €0.1 million)
- Roots of Arcadis: €0.1 million (2019: €0.1 million)
- Expedition DNA: €0.2 million (2019: €0.8 million)

In 2020 (and 2019) 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 2019).

Transactions with other related parties

Arcadis NV contributed €55,000 to Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') in 2020 (2019: €50,000) and €1,000 to Stichting Prioriteit Arcadis NV (the 'Priority Share Foundation') (2019: €1,000). See note 25 for further information on these foundations.

The contribution to Stichting Bellevue amounted to €68,000 (2019: €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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Sales (to)	10.2	10.7	246.0	180.9	–	–	0.9	0.6
Purchase (from)	0.1	0.1	1.7	3.5	–	–	0.0	–
Loans (to)	0.5	17.5	–	–	–	–	–	–
Receivables (from)	1.0	0.7	17.1	11.5	–	–	0.1	0.1
Payables (to)	–	–	3.2	1.4	–	–	–	0.1
Impairment of loans (to)	0.5	17.5	–	–	–	–	–	–
Dividends received (from)	–	–	–	–	–	–	–	–
Provision for bad debts related to outstanding balances	–	–	0.3	0.6	–	–	–	–
Related expenses to these bad or doubtful debts	–	–	–	–	–	–	–	–
Provision for outstanding loan balances	–	–	–	–	–	–	–	–
Transfer of pension premiums and cost changes	–	–	–	–	2.0	4.0	–	–
Contributions	–	–	–	–	7.0	7.7	1.5	2.0

34 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.

On 30 December 2020, the Company announced that it will repurchase up to 0.5 million shares to cover obligations from employee incentive plans. Shares repurchased on 30 and 31 December 2020 are included in the treasury stock as disclosed in note 25.

There were no material subsequent events, that would have changed the judgement and analysis by management of the financial condition of the Company at 31 December 2020, or the result for 2020.

Company financial statements of Arcadis NV

Company Balance sheet

as at 31 December - before allocation of profit

In € thousands	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	39	53,080	57,780
Property, plant & equipment	40	637	773
Right-of-use assets	41	3,281	4,114
Investment in subsidiaries	42	1,271,941	1,221,614
Loans issued to subsidiaries and other investments	43	212,984	274,914
Deferred tax assets	47	–	2,592
Derivatives		–	–
Total Non-current assets		**1,541,923**	**1,561,787**
Current assets			
Derivatives		5,350	6,136
Receivables	44	132,303	209,306
Corporate income tax receivable		–	–
Cash and cash equivalents		230,673	44,572
Total Current assets		**368,326**	**260,014**
Total Assets		**1,910,249**	**1,821,801**

In € thousands	Note	2020	2019
Equity and liabilities			
Shareholders' equity			
Share capital		1,809	1,809
Share premium		372,472	372,472
Hedging reserve		194	(545)
Translation reserve		(114,337)	(48,418)
Other legal reserves		72,641	55,568
Retained earnings		556,745	569,323
Undistributed profits		21,859	12,302
Total Shareholders' equity	25, 45	**911,383**	**962,511**
Non-current liabilities			
Provisions	46	26,841	24,375
Deferred tax liabilities	47	10,627	–
Long-term debt	48	488,029	236,787
Lease liabilities	41	2,549	3,309
Derivatives		545	822
Total Non-current liabilities		**528,591**	**265,293**
Current liabilities			
Current portion of provisions	46	1,121	10,224
Derivatives		4,278	3,560
Bank overdrafts		–	472
Short-term borrowings		8,676	87,798
Current portion of lease liabilities	41	744	798
Corporate income tax payable		6,534	3,230
Current liabilities	49	448,922	487,915
Total Current liabilities		**470,275**	**593,997**
Total Equity and liabilities		**1,910,249**	**1,821,801**

The notes on pages 266 to 276 are an integral part of these Company financial statements

Company Income statement

for the year ended 31 December

In € thousands	Note	2020	2019
Corporate charges to subsidiaries	36	101,921	102,004
Total Corporate Income		101,921	102,004
Personnel costs	54	(44,985)	(50,324)
Other operational costs	37	(3,950)	(21,558)
Depreciation and amortization	39, 40, 41	(13,597)	(7,991)
Total Operational costs		**(62,532)**	**(79,873)**
Operating income		**39,389**	**22,131**
Finance income		8,274	8,700
Finance expenses		(4,491)	(113,492)
Fair value change of derivatives		5,504	5,626
Net finance expense	38	**9,287**	**(99,166)**
Profit/(loss) before income tax		**48,676**	**(77,035)**
Income taxes		(8,622)	(6,076)
Net income subsidiaries		(18,195)	95,413
Result for the period		**21,859**	**12,302**

The notes on pages 266 to 276 are an integral part of these Company financial statements

Notes to the Company financial statements

35 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. The presentation of the Balance sheet slightly deviates from the requirements of Dutch law (e.g. name conventions), in order to achieve optimal transparency between the Consolidated financial statements and the Company financial statements.

36 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 2020 following the final 2019 results.

37 Other operational costs

In € thousands	2020	2019
Occupancy	472	702
Travel	319	3,494
Office related	190	542
Audit and consultancy services	11,146	5,408
Insurances	298	671
Marketing and advertising	1,688	907
Other	(10,163)	9,834
Total	**3,950**	**21,558**

The category 'Other' includes a release of the ALEN wind-down provision, see note 16 of the Consolidated financial statements for further details.

38 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.

39 Intangible assets

In € thousands	Software	Intangibles under development	Total
Cost	29,917	42,140	72,057
Accumulated amortization	(16,200)	–	(16,200)
At 1 January 2019	**13,717**	**42,140**	**55,857**
Additions	–	9,025	9,025
Reclassifications	22,298	(22,298)	–
Amortization charges	(7,102)	–	(7,102)
Movement 2019	**15,196**	**(13,273)**	**1,923**
Cost	35,275	28,867	64,142
Accumulated amortization	(6,362)	–	(6,362)
At 31 December 2019	**28,913**	**28,867**	**57,780**
Additions	–	7,969	7,969
Disposals	–	–	–
Reclassifications	6,320	(6,320)	–
Amortization charges	(12,669)	–	(12,669)
Movement 2020	**(6,349)**	**1,649**	**(4,700)**
Cost	41,595	30,516	72,111
Accumulated amortization	(19,031)	–	(19,031)
At 31 December 2020	**22,564**	**30,516**	**53,080**

The Intangibles under development of €30.5 million (2019: €28.9 million) are mainly related to Software not syet in use.

Due to the Continental Europe go-live on Oracle in 2021, a significant part of the intangibles under development will be reclassified to Software in 2021 and will start to amortize. The 2020 amortization includes an accelerated amortization charge of €2.5 million relating to the limited use of the Software by the Middle East region.

40 Property, plant & equipment

In € thousands	Furniture and fixtures	Computer hardware	Total
Cost	2,740	–	2,740
Accumulated depreciation	(1,885)	–	(1,885)
At 1 January 2019	**855**	**–**	**855**
Additions	56	–	56
Acquisitions of subsidiaries	–	–	–
Disposals	–	–	–
Depreciation charges	(138)	–	(138)
Movement 2019	**(82)**	**–**	**(82)**
Cost	1,730	–	1,730
Accumulated depreciation	(957)	–	(957)
At 31 December 2019	**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**

41 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 2019	**2,372**	**111**	**367**	**2,850**
Additions	–	–	173	173
Depreciation	(608)	(28)	(115)	(751)
Remeasurements	1,909	–	(67)	1,842
Balance at 31 December 2019	**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**

Lease liabilities

In € thousands	2020	2019
Balance at 1 January	**4,107**	**2,850**
Additions	–	172
Payments of lease liabilities	(795)	(780)
Remeasurements	(56)	1,843
Interest	37	22
Balance at 31 December	**3,293**	**4,107**
Current	744	798
Non-current	2,549	3,309
Total	**3,293**	**4,107**

Amounts recognized in the Company income statement

In € thousands	2020	2019
Depreciation	790	752
Interest expense (included in Net finance expense)	37	22
Other operational costs for short-term leases	–	60
Total	**827**	**834**

42 Investment in subsidiaries

In € thousands	2020	2019
Balance at 1 January	**1,221,614**	**1,358,526**
Share in income of subsidiaries	(18,195)	95,413
Dividends received	–	(192,605)
Capital contributions	147,566	3,402
Capital repayments	–	(74,530)
Purchase of non-controlling interest	–	(15,748)
Other changes	(16,066)	(1,172)
Reclassification to provision for negative equity of investments	2,939	13,427
Exchange rate differences	(65,917)	33,930
Balance at 31 December	**1,271,941**	**1,221,614**

The other changes include remeasurements on post employee benefits obligations, see note 27.

The reclassification to the provisions relates to subsidiaries of the Company with a negative equity at 31 December 2020 and for which the Company is liable, see note 46.

The exchange rate differences mainly relate to the British Pound Sterling and US Dollar rates.

43 Loans issued to subsidiaries and other investments

In € thousands	2020	2019
Balance at 1 January	**274,914**	**227,253**
Loans issued to subsidiaries	160,380	44,774
Redemptions	(201,299)	(5,165)
Investments	–	704
Divestments	(121)	–
Others	(185)	–
Exchange rate differences	(20,705)	7,348
Balance at 31 December	**212,984**	**274,914**

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 investment in White Rock Insurance (Netherlands) Pcc Limited is consolidated since 2020.
The derecognition from the other investments is shown as 'Other' movement.

The exchange rate differences mainly relate to loans in US Dollar, British Pound Sterling and Brazilian Real.

44 Receivables

In € thousands	2020	2019
Receivables from subsidiaries and associates	105,529	206,664
Other receivables	26,774	2,642
Balance at 31 December	**132,303**	**209,306**

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 20 of the Consolidated financial statements for further details on the simplified approach and note 43 on the treatment of the Expected Credit Loss on intercompany positions in the Company financial statements.

The Other receivables include €21.6 million of prepaid amounts, mainly related to software licenses and insurance premiums.

45 Shareholders' equity

In € thousands	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Retained earnings	Undistributed profits	Total
Balance at 1 January 2019	**1,780**	**372,501**	**(1,431)**	**(82,191)**	**74,225**	**604,708**	**(26,701)**	**942,891**
Net income	–	–	–	–	–	–	12,302	12,302
Exchange rate differences	–	–	–	32,944	–	–	–	32,944
Effective portion of changes in fair value of cash flow hedges, net of income taxes	–	–	886	–	–	–	–	886
Remeasurements on post-employment benefit obligations, net of income taxes	–	–	–	–	–	(3,354)	–	(3,354)
Other changes	–	–	–	829	–	(829)	–	–
Other comprehensive income, net of income taxes	**–**	**–**	**886**	**33,773**	**–**	**(3,354)**	**12,302**	**43,607**
Total comprehensive income for the period	**–**	**–**	**886**	**33,773**	**–**	**(4,183)**	**12,302**	**42,778**
Transactions with owners of the Company:								
Acquisitions and transactions with non-controlling interests	–	–	–	–	–	(15,748)	–	(15,748)
Dividends to shareholders	–	(23,477)	–	–	–	(17,766)		(41,243)
Addition to (utilization of) other (statutory) reserves	–	–	–	–	(18,657)	(8,044)	26,701	–
Issuance of shares	29	23,448	–	–	–	–	–	23,477
Share-based compensation, net of income taxes	–	–	–	–	–	13,143	–	13,143
Purchase of own shares	–	–	–	–	–	(13,613)	–	(13,613)
Share options exercised	–	–	–	–	–	10,826	–	10,826
Total transactions with owners of the Company	**29**	**(29)**	**–**	**–**	**(18,657)**	**(31,202)**	**26,701**	**(23,158)**
Balance at 31 December 2019	**1,809**	**372,472**	**(545)**	**(48,418)**	**55,568**	**569,323**	**12,302**	**962,511**
Net income	–	–	–	–	–	–	21,859	21,859
Exchange rate differences	–	–	–	(65,919)	–	–	–	(65,919)
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 changes	–	–	–	–	–		–	–
Other comprehensive income, net of income taxes	**–**	**–**	**739**	**(65,919)**	**–**	**(16,834)**	**–**	**(82,014)**
Total comprehensive income for the period	**–**	**–**	**739**	**(65,919)**	**–**	**(16,834)**	**21,859**	**(60,155)**
Transactions with owners of the Company:								
Acquisitions and transactions with non-controlling interests	–	–	–	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–	–	–	–
Addition to (utilization of) other (statutory) reserves	–	–	–	–	17,073	(4,771)	(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	**–**	**–**	**–**	**–**	**17,073**	**4,256**	**(12,302)**	**9,027**
Balance at 31 December 2020	**1,809**	**372,472**	**194**	**(114,337)**	**72,641**	**556,745**	**21,859**	**911,383**

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 and share plans, see note 25 of the Consolidated financial statements.

46 Provisions

In € thousands	2020	2019
Balance at 1 January	**34,599**	**12,232**
Additions	3,942	24,524
Deductions because of use	(355)	(657)
Release of unused amounts	(10,224)	(1,500)
Balance at 31 December	**27,962**	**34,599**
Current	1,121	10,224
Non-current	26,841	24,375
Total	**27,962**	**34,599**

The provisions of Arcadis NV at 31 December 2020 relate to claims and litigations for an amount of nil (2019: nil), €0.1 million to restructuring (2019: €0.7 million) and €1.0 million to ALEN (2019: €10.0 million, see note 16).

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 €26.8 million at 31 December 2020 (2019: €23.9 million).

47 Deferred tax assets and liabilities

In € thousands	Deferred tax assets	Deferred tax liabilities	Total
Balance at 1 January 2019	**679**	**–**	**679**
Additions/deductions	1,913	–	1,913
Changes recognized directly in equity/OCI	–	–	–
Balance at 31 December 2019	**2,592**	**–**	**2,592**
Additions/deductions	(2,592)	(10,627)	(13,219)
Changes recognized directly in equity/OCI	–	–	–
Balance at 31 December 2020	**–**	**(10,627)**	**(10,627)**

48 Long-term debt

In € thousands	2020	2019
Loans from group companies	214,031	137,248
Loan notes issued to financial institutions	273,998	99,539
Balance at 31 December	**488,029**	**236,787**

The loans notes issued to financial institutions are due within five years for an amount of €218 million and after five years for an amount of €52 million. The increase in loan notes is due to the €150 million new Schuldschein loans and a transfer of a €25 million term loan from a subsidiary to Arcadis NV.

49 Current liabilities

In € thousands	2020	2019
Suppliers	1,862	5,899
Payables to group companies	428,970	370,563
Provision for Expected Credit Loss on Corporate guarantees	5,358	92,773
Other liabilities	12,732	18,680
Balance at 31 December	**448,922**	**487,915**

Due to the Company's go-live on Oracle in January 2021, a significant portion of the invoices due in January 2021 have been paid in December 2020.

The payables to group companies mainly relate to the internal cash pool. Refer to note 29 and 31 of the Consolidated financial statements for further information on Arcadis' lines of credit.

The Expected Credit Losses relating to ALEN are fully provided for in the Company for an amount equal to the outstanding guarantees at 31 December 2020, being €5.4 million (2019: €92.8 million). See note 16 of the Consolidated financial statements for the movements in the account during the year.

50 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 2020, the Company had commitments for rent and lease obligations that are exempted from IFRS16 (short-term and/or low value leases) amounting to nil. Additionally, the Company entered into long-term service commitments relating to a global IT outsourcing contract of €20.8 million (2019: €17.4 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 €525.2 million of which €46.1 million is used at 31 December 2020 (2019: €170.5 million of which €56.0 million was used). In addition to this amount, the Company has corporate guarantees for an amount of €148.9 million available (2019: €265.9 million).

For an overview of all off-balance sheet guarantees provided by either Arcadis NV or its subsidiaries see note 32 of the Consolidated financial statements.

51 Remuneration of EB and SB members

Remuneration of Executive Board members

In 2020, an amount of €3.0 million (2019: €3.6 million, including fringe benefits) 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 273 a number of 41,676 conditional (performance) shares were granted to Executive Board members as variable remuneration (2019: 84,459).

For an explanation of the remuneration policy, see the 'remuneration report' included in this Annual Integrated Report on pages 182 to 191.

Overview of remuneration of Executive Board members in 2020

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.

The fringe benefits of current board members of €0.1 million (2019: €0.1 million) include a representation and expense allowance, a car allowance, social security premium and health and disability insurance.

On 4 March 2020, we announced that Sarah Kuijlaars, Chief Financial Officer and Member of the Executive Board since April 2018, left the Company for personal reasons and in mutual agreement. The termination date of her contract was 1 June 2020, but she has been released from her statutory duties as per 4 March 2020. In 2020, the remuneration consisted of her regular salary, plus a severance payment of a one-year base salary of €475,000 (gross). This severance payment was made in accordance with the remuneration policy as approved by the annual General Meeting of Shareholders in 2014. In addition, the Company agreed with Sarah Kuijlaars that the service conditions for part of the awards granted under the Long-Term Incentive Plan ('LTIP') continue to be met. The accelerated amortization has been recognized in the 2020 LTIP expense.

Overview of remuneration of Executive Board members in 2019

The next table includes all remuneration that has been expensed during 2019 and which was received in the capacity of Executive Board membership.

In € thousands	Salary	Bonus[1]	Pension compensation	Pension	LTIP expense[2]	Termination benefit	Fringe benefits	Total 2019	Conditional (performance) shares Number	Conditional (performance) shares Value[3]
Peter Oosterveer	660	373	166	18	1,049	–	58	2,324	51,055	900
Sarah Kuijlaars	475	245	80	18	393	–	61	1,272	33,404	589
Total Board members	**1,135**	**618**	**246**	**36**	**1,442**	**–**	**119**	**3,596**	**84,459**	**1,489**

[1] The bonus is based on the results achieved in 2019, this bonus was paid in 2020.
[2] The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months
[3] 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

Remuneration of Supervisory Board members

At year-end 2020, the Supervisory Board consisted of six members (2019: seven). The joint fixed remuneration for 2020 amounted to €0.5 million (2019: €0.6 million), specified as follows:

In € thousands	2020	2019
Niek W. Hoek	98	104
Deanna Goodwin	69	80
Ruth Markland	67	77
Michael Putnam	69	80
J.C. Maarten Schönfeld [1]	23	72
Michiel Lap	68	80
Wee Gee Ang	66	84

[1] J.C. Maarten Schönfeld resigned from Supervisory Board on 6 May 2020

In March 2020, in reaction to the COVID-19 crisis, the Supervisory Board reduced its fixed fee remuneration by 10% during a 6-month period.

52 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 2020	31 December 2019
Peter Oosterveer	80,584	15,428
Virginie Duperat-Vergne	–	–

Number of conditional (performance) shares Arcadis NV[1] Current EB members	31 December 2020	31 December 2019
Peter Oosterveer	174,662	226,635
Virginie Duperat-Vergne	5,859	–

Number of conditional (performance) shares Arcadis NV[1] Former EB members	31 December 2020	31 December 2019
Sarah Kuijlaars	54,474	96,844

[1] Amounts are based on granting 100% of the reference numbers, with maximal extension to 165% (see note 9). For the description of the LTIP plan, please refer to the paragraph 'Long-term variable remuneration' on page 185 of this Annual Integrated Report

In 2020, the aggregate numbers of conditional performance shares held by (former) members of the Executive Board are as below. The board members did not hold stock options in 2020.

Conditional performance shares	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2020	Granted in 2020	Increase/(decrease) by performance measure	Vested in 2020	Forfeited in 2020	Outstanding at 31 December 2020	Vesting date
Peter Oosterveer									
	2017	15.91	87,790	–	21,948	(109,738)	–	–	ex-dividend date 2020
	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
			226,635	**35,817**	**21,948**	**(109,738)**	**–**	**174,662**	
Virginie Duperat-Vergne									
	2020	12.82	–	5,859	–	–	–	5,859	ex-dividend date 2023
			–	**5,859**	**–**	**–**	**–**	**5,859**	
Total conditional performance shares current board members			**226,635**	**41,676**	**21,948**	**(109,738)**	**–**	**180,521**	
Sarah Kuijlaars									
	2018	15.75	6,000	–	–	(6,000)	–	–	ex-dividend date 2020
	2018	15.75	57,440	–	–	–	(15,956)	41,484	ex-dividend date 2021
	2019	16.90	33,404	–	–	–	(20,414)	12,990	ex-dividend date 2022
			96,844	**–**	**–**	**(6,000)**	**(36,370)**	**54,474**	
Total conditional performance shares former board members			**96,844**	**–**	**–**	**(6,000)**	**(36,370)**	**54,474**	

53 Shares and options held by members of the SB

Members of the Supervisory Board hold no Arcadis shares and/or options.

54 Employees

At 31 December 2020, Arcadis NV had 136 full-time employees (2019: 142). 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 9 to the Consolidated financial statements.

Personnel costs for Arcadis NV consisted of the following:

In € thousands	2020	2019
Salaries and wages	22,714	26,208
Social charges	1,546	1,523
Pension and early retirement charges	962	1,558
Other personnel costs (including temporary labor)	19,763	21,035
Total Personnel costs	**44,985**	**50,324**

The other personnel costs include an amount of €1.1 million of payments in relation to the termination of employment agreements.

55 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)	2020	2019
Audit fees	3.5	3.5
Audit-related fees	0.2	0.2
Tax fees	–	–
Other non-audit fees	–	–
Total	**3.7**	**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 €1.1 million relates to PricewaterhouseCoopers Accountants NV (2019: €1.1 million) and the remainder to its foreign offices.

Amsterdam, the Netherlands, 17 February 2021

Executive Board	**Supervisory Board**
Peter Oosterveer	Niek Hoek
Virginie Duperat-Vergne	Michiel Lap
	Ruth Markland
	Michael Putnam
	Deanna Goodwin
	Wee Gee Ang

Other 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 of Shareholders.

The profit attributable to the equity holders of the Company over fiscal year 2020 amounts to €21.9 million. The Executive Board, with the approval of the Supervisory Board, proposes to deduct an amount of €32.2 million from the retained earnings and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €54.1 million, which represents a dividend of €0.60 per ordinary share, at the option of the respective shareholder(s) in cash or in the form of shares.

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 four (4) vacancies at 31 December 2020): 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 with its corporate sit in Arnhem, whose board members are appointed by and from the international employees of the 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 25 of the Consolidated financial statements.

Independent auditor's report

To: the general meeting and the supervisory board of Arcadis NV

Report on the financial statements 2020

Our opinion

In our opinion:

- The consolidated financial statements of Arcadis NV give a true and fair view of the financial position of the Group (the company together with its subsidiaries) as at 31 December 2020, and of its result and its 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 2020 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 2020 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 2020;
- the following statements for 2020: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement; and
- the notes, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2020;
- 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 requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Arcadis NV is a design & consultancy organization 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.

the financial statements. In particular, we considered where management 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. These items all involve making assumptions and considering future events that are inherently uncertain.

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 the impact of COVID-19 on the company's operations. As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

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 client in the global 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 7 components and performed specified procedures on 1 component
- Audit coverage: 74% of consolidated revenue, 76% of consolidated total assets and 77% 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 is 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 (2019: €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	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €1 million and €7 million (2019: €0.5 million and €6 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 misstatements identified during our audit above €500,000 (2019: €250,000) 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, Australia, and the United States. We subjected five components in these countries to audits of their complete financial information, as those components are individually financially significant to the group. Additionally, we selected two other components for audit procedures 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 significant or higher risk areas.

In total, in performing these procedures, we achieved the following coverage on the financial line items (consolidated):

Revenue	74%
Total assets	76%
Profit before tax	77%

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 Arcadis NV and Arcadis North America Inc. 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 audit 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 scope of the work. We explained to the component audit teams the structure of the group, the main developments that are 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 remote working due to COVID-19. We had individual calls with each of the in-scope component audit teams 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, which 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 virtual meetings with local management and with the component auditors in the United States and Middle East. For the components in the United Kingdom, Middle East and the United States, we reviewed selected working papers of the component auditors.

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 testing over the central Oracle ERP system. By performing the procedures 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.

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.

Independent auditor's report

Key audit matter	Our audit work and observations
Project revenue recognition and valuation of contract assets Refer to notes 6, 20, and 21 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 as well as the potential impact of COVID-19 on the valuation. 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 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 assumptions applied by Arcadis to determine the cost to complete. The procedures included obtaining evidence to support applied hourly rates 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. 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.
Valuation of goodwill and intangible assets Refer to note 13 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 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 13 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 and for which the company disclosed its sensitivity analysis in the notes to financial statements, being Middle East and CRTKL. We also focused on the other intangible assets, customer relationships, in the Middle East region given Arcadis' announced decision to reduce its footprint in the Middle East Region.	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 discount rate as well as other assumptions and methodologies used. We have challenged the assumptions applied by management, with emphasis on CRTKL. This was done by, amongst others, comparing the assumptions to the historic performance of the company, local economic developments, development of the book-to-bill ratio and industry outlook. Discussions were held with local management of CRTKL, emphasizing on COVID-19 and the impact thereon on the retail industry, an important segment of the company. The enhanced forecasting process was discussed and corroborated with trends in the industry. 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 taken into account the sensitivity of the 'value in use' to changes in the respective assumptions. Based on our procedures performed, we concur with the outcome of the model and the disclosures included in the financial statements.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- introduction;
- the executive board report;
- the supervisory board report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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 the information that is required by Part 9 of Book 2 and 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 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 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 and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Arcadis NV on 13 May 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 6 years.

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 and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 55 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 with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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 to be 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, 17 February 2021

PricewaterhouseCoopers Accountants N.V.
J.E.M. Brinkman RA

Appendix to our auditor’s report on the financial statements 2020 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 management.
- Concluding on the appropriateness of management’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 safeguards. 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: the Executive Board and the Supervisory Board of Arcadis NV

Assurance report on the selected financial and non-financial indicators in the Annual Integrated Report 2020

Our conclusion

We have examined selected financial and non-financial indicators marked with symbol ✓ in the Annual Integrated Report 2020 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 2020 are not prepared in all material respects, in accordance with Arcadis NV's reporting criteria.

What we have examined

The object of our assurance engagement concerns selected financial and non-financial indicators marked with symbol ✓ included in section '2020 at a glance' of the Annual Integrated Report 2020 of Arcadis NV (hereafter: 'the indicators').

1. Number in workforce (headcount as at 31 December)
2. Voluntary turnover rate (as % of permanent employees)
3. Females employees (as a % of total workforce)
4. Employee engagement (employee net promoter score (on a scale of -100 to +100))
5. Total Recordable Case Frequency (TRCF, per 200,000 work hours)
6. Arcadis Way implementation progress (as % of net revenues)
7. Organic revenue growth Global Key Clients (net revenues)
8. Organic revenue growth (net revenues)
9. Gross revenues (in € millions)
10. Net Income from Operations per share (in €)
11. Dividend per share (proposed, in €)
12. Operating EBITA margin (as % of gross revenues)
13. Net Working Capital (as % of gross revenues)
14. Days Sales Outstanding (DSO)
15. Return on Invested Capital (ROIC)
16. Net debt to EBITDA ratio (average)
17. Free Cash Flow (in € millions)

We have reviewed these indicators in the Annual Integrated Report 2020 of Arcadis NV, Amsterdam. All other information in the Annual Integrated Report 2020 is not in scope of this engagement. Therefore, we do not report or conclude on this other information.

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 in conjunction with the reporting criteria. The Executive Board of Arcadis NV is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the indicators are the Arcadis NV's reporting criteria, as disclosed together with the detailed information on the reporting scope and reporting process and methods in section 'Glossary financial & non-financial indicators' of the Annual Integrated Report 2020. 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 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 on 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:

- Evaluating the appropriateness of the reporting 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 misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further 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;
  - Obtaining assurance information 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 relevant financial information with the financial statements.
- Evaluating the consistency of the indicators with the other information in the Annual Integrated Report 2020, which is not included in the scope of our review.
- Evaluating the disclosure and presentation made to the indicators in the Annual Integrated Report 2020.

We communicate with the Supervisory Board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 17 February 2021

PricewaterhouseCoopers Accountants N.V.
Original has been signed by J.E.M. Brinkman RA

Other financial data

Quarterly financial data

	2020				2019			
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	872	831	781	820	829	878	836	930
Cumulative	872	1,703	2,484	3,303	829	1,707	2,543	3,473
In the quarter	26%	25%	24%	25%	24%	25%	24%	27%
Cumulative	26%	52%	75%	100%	24%	49%	73%	100%
Net revenues								
In the quarter	658	628	604	603	628	647	642	660
Cumulative	658	1,286	1,890	2,494	628	1,275	1,917	2,577
In the quarter	26%	25%	24%	24%	24%	25%	25%	26%
Cumulative	26%	52%	76%	100%	24%	49%	74%	100%
EBITA								
In the quarter	45.0	47.1	63.3	68.7	45.6	45.7	51.2	49.6
Cumulative	45.0	92.1	155.4	224.1	45.6	91.3	142.5	192.1
In the quarter	20%	21%	28%	31%	24%	24%	27%	26%
Cumulative	20%	41%	69%	100%	24%	48%	74%	100%
Operating EBITA[1]								
In the quarter	47.7	47.4	65.8	66.1	47.9	49.9	54.1	60.7
Cumulative	47.7	97.1	162.9	229.0	47.9	97.8	151.9	212.6
In the quarter	21%	21%	29%	29%	23%	23%	25%	29%
Cumulative	21%	42%	71%	100%	23%	46%	71%	100%

1 Excluding acquisition, restructuring and integration-related costs

Five-year summary

People & Culture

	2020	2019	2018	2017	2016
Employee engagement					
Total number in workforce at 31 December	27,939	27,875	27,354	27,327	27,080
Average total number in workforce	27,907	27,615	27,545	27,208	27,178
Total number of FTEs in GECs at 31 December	2,849	2,678	2,475	2,593	2,019
Total number of FTEs at 31 December (incl. GECs)	26,804	26,436	25,996	25,909	25,594
Employee engagement score	27[1]	19[1]	3.10	3.03	–
Talent management & learning and development					
Voluntary turnover rate (as % of total permanent employees)	8.7%	13.5%	15.6%	14.6%	15.0%
Diversity & inclusion					
Female employees (as a % of total workforce)	38%	38%	37%	37%	36%
Health & Safety					
Total Recordable Case Frequency (TRCF)	0.13	0.16	0.18	0.26	0.26
Lost Time Case Frequency (LTCF)	0.05	0.09	0.06	0.11	0.1
Business ethics					
Employees passing Code of Conduct training (in %)	91%	97%	98%	97%	94%
Number of AGBP alleged breaches (including near misses)	72	77	77	76	99
Investigated AGBP alleged breaches	100%	100%	100%	100%	100%
Tax policies and compliance					
Group Effective Tax rate over past five years	28.4%	25.6%	25.9%	–	–
Privacy (and personal data protection)					
Number of appointed privacy officers in the year	13	12	12	10	–
Risk management framework					
Number of internal audits conducted in the year	16	25	24	24	32
Client experience					
Client experience score	21	37	45	–	–

1 Employee Net Promoter score (on a scale of -100 to +100)
As some of the above KPIs are newly defined, some previous years comparatives are not available

Innovation & Growth

	2020	2019	2018	2017	2016
Organic revenue growth					
Organic revenue growth (net revenues, in %)	-2%	3%	3%	1%	-4%
Book-to-bill ratio (net revenues)	1.04	1.00	0.97	1.02	0.94
Organic revenue growth Global Key Clients (net revenues, in %)	3%	5%	10%	17%	6%
Organic revenue growth Global Cities (net revenues, in %)	4%	12%	11%	6%	14%
Innovation and digitalization					
% of revenues using BIM level 2	61%	42%	34%	–	–
Arcadis Way implementation progress (as % of net revenues)	64%	63%	33%	31%	3%
Energy and emissions - carbon footprint per FTE (in metric tons of carbon dioxide equivalents)					
Auto transport	0.40	0.90	0.99	1.21	1.29
Air transport	0.30	0.79	0.81	0.83	0.90
Public transport	0.12	0.18	0.18	0.19	0.18
Office energy use	0.77	0.68	1.01	1.11	1.13
Total carbon footprint	1.59	2.55	2.98	3.34	3.50
Environmental non-compliance					
# of identified environmental non-compliances	none	1	none	–	–
Climate change					
% of revenues that relate to relevant SDGs	80%	79%	80%	–	–

As some of the above KPIs are newly defined, some previous years comparatives are not available

Five-year summary

Focus & Performance

	IFRS16 2020	IFRS16 2019	IAS17 2018	IAS17 2017	IAS17 2016
Direct economic value generated					
Gross revenues	3,303	3,473	3,256	3,219	3,329
Net revenues	2,494	2,577	2,440	2,437	2,468
Direct economic value distributed					
Earnings per share (in €)	1.49	1.36	(0.31)	0.82	0.76
Dividend per share (in €)	0.60	–	0.47	0.47	0.43
Profit & loss performance					
Operating EBITA	229.0	212.6	177.2	186.4	175.5
Operating EBITA margin (in %)	9.2%	8.2%	7.3%	7.6%	7.1%
EBITDA	348.8	308.7	204.1	200.5	207.4
Net income from operations	133.4	119.8	87.6	101.0	90.9
Balance sheet performance					
Net working capital (in %)	12.6%	16.6%	15.1%	16.9%	17.5%
Days Sales Outstanding (DSO)	66	88	80	88	91
Return on Invested Capital (ROIC)[1]	9.6%	6.1%	4.7%	7.3%	6.8%
Year-end net debt to EBITDA ratio[2]	0.2	1.3	1.7	2.1	2.3
Average net debt to EBITDA ratio[2]	0.7	1.4	2.0	2.3	2.5
Cash flow performance					
Free cash flow[3]	323.5	97.2	149.0	97.7	80.0

1 Target and reported performance based on IAS 17
2 For bank covenant purposes the applicable ratio is lease-adjusted
3 Cash flow from operating activities minus investments in (in)tangible assets and including lease payments

Segment information

Amounts in € millions (rounding may impact totals)	2020	2019
Gross revenues		
Europe & Middle East	1,339	1,390
Americas	1,370	1,394
Asia Pacific	358	388
CallisonRTKL	236	301
Total	**3,303**	**3,473**
Net revenues		
Europe & Middle East	1,119	1,145
Americas	876	860
Asia Pacific	323	350
CallisonRTKL	176	222
Total	**2,494**	**2,577**
EBITA		
Europe & Middle East	86.2	85.0
Americas	105.1	57.3
Asia Pacific	33.0	31.5
CallisonRTKL	(0.2)	18.3
Total EBITA	**224.1**	**192.1**
Non-recurring[1]	4.9	20.5
Total operating EBITA	**229.0**	**212.6**
Operating EBITA[2]		
Europe & Middle East	91.8	87.5
Americas	101.7	71.4
Asia Pacific	34.1	35.1
CallisonRTKL	1.4	18.6
Total	**229.0**	**212.6**

1 Acquisition, restructuring, integration-related costs and changes in acquisition-related litigation provisions
2 Operating EBITA is EBITA adjusted for non-recurring costs

Amounts in %	2020	2019
Segment mix (gross revenues)		
Europe & Middle East	41	40
Americas	41	40
Asia Pacific	11	11
CallisonRTKL	7	9
Total	**100**	**100**
Segment mix (net revenues)		
Europe & Middle East	45	44
Americas	35	33
Asia Pacific	13	14
CallisonRTKL	7	9
Total	**100**	**100**
EBITA margin		
Europe & Middle East	7.7%	7.4%
Americas	12.0%	6.7%
Asia Pacific	10.2%	9.0%
CallisonRTKL	(0.1%)	8.3%
Total	**9.0%**	**7.5%**
Operating EBITA margin		
Europe & Middle East	8.2%	7.6%
Americas	11.6%	8.3%
Asia Pacific	10.6%	10.0%
CallisonRTKL	0.8%	8.4%
Total	**9.2%**	**8.2%**

Non-Financial Reporting People Metrics 2020

People and Culture

	Total Arcadis	Europe and Middle East	Americas	Asia Pacific	CallisonRTKL	GECs	Arcadis Gen	Corporate
Workforce								
Headcount as of 31st of December 2020								
Total Workforce	**27,939**	**11,168**	**7,649**	**4,581**	**1,228**	**2,849**	**226**	**238**
Permanent	26,027	9,947	7,330	4,343	1,191	2,787	211	218
Temporary	975	634	71	168	30	56	3	13
Contingent Workers (CWK)	937	587	248	70	7	6	12	7
Gender and Age[1]								
Gender % Distribution								
Female	38%	32%	37%	46%	47%	42%	32%	44%
Male	62%	68%	63%	54%	53%	58%	68%	56%
Age % Distribution								
30 and Below	29%	21%	23%	43%	23%	53%	29%	13%
31-50	53%	56%	53%	47%	60%	46%	53%	61%
51 and above	18%	22%	24%	9%	17%	1%	10%	27%
Undisclosed	0%	0%		1%	0%		9%	
New Hires[2]								
Total New Hires	**4,634**	**1,401**	**1,474**	**929**	**158**	**475**	**167**	**30**
New Hire Gender % Distribution								
Female	37%	35%	33%	43%	51%	39%	31%	57%
Male	63%	65%	65%	57%	49%	61%	69%	43%
Undisclosed	1%		2%					
New Hire Age % Distribution								
30 and Below	48%	43%	38%	61%	59%	71%	35%	23%
31-50	41%	43%	49%	29%	34%	29%	55%	57%
51 and above	9%	11%	13%	4%	7%	0%	10%	20%
Undisclosed	2%	3%		6%			1%	

1 % distribution of Gender and Age Bracket of Permanent and Temporary Employees

2 Number of Permanent and Temporary employees hired within 2020

Segment information

	Total Arcadis	Europe and Middle East	Americas	Asia Pacific	CallisonRTKL	GECs	Arcadis Gen	Corporate
Turnover Rate[1]								
Voluntary Turnover Rate	**8.7%**	**7.0%**	**6.9%**	**15.4%**	**9.7%**	**8.7%**	**3.5%**	**2.8%**
Involuntary Turnover	6.5%	3.4%	10.3%	6.6%	19.5%	1.6%	8.1%	3.3%
Overall Turnover	15.2%	10.4%	17.2%	22.1%	29.1%	10.4%	11.6%	6.1%
Voluntary Turnover Rate By Gender								
Female	9.2%	6.6%	6.9%	17.4%	9.6%	7.7%	3.5%	2.2%
Male	8.3%	7.2%	6.8%	13.6%	9.7%	9.5%	3.5%	3.3%
Involuntary Turnover Rate By Gender								
Female	6.5%	3.1%	8.8%	6.6%	22.6%	1.9%	7.4%	3.2%
Male	6.5%	3.5%	11.2%	6.7%	16.7%	1.5%	8.4%	3.3%
Overall Turnover Rate By Gender								
Female	15.7%	9.7%	15.7%	24.0%	32.2%	9.6%	10.9%	5.4%
Male	14.8%	10.8%	18.0%	20.3%	26.4%	10.9%	11.9%	6.6%
Leadership and Management								
Management by Gender, Middle Management (Senior Leadership Group - SLG)								
Female %	18%							
Male %	82%							
Management by Age Group, Middle Management (Senior Leadership Group - SLG)								
30 and Below %	0%							
31-50 %	53%							
51 and above %	47%							
Company Leadership (Executive Board , Executive Leadership Team and SLG)								
Female %	19.5%							
Male %	80.5%							
Company Leadership (Executive Board, Executive Leadership Team and SLG)								
30 and Below %	0%							
31-50 %	51.6%							
51 and above %	48.4%							

[1] Turnover, computed by number of leavers within 2020 divided by average headcount for 2020 for permanent employees only

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Glossary financial & non-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 '2020 at a glance page' on page 2, 3 and 4. as marked with the ✓ symbol, further, these indicators are to be found throughout this Annual Integrated Report. These indicators are amongst the most material indicators for Arcadis. (See page 287 for the Assurance report of the independent auditor, which included details on the scoping and outcomes.)

Unless described otherwise, the scope of the indicators is based on Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company'). Arcadis aims to increase the assurance scope for 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) please refer to the section here below, and on the next page.

	Indicator	Definition
People & Culture	Workforce	The number of individuals at the balance sheet date (including individuals working for Arcadis during December 2020). Workforce is defined as individuals that are in an employment relationship with Arcadis, according to national law or its application.
	Employee engagement score (eNPS)	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 an employer of choice.
	Permanent Employees	This includes everybody on the payroll with an employment agreement without time constraint.
	Temporary Employees	This includes individuals on the payroll with an employment agreement that is temporary in nature. Excluded are consultants and agency workers.
	Total Recordable Case Frequency (TRCF)	The number of recordable injuries or illness per 200,000 working hours. An injury or illness is recordable if it is work-related and is medical according to the US occupational safety and health administration (OSHA) rules.
	Lost Time Case Frequency (LTCF)	The number of lost-time injuries or illness per 200,000 working hours.
	Employees passing Code of Conduct training	Percentage of employees that have passed the AGBP training and test. This training and test have the objective of increasing awareness of potential conflicts and dilemmas, guiding employees to make ethical decisions.
	Number of AGBP alleged breaches (including near misses)	Number reported integrity issues related to the Arcadis General Business Principles.
	Investigated AGBP alleged breaches	Number of investigated integrity issues relating to the Arcadis General Business Principles.
	Group Effective Tax Rate over the past five years	Weighted average Effective Tax Rate (ETR) over the past five years. ETR: Taxes on income divided by Income before income taxes, excluding Results from investments accounted for using the equity method and the Expected Credit Loss on shareholder loans and corporate guarantees.
	Number of appointed privacy officers (in the year)	Number of appointed privacy officers in the period by Arcadis.
	Number of internal audits (in the year)	Number of internal audits performed in a calendar year. The objective is to assess the operating effectiveness of business controls and provide recommendations to remediate identified risks that could potentially impact the realization of strategic objectives.
	Brand awarenss score	Arcadis' score of its media coverage against a competitor set of five.
	Contingent workers	These are individuals that are hired for a service from other companies for a limited duration such as consultants and agency workers.

Glossary financial & non-financial indicators

	Indicator	Definition
People & Culture	Full Time Equivalent (FTE)	Employee's weekly working hours divided by full time weekly working hours (normally 40 hours) = FTE.
	Voluntary Turnover rate	Voluntary termination of permanent employees (see definition above) divided by the average number of permanent employees during the year. A termination is voluntary when the decision for termination is made by the employee.
	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 unforeseen circumstances.
	Percentage female employees	Number of women employed at Arcadis as a % of total workforce.
	Middle Management	Are employees that are part of the Aracdis Senior Leadership Group which comprise of leaderhsip in both country and corporate roles.
	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.
	Performance Development	Permanent employees (see definition above) who received a regular performance and career development discussion during the reporting period.
	Training	Refers to time or expenditure spent preparing and attending training events, E-learning, mentoring and coaching and internal / external conferences.
	Client experience score	Client satisfaction shown in a Net Promotor and Client Loyalty Score.
Innovation & Growth	Organic revenue growth	Year-on-year Net revenue change minus contributions from acquisitions in that period plus contributions of divestments in the previous period, minus exchange rate differences, and adjusted, if applicable, for nonrecurring items.
	Book-to-bill ratio	Period net order-intake in Net revenues divided by the period Net revenues.
	Organic revenue growth Global Key Clients	Organic net revenue growth generated by our Global Key Clients program compared to last year. The Global Key Clients is a set of clients that is determined by Arcadis based on multiple criteria set by the Executive Board. The Global Key Clients for the year are determined before the year starts .
	Organic revenue growth Global Cities	Organic net revenue growth generated by our Global Cities program compared to last year.
	% of revenues using BIM level 2	The Net revenue of Architecture or Design & Engineering projects, where more than one project discipline creates or collaboratively manages object-based information in a predefined way to have a single source of truth. Object-based is where a data set represents a physical real-world assets characteristic in a reusable form.
	Arcadis Way implementation progress	Total of Net revenues for the year of the cumulative regions and/or countries that have migrated on to the Oracle software as part of Arcadis Way, divided by total Net revenues for the Arcadis Group.
	Arcadis' carbon footprint	The amount of greenhouse gases produced by Arcadis' employees measured in metric tons of carbon dioxide per full time equivalent (FTE).
	Number of identified environmental non-compliances	Number of incidents in which Arcadis failed to meet environment related laws, regulations and standards in the execution of projects for clients.
	% of revenues that relate to relevant SDGs	The percentage of total Net revenues that relate to SDGs deemed relevant for Arcadis, mapped on the basis of client value propositions.
Focus & Performance	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.

Glossary financial & non-financial indicators

Indicator	Definition
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.
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

Total shareholder return: Stock price appreciation plus dividend yield

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