



Shaping Corporate Responsibility
for a Connected World

ARM

ARM Holdings plc
Corporate Responsibility Report 2014



ARM® technology is used by billions of people around the world, enabling new and exciting opportunities. Just as our reach increases every year, so ARM's corporate responsibility (CR) programme has expanded its scale and impact. In 2014, we engaged multiple strategic Partners in our CR programme. We support transformative projects through a combination of ARM technology, the ARM ecosystem and the skills of our people.

Photo: Shanghai at night.

2014 reporting suite

ARM has designed its 2014 reports to provide a comprehensive overview of the business. More detailed information is available online at www.arm.com/ir.

Corporate Responsibility Report

The Corporate Responsibility (CR) Report outlines our approach to investing in sustainability and CR projects, and how we attract and develop our people. It also outlines how we behave responsibly to protect the natural environment, and the neighbourhoods and communities where we work.

This report was prepared in accordance with the Global Reporting Initiative's (GRI) G4 Reporting Guidelines at the Comprehensive level. ARM is a member of the United Nations Global Compact (UNGC) LEAD Advanced Level Reporting Programme. We report annually against the ten Global Compact principles. A supplement including detailed information on our CR governance, a full GRI disclosure, and our UNGC Communication on Progress against the Global Compact Principles is available at: www.arm.com/reporting2014/cr.

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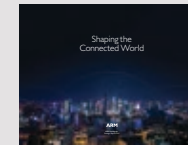
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Where to find more:



Strategic Report

The Strategic Report contains information about ARM, how we make money and how we run the business. It includes an overview of our main markets, our corporate strategy, business model, key performance indicators and main areas of risk, as well as our progress during 2014.



A copy of the Strategic Report can be downloaded from www.arm.com/reporting2014



Governance and Financial Report

The Governance and Financial Report explains the way we operate, our approach to corporate governance, and how we remunerate management and our financial performance for 2014.



A copy of the Governance and Financial Report can be downloaded from www.arm.com/reporting2014



Investor Relations website

The Investor Relations website contains more information on what ARM does and how we connect with some of the world's most innovative companies to shape the future of technology. Here you will find our latest financial results and recent case studies of ARM technology in action.



The Investor Relations website can be found at www.arm.com/ir

Reporting boundary

The data covers the period from 1 January 2014 to 31 December 2014, unless otherwise stated. We publish reports annually. Our last report was published in March 2014.

This report includes data from 2014 environmental measurement. Calculations are based on data from our environmental database, which incorporates data from our 36 offices across the globe.

Future reporting

We will continue to align ARM's future reporting with the GRI and UNGC, to provide a transparent overview of our annual CR and sustainability progress.

Connected strategy

A connected strategy for CR impact

Inspired by ARM's business model, we are co-designing a programme with our CR Partners which complements and supports the corporate vision, mission and strategic objectives.

ARM's CR projects deliver measurable impacts that influence and change lives for the better. This will continue through 2015 and beyond, providing new experiences and opportunities to millions more people.

Our business strategy is to develop and deploy energy-efficient technology, to enable innovation through a broad ecosystem of Partners. We build on our shared success to create superior returns for our shareholders by investing in long-term growth.

Our approach to CR takes into account our material sustainability issues (see page 20) and is shaped by our engagement with a wide range of stakeholders. These stakeholders include our customers, the companies within the ARM ecosystem, our employees, our local communities and wider society.

Our four strategic focus areas for CR are:

Education

Supporting the educational needs of young people by helping teachers and society inspire the next generation of engineers.



Health

Using our technology to drive innovation and collaborating to improve access to affordable healthcare everywhere.



Environment

Developing technology that will contribute to a reduction in world-wide carbon emissions through improved efficiency, whilst reducing ARM's direct environmental impact.



Communities

Engaging with local stakeholders, including our own people, and behaving with integrity to support communities wherever we operate.



Delivering our CR strategy

Our progress in 2014

During 2014, we invested time and effort in improving the internal processes and structures necessary to deliver our CR programme objectives. This included an enhanced stakeholder engagement management approach. We also established a methodology for measuring and reporting on project outcomes and impacts, and began projects to incorporate sustainability into our supply chain and to improve the way we measure our relationships with our CR Partners.

These are all largely process-driven activities, but they have been necessary for us to be able to deliver effective CR projects and to demonstrate our all-round capabilities as a sustainable business.

Alongside these process improvements, we continued to work with long-term charitable CR partnerships to develop interconnected and mutually supporting projects. 2014 provided us with the opportunity to consolidate our CR approaches and explore some exciting high-impact projects that we expect to launch and begin delivering in 2015.

As we look ahead, we are committed to ensuring that clear benefits are delivered to ARM and to society, now and over the long term.

We deliver our CR strategy by applying the same principles and values as ARM's core business. These principles are embedded into the way we plan, manage and deliver each of the four strategic focus areas.

Building an ecosystem

Enabling ARM and its CR Partners to achieve more than they could if operating alone. By developing a shared purpose with our CR Partners, we deliver a bigger impact at lower cost. For example, the 2020 Scholars' Programme we initiated, brought together Villiers Park Educational Trust, The Smallpeice Trust and Arkwright Scholarship Trust. See page 29.

Encouraging collaboration

Building partnerships through promotion, facilitation and funding. This enables ARM and our CR Partners to deliver the best solutions in the best possible way, supporting replicable open-source models. For example, our support for the global growth of Code Clubs. See page 27.

Working with experts

Our projects are informed by robust evidence and are shaped by the advice and experience of specialists. For example, our ongoing relationship with the Faculty of Education and University of Cambridge is helping us to refine our approach to delivering a Connected Education programme. See page 28.

Innovation and creativity

Being innovative enables us to tackle complex problems where solutions are not obvious nor have an established precedent. For example, our new partnership with UNICEF which will deliver innovative technologies to address global health issues. See page 34.

Reporting on what matters

Reporting on what matters to ARM and its stakeholders

This report outlines our performance highlights and areas for improvement within the context of the material sustainability issues for ARM and its stakeholders. As such, the report is driven by materiality and is intended to provide a balanced view of our activity during 2014 and our plans for the future.

What matters to our stakeholders matters to ARM. As a business, we have always prided ourselves on our collaborative approach to partnerships. We consider that this has been fundamental to the growth and success of the ecosystem of over 1,000 connected companies. The prosperity of the ecosystem relies on our ability to listen and respond to a wide range of stakeholders with a wide range of needs.

In 2014, we began a process to improve our approach to stakeholder engagement. This stakeholder engagement programme is already providing valuable new insights, as well as confirming that established practices within our business are ideally designed to respond to and meet the needs of our stakeholder groups.

Area of focus

Education



Why it matters to us

Future global economic prosperity relies on a quality science and engineering workforce. ARM and its Partners face tough competition for the best people within these disciplines, and so we collaborate with industry, the public sector and the voluntary sector to grow a global talent pool. This will not only benefit ARM and its Partners but also have an impact on wider society.

We also wish to see ARM technology provide real benefits to schools.

Health



ARM technology and expertise can make a significant contribution to improving access to affordable healthcare in emerging and developed countries.

The ability to deliver affordable healthcare at scale will be essential to addressing global challenges as we move towards 9 billion people and an ageing population.

Environment



Through our internal efforts, external stakeholder engagement and ARM technology, we have the opportunity to make a significant impact. Improvements in water management and agricultural yields, and reductions in carbon emissions can all be enabled through a range of applications.

Communities



Our workforce is highly skilled and qualified. It is critical that we create an environment that respects, inspires and rewards our people. We must also contribute to the communities in which our people live and work.

We are a global company, with 3,294 people across 36 offices in 18 countries. We recognise our operations will have some impact in the communities where our offices are based.

What we are doing about it

We promote science, technology, engineering and maths (STEM) education to develop and shape the global talent pool for our industry and wider society. We have established a Connected Education programme with our charity CR Partners that takes young people on a journey of learning from the age of nine through to university.

[Read more on page 23.](#)

Our projects focus on supporting health-focused technology start up businesses and marrying them to established charities such as UNICEF or USAID to deliver impact at a global scale.

[Read more on page 31.](#)

ARM technology plays a significant role in reducing energy consumption and emissions at a global scale. For example, enabling greater efficiencies in servers and data centres. In addition to this, our technology is at the heart of new strategies that will deal with other environmental and resource challenges, such as the management of energy grids and water resources.

[Read more on page 39.](#)

We conduct a comprehensive employee engagement survey every two years to understand what matters to our people and their connection with the business. We also undertake extensive external stakeholder engagement, covering our Partners, the investor community, charities, local communities, governments, and industry. This helps us to understand their concerns, and to shape our approaches to better manage them.

We encourage our employees to use their skills for the benefit of the community, and for ARM to provide support to help the societies in which we operate.

[Read more on page 47.](#)

What happened in 2014

Establishing the Global STEM Alliance ([page 23](#)).

Launch of the 2020 Scholars' Programme ([page 29](#)).

A greater focus on how computing and technology subjects are taught in schools ([page 27](#)).

Launch of a landmark partnership with UNICEF ([page 34](#)).

Successful pilot project with Literacy Bridge and a step further in producing an ARM-based charitable ARM Cortex®-M0 based chip for the developing world ([page 36](#)).

ARM technology continues to enable global energy savings and carbon emission reduction ([page 41](#)).

Carbon emissions and energy consumption targets remain on track for 2020 reduction targets ([page 42](#)).

Enhanced stakeholder engagement programme begins, incorporating long-standing elements such as the employee engagement survey ([page 50](#)), public policy ([page 55](#)) and collaboration with CR Partners.

TeamARM refreshed and relaunched, together with our plans for an employee volunteering scheme designed to develop and share the skills of our people ([page 52](#)).

CEO's statement

Shaping projects where ARM technology can improve the lives of millions

I am personally proud of the way in which ARM technology is used in all sorts of ways to improve people's lives. In his research on the worldwide connected community, Harvard academic and author James F Moore suggests that the ARM ecosystem "may have the potential to mobilise talent to solve other, bigger problems." I believe this is true, and our CR programme is designed to realise this potential.

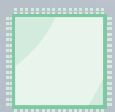
Technology offers the promise of a better life for billions of people in underserved populations through improvements in education, health and economic outlook. ARM technology is enabling the intelligence that is creating an increasingly connected world. Yet, there are still 4.5 billion people without access to the Internet. We want to align our ecosystem to help some of the world's most vulnerable people.

Sometimes, to make a big change you need to start small. Last year we sponsored the Cambridge University Humanitarian Centre to address a major global issue – a third of all children under five have neither birth certificates nor health records. Student volunteers took up this challenge and it resulted in a startup company, Simprints, being formed. A year later the team was on the ground in Bangladesh, testing an idea for a small energy-efficient fingerprint scanner that instantly links an individual's fingerprint to their health records. This can help doctors understand and therefore treat diseases much more effectively. Simprints is already getting attention from some of the largest international development foundations, and was recently awarded a major grant by the Saving Lives at Birth Challenge <http://savinglivesatbirth.net/>. We supported this by pledging to increase any grant they might receive, ensuring the judges knew they had strong support from others from the outset. ARM's CR programme has been creating an environment in which ideas such as Simprints can emerge and succeed, and there is more about this on page 33. Our support for Simprints is a great example of how our technology can help make a difference to people's lives and how ARM's partnership approach to CR is starting to address those "other, bigger problems."

To complement our CR activities we want to involve our people, focussing their skill and expertise on some of the problems faced by our CR partners. That is why we have re-launched our engagement effort (called Team ARM). We encourage everyone in the company to spend a day per year volunteering in the community. ARM engineers have already supported Simprints in work ranging from prototyping to sourcing components. ARM's CR programme is helping engineers understand the real problems faced in international development, supporting the ideas that emerge and helping deliver real solutions.

In 2015, we want to take our global partnership approach a step further. We have been working closely with UNICEF to understand how we might jointly develop innovative solutions to some of the global challenges they face. Our goal is to identify areas that have the potential to benefit millions of people, especially children, around the world. We are connecting UNICEF with our relevant CR partners and are exploring how we can all work together to achieve impact at scale and bring the power of our ecosystem to bear on these challenges.

The UNICEF project will be big for us. I am confident it will show that ARM can think imaginatively about how to achieve our goal to help make the world a better place.



1991: First ARM-based chips started to ship



1bn

2001: 1 billion ARM-based chips shipped



60bn

2014: Over 60 billion ARM-based chips shipped

The UNICEF project will be big for us. I am confident it will show that ARM can think imaginatively about how to achieve our goal to help make the world a better place.



Simon Segars
Chief Executive Officer

Measurement and reporting

Measuring our impact

ARM has long recognised that its CR programmes must demonstrate good value for us, our CR Partners and our stakeholders. In 2014, we implemented a framework to understand the impact of our CR programmes by finding ways to measure, quantify and report on their success.

The framework builds upon guidance published by the London Benchmarking Group (LBG) (From Inputs to Impacts, 2014) and provides data on how ARM's CR activities and objectives are having a tangible impact.

There are many benefits expected from adopting this approach for us and our CR Partners. For example, we will be able to set clearer project objectives, thus improving performance visibility for all stakeholders.

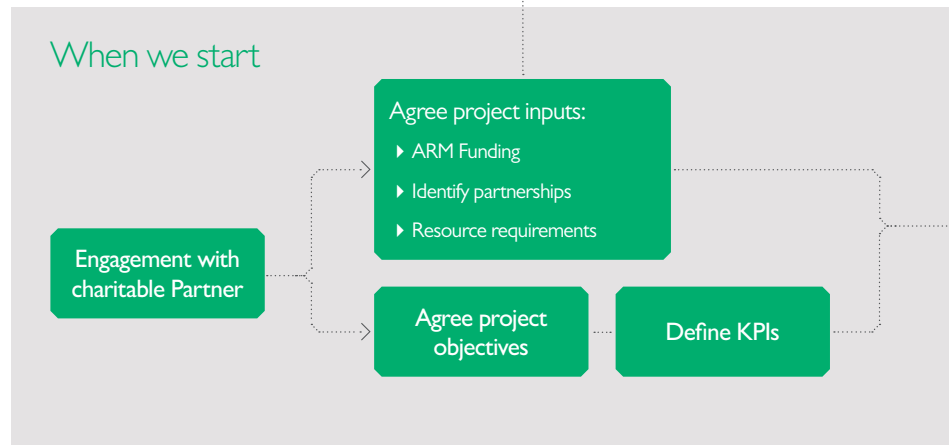
We will be rolling out this approach to all of our major CR programmes in 2015.

Our approach

Our framework is designed to measure and communicate on the success of CR projects by focusing on the following key areas to measure project success:

- ▶ Inputs – our direct and indirect (leveraged) contributions.
- ▶ Outputs – recording what happens.
- ▶ Outcomes – reporting on what changes.
- ▶ Our impacts – Similar to outcomes, but going further, to describe how much of the change is attributable to the specific programme and ARM's contribution to it.

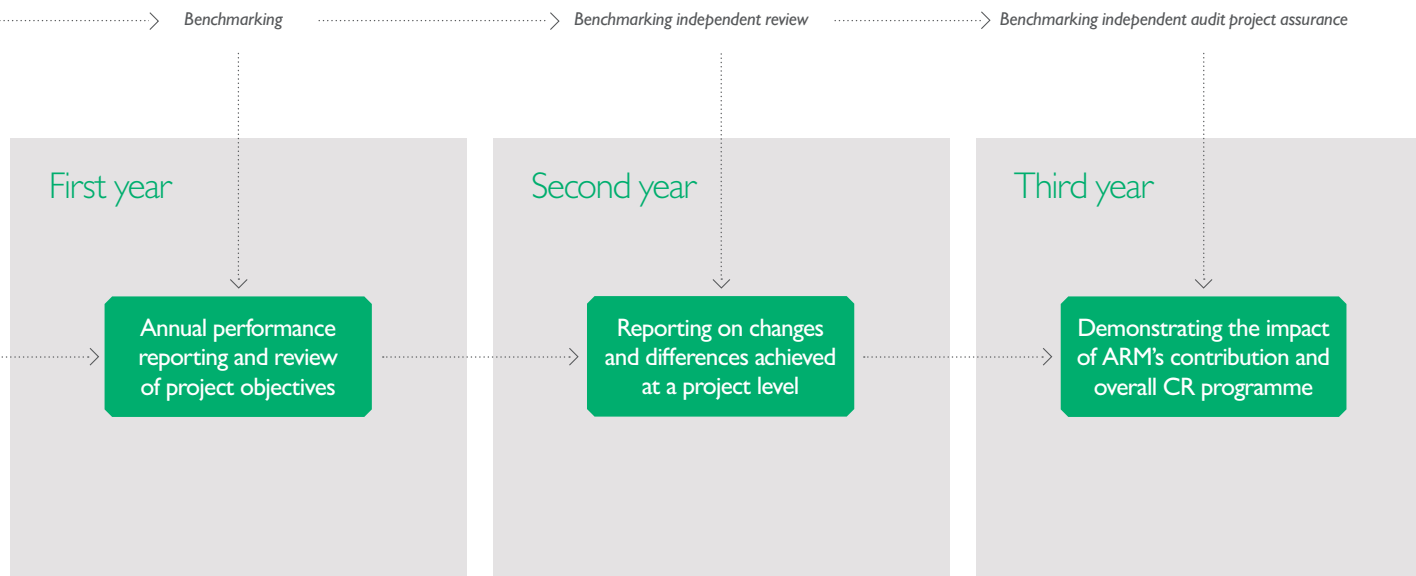
Our approach can be illustrated with these examples:



Our inputs

Recording the time and resources being contributed to a new project. A basic measure of commitment to projects and investment. The inputs can be both direct (our personal contributions in cash or through volunteering time) or indirect, reflecting our ability to leverage contributions from others. Inputs will be recorded and reported annually through the project lifetime.

- ▶ Project Teacher training for coding and computing curriculum to 5 to 9-year-olds.
- ▶ Total number of training places being funded.
- ▶ Total value of contribution.
- ▶ Management costs of administering project.



Outputs

Recording and reporting on what happened on the projects we support. This measures who or what we have reached, giving an indication of the scale of the project. Other outputs may include leveraged support, the additional funding or in-kind support generated from third parties, media coverage received and other related activity coming directly from the project.

- ▶ Total hours of training delivered.
- ▶ % of teachers successfully completing the course.
- ▶ % participant satisfaction.

Outcomes

Outcomes represent what has changed as a result of the project. This information can be used to refine project approaches, review resource allocation, and alignment of future objectives for the project. This stage goes beyond reporting on the level of activity, to provide a real insight into the overall effectiveness of the project and the value that is being generated.

- ▶ % of teachers who report changes in their classroom practices.
- ▶ % of students taught by trained teachers choosing optional computing subjects.
- ▶ Performance results for teachers who attended training versus those who did not.

Our impacts

Our impact is a measure of the changes that occurred as a direct consequence of ARM's support for a project.

This is the most challenging part of the process to measure. Impact assessment involves an in-depth mapping of project performance and its direct and indirect influences. Some impacts can be achieved in weeks or months, others may take years to be realised.

- ▶ % improvement in student pass rates.
- ▶ % increase in students taking STEM subjects later in their education.
- ▶ % increase in STEM qualifications being received by students.

Measuring the impact of our CR programme and being able to communicate it with clarity and credibility is crucial to justify the investment we are making.

Simon Segars
CEO



We have applied this framework to the Literacy Bridge project, to illustrate its progress and future expected impacts. See page 25.

Building credibility through collaboration

We will continue to work with bodies such as the LBG and other thought leaders, as well as our CR Partners and industry bodies, to strengthen our approach going forward.

Business overview

How ARM creates value

ARM is the world's leading semiconductor intellectual property (IP) supplier. We develop technology that is at the heart of many of the digital electronics devices sold each year, from smartphones and tablets to sensors and servers. Microprocessors provide the intelligence within the device that controls the logic and decision making that drives the function of the device.

How ARM creates value for its Partners

ARM designs technology that is complex and expensive for our Partners' Research and Development (R&D) teams to develop for themselves. The design of a processor or a library of physical IP requires a large amount of R&D investment and expertise. In addition, the creation and development of an ecosystem of software and tools companies that support ARM's technology and its licensees would be difficult to reproduce.

We estimate that a major semiconductor company would need to spend over \$100 million every year to develop and maintain their own architecture. By designing once and licensing many times ARM is able to cover its R&D costs by charging a proportion of the costs to many companies. By reducing the cost of the processor and physical IP, ARM's Partners are able to invest more in the other technology that goes into a System-on-Chip. This leads to more choice in digital electronics for Original Equipment Manufacturers (OEM) and consumers.

How ARM makes money

Semiconductor Partner companies will incorporate the ARM technology design into their chip. It can take two to three years to build a chip and a further year for an OEM to build their product, such as a digital TV or mobile phone, containing the chip.

ARM endeavours to recover its costs from the licence revenues of each technology, leaving the majority of royalty revenues as profit.

At the end of 2014, ARM had signed 1,198 licences cumulatively with more than 380 semiconductor companies. 163 of these were signed in 2014. Of these, about a quarter are intended for use in mobile devices, with three quarters contributing to the expansion of our opportunities into markets beyond mobile.

Sustainable relationships based on enduring technology

OEM customers build consumer products containing ARM-designed energy-efficient chips. Each ARM design is suitable for a wide range of end-applications. An ARM design may be used in many different chips and ship for over 20 years.

For example, ARM7™-based microprocessors was launched in 1995, and yet in 2014, we were still receiving significant royalty revenue from ARM7 shipments by our Partners. This represents a rare achievement in longevity for our industry.

The market in 2014

In 2014, approximately 65 billion silicon chips were manufactured*. Of these, 33 billion contained a processor. The processor is the brain of the chip, and controls not just the operation of the chip, but also the operation of the device that the chip goes into. We estimate that the total value of chips with processors sold in 2014 was about \$80 billion and that by 2020 the value of this market will have grown to about \$120 billion.

Increasing our market share

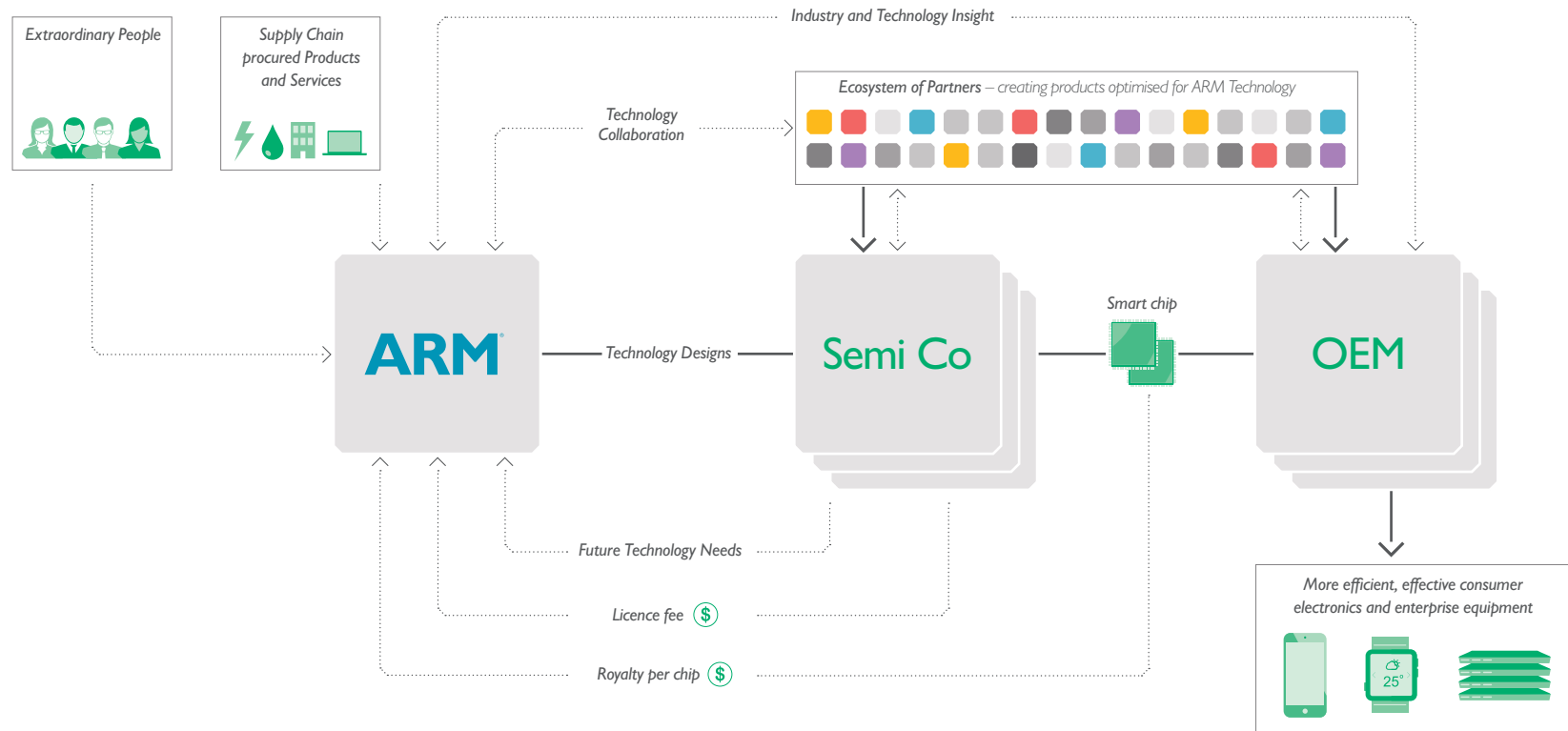
Our goal is to create a world of smart connected devices and services, all based on energy-efficient technology. Our market share in 2014 grew to 37%. We retained our high share of chips into mobile devices and increased penetration into key growth markets such as enterprise infrastructure and embedded intelligence.

Long-term value creation for shareholders through investment in R&D

The majority of our people are R&D engineers working on future generations of technology. We will continue to invest in R&D, hiring more engineers and investing in productivity tools as new generations of technology become increasingly complex and costly to develop.

*World Semiconductor Trade Statistics, January 2015.

Our business model



Key
— Product delivery
..... Knowledge and money

Understanding our supply chain

Presenting our global business

In 2014, we spent around £160 million on goods and services essential to the smooth operation of our global business (15% of turnover). This includes the costs that are associated with essential business travel, property management costs, legal and accounting fees, and IT support and services.



Our **people** are located all over the world. An important part of our success to date is down to the strong relationships with our Partners. We also encourage collaboration between our people, which is crucial to our ability to innovate.



Our **suppliers** are distributed globally. Where possible we support local suppliers and this is reflected in the distribution of our procurement of goods and services by location.



Over half of our **revenue** comes from the Asia Pacific region. Revenue can be used as a proxy for where our **Partners** are located.



Our **offices** and our **people**.

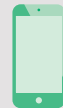


International **flights**.

The most significant and critical input for our business is our people. To read more about how we attract, inspire and reward our people see pages 50 to 52.

389

customers in
20 countries.



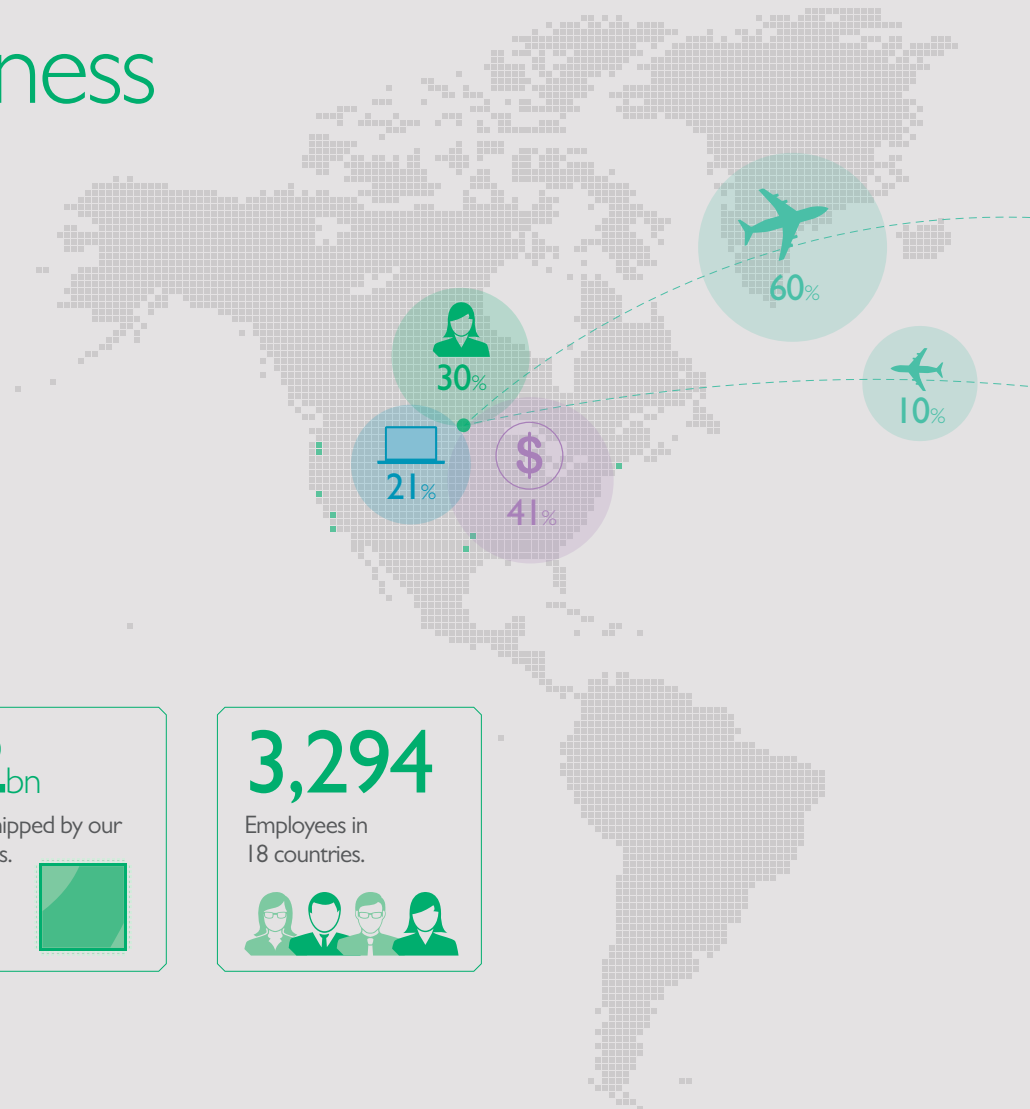
12^{bn}

chips shipped by our
Partners.



3,294

Employees in
18 countries.





Our procurement

We pride ourselves on the strength of relationships we have with local suppliers, some of whom have supported us since we started out 24 years ago. Wherever possible, and practical, we believe in supporting our local community through our procurement decisions.

Engaging with our Supply Chain

ARM participates in the UN Global Compact, which asks companies to embrace, support and enact within their sphere of influence a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

We already meet many of these requirements and encourage our suppliers to also support best practices, which we communicate through the ARM Terms of Business and the ARM Code of Business Conduct and Ethics. We are currently in the process of implementing improvements to our procurement and contract management approaches to integrate these principles into the way we operate. This will complement existing internal controls and risk management processes in place around our management of suppliers of goods and services.

A truly global business that is headquartered in the UK

When we started out 24 years ago, collaboration became one of the first ARM principles. It was crucial for our success because ARM was a small start up with 12 founders based in Cambridge, thousands of miles from other industry players and markets in the United States and Asia, trying to break into a dynamic and complex sector. The ARM business model required and continues to demand a culture based on collaboration; internally to generate innovation among employees, and externally with our current and future Partners.

To achieve this, our people regularly connect with colleagues and Partners within the ecosystem. Face-to-face interaction remains one of the most effective means of sparking new ideas and enabling innovation.

Connecting remotely is possible in many cases, however the value of personal contact in maintaining existing relationships and building new ones cannot be underestimated. This means that our air miles and Scope 3 carbon emissions represent a significant proportion of our emissions footprint. We are not complacent about this impact and are constantly reviewing ways to reduce travel to reduce associated costs, inconvenience to our people, and to reduce our associated carbon emissions. To read more about our carbon emissions reduction strategy, see pages 40 to 43.

Operating responsibly

Shaping a responsible value chain



Graham Budd
Chief Operating Officer

There has been an important trend in recent years for organisations to publicly report on the supply side of their value chain.

Graham Budd, ARM's Chief Operating Officer, discusses how the continued success of ARM relies on creating shared value through trust, innovation and collaboration.

ARM is part of an incredible success story. We have experienced outstanding results in financial performance, volumes of shipments and growth in the number of people we employ as a leading global technology company over a sustained period. We have played a major role in the enablement of a digital world unrecognisable from the one that existed when we were created 24 years ago.

We have done this by creating an ecosystem of over 1,000 connected companies built on trust, innovation and collaboration. Creating and maintaining a high level of trust is vital because the relationship between ARM and its Partners is intense, long-term and complex. This requires the active engagement of everyone at ARM, our Partners and suppliers.

We design semiconductor IP, we do not manufacture a physical product. This also means our environmental impact is low, and so are our associated risks. Even so, we attach great importance to the supply side of our value chain; the providers of critical goods and services that keep our organisation alive and give us the ability to deliver to our technology Partners. These

include the businesses that supply the IT infrastructure and services to support our globally distributed development teams, the facilities and building maintenance required to safely and securely provide for our rapidly growing workforce, and the global consulting, accounting and legal services from the hundreds of smaller suppliers who enable us to operate effectively.

There has been an important trend in recent years for organisations to publicly report on the supply side of their value chain. ARM has responded to the Carbon Disclosure Project (CDP) since 2010, and in 2014 submitted its first response to the CDP's Water Programme. We are committed to these initiatives and to improving our external disclosure in terms of transparency and performance, a reason we have moved to GRI G4 reporting at the first opportunity. This is being recognised by peers and industry as demonstrated by entry in the 2015 RobecoSAM yearbook with the Industry Mover distinction, our ongoing inclusion in the FTSE4Good, and recognition for our CR reporting by Corporate Register and the Investor Relations Society.

ARM's greatest influence across the value chain is through our focus on low-power innovation in our technology, which enables a positive global impact on the environment and carbon emissions, through the billions of energy-efficient end products created by our Partners using our designs. In this way, ARM technology contributes to positive long-term social impacts across many sectors.

Awards

Industry recognition

ARM puts a strong focus on operating responsibly and ensures that both its internal and external stakeholders are well informed about the business and its operations.

ARM has been recognised for its sustainability and communications performance as well as being recognised as one of Britain's top employers in 2014.



IR Society

Highly Commended in the Most Effective Sustainability Communications FTSE100 category.

www.irs.org.uk



RobecoSAM

Inclusion in the RobecoSAM 2015 Sustainability Yearbook and Industry Mover distinction for excellent sustainability performance.

[tp://yearbook.robecosam.com/home.html](http://yearbook.robecosam.com/home.html)



Top Employer

Certified as one of Britain's top employers in 2014 for excellence in conditions created for employees.

www.top-employers.com/Certified-Top-Employers



Corporate Register

Corporate Register Reporting Awards, shortlisted for Creativity in Communications category for 2013 reporting (results to be announced May 2015).

www.corporateregister.com



UKTech awards

Winner of the International Tech Star of the Year Award.

www.uktech-awards.co.uk/winners



Future value

Futurevalue 2014 Key Performance Indicators Accolade for the 2013 ARM Holdings Annual Strategic Report.

www.communicatemagazine.co.uk

Stakeholder engagement

Demonstrating effective stakeholder engagement

Stakeholder engagement, as a means of achieving effective collaboration, has been a fundamental part of ARM's business since the Company was formed.

At the heart of our business we have dedicated teams managing relationships with customers, Partners, investors and employees to ensure that their needs are regularly addressed. Other stakeholder groups, such as local community leaders, are engaged on an issue-by-issue basis.

In 2014 we began a process to formalise our approach to stakeholder engagement. We are only in the early stages of this process, however the programme has already refined our understanding of what our stakeholders care about the most.

Stakeholders are defined as any group, internal or external, that can be expected to be affected by our activities, products and decisions.

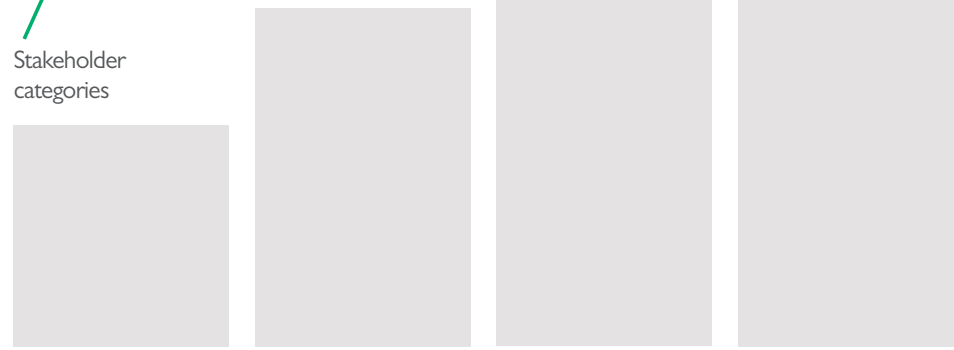
7
Stakeholder categories

30
Stakeholder groups

>350
Stakeholders actively engaging with ARM on at least an annual basis

>600
ARM people engaging with external stakeholders on a regular basis as part of their defined role and responsibilities

Regular engagement between over 600 of our people and over 350 external stakeholders enables us to understand the needs, concerns and expectations of our stakeholders. This allows us to define our material issues and to develop and deliver strategies that respond to those needs.



Who we engage	How we engage	What matters	What happened in 2014*
Local community	<ul style="list-style-type: none"> ▶ Community interest groups. ▶ Business community network groups. ▶ Working with and supporting local community charities. 	<ul style="list-style-type: none"> ▶ How ARM impacts on their environment and on their day-to-day lives. ▶ Sustainable economic performance, the ability to provide livelihoods and to invest in the community by supporting local community causes, charities and community-based institutions. 	<ul style="list-style-type: none"> ▶ We strengthened our involvement in local community interest groups. ▶ We engaged with and supported over 150 local community and charitable organisations around the world.
Investors	<ul style="list-style-type: none"> ▶ Investor roadshows. ▶ Annual and quarterly reporting. ▶ One-to-one meetings with investors. ▶ Investor relations website. 	<ul style="list-style-type: none"> ▶ Our ability to innovate. ▶ Strong financial performance. ▶ Good governance, ethics and integrity as the basis for achieving sustainable growth and financial performance. ▶ Clarity, consistency and setting realistic expectations. 	<ul style="list-style-type: none"> ▶ We engaged directly with over 30 investment banks that issue regular research on ARM Holdings plc, and met with hundreds of fund managers from institutional investment firms. ▶ We engaged with major Environmental, Social and Governance (ESG) research providers and proxy advisers to quantify and communicate our CR impacts.
Commercial Partners	<ul style="list-style-type: none"> ▶ Customer satisfaction surveys. ▶ Annual Partners Meeting. ▶ Trade and commercial seminars and conferences. 	<ul style="list-style-type: none"> ▶ The ability of ARM to deliver on time and to specification. ▶ Customer service and satisfaction. ▶ Trust, integrity and ethics. ▶ Ability to innovate, and have the right people, processes, systems and tools to deliver the best possible results. 	<ul style="list-style-type: none"> ▶ 24.1% customer service response rates representing 1,942 surveys received. Satisfaction with support >88%. ▶ 564 Partners brought together with 550 ARM people at the Annual Partners Meeting to share ARM's plans for the future, build relationships and have intensive meetings over a three-day period conferences and seminars attended.
Industry	<ul style="list-style-type: none"> ▶ Industry representative groups. 	<ul style="list-style-type: none"> ▶ Active participation in industry working groups. ▶ Industry representation to policy makers. 	<ul style="list-style-type: none"> ▶ Regular attendance at industry forums including International Telecommunications Union (ITU), Engineering UK, Tech UK, Electronic Systems Council (ESC) and National Microelectronics Institute (NMI). ▶ Participation in the United Nations Global Compact, UK Network and Global Compact LEAD Programme.
Government and regulators	<ul style="list-style-type: none"> ▶ Participation in public policy debate. ▶ Preparation and presentation of consultations and responses to White Papers. ▶ Commissioned and co-authored research. ▶ One-to-one meetings with government and civil service representatives. 	<ul style="list-style-type: none"> ▶ Industry representation and engagement. ▶ Growing the scope of potential markets. 	<ul style="list-style-type: none"> ▶ Over 100 policy exchanges with government officials. ▶ Active engagement with World Economic Forum, United Nations organisations and the ITU.
Charitable and community Partners	<ul style="list-style-type: none"> ▶ One-to-one meetings. ▶ Status reporting and progress meetings. ▶ Convening sector and topic meetings. ▶ Connecting Partners. 	<ul style="list-style-type: none"> ▶ Operating with integrity and honesty. ▶ Economic performance and the ability to maintain and grow funding. ▶ Local community partnerships and networks. ▶ Engagement as a means to leverage a community ecosystem. 	<ul style="list-style-type: none"> ▶ Over 200 one-to-one engagements with charitable Partners (includes multiple meetings with some Partners). ▶ Annual status and performance reviews received and discussed with 10 larger charitable Partners.
Our people	<ul style="list-style-type: none"> ▶ Employee engagement survey. ▶ Line manager one-to-one conversations. ▶ Annual Travel Survey. 	<ul style="list-style-type: none"> ▶ Ethical behaviour in all interactions. ▶ Economic performance. ▶ Environmental responsibility. ▶ Our ability to innovate, motivate and maintain a stimulating working environment. 	<ul style="list-style-type: none"> ▶ 82% response rate in the 2014 employee engagement survey. ▶ 99.6% of eligible employees completing their annual development plans as evidence of regular performance reviews and engagement with line managers.

* Selected examples of activity during 2014. This is not intended to be a comprehensive list of engagement activity, but to represent performance highlights from 2014.

Stakeholder engagement

Our materiality process

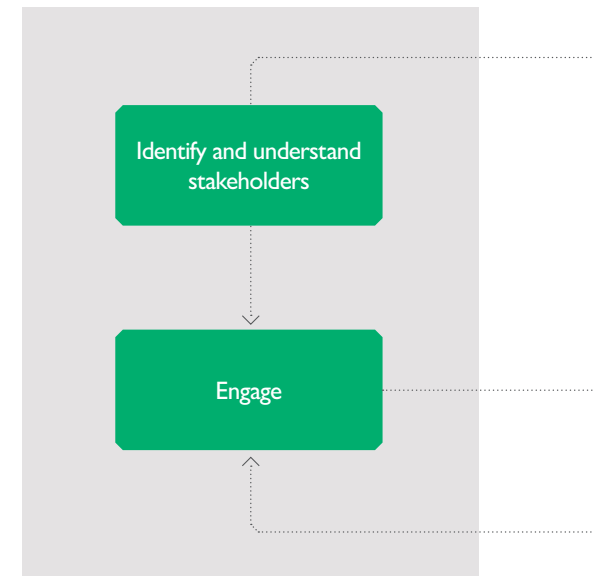
Our approach to materiality builds on established engagement frameworks and processes within ARM to drive stakeholder inclusiveness and strengthen our CR strategy. These include mechanisms such as the employee engagement survey, customer satisfaction surveys, involvement in industry groups, and local community outreach to create a dedicated list of material issues that influence ARM's CR strategy and approach.

The process, which was finalised in 2014, began with a review of stakeholders across the global business. Based on this understanding, we sought to document our engagement activity and to identify those issues that matter the most to our stakeholders.

We know that stakeholder engagement is a constant and dynamic process, however as we continue to apply and strengthen our framework, we are confident that our ability to meet a broader range of stakeholder needs will also improve.

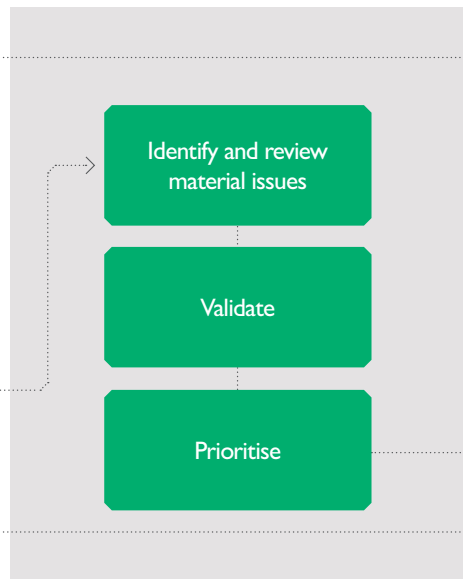
The approach we adopted in 2014 can be summarised in the following way:

Step I: Identify and understand stakeholders



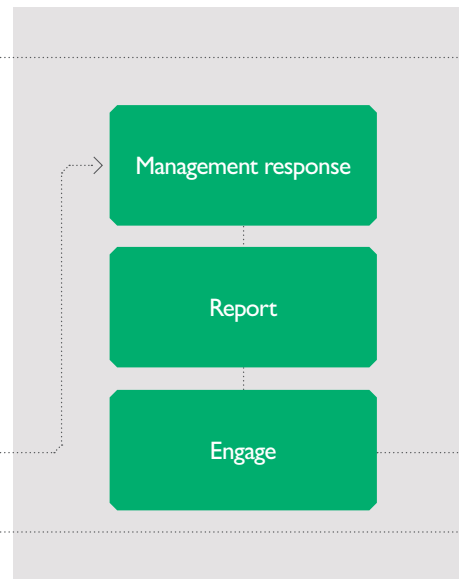
We began a process to identify and interview representatives from across the global business to understand who we engage with, their relationship with ARM and their interests.

Step 2:
Identify and prioritise material issues



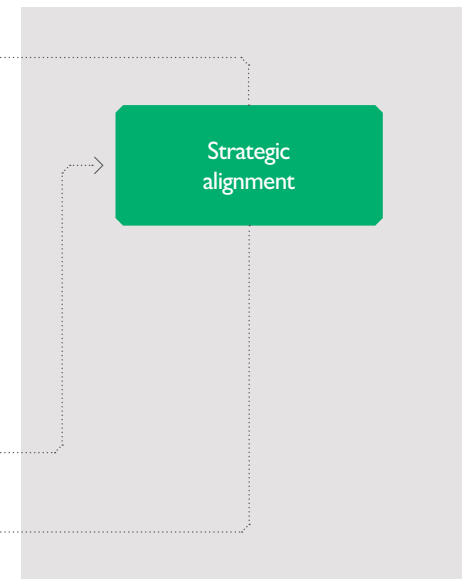
We gathered data from all our engagement activity and reviewed and ranked based on relevance and importance to our stakeholders.

Step 3:
Management response



The purpose of stakeholder engagement as the basis for determining material issues is to provide additional perspectives to management to complement their existing knowledge and understanding of business risks and opportunities. During 2014, this process has already identified areas for improvement in systems and processes within ARM, and in how ARM engages with its stakeholders.

Step 4:
Strategic alignment



To ensure that the material issues identified through stakeholder engagement stay relevant and are aligned to the wider management of the business and our CR strategy, we undertake a process of reflection and review on an annual basis.

Stakeholder engagement

Our material sustainability issues

Material sustainability issues are those topics with the potential to have a major impact on our business, stakeholders and society. According to the Global Reporting Initiative (GRI) the threshold for defining material topics should identify those opportunities and risks which are most important to stakeholders, the economy, environment and society, or the reporting organisation.

We have seven material sustainability issues. These can be mapped to our four CR focus areas to show how we are addressing material issues across our CR focus areas. For further detail on our approach to determining materiality and how our seven issues relate to the GRI G4 framework, refer to our CR Supplement. www.arm.com/reporting2014/cr

<i>Our material sustainability issues</i>	<i>Education</i>	<i>Health</i>	<i>Environment</i>	<i>Communities</i>
Talent attraction, retention and well-being	✓	✓	✓	✓
Innovation	✓	✓	✓	✓
Partnership	✓	✓	✓	✓
Integrity and ethics			✓	✓
Community	✓			✓
Resource efficiency			✓	
Economic performance	Refer to annual Strategic Report and Governance and Financial Report.			

Improving quality in 2015

It is important that we achieve stakeholder inclusiveness within our engagement programme. This will assist us in maintaining a complete and relevant list of material sustainability issues for the business. Our programme has provided us with the confidence that we are actively engaging with all relevant stakeholders. The process has also identified areas where we can improve, for example, in our customer satisfaction survey approach. In 2015 we will continue a process to broaden our approach to gathering customer feedback. This will extend measurement and reporting of customer service and support activity to include legal and sales.

As we achieve inclusiveness, our focus will shift to maximising the quality of engagement with all stakeholders.

Our reporting framework

Our reporting framework

Our reporting framework includes our own annual report and accounts, and our submissions to public reporting initiatives including:



FTSE4Good

FTSE4Good is an equity index series that facilitates investment in companies that meet globally recognised corporate responsibility standards. The FTSE4Good Index Series transitioned to a new and revised methodology during 2014. The new methodology increases the Environment, Social and Governance (ESG) themes, and improves the focus on qualitative data, performance measurement and increasing the number of sector-specific criteria. ARM retained its place as a constituent of the FTSE4Good Index Series.



Carbon Disclosure Project

CDP is an international, not-for-profit organisation providing a global system for companies and cities to measure, disclose, manage and share environmental information. CDP works with and represents 767 institutions holding US\$92 trillion in assets (December 2014) to help reveal the risk in their investment portfolios.



ARM has provided a voluntary response to the CDP since 2010. In 2014, we improved our disclosure rating from 75% to 82%. Our performance score remained at Grade C which we consider a fair reflection of our current state.

An annual Communication on Progress (COP) for the United Nations Global Compact

ARM is a member of UNGC LEAD. LEAD is a group of 50 multinationals that are chosen out of the 10,000 UNGC members because of their history of engagement with the UN and commitment to CR.

ARM is represented on both the Global Compact LEAD and UK network's advisory board, keeping us in touch with our peers and informing us on how we can contribute to sustainability in our immediate operations, our ecosystem and beyond.

As a LEAD company, we submit an annual Communication on Progress against the advanced criteria that support the ten Global Compact principles. We reported our 2013 COP publicly in March 2014. We will be publishing our 2014 COP through the UNGC protocols in March 2015. www.unglobalcompact.org

Our approach to implementing the ten Global Compact Principles across the 21 contributing criteria is presented in our detailed reporting supplement.

Member of London Benchmarking Group

ARM is an active member of the LBG. The LBG is the internationally recognised body for measuring corporate community investment. LBG is comprised of 125 core global member companies, all using the LBG framework to measure, manage and report the value and effects of the contributions they make.

Responding to the Investor Community

Increasingly we are invited to respond to investor-led analytical assessments of our ESG performance (sell-side). In 2014 we actively engaged with Sustainalytics, MSCI, EIRIS, IW Financial, RobecoSAM and Trucost in their evaluation of our sustainability performance processes.

We welcome the opportunity to engage with investors and analysts directly on the subject of our CR strategy and performance. This represents a valuable aspect of our stakeholder engagement programme, and one we expect to increase in both volume and depth in 2015 and beyond.



Education

Global STEM Alliance

ARM has become a founding Partner of the Global STEM Alliance, which is coordinated through the New York Academy of Sciences. This initiative is connected to our existing and planned education projects at a national and international level.

The Academy has over 22,000 active members across the world; 8,000 are promising young scientists, students, teachers and postdoctoral fellows. Three million people are reached by its activities annually.

The Global STEM Alliance provides an ideal platform for ARM to deliver educational impact at scale.

Find out more:

www.globalstemalliance.org

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Education

Supporting education

Our education programme seeks to inspire the next generation of engineers. We have established a Connected Education programme with our charity CR Partners that takes young people on a journey of learning from the age of nine through to university where the role of CR overlaps with our recruitment activities.

This programme operates at a local, national and international scale. For example, we support national projects in parts of the world where we have offices, but we also support projects to enhance learning opportunities in some of the poorest countries in the world.

Why it matters

The long-term success and prosperity of ARM, its ecosystem of Partner companies and the wider industry relies on a global pool of educated and informed STEM talent. We believe that industry has a crucial role to play in developing this talent pool working alongside governments, public sector organisations and the NGO sector. Working collaboratively, we are well placed to provide a contribution to this effort by inspiring and supporting young people in education.

We have called our programme Connected Education because we aim to connect individual delivery Partners in a way that offers young people seamless access to high quality STEM education throughout their learning years. By creating connections, we hope to bridge the gaps where young people lose their interest or opportunities to pursue a STEM career and provide them with the greatest chance to realise their potential.

Our approach

- ▶ Strong, long-term partnerships with charities, governments and NGOs involved in promoting education.
- ▶ Engagement with experts and academics to ensure our contribution is designed to achieve genuine and sustainable impacts at scale.
- ▶ A Connected Education programme that inspires young people from their first experiences in engineering through to graduation in relevant subjects.

Performance indicators

- ▶ Number of young people reached by our Connected Education programme.
- ▶ Percentage of girls supported through our Connected Education programme.

Looking ahead

By applying our Impact Measurement methodology in 2014, we will be able to set a baseline for young people reached through the programmes we support. Based on this data we will seek to achieve the following in 2015:

- ▶ Increase the reach, quality of engagement and impact on those affected through our education programmes.
- ▶ Ensure that the outcomes from all major education programmes we support are aligned to our strategic CR objectives.

Our long-term objectives for the education programme include:

- ▶ Reducing the gender imbalance in engineering graduates globally.
- ▶ Increasing the proportion of students choosing STEM subjects at 16 and at undergraduate level.
- ▶ Improving the effective use of technology in teaching.

Education

Developing the right skills for the next generation of engineers

Promoting STEM education is not just about creating a pipeline of talent for our industry, it is about properly equipping a global workforce for employment in the 21st century.



Equipping young people with “21st century Skills”

Through our Connected Education programme we are seeking to empower young people with the right skills to prosper in the 21st century workplace. These include soft skills relating to critical thinking and problem solving, creativity and innovation, communication and collaboration.

Experts in academia believe these abilities will be crucial to career success in the future and are particularly relevant to our business needs, as well as the needs of the technology sector.

The nature of the problem

In 2011 President Obama pledged to create 100,000 new STEM teachers by 2020, a measure designed to support the need for an additional one million new STEM college graduates by 2020. The demand for STEM qualified people is the same in the UK, where the Royal Academy of Engineering estimate that British Industry will need 830,000 new science, engineering, and technology professionals and 450,000 technicians between now and 2020¹. The STEM situation is similar across India and Asia, albeit less severe in certain countries.

Gender balance in STEM education is a global issue and there are many other challenges

related to literacy, quality, affordability and equity in education.

Whatever the figures, or the country to country differences, the broad issue is the same; we need more young people studying STEM subjects. This is not just to fill roles in engineering, but as the basis for a well balanced and informed wider workforce.

ARM's global ambitions for education

We have made a great start in working with UK educationalists and charities, and we are expanding this across all of our offices. In India, ARM fund a teaching position at a government school near our office and donate money, IT equipment and employee time to support the delivery of computing education. In San Jose, we support the engineering programme developed by Project Lead The Way (PLTW) Engineering to contribute to high school students' learning experience and provide careers insight. In 2014 we also supported a wide range of education charities, STEM programmes and Science fairs across our US offices.

We are particularly interested in supporting projects that can scale globally. Our partnerships with initiatives such as Global STEM Alliance and Code Club World are helping us achieve this goal. We also work with industry groups,

governments and the third sector to ensure that technology is used effectively in the classroom. The potential of technology extends beyond STEM, enhancing the learning experience across all subjects for young people everywhere.

STEM outreach at the London Science Museum

ARM extended its STEM outreach this year with a ten-year deal to support the London Science Museum's new Information Age gallery. The gallery was opened by Her Majesty the Queen on 24 October and it served as the platform for Her Majesty to post her first ever tweet, which she did on an ARM powered[®] tablet. ARM is a co-sponsor of the gallery alongside Google, BT and Bloomberg Philanthropies. The purpose of the gallery is to inspire visitors with the story of how modern communications developed from radio to smartphone. The part our technology played in the modern evolution of the sector is highlighted through an ARM exhibit featuring early processors, ARM powered[®] devices and filmed interviews with three of the original founders including current Chief Technology Officer Mike Muller.

¹The Royal Academy of Engineering's "Jobs and growth: the importance of engineering skills to the UK economy" report, September 2012.

Education – case study

Driving high aspirations among young people

Kevin Stenson, the CEO of The Smallpeice Trust, explains the importance of aspiration as young people progress through education and make the career decisions that may change their lives.

Aspirations have been a key focus of policy relating to education, poverty and social mobility for some years. This focus has been driven by concerns around the education and skills level of the UK population, social and economic inequality, and social mobility.

Recent ground-breaking research by the Rowntree Foundation¹ provides evidence for a model that aspiration, and associated outcomes, are driven by three factors:

- ▶ Place.
- ▶ School.
- ▶ Parents.

The study followed the educational and occupational aspirations of young people aged 13 and 15 in disadvantaged schools to examine the factors that affect aspirations. The work also looked at the dynamics of aspirational change with the young people, looking at how their “ideal” and “realistic” occupational aspirations changed between 13 and 15 and the role of place, school and parents in this.

Although complex, the research identified common elements responsible for raising aspirations among young people including:

- ▶ Proactive, impartial careers advice relevant to the available jobs.
- ▶ Inclusiveness of parents in decisions on exam subjects and careers.
- ▶ Strong gender relevant role models.
- ▶ Participation of young people in out-of-hours school activities.

At The Smallpeice Trust, we recognise the importance of aspiration as the enabling force for talented and inspired young people to achieve their potential. Through our partnership with ARM, and incorporating Villiers Park Educational Trust and Arkwright Scholarships Trust, we are working with schools, teachers, young people and their parents, to provide opportunities that broaden the horizon for educational and occupational aspirations for young people. Our approaches include engagement with parents and a focus on areas of disadvantage, to enable talented young people, supported by their parents, to navigate the right path to their goals.

¹Joseph Rowntree Foundation Report, 2011: The Influence of parents, places and poverty on educational attitudes and aspirations.



Education

Connected Education

ARM provides direct and indirect support to many different education charities, agencies and experts to ensure that we are helping to inspire, inform and raise aspirations for the next generation of engineers. ARM also donates to schools and clubs in our local communities to provide them with materials, hardware and software needed to deliver a quality learning experience for young people.

Together with an increasing focus on how we can contribute the knowledge and expertise of our people at all stages, we are committed to delivering a Connected Education programme.

Inspiration

Taking the opportunity to capture the imagination of children when they are young and inspire them to explore and learn more about STEM.



Formal education projects

Supporting the curriculum and classroom teaching



Code Club Pro: Lauren Hyams is helping teachers to deliver the new computing curriculum in English schools

A new curriculum came into effect in September 2014 for schools in England, and for the first time coding and computer science is being taught to children from the age of five upwards. Over half of England's teachers (60%) were reported to not be confident in their ability to deliver the new computing curriculum¹. Code Club Pro's mission is to train and empower these teachers to deliver the new curriculum.

We now have 111 fully qualified trainers, and nine training sessions have trained a combined total of 94 teachers, with a pipeline of 289 training requests. We have also secured matched funding from the Department for Education to run regional training sessions, and have developed strategic partnerships with the London Borough of Hackney and Manchester City Council to run borough-wide campaigns for teacher training.

None of this work would have been possible without the generous support of ARM and we are sure that 2015 will be even more exciting, a year where we reach even more children, teachers and volunteers.

¹ YouGov survey carried out amongst 788 teachers in England by YouGov on behalf of Nesta and TES in May 2014.



Code Club

Code Club supports volunteer programmers working with primary schools to run clubs that provide an opportunity for children to learn how to code. The clubs are free for children to attend and for schools to host. Code Club brings together volunteers with teachers, schools and venues, and provides course materials and projects to be used in the club sessions. The projects teach children how to program by showing them how to make computer games, animations and websites.

Laura Kirsop, Managing Director of Code Club UK describes the growth of Code Club and its exciting plans for the future.

"During 2014, a further 750 Code Clubs were created in UK schools, bringing the total number of active clubs to 2,130. With an average of 14 children per club, Code Club is currently reaching around 30,000 children across the country (including 12,000 girls).

In June 2014, we were awarded the Europa's "Greatest Tech Influence on Society" award.

We have improved and expanded our curriculum materials, established a new "challenge-based" pedagogy and new materials have been produced for learning Python coding language. We are working with the University of Roehampton to evaluate the impact they are having on children's skills and motivation to learn programming, and an Impact Report will be published in December 2015.

We will continue to grow the number of clubs during 2015. Through the support we receive from ARM and other corporate sponsors, and with the help of their volunteers to run the code clubs, we are confident of reaching half of the UK's primary schools by 2018."

Information

Working with educational experts and using an evidence-based approach to deliver the most effective teaching to young people. Providing advice and support to teachers and offering young people the best opportunities to learn and develop their STEM skills and knowledge, including obtaining the best possible qualifications.



Engineering Education Scheme

The Engineering Development Trust (EDT) is an independent registered charity with over 25 years' experience in delivering STEM schemes linking the business world with academia in scheme delivery. Their mission is to encourage young people to fulfil their potential through careers in STEM. ARM have supported the Engineering Education Scheme (EES) and Go4SET schemes for a number of years.

The EES encourages teams of students conducting their A-levels (17 to 18-year-olds) to get involved in real-life STEM projects. ARM provides financial sponsorship to the scheme and ARM engineers volunteer their time to coach and mentor participating teams through the six month project duration. For the 2014/15 programme, 16 ARM graduate engineers from ARM Cambridge and Sheffield have signed up to provide support to different student teams.

EES introduces young people to the skills and competencies that are needed to thrive as an apprentice or graduate engineer.

Go4Set is an environment themed ten-week STEM programme for 12 to 14-year-olds. ARM is supporting the scheme through sponsorship and providing graduate engineers to offer advice and mentorship to five schools in the 2014/15 academic year.

Delivering a Big Bang with EngineeringUK

ARM helped deliver the biggest Big Bang yet in 2014 at EngineeringUK's annual Big Bang Fair. Alongside over 100 of the UK's largest employers, ARM sponsored the four-day event at the NEC Birmingham, where over 85,000 young people enjoyed exhibitions from some of the UK's and world's leading engineering companies. During the event, ARM's David Gilday and co-inventor Mike Dobson, established a new world record with the CUBESTORMER 3, a Rubik's cube solving Lego robot that is powered by ARM. David and Mike were part of the ARM demonstration team during the Big Bang Fair 2014 which also included ARM sponsored students from the Villiers Park Educational Trust 2013/14 Scholars' Programme.



Big Bang: 85,000 young people attended the 2014 Big Bang at the NEC in Birmingham, sponsored by ARM.



Code Club: Supporting sustainable growth in Code Clubs in the UK and globally and the launch of Code Club Pro.

The ARM education programme

The ARM education programme aims to help make a difference to education by supporting teachers and children to learn with technology.

We know that technology in education has had a mixed reception over the last decade. We want to help those interested in technology for education to learn from the experiences of the past, by drawing on the available education research as a starting point for the future. Technology is an enabler for learning and so is increasingly important.

We believe that the teacher must be at the centre of this; a trained professional, an expert at facilitating learning in the classroom. Informal education can then form a vital support in club and home activities. But formal and informal education must go hand in hand.

We are working with a number of Partners to explore and support the effective use of technology and teaching for all age groups including the University of Cambridge, The Humanitarian Centre, Code Club, Computing at School and Raspberry Pi.

Aspiration

Providing mentoring opportunities and careers-based advice to raise, or recover, the aspirations of young people so that they can realise their full potential.



Informal education projects

Supporting out-of-school programmes to inspire and inform young people



Mentoring, guidance and careers advice

Mentoring and practical careers advice is shown to be critical in raising aspirations in young people and equipping them with confidence and information to realise their potential. ARM encourages its people to take part in mentoring and outreach programmes, either collaborating with Partners or getting involved directly with local schools and colleges. This is an area we will be expanding in 2015 as part of the ARM employee volunteering programme.



ARM Education Programme. Helping to make a difference to education by supporting teachers and children to learn with technology.



2020 Scholars' Programme

A collaborative project with Villiers Park Educational Trust, The Smallpeice Trust and Arkwright Scholarship Trust. This four-way partnership shaped by ARM is delivering a connected programme reaching over 300 talented young people from the age of 14 through their core learning and exams, and into university. This programme complements other initiatives we are supporting and is designed to inspire young people towards a STEM career.



Working together for the first time, each of the educational trusts is bringing their individual specialities to inspire highly able students to raise their aspirations, and to assist them in achieving their full academic potential. The programme provides opportunities to develop their engineering and teamwork skills as well as their confidence, resilience and motivation to enable them to gain places at universities to study STEM-related subjects.



Encouraging aspiration in young people through mentoring programmes and speaking engagements.



Health

ARM promotes collaboration in the search for affordable healthcare solutions

With support from ARM, the 2014 IET International HealthTech conference (IHT) was held in Beijing, China. Addressing the rapidly-growing field and demand for affordable healthcare technologies, the conference brought together key speakers from government, industry, funding agencies, clinicians, charities, technology transfer entities and academia to discuss opportunities for international collaboration to realise opportunities in HealthTech around the world.

Professor Clifford, Director of Oxford Centre for Affordable Health Technology (OxCAHT) presented a keynote at the 2014 IHT.

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Health

Promoting health

Health represents an emerging element of our CR strategy building on what we referred to in previous years as Information, Communications and Technology for Development (ICT4D).

Over four billion people live without access to the internet¹, but by 2020 it is estimated that more than seven billion people will have internet access through connected technology². This has many implications for improvements to education, health and agricultural productivity, as well as creating employment and entrepreneurial opportunities. All of these factors can contribute to an improved quality of life for people across the world.

We work with subject matter experts, academia and healthcare professionals to focus on how our energy-efficient technology can support affordable healthcare solutions at a global scale.

Why it matters

We believe that ARM can make a significant contribution to improving access to affordable healthcare on a global scale. Our projects range from supporting small, start up, health-based technology businesses to those with an existing global footprint such as UNICEF and USAID.

Our approach

- ▶ Working in partnership with clinical experts and specialist health charities and professional health organisations to identify the areas of greatest need and deliver solutions in an effective way.
- ▶ Concentrating on projects that promote affordable health technology with the potential for large-scale application and impact.
- ▶ Leveraging ARM technology for energy-efficient, low-cost health solutions.
- ▶ Engaging our people in projects with Partners to share skills and knowledge.

Performance indicators

- ▶ Number of people benefiting from supported projects.
- ▶ Measurable improvements in health associated with supported projects.
- ▶ Scalable solutions tested.

Looking ahead

By applying our Impact Measurement methodology and in collaboration with our Partners, we will seek to achieve the following in 2015:

- ▶ Increase reach, quality of engagement and impact on those affected through our health programmes.
- ▶ Increase the number of health related initiatives we support.
- ▶ Ensure that the outcomes from all major health initiatives we support are aligned to our strategic CR objectives.

Our long-term objectives for the health programme include:

- ▶ Helping millions through ARM-based technology, developed in collaboration between ARM engineers and our CR Partners.

¹ Estimate for 1 July 2014. Source: Internet Live Stats (elaboration of data by International Telecommunication Union (ITU) and United Nations Population Division).

² The state of broadband: Broadband for all, a report by the broadband commission, ITU and UNESCO, Geneva, September 2014.

Health

Partnerships for scalable healthcare impacts

ARM has been involved with SimPrints since they first developed a solution to the identification challenge in developing countries.



A third of all children under five in the world have no birth certificate and no health records. This was the challenge put out during a hackathon in 2013 hosted by The Humanitarian Centre, in Cambridge UK, supported by ARM. The event brought together health workers in international development with technologists and entrepreneurs.

A team of Cambridge University students took up this challenge and began working on a pocket-sized fingerprint scanner that would link an individual's fingerprint to their health records. Using a Bluetooth-enabled scanner their solution would enable health workers in the field to make better decisions, providing immediate and reliable access to critical medical information. A fingerprint is all it would take to find out, for instance, which vaccines someone has received and which remain to be administered.

Toby Norman, co-founder of SimPrints describes their journey from hackathon to winning a Saving Lives at Birth Challenge for their scanner solution:

Initially, we planned to build the system using readily available fingerprint scanners, but no single scanner was sufficiently durable, portable, accurate and low-cost. Though the solution was evident – to build it ourselves – we didn't want SimPrints to become yet another "outsider" solution. So we decided to get close to the

challenges, listen to users and experts, and immerse ourselves in the context in which our system would be used.

Working in Bangladesh, it soon became clear that we needed to overhaul our design. Our prototype had a "swipe scanner", requiring people to swipe their finger across a sensor rather than hold it down on a "touch sensor". Yet we noticed that many fingers had stiffened with age, after years of manual labour, and found the swiping motion too difficult. Also, the groove on our scanner that guided a person's finger wasn't sufficient, and some people would swipe the wrong part of the scanner. It became obvious that a swipe scanner was not intuitive enough, requiring too much instruction from health workers to each of their beneficiaries. Though more expensive, a touch scanner was clearly essential. Had we focused on merely reducing cost, as is often the approach, we would never have developed a successful product.

Our user-centred approach was singled out by the judges of the Saving Lives at Birth challenge to reduce maternal and newborn deaths. SimPrints won a major grant for its field trials and we have been working with ARM's engineers and Johns Hopkins University's Global mHealth Initiative and BRAC, the world's biggest development NGO, to develop, test and trial the technology.



SimPrints Co-founders Alexandra Grigore and Tristram Norman field testing in Gaibandha, Bangladesh.

Health

Partnerships for scalable healthcare impacts



ARM, the global leader in semiconductor IP, and UNICEF, the world's leading organisation working for children, are combining forces to harness the power of technology to transform the lives of the world's most vulnerable children.

Our multi-year partnership is the first of its kind and has been developed by bringing together the two organisations' shared goals and values. Our partnership will galvanise the tech industry to help tackle the greatest dangers threatening children's well-being.

Without new ways of solving problems, we cannot overcome age-old inequities that prevent millions of children from surviving, and realising their potential. This is where the power of new technology is needed to help make change happen for children.

Together we have identified some exciting innovations, which can help us achieve our shared ambition. These include:

1. Identifying the most impactful low-power technological solutions and scaling them to bring social good.
2. Technology for Social Impact: Focusing the innovative capabilities of the ARM ecosystem on developing new scalable technology with the potential for significant global social impact.
3. Incentivising the creation of new solutions through challenge events, starting with a focus on the potential of wearable technology.
4. Creating a sustainable intersection of technology and social good by highlighting and defining long-term market opportunities in emerging economies.

The partnership is truly distinctive as it brings together the knowledge, influence and respective expertise needed to drive transformational change for children. UNICEF has decades of experience supporting the most disadvantaged children in the world, developing a true understanding of the dangers they face every day. ARM's market-leading position in the technology sector can offer new opportunities for these marginalised children. The partnership is based on applying that respective expertise effectively. Without both parties the ambition cannot be realised.

From the outset, the two organisations have worked together to identify problems, set a joint ambition and create realistic plans to achieve real systemic change for children.

We are all very excited about this forthcoming innovative partnership with ARM and the possibilities that it has for children around the world.

David Bull,
Executive Director, UNICEF UK



Niger, 2012, Quarmyne

Establishing a landmark partnership for UNICEF to drive social change for the most vulnerable children around the world through innovative technology.

unicef 

Health

Measuring outcomes and impacts of our partnerships with Literacy Bridge

**Cliff Schmidt**

The founder of Literacy Bridge describes how they have overcome some of the technical challenges associated with developing a Charitable Chip for the developing world.

Literacy Bridge uses “Talking Book” technology to provide those living in extreme poverty with education on health and agriculture to reduce maternal and child mortality, hunger and chronic malnutrition.

ARM has been working with Literacy Bridge since 2012 to develop a long-term strategy for empowering the world’s poorest families. This journey began through the donation of an Cortex-M0 processor licence to the University of Michigan for development in collaboration with Literacy Bridge to power the Talking Book.

In 2013, we partnered with UNICEF in Ghana on a major 18-month project that would allow Literacy Bridge to prove their model at scale. We are starting to receive positive results from the pilot. We are also confident that in 2015 the development of the Cortex-M0 based chip will be completed and can then be applied to a wide range of uses beyond the Talking Book to benefit millions of people over time.

To illustrate how our approach to measuring the impact of our CR programme is being applied, we can summarise our progress with Literacy Bridge as follows. See page 37 for further detail on our impact measurement approach and strategy.



Literacy Bridge. Developing a “charitable chip” for some of the poorest people in the world.



Health

Developing the Charitable Chip for affordable technology in the developing world

The Charitable Chip is the term that has been adopted to describe the Cortex-M0 based System-on-Chip (SOC) that has been developed in collaboration between the University of Michigan, Literacy Bridge and ARM. The initial licence was donated by ARM to the University of Michigan in 2012 and development work has been funded by charitable donations and engineering volunteer time. The intention is that the Charitable Chip can be deployed at scale across a range of affordable technologies to support the needs of people in the developing world.

The new Cortex-M0 based chip reduces the Talking Book's unit cost and energy consumption in the context of unique challenges found in remote rural villages, home to hundreds of millions of people living in extreme poverty.

The Talking Book's most expensive components are flash memory – NAND flash to store audio recordings and NOR flash for fast access to the firmware's program code. The chip eliminates the need for NOR flash using a custom cache with a pinned region to avoid cache-misses of critical program code creating real-time guarantees.

With no grid electricity, the chip must accommodate the constantly decaying voltage provided by locally available batteries. Unlike alkaline batteries, these locally available carbon-zinc batteries do not maintain a constant 1.5V until their end-of-life; instead their voltage will fall steadily from 1.5V down to 0.9V before reaching end of life. The chip uses a voltage regulator in early life and then switches to direct battery power to make use of every last accessible joule.

Broader applications of the Charitable Chip beyond the Talking Book

Any electronic device serving the hundreds of millions of people living in extreme poverty in remote rural villages must keep its unit cost and operating cost low. It must also work without grid electricity (not available to 1.4 billion people) or a reliable network. If the device provides information, it cannot assume a literate user with access to a reliable network. For these reasons, the Charitable Chip's handling of local batteries and its low-cost approach to flash memory for audio recordings has broad applicability to devices beyond the Talking Book.

Ghana's best farmers are Talking Book users!

Six out of eight Farmer's Day awards go to Talking Book users

In 2012, two Talking Book users won Best Farmer Awards. In 2013, there were three Talking Book users who won awards. And in 2014, Literacy Bridge proudly announced that there were six Talking Book users winning awards at Ghana's prestigious Farmer's Day event.

Find out more: www.literacybridge.org/2014/12/15/ghanas-best-farmers-are-talking-book-users/



Our approach

Recording inputs:

Agreeing inputs, establishing project boundaries, objectives and KPIs

Recording outputs:

Measuring participation and outreach

Reporting outcomes:

Measuring quality and effectiveness

Reporting impact

Measuring impact with Literacy Bridge

Timeline

2012
→

2013-2014
→

2015
→

2015-onwards
→

Activity

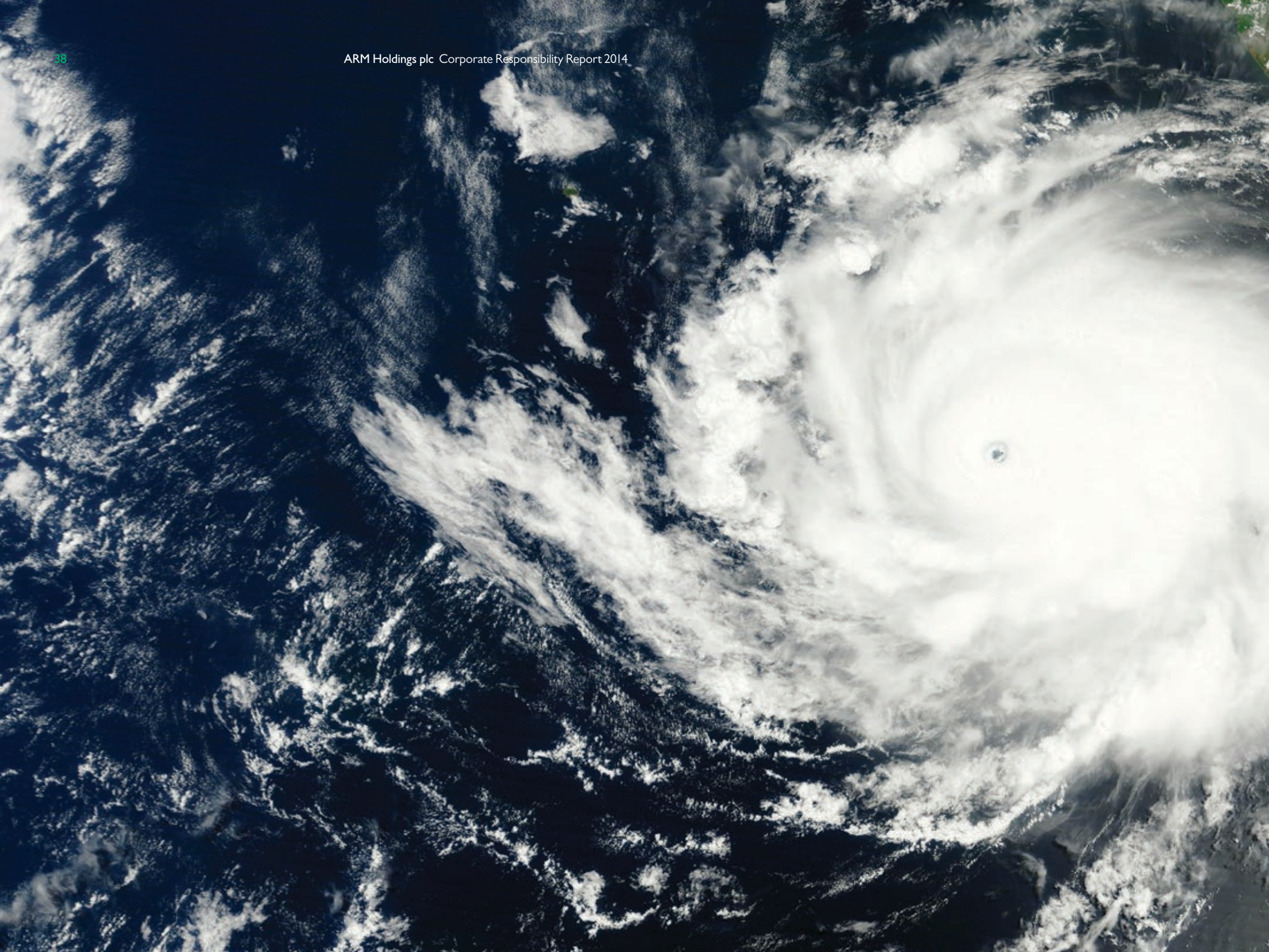
Setting programme objective: Deliver social impact at scale using a Cortex-M0 based Talking Book.

49 villages in the Upper West District of Jirapa, Ghana, reaching 4,400 households and 34,100 individuals.

Strong anecdotal and observational evidence of behavioural change in agriculture resulting in increased crop yield. Also changes in observed maternal healthcare behaviours.

We expect to see observed changes in behaviour that lead to social improvements. These may include the following:

- ▶ Increase crop yield and resulting food availability.
- ▶ Increased incomes from sale of excess agricultural production.
- ▶ Reduced infant mortality.
- ▶ Increase in full-term pregnancies.
- ▶ Increase in birth weights.



Environment

Environmental responsibility

Internet of Things (IoT) devices powered by ARM technology can shape a myriad of solutions to global sustainability issues.

IoT devices are able to transmit data without human intervention. They can be the size of a pin-head, cost only a few tens of cents, and as connectivity becomes more power-efficient, batteries may last five or ten years rather than months. These sensor and actuator devices can be in sleep mode most of the time, but when something happens in their vicinity, they can wake up and transmit that data.

Home automation and industrial automation are two very large markets for IoT, but by far the biggest volume is likely to be needed for devices that monitor key resources such as water or agriculture and detect forest fires or erosion of shellfish beds.

Gary Atkinson, Director of Emerging Technology at ARM, believes it is about putting sensors into the real world and gathering data to make better decisions about how we use our natural resources, to be more efficient, and to increase people's well-being: "Once you can build a device for a few dollars and connect it to the internet over a 10-20km range, and it only costs a dollar per year to get data from it, then the amount of innovation that will happen – we can't even imagine that yet."

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Environmental reporting	42
Fauna & Flora International: Conservation Labs	44

Environment

Environmental responsibility

The impact of our operations on the environment is low. This is acknowledged by external Environmental, Social and Governance (ESG) research providers and advisers such as EIRIS and RobecoSAM.

Nevertheless, taking a responsible approach to the environment is essential, and we can always do more to improve our environmental awareness, transparency and performance.

Why it matters

We have an obligation to support international efforts to reduce carbon emissions to prevent dangerous levels of climate change. We also have a responsibility at the local level to the communities in which we operate to minimise our impacts on the environment and the energy we consume.

Our approach

We have established carbon reduction targets and are committed to minimising our impact on the natural environment wherever we can. As a member of the UNGC and UN Caring for Climate, we have declared our commitment to meeting and supporting others to contribute to the Ten Principles, three of which relate to environmental responsibility (see our reporting supplement for more information).

ARM technology has the potential to enable a smarter, cleaner and more efficient future, contributing solutions for a wide range of environmental and resource-related challenges. We are actively engaging with our industry and charity Partners to promote the use of energy-efficient ARM technology for environmental protection and conservation.

Performance indicators

- ▶ Carbon emission intensity by headcount (Scope 1, 2 and 3).
- ▶ Energy Consumption intensity by headcount.

Looking ahead

Our short-term objectives for the environmental programme include:

- ▶ Exploring offsetting options to mitigate Scope 3 emissions.
- ▶ Explore opportunities for growth in the use of renewable energy across our global estate.

Our medium-term objectives for the environmental programme include:

- ▶ 15% reduction in energy consumption from our estate based on intensity per full time employee by 2020 from a 2010 baseline.
- ▶ 30% reduction in carbon emissions intensity based on full time employees (Scope 1, 2 and 3) by 2020 from a 2010 baseline.
- ▶ Measure and disclose the environmental impact of our supply chain based on a materiality assessment and establish performance targets as appropriate.

Global impact of low energy servers

ARM commissioned the Carbon Trust to explore the potential for ARM-based servers to reduce carbon emissions from data centres world-wide. The initial results were presented in November 2014 at the Cambridge Cleantech Conference.



With the growth in mobile technology allowing us to create and access more data, faster and with lower latency, and with more Internet of Things devices connecting and communicating across the network, there is increasing pressure on existing infrastructure. This has a direct impact on global energy demands and inevitably on carbon emissions.

To put this into context, a 2009 paper by the Japanese government predicted exponential growth in internet traffic to 2030. This would mean that by 2030, just the internet routers in Japan would consume the equivalent to the 2005 electricity grid capacity in Japan. With the power sector working on lead times of decades, this is clearly not sustainable. Predictions aside, data suggests that if the energy consumed by current use of cloud computing was ranked alongside countries, it would be the sixth largest consumer, sitting in between Russia in fifth and Germany in seventh.

ARM's success is founded on low-power technology. We believe that our server technology based on ARMv8-A architecture will be the key technology to enable ARM to gain share in servers, and so solve a serious problem of energy demand resulting in unsustainable carbon emissions. Processors based on ARMv8-A are able to manage very large

amounts of data, can scale to a great many cores in a single chip, and support server reliability features like ECC and accelerators to deliver better performance and efficiency for a variety of applications and workloads.

The Carbon Trust study involved thorough testing under scientific conditions to compare the performance of the 32-bit Cortex-A9 processor architecture servers with conventional servers. The testing was carried out by aql in conjunction with the University of Leeds. They found that ARM servers offered between 30% and 70% energy consumption reduction (depending on type of workload and test conditions). Assuming 30% energy reduction per server, and installing ARM servers globally following their market penetration modelling, would save 37.9 MtCO₂e or 57.5 TWh over the five-year period to 2020.

This could produce savings of £2.8 billion in electricity costs over the five-year period. At 70% energy reduction per server the saving would be 92.5 MtCO₂e equivalent to £6.7 billion. The Carbon Trust findings complement recent studies by the Global e-sustainability initiative (Gesi).

In their 2013 report Smarter 2020 they conclude there is potential for the ICT sector as a whole to reduce global carbon emissions by 9.1 GtCO₂e by 2020. This represents 16.5% of the business as usual amount. Analysis conducted by ARM and included within our 2013 Corporate Responsibility Report conservatively estimated that ARM technology would enable 1.78 GtCO₂e, or a 3.2% reduction of total global emissions by 2020.

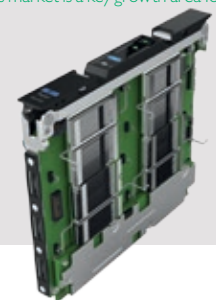
We expect to continue working internally and with independent external experts to research and compare server performance as newer technology becomes available.

1 Greenpeace, "Clicking Clean", April 2014.

2 Go to <http://gesi.org> for the full report.

Enterprise infrastructure

At the end of 2014, more than 15 companies had licensed ARMv8-A technology for enterprise infrastructure applications. This market is a key growth area for ARM.



Environment

Environmental reporting

We are committed to minimising the environmental impacts of our operations wherever possible. This includes our efforts towards meeting 2020 reduction targets for carbon emissions and energy consumption.

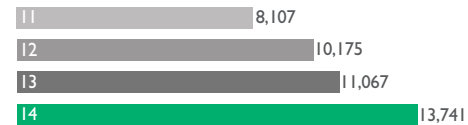
ARM is a fast growing global business, therefore we believe that using carbon intensity is the most appropriate indicator to measure our carbon performance. Our reduction targets for 2020 are also based on intensity by headcount.

This year we have started to also consider our carbon performance in terms of revenue. This provides a useful economic reference point for describing our environmental impact. We hope that this will help stakeholders to understand and benchmark our performance against our peers.

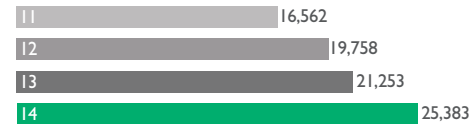
Progress towards our targets

Our progress towards our 2020 targets for reducing carbon emissions and energy consumption slowed in 2014. The increase in our carbon emissions intensity in 2014 is due to growth in total employee numbers with a corresponding increase in the size of our global estate. Despite this, since the end of 2009 we have achieved a 16% reduction in carbon intensity relative to headcount, against a target of delivering a 30% reduction by 2020. Over the same period, our energy intensity based on kWh per employee has decreased by 16% against a target of 15%.

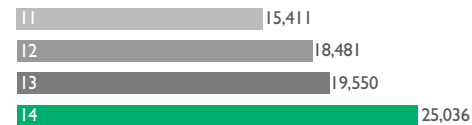
Total scope 1 and 2 emissions (TCO2e)



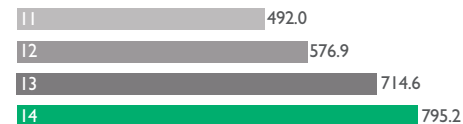
Total emissions (Scope 1, 2 & 3)



Energy consumption Mwh (electricity only)



Sterling revenues £m (normalised)



CO2e intensity by headcount* (scope 1 and 2)



CO2e intensity by headcount* (Scope 1, 2 & 3)




Total energy intensity by headcount (Mwh)*




Carbon by economic output (TCO2e / £m)



*CO2e represents Carbon dioxide equivalent, a term used for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO2e signifies the amount of CO2 which would have the equivalent global warming impact.

 **CO2e Intensity**
16% on 2010
baseline

 **kWh Intensity**
16% on 2010
baseline

 **196% Increase**
in our people
since 2010

We calculate intensity based on total headcount which includes all full time and fixed term employees and contractors. We have historically used a year-end headcount figure to calculate our intensity, but changed in 2014 to use a mid-year figure as a more appropriate measure of our position.

Looking forward

Our business growth strategy means that it will be difficult to meet the ambitions of a 30% reduction in carbon intensity by 2020. Therefore, during 2015 we will begin exploring offsetting options to mitigate our Scope 3 emissions and opportunities for a growth in the use of renewable energy across our global estate.

Our Methodology

Our report covers emissions within operations that fall under ARM's financial control. Therefore, the data used accurately represents our global operations with regional conversion factors applied as required. We apply Defra/DECC GHG Conversion Factors for company reporting. Our reporting year is 1 January 2014 to 31 December 2014.

Our environmental impact assessment of ARM's operations includes energy use and air travel as our material CO2e contributors. We have excluded non-material emissions related to refrigerant losses in air conditioning systems, emissions related to motor vehicle use and emissions relating to waste streams.

We have re-stated our historic emissions due to the use of more accurate State-based emissions factors for our US operations, instead of using national average factors. We have also re-stated our energy consumption as we now have greater accuracy in our reporting and an increase in the proportion of our global estate that reports actual (rather than estimated) data. We do not expect to re-state our historic carbon or energy data again in future years.

Environmental Governance

The ARM Energy Use and Climate Change Committee (EUCCC) brings together all strands of activity within ARM in relation to its environmental aspects and impacts. The EUCCC meets quarterly and comprises function heads such as the Property Director, IT Operations Director, Travel Manager, Senior Operations Managers from Business Groups, and the Director of Sustainability and Corporate Responsibility. ARM's Chief Operating Officer attends all EUCCC meetings to represent the ARM Executive Committee.

The EUCCC Body sits within the ARM Management System, which is accredited to ISO9001. Its place within the Management System ensures complete interaction with a number of other ARM Management Reviews such as:

- ▶ Estates Review (built environment lifecycle management and energy use within those environments).
- ▶ Business continuity management review (risks associated with climate change and business operations working to BS25999/ISO22301).
- ▶ Security Review (IT-led review body working to ISO27001 with accountability for data centre performance and associated impacts).
- ▶ Operational Review (business operations across the organisation).

The ARM Management System also provides appropriate management bodies for the escalation of any issues concerning business operations. These bodies cover climate change activity as well as compliance and corporate level risk management.

Environment

Fauna & Flora International: Conservation Labs



Gavin Shelton
Head of Conservation Labs,
Fauna & Flora International

Shaping partnerships relating technology to the environment.

Gavin Shelton, Head of Conservation Labs, explains how ARM is helping to shape a technology response to some of the world's most pressing conservation challenges.

Biodiversity is critical for the life support systems that humans and all other species rely on – from provision of freshwater to shelter and food. Without the diversity of species, ecosystems are more vulnerable to natural disasters, human disturbance and climate change.

Sadly, Earth's stunning array of species is under serious threat, from habitat loss, pollution, hunting and a myriad other pressures. With biodiversity being lost at 1,000 times the background extinction rate, a step change in the pace and scale of innovating and implementing solutions is urgently required.

As many of the Earth's critical biodiversity areas are located in developing regions, where access to information and communications technologies have historically been very restricted, there is a need to significantly build the capacity of local stakeholders to effectively apply existing and emerging technologies to help conserve the ecosystems upon which they depend for their survival.

In response to this situation, ARM is working with Fauna & Flora International (FFI) to support the development of Conservation Labs – a pioneering cross-sector community of conservationists, technologists, engineers, data scientists and entrepreneurs with access to the right information, tools and resources to collaboratively develop and implement technology-based solutions to conservation challenges.

During 2014, ARM's support has enabled FFI to design the initiative and broker a strategic alliance between some of the world's leading biodiversity conservation organisations and stakeholders from other STEM disciplines to establish the foundations and an enabling framework for Conservation Labs to drive significant long-term, collective impact.

The initiative is embedded into the “United for Wildlife” coalition. The coalition, which is convened by the Royal Foundation of The Duke and Duchess of Cambridge and Prince Harry, brings together seven leading global conservation organisations (Conservation International (CI); Fauna & Flora International (FFI); International Union for The Conservation of Nature (IUCN); Wildlife Conservation Society (WCS); World Wide Fund for Nature (WWF); The Nature Conservancy (TNC) and Zoological Society of London (ZSL)) to amplify their conservation message and impact.

Planned activities for 2015 include the launch of the Conservation Labs online community platform, the launch of the first in a series of conservation-focused innovation challenges, and the establishment of a global network of pilot sites to enable rapid, iterative testing of conservation technologies in the field.

Find out more: www.fauna-flora.org/



Fauna & Flora International established the Conservation Labs project to promote the use of technology for conservation.

“Fauna & Flora International (FFI) has a long history of devising innovative approaches to biodiversity conservation, many of which go on to be replicated at scale through a vibrant ecosystem of conservation Partners. This pioneering collaboration between ARM and FFI could well be a catalyst for collective conservation impact on an unprecedented scale.

Mark Rose, CEO, Fauna & Flora International





Communities

Enabling the extraordinary

Shaping responsible communities starts with the way we look after; inspire and reward our people. The wider ARM community includes our Partners within the broader ecosystem, our suppliers and the local communities in which we have offices and work from day to day.

The organisation works together to “Enable the Extraordinary” and ensure ARM attracts the best people, and provides a world-class experience, and facilitates their effective engagement with each other. By focusing on the three components of capability, culture and connection, we help ARM to become an increasingly successful business.

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Communities

Our communities

Our communities is a broad category of our CR approach that incorporates our internal ARM community, our people and external communities such as the local communities that live and work near our global offices.

We include how we engage our people within the business and the local communities surrounding our global offices, where our people live and interact.

Why it matters

ARM's people are our strength in designing the next generation of technology, delivering it to our customers, and for growing and maintaining the ARM partnership. Our business relies on the intelligence, skills and abilities of the highly talented teams whose creativity and ideas help ARM maintain its position as the world's leading designer of semiconductor IP. As a result, ARM requires a high performance, high engagement organisation where everyone can challenge and encourage each other to reach their full potential.

Our approach

Effective engagement is crucial to delivering on our commitment to our people and our communities. This includes external engagement, demonstrated by the stakeholder engagement programme we updated in 2014 (see pages 16 and 17), and our employee engagement survey, an example of how we review, measure and respond to the needs of the different stakeholders across our communities.

Performance indicators:

- ▶ Engagement in our skills-based volunteering programme.
- ▶ The contribution our people make to local communities.
- ▶ People engagement survey.
- ▶ Participation in personal development planning.

Looking ahead

We will seek to achieve the following in 2015:

- ▶ 20% of our people engaged in skills-based volunteering programme.
- ▶ 5,000 hours spent by our people on skills-based volunteering in the community.
- ▶ >75% of our people actively engaged in TeamARM activities around the world.
- ▶ >90 of offices engaged in TeamARM activity.
- ▶ 100% of our people completing their annual feedback and development plans.

Our medium and long-term objectives for local community programmes, including how we manage and develop our people, will be shaped by the future growth and strategic needs of the business. To ensure that our approach remains relevant, we have not set long-term objectives. Instead we regularly review and update short and medium-term planning, remaining agile and flexible at all times so we can meet the changing needs of our people and communities.

Responding to CSR legislation in India



Guru Ganesan
President, ARM India

Changes to India's Companies Act applicable from the 2014/15 tax year encourage qualifying businesses to contribute at least 2% of their average net profits made during the three preceding financial years to Corporate Social Responsibility (CSR) projects.

ARM India has a proud history of supporting community needs through financial donations and employee volunteering activities. This puts ARM India well ahead of many Indian businesses and already compliant with the emerging regulatory requirements relating to CSR.

While the new legislation will have little impact on what we contribute, it will increase the need for our efforts to be carefully and strategically directed to ensure that financial and in-kind donations remain focused on meeting real and measurable needs.

Research led by PwC in association with the Confederation of Indian Industry, and published in the Handbook on Corporate Social Responsibility in India, estimates that the Companies Act CSR guidelines could lead to a tripling of corporate donations from £600 million to £1.8 billion by 2015. This places an inevitable pressure on government, civil society, and the third sector to distribute money to those most in need, while minimising waste.

One aspect of the legislation that should help controlling this is the requirement that CSR activity must have a measurable direct benefit to society. ARM will apply its own impact assessment methodology to the projects it supports and publish its progress in 2015 on an ongoing basis.

ARM welcomes these changes to the Companies Act, and the opportunity to contribute together with other Indian businesses to social impact for those who need it most.

Guru Ganesan, President,
ARM India

Communities

Inspiring talent: Sustaining growth

We strive to “Enable the Extraordinary” and ensure that ARM provides a world-class experience, attracts the best people and facilitates their effective engagement with each other.

Getting the right people

ARM has experienced rapid growth over the past five years. This is apparent not only in terms of our revenues and profits, but also in the number of people working for us around the world. During 2014, we increased our established employees by 461, representing growth of 16%. Within this increase we recruited 169 new graduates, also an increase from 2013.

Our team responsible for the recruitment and development of ARM’s employees plays a critical role in ensuring we have the right people recruited into the right roles for ARM, and for the individuals themselves. In a company where over 60% of our people have been with ARM fewer than five years, building and maintaining a high performance culture while keeping the ARM identity will always be a challenge. Therefore, we continue to invest heavily in ensuring we are attracting, selecting and retaining the best and, most importantly, the right people.

Employee engagement survey

The ARM Engagement Survey has run for the last 14 years within ARM, and ensuring that we continue to have a high engagement culture is one of the themes that lies at the heart of the “Enabling the Extraordinary” ARM People Strategy. The engagement survey enables us to act on the invaluable feedback provided by our colleagues to help shape the future direction of the organisation.

In 2014, 82% of the organisation completed the survey; of those, 92% stated they are proud to work at ARM. By comparing our results to similar organisations globally, we found that ARM outperformed the average for other high technology companies and scored similarly to market-leading companies from a range of sectors.

For 2015, we will go beyond traditional measures by providing feedback on whether our work environment supports productivity, and whether it can maintain it for the long term. A multifaceted approach will allow us to sustain our position as a high performance, high engagement organisation.

Our values

The ARM values articulate the behaviours which we seek to demonstrate in delivering our work; they form an integral part of our performance management process.

During 2014, through collaboration and consultation with colleagues across ARM, we reviewed the relevance of our values to our rapidly growing workforce and the shape of our business. ARM’s identity is part of our organisation’s unique essence, supporting our strategic intent, our propositions to customers and colleagues and providing competitive advantage.

We communicate our values through three Core Beliefs:

- ▶ **We, not I** – a selfless, global team working for each other and the success of our partnership.
- ▶ **A passion for progress** – be proud of our innovation and how we shape the connected world.
- ▶ **Be your brilliant self** – a team made up of diverse, highly intelligent individuals.



Our Core Beliefs need to guide how we behave every day of the week – whether it's in an internal meeting, a customer negotiation, dealing with the press or working with our ecosystem or suppliers. These are values that we must hold each other and ourselves accountable to, and make sure everyone embodies these beliefs so that they will be successful as individuals and add to the collective success of the ARM partnership.

Professional development

Our Learning and Development team coordinates a variety of global programmes that are intended to align with individual development plans. Through regular feedback and development reviews, our employees are able to map out their own career path and connect with other talented colleagues on challenging projects. Some of the global development programmes include:

- ▶ **Global Induction Programme:** A consistent global programme for all new joiners to guide them through their first 12 months at ARM. The programme is designed to provide a strong connection to the Company, to encourage familiarity with our policies and procedures and present a broader understanding of what we do as a business and their role within it.

- ▶ **Graduate Development Programme:** Designed to integrate the individual into the organisation and provide the necessary insights and skills development that will enable them to contribute productively within their teams.

- ▶ **ARM Leadership Programme:** A comprehensive and structured programme that is designed to develop leaders within ARM including those in specific disciplines such as technical leadership, project management and functional management. The programme combines self-development, and on-the-job reflection and learning to ensure that our leaders and managers truly embody the ARM values, and create an engaging environment in which our people can flourish.

- ▶ **On-the-job training:** It is embedded in our collaborative and team-based approach to working that our people receive continuous development on-the-job, feeding off the knowledge and experience of their teams. This style of professional development is essential for ARM as a company. We create IP which by definition means that we have unique understanding of ARM technology in-house. Therefore, for our people to learn about, enhance and innovate from it, they must learn from the current employees because their knowledge simply does not exist outside of ARM.

ARM University Programme

The ARM University Programme aims to increase the ARM ecosystem's reach in academia world-wide with the objective of training the next generation of engineers on ARM-based technologies. Over the past year, the programme once again doubled its tally of adopted courses and labs world-wide. This was achieved by building multiple channels with diverse Partners, closer collaboration with the wider ARM ecosystem, new partnership models and novel streamlined methods to produce new education kits across a broad range of hardware platforms and academic topics. This allowed us to reduce the time it takes to port existing lab-in-a-box teaching materials, from one platform to another, from weeks/months to days/weeks. The result is an increase of our tally of lab-in-a-box products from two at the end of 2013, to 18 at the end of 2014.

The past year also saw the development of an online strategy with new content and delivery channels designed to meet the expectations of today's student population. As a result, we developed our first online course on ARM-based digital signal processing this year. As we develop this further in 2015 and beyond, the programme will partner with industry, governments and academia to create new forms of learning content and delivery platforms. We believe this to be the best way to meet the often-conflicting demands of high quality, low cost and widely accessible tuition.

The ARM ecosystem is already seeing the benefits of the ARM University Programme's activities as it educates tens of thousands of students world-wide on ARM technologies, preparing them for the numerous employment opportunities available in the ARM ecosystem.

Communities

Engaging each other: Connecting to our communities

Through TeamARM, we provide opportunities for our people to engage and inspire each other, and to contribute directly to their communities through fundraising, volunteering and sharing their skills and knowledge.

Launching skills-based volunteering for 2015

As a responsible employer, effective engagement is at the heart of what we do, and achieving it requires building an environment that fosters inclusiveness, diversity and equal opportunities for all. Our objective is to create an emotional connection between ARM and our people. There are many ways and methods we use to achieve this. One of the approaches we take is to encourage individuals to support their local communities. This ties in with our strategic CR focus area of local communities, and we see it as an effective way to connect our people with each other and with their community.

In 2014, we announced plans for the global employee volunteering programme. As of 1 January 2015, all permanent employees will be able to spend at least one working day each year taking part in skills-based volunteering initiatives. The focus for the programme is on education, although there will be flexibility so that our people can contribute to their communities in the ways that best suits them, their interests and skills. 70% of our people are engineers, so naturally we expect the majority of

opportunities to relate to sharing engineering related skills. But we also have experts in finance, human resources, IT and marketing. Our programme is designed to give every one of our people a chance to contribute to their communities across all our global offices.

TeamARM in 2014

TeamARM is the employee engagement element of ARM's CR approach. Its objective is to encourage employees across our offices globally to raise money and give their time to benefit local communities and wider society. This helps our people build rapport with each other and develop an emotional connection to the business.

TeamARM was relaunched in 2014 to reinvigorate interest and to shift the focus from charitable fundraising to include employee volunteering, local community engagement and to begin exploring how ARM technology can be applied to address social issues at a local and global scale.

During 2014:

- ▶ 50% of ARM people actively engaged in TeamARM activity.
- ▶ >75% of offices actively engaged in TeamARM activity.
- ▶ Over £250,000 raised and donated to charities and local communities around the world.
- ▶ >250 charities and local community causes supported.
- ▶ Activities included: hackathons, community volunteering, sports events, pub quizzes, charitable fundraising, mentoring and careers advice and cultural events.



TeamARM, skills and volunteering.



TeamARM Sweden supporting local communities in the Gambia.

Communities

The Sankara Eye Hospital

ARM India has supported the Sankara Eye Hospital's Vision Rehabilitation Centre in Bangalore since 2013, through a combination of financial donations and volunteering time. There are plans to extend this support to include sharing the skills of ARM engineers and ARM technology to contribute to improvements in patient care for 2015.

The work done at the Sankara hospital concentrates on rehabilitating patients where preventative or curative medicine is no longer an option. This has been identified by ARM India as an overlooked aspect of healthcare, particularly in a local context and especially so by corporate supporters. Nevertheless, rehabilitation, that incorporates elements such as counselling, early interventions, provision of educational services for family and carers and training in technical aids, is vital in ensuring that people can continue to lead quality lives.

Sankara Eye Hospital is a Non-Profit NGO part of the Kanchi Kamakoti Medical Trust founded in 1977 at Coimbatore, India. Its mission is to provide quality and affordable eye care across the entire spectrum of eye diseases.

Find out more: www.sankaraeye.com

“Rehabilitation does not mean overcoming or curing impairment. Rather, it means learning ways to use the remaining vision to its highest potential in meeting the challenges of everyday life. With ARM's help we are able to provide a lifeline to visually impaired patients who had lost hope elsewhere.”

Dr. R.V.Ramani, Founder and Managing Trustee, Sankara Eye Hospital



Corporate governance

Corporate governance

The Group's corporate governance framework is built around three pillars:

- ▶ Organisation, structure and process.
- ▶ The internal control framework.
- ▶ Independent assurance.

ARM is committed to good corporate governance, corporate responsibility and the highest ethical standards. We believe that effective governance provides an essential contribution to our sustained improvement in business performance. Operating with integrity in all we do is vital to maintain the trust of investors, customers, employees and other stakeholders. This requires leadership, ethical behaviour and collaboration throughout the organisation.

The Board nurtures a working environment, throughout the organisation, where the highest standards of behaviour are established, demonstrated and maintained. This helps us to run the Group effectively and exercise our judgment to manage the risks that we face within the nature of our business. There are well-defined differences between the roles of the executive and non-executive directors and their combined experiences and contributions are healthily diverse. The Board adds value to the debate, decision making and development of the strategies that are so crucial to the Group's success.

Managing Corporate Governance

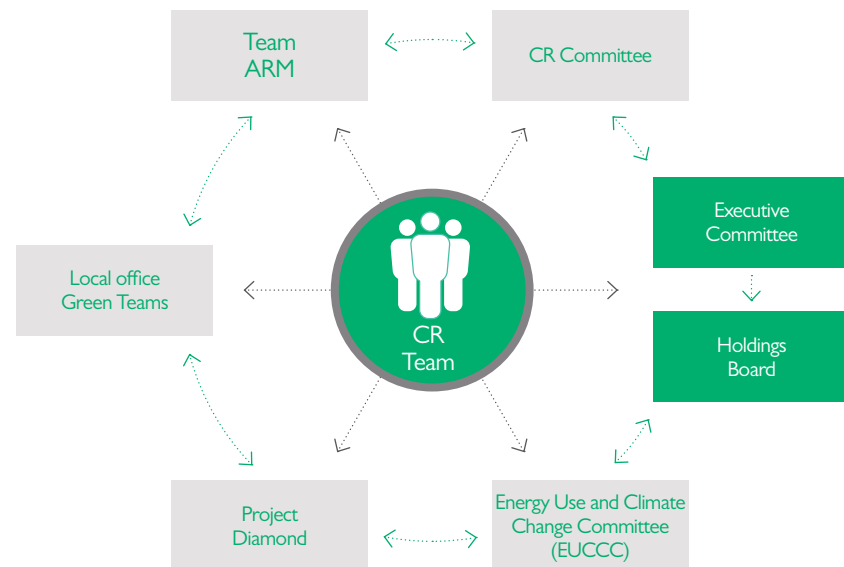
Corporate strategy and risk appetite is set by the Board, which delegates the day-to-day running of the business to the Executive Committee. The Board has established a number of committees and bodies to contribute to the overall control environment. These include the Group Audit Committee; the Group Risk Committee, which oversees risk-related matters; the Group Remuneration Committee, which sets remuneration policy and senior pay; the Nomination Committee, which leads the process for Board appointments; the Corporate Responsibility Committee which oversees CR strategy and major investments; the Energy Use and Climate Change Committee which is responsible for ARM's environmental management and impact; and the Compliance Committee.

ARM encourages local **Green Teams** to provide a forum for employees around the world to help drive our environmental agenda. The Green Teams feed ideas and priorities into **Project Diamond** which acts as a communication channel with the Group-wide decision making body, the **Energy Use and Climate Change Committee (EUCCC)**.

The **CR Committee** is responsible for monitoring ARM's CR, sustainability and charitable activities within the overall strategy and annual budgets that are approved by the Executive Committee (EC) and the Holdings Board (HB). The CR Committee meets quarterly and reports to the EC and HB twice a year. For more information, refer to our CR Reporting Supplement.

The **Compliance Committee** reviews a range of activities across the Group, sets appropriate policies and procedures and takes the lead in ensuring compliance with them. It reports on its activities to the Board through the Audit Committee.

Further information on our governance and how we manage sustainability is included in our Reporting Supplement.



Non-financial assurance

We are in the process of developing a three-year non-financial assurance implementation strategy. This will combine internal and external assurance to help us improve our systems and processes and establish trust in our sustainability reporting. We expect to focus initially on assurance over our quantitative reporting with a view to obtaining full-report assurance over the course of the three-year plan.

Our contribution to public policy and discussion

ARM contributes to public policy debate on a range of issues in a range of jurisdictions. We do this by responding to relevant consultations, particularly in the UK, Brussels and Washington DC, as well as by direct engagement with policy makers and others. For example, Data Protection, where we have drawn up some principles to guide thinking about this for the Internet of Things (IoT) era.

In 2014, ARM campaigned to engage the UK government and the Commission in how to turn IoT into a reality. By the end of the year we had some significant progress, with the Prime Minister's speech in March on IOT leading to work by the Chief Scientific Adviser on how to promote IoT. ARM is also engaged in the British government work on Cybersecurity Exports,

and helping to design the strategy for an Information Economy, intended to increase the competitiveness and connectedness of a technology-based economy. Our ideas on data protection featured in the speech given by our CEO at the first ever ARM Forum at the Science Museum in London.

In Brussels we have prompted the Commission to think about how to stimulate IoT. We participated in a Commission-led consultation on large-scale demonstrator IoT projects. We have also been involved in trying to ensure that the new Unified Patent Court for Europe does not undermine patent protection.

In the US, we have had a dialogue with the International Federal Trade Commission (IFTC) on our ideas around data protection, including submitting papers to IFTC consultations. We have been exploring how we can get involved with the US Smart Cities Initiative.

We have continued to promote the cause of low-power ICT networks, via contacts with the Commission and through our engagement with the International Telecommunications Union's advisory work for developing countries.

As a member of the World Economic Forum, we have helped shape their thinking on a variety of digital economy issues.

Transparency in taxation

ARM fully meets all of its corporate tax obligations in accordance with the laws of those countries in which it operates.

Disclosure of taxes paid and due in respect of business activities during 2014 can be found in our Annual Governance and Financial Report.

Business conduct and ethics

The ARM Code of Business Conduct and Ethics is the foundation of how we interact with all of our stakeholders. All directors and employees are required to act fairly, honestly and with integrity and to demonstrate that they have read and understand ARM's Code of Business Conduct and Ethics, a copy of which is published on the corporate website at www.arm.com.

The Code governs how we provide full, understandable and accurate content in our public disclosures and how we achieve full compliance with all applicable laws and regulations. Our corporate policies prevent sponsorship of illegal activities including those that violate equal opportunity and discrimination laws and best practice. In 2014, there were no incidents of non-compliance with regulations or voluntary codes.

Our updated Human Rights Policy is now incorporated in our Code of Business Conduct and Ethics. As part of our commitment to the highest standards of business conduct and ethics, we have implemented enhanced communication and training programmes to ensure that all employees world-wide understand the requirements of both the Bribery Act 2010 (and its global reach) and the principles of, and importance of, compliance with competition law and anti-trust law.

For information on our approaches to information security, business continuity, whistleblowing, human rights, anti-discrimination and conflict minerals, refer to our Corporate Responsibility Reporting Supplement.

Strengthening our performance

Progress on 2014 objectives

2014 Objective	Status	2014 Progress
▶ Undertake comprehensive stakeholder mapping and engagement programme.	●	This process began during 2014 and will continue to develop during 2015 and beyond, as we maintain a rolling dialogue with stakeholders and understand their current needs and expectations and as they change in the future.
▶ Reassess and define our material sustainability issues through the stakeholder engagement programme.	●	During 2014, we began a comprehensive stakeholder engagement programme which fed into a review and understanding of our material issues and their related inputs, processes and output. This programme will be ongoing into 2015 as part of a rolling process for review and update of our material sustainability issues.
▶ Continue to work with Partners to scale current projects, increasing reach and impact.	●	Our CR programme extended across all aspects during 2014 and is expected to continue its reach and impact during 2015 and beyond.
▶ Identify new projects that can help people in poverty.	●	Our partnerships with SimPrints and UNICEF are examples of our ambition to develop projects that can reach those in the most need around the world.
▶ Improve employee engagement with the CR programme across the global business.	●	We rebranded our internal people engagement approach during 2014 for roll-out during Q4 2014 and into 2015. We achieved measurable improvement in engagement during 2014 and expect to realise further improvement during 2015.
▶ Continue to grow the number of offices with TeamARM groups and employee participation in TeamARM. Target of 75% of ARM's global offices potentially reaching more than 90% of employees.	●	This was achieved.
▶ Identify opportunities to utilise renewable energy within the ARM estate.	●	Discussions are ongoing about how we can use renewable energy as a means to reduce our reliance on fossil fuel sourced electricity, particularly in our Indian offices. Limited progress has been achieved to date so we will continue to explore all possible alternatives in 2015.

Consolidated targets

By applying our Impact Measurement methodology for all major projects across each of the four areas of focus, we will be able to determine the impact of our CR programme. Our objectives for 2015 and beyond are:

Education

2015 Objectives:

- ▶ Increase the reach, quality of engagement and impact on those affected through our education programmes.
- ▶ Ensure that the outcomes from all major education programmes we support are aligned to our strategic CR objectives.

Medium and long-term objectives

- ▶ Reducing the gender imbalance in engineering graduates globally.
- ▶ Increasing the proportion of students choosing STEM subjects at 16 and at undergraduate level.
- ▶ Improving the quality of STEM and computing education.
- ▶ Improving the effective use of technology in teaching.

Environment

2015 Objectives:

- ▶ Exploring offsetting options to mitigate Scope 3 emissions.
- ▶ Explore opportunities for growth in the use of renewable energy across our global estate.

Medium-term objectives

- ▶ 15% reduction in energy consumption from our estate by headcount by 2020 based on a 2010 baseline.
- ▶ 30% reduction in carbon emissions by headcount (Scope 1, 2 and 3) by 2020 based on a 2010 baseline.
- ▶ Measure and disclose the environmental impact of our supply chain based on a materiality assessment and establish performance targets as appropriate.

Health

2015 Objectives:

- ▶ Increase reach, quality of engagement and impact on those affected through our health programmes.
- ▶ Ensure that the outcomes from all major health initiatives we support are aligned to our strategic CR objectives.

Medium and long-term objectives

- ▶ Helping millions through ARM-based technology, developed in collaboration between ARM engineers and our CR Partners.

Communities

2015 Objectives:

- ▶ 20% of our people engaged in skills-based volunteering programme.
- ▶ 5,000 hours spent by our people on skills-based volunteering in the community.
- ▶ >75% of our people actively engaged in TeamARM activities around the world.
- ▶ >90 of offices engaged in TeamARM activity.
- ▶ 100% of our people completing their annual feedback and development plans.

Medium and long-term objectives

- ▶ We expect to raise our aspirations in terms of participation, reach and impact in our skills-based volunteering and employee engagement measures. Our long-term objectives for local community programmes, including how we manage and develop our people will be shaped by the future growth and strategic needs of the business. To ensure that our approach remains relevant, we do not have long-term objectives. Instead, we regularly review and update short and medium-term planning, remaining agile and flexible at all times so we can meet the changing needs of our people and communities.

We will provide a detailed update on these objectives and performance indicators highlighting the impact made by ARM's contribution in our 2015 reporting.

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