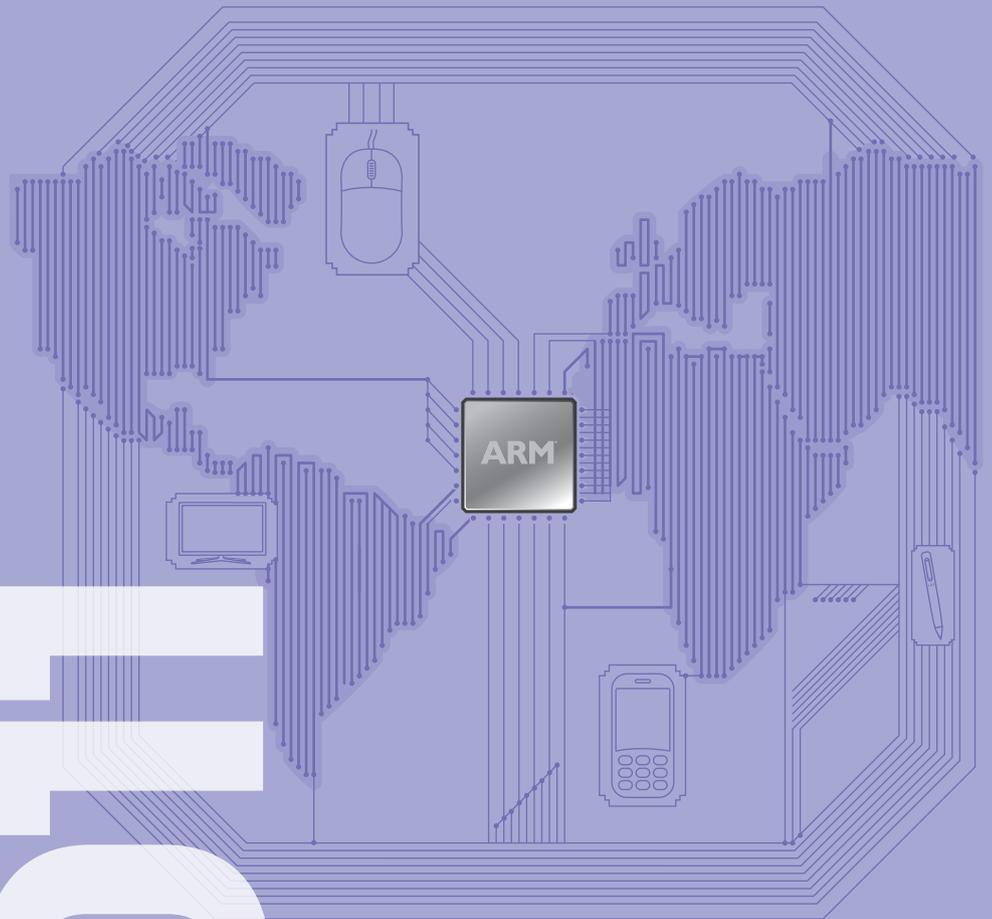


ARM[®]

Our commitment

The ARM
Corporate Responsibility Report 2011

ARM
2011



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ARM is committed to integrating corporate responsibility and sustainability throughout its operations and understands that they are integral to our long-term business success.

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Introduction from the CEO

Warren East
CEO



The ARM business model depends on trust, innovation and collaboration.

Rather than a traditional CEO statement, summarising the contents of this report, I thought instead it would be more helpful to explain corporate responsibility within ARM's business and its importance in sustaining the company's success. ARM's approach to corporate responsibility can be traced back to the core of our business: the partnership-oriented business model. The sector in which ARM operates experiences rapid change and very early in our development we realised that to build on our key strength of low power microprocessor design, we needed to position the company as a central enabler, working in close partnership with other companies. Our business model depends on three fundamental attributes: trust; innovation and collaboration. Each of these attributes depends upon a company culture that is responsible and focused on sustainable, long-term growth throughout its operations.

Trust underpins the ARM ecosystem. Building a high level of trust is vital because the relationship between ARM and its partners is intense, long-term and complex.

Our partners share their roadmaps, plans and market intelligence with ARM. They need to know that we will use that knowledge only to create better technology which will enhance their products. Creating such a deep level of trust requires everyone at ARM to work and think about responsible business behaviour in everything they do; any inconsistency in our behaviour would risk damaging the trust that is so critical to our business success.

A high level of trust within the company also increases our ability to innovate. A culture in which employees have the freedom to experiment, feel comfortable sharing new ideas and have access to the senior management team is founded on trust and responsible behaviour.

For all of ARM's stakeholders it is important that the company's behaviour is responsible and reliable, to ensure continued trust and investment from customers, creativity and loyalty from employees and the confidence of shareholders that ARM is a reliable, long-term investment. For a company to maintain its values through times of change, they need to be deeply

For a company to maintain its values through times of change, they need to be deeply integrated.

integrated. I believe that we are achieving this at ARM and we will continue to recognise its value to our business.

Innovation is key to ARM's business and a central component to our success is maintaining leadership in designing low-power technology. ARM spends approximately 25% of its revenue on R&D, mainly dedicated to energy-efficient computing. This year ARM has pledged to accelerate this effort as part of its commitment to the UN Global Compact and Caring for Climate. Products such as the Cortex-A7 processor and big.LITTLE represent a new direction for energy-efficient computing. The potential for these products to have a profound global impact through our partners can be seen in HP's recent announcement that "RedStone," an ARM-Powered server development platform, has the potential to reduce system power by up to 90% compared to traditional approaches. ARM's success in innovative microprocessor design means that the ARM "ecosystem", a network of nearly one thousand independent technology companies optimising their products and services to support the ARM architecture, is now the broadest it has ever been. It is also deepening as partners choose to develop more of their products on ARM technology and as more types of companies join the partnership. The breadth of potential applications now extends from servers and smartphones to washing machines and sensors. Collaboration is therefore becoming even more critical to ARM and is requiring the company to refine its partnership approach as its relationships become ever more diverse and complex.

Twenty one years ago, collaboration became one of the first ARM principles. The ARM business model requires a workplace culture based on collaboration whether internally, to ensure innovation amongst employees, or externally with other organisations.

ARM's employees are chosen, in part, for their ability to collaborate. This encompasses teamwork, selflessness and partnership. Employees are assessed on their performance against these values twice a year and their performance has a direct impact on career progression, base pay increases, bonus and share equity. To further cement a collaborative culture we also give all our employees a percentage of equity in the business. We feel that this is an important part of bringing all our employees into the ARM Partnership and ensures consistency in our collaborative principle. Towards the end of the year we completed our biennial employee survey. With an 88% overall positive engagement score, up from 83% in 2009, it is clear that ARM is a happier and even more engaging place to work.

ARM's long-term success, with our fundamental attributes of collaboration, innovation and trust depends on having the right organisational culture which must be continually reinforced. Our CR strategy and approach is part of this reinforcement, it demonstrates to all our stakeholders that ARM is serious about sustaining its position in the industry.

Warren East
CEO

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About ARM

ARM's vision is a world in which all electronic products and services are based on energy-efficient technology, making life better for everyone.

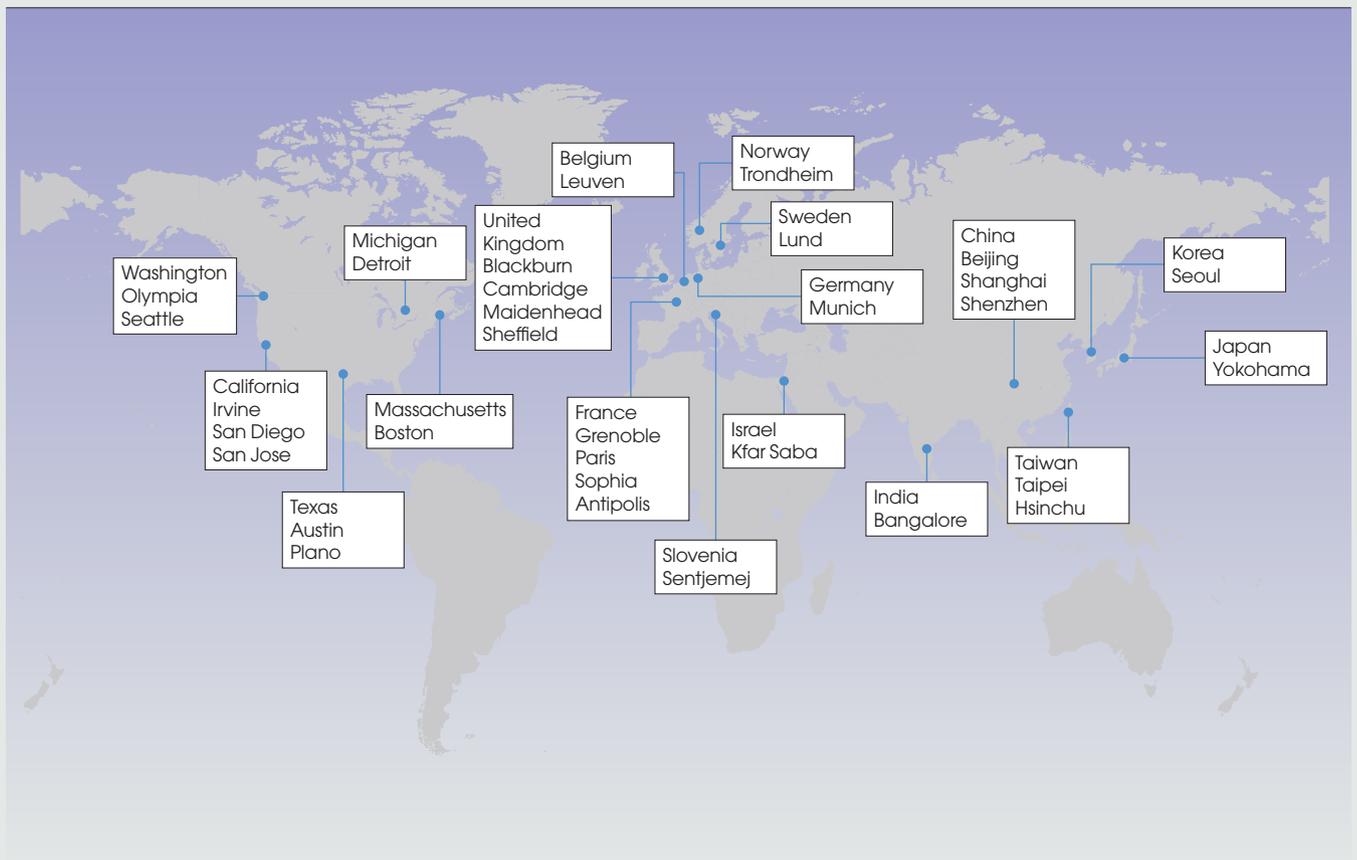
ARM is the world's leading semiconductor intellectual property (IP) supplier. The technology we design is at the heart of many of the digital electronic products sold in 2011.

Company structure

ARM Holdings is a public limited company listed on both the London Stock Exchange and NASDAQ. ARM has 30 office locations in 14 countries with our four largest offices being Cambridge, UK (Headquarters); Austin, USA; San Jose, USA and Bangalore, India. These offices represent 77% of our headcount and 71% of our estate portfolio.

For more information on employees see page 15.

The diagram on page 4 demonstrates the group operational structure and its subsidiaries. In 2011 ARM acquired Prolific Inc and Obsidian Software Inc; neither has caused significant change to the size of ARM or its structure. There was no significant change in ownership structure over the year.



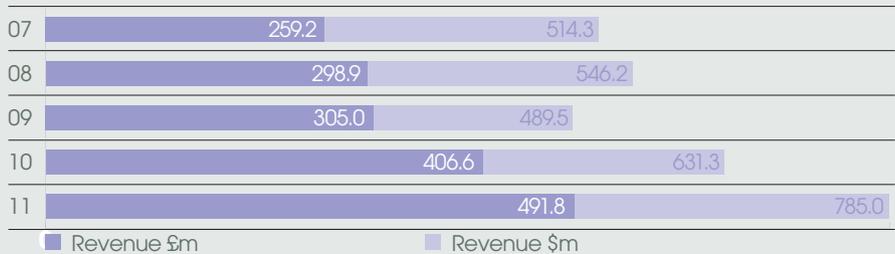
Where ARM makes money

Over 99% of ARM’s revenue comes from outside of the UK, with 35% of our revenues from the USA, 50% from Asia and 14% from Europe.

The majority of ARM’s revenue is received from semiconductor companies. These companies sell their ARM-based chips to OEMs building consumer electronics. They in turn, sell their products to consumers and enterprises worldwide. ARM’s royalty revenues are derived from the chips in these OEM products so ARM benefits from the growth in all economies and countries around the world.

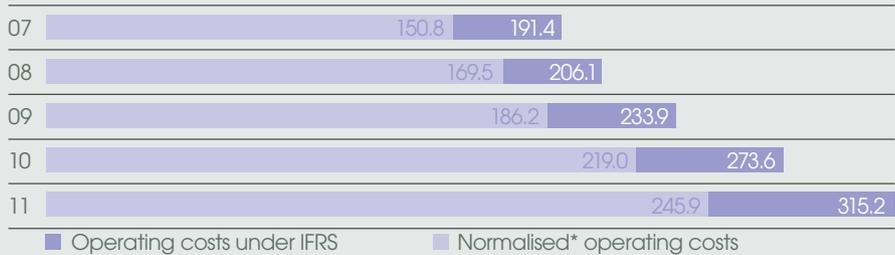
For more information see the ARM Annual report published on our website at www.arm.com/reporting2011

Revenues £m/\$m



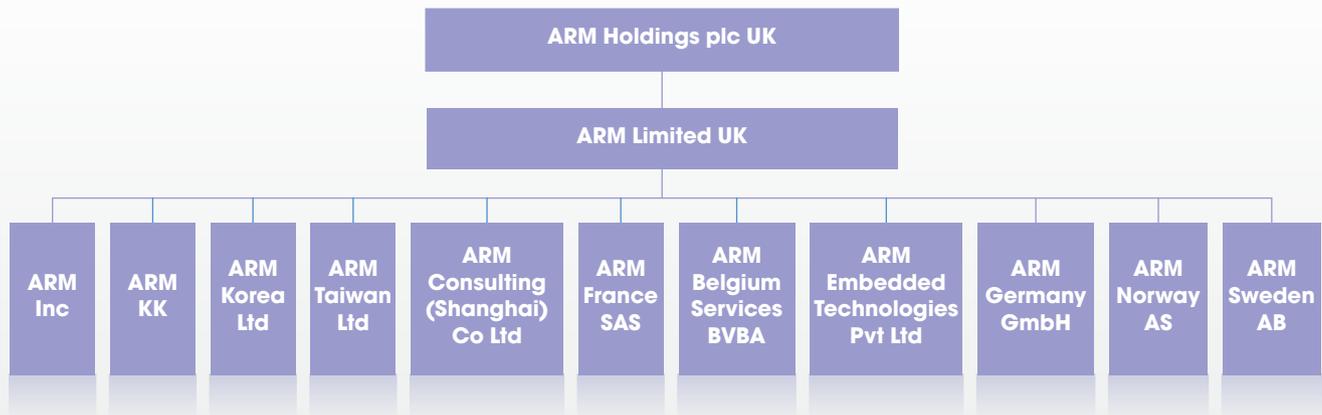
ARM’s revenue growth is sustained by our customers incorporating ARM technology in more of their product lines.

Operating costs £m



ARM expects to grow revenues faster than costs.

ARM Group structure



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ARM products

ARM's primary business is in intellectual property. Our designs are licensed to semiconductor companies who build our designs into their chips. ARM receives a royalty for every chip shipped that contains one of our designs. In addition our System Design Division sells software tools and development boards.

ARM processors are designed for energy-efficiency. Their low power consumption makes them particularly suited for use in portable devices. The mobile phone

was the first consumer electronic device where ARM processor-based chips started to be widely deployed and, in 2011, ARM technology could be found in more than 95% of the world's mobile phones. Our technology is now being used in applications as diverse as digital TVs, car airbags and LED lighting systems. The image below illustrates examples of products that our processor designs are found in. An ARM processor design may be used by many different companies, in many different chips and may ship for more than 20 years.

Our primary products are classic processors (ARM11, ARM9, ARM7), Cortex processors (Cortex-A series, Cortex-R series, Cortex-M series), Mali graphics processors, Physical IP technology and development systems tools. Additionally we provide technical support services to enable partners to make the most of our technology.

Illustrative products incorporating Cortex processors

Cortex-A



Cortex-R



Cortex-M



ARM business model

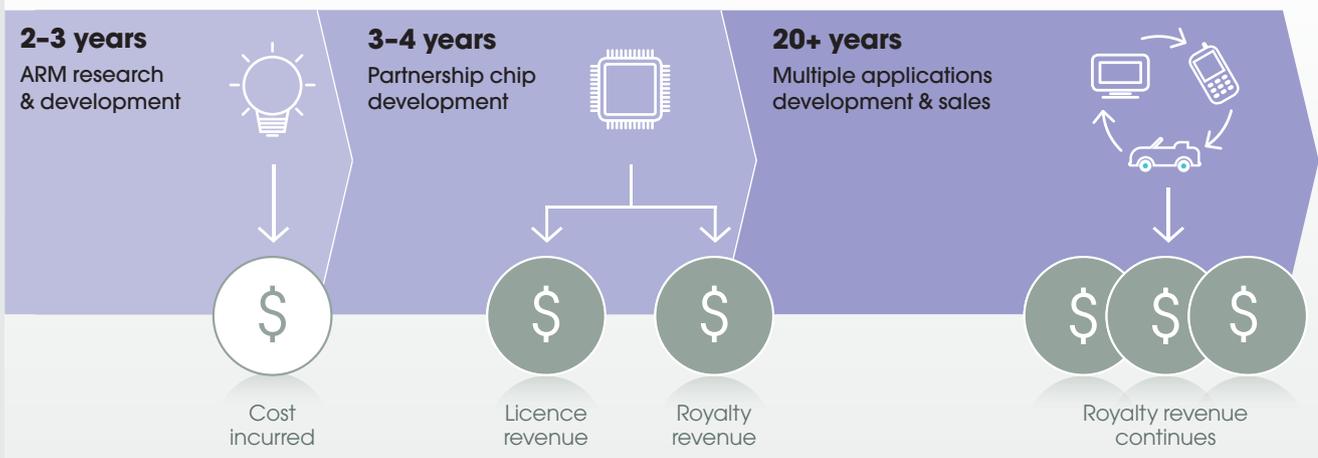
ARM has an innovative business model. We design and licence IP rather than manufacture and sell semiconductor chips. We licence IP to a network of partners, which includes the world’s leading semiconductor and systems companies. The companies who choose ARM technology pay an up-front licence fee to gain access to a design. They incorporate the ARM technology into their chip – a process that often takes 3-4 years. When the chip starts to ship, ARM receives a royalty on every chip that uses the design. Typically, our royalty is based on the price of the chip. Companies licence ARM technology because it is more cost effective than developing it internally. We estimate that a typical semiconductor company would need to spend more than \$100 million every year if they did not outsource their microprocessor development to ARM. By designing once and licensing many times, ARM spreads the R&D costs over the whole industry, making digital electronics cheaper.

The ARM partnership approach

We believe that partnership is the smartest approach for ARM to create value. Rather than establishing a vertical business model, we partner with companies across many sectors, each of whom can focus their efforts on where they can best add value. This enables more innovation by chip makers, more choice for OEMs and more differentiated products for consumers. Trust underpins this ecosystem as Partners share their roadmaps, plans and market intelligence with ARM. They need to know that we will only use that knowledge to create better technology which will enhance their products.

ARM’s Connected Community comprises over 900 companies ranging from design support providers and silicon manufacturers to software and training suppliers. The Connected Community includes ARM’s direct customers in the semiconductor industry, who licence our products and also provide revenue through royalties for every chip shipped. There are also companies that are not direct customers but use our technology within their products such as Original Equipment Manufacturers (OEMs) and Original Design Manufacturers (ODMs) along with many other companies in the ARM value chain.

Our business model



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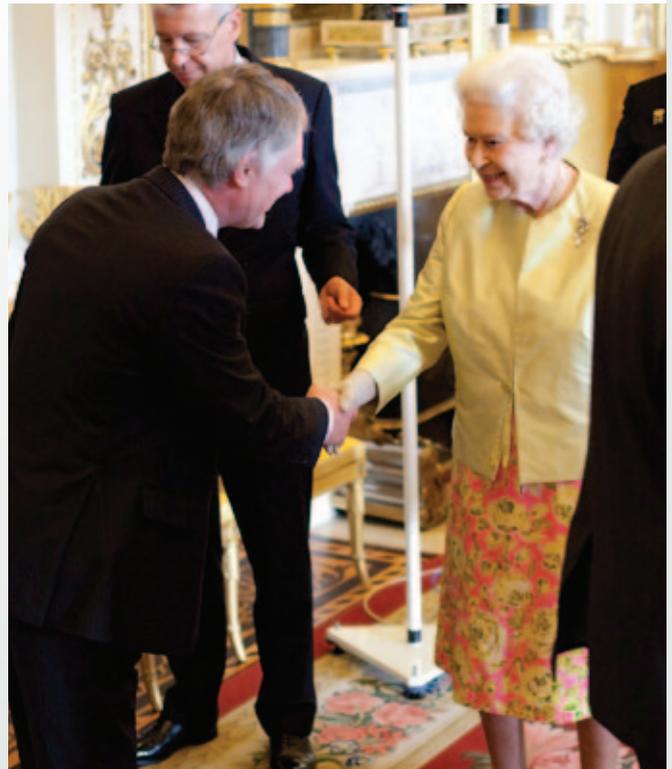
External awards and recognition

Queen's Award for Enterprise (Innovation Category)	ARM was granted an award to recognize its innovation as the world's leading supplier of low-power, high performance semiconductor intellectual property (IP) by Her Majesty the Queen, on recommendation from the Prime Minister. The Queen's Award for Enterprise awarded to ARM is in the Innovation Category.
Britain's Top Employers	For the third year running ARM has been certified as amongst Britain's top employers.
FTSE4Good Index	In 2011, ARM was again included in the FTSE4Good Index, designed to measure the performance of companies that meet globally-recognised corporate responsibility standards.
Barron's	Barron's named Warren East, CEO of ARM, in their list of top 30 CEOs.
MIT's Technology Review	MIT's Technology Review named ARM in their list of 50 Most Innovative Companies.
Wired	WIRED magazine named Warren East in the UK's Most Influential Leaders.
FastCompany	ARM ranked number 12 in FastCompany's 50 Most Innovative Companies.
Chartered Institute of Personnel and Development	The Chartered Institute of Personnel and Development selected Bill Parsons, EVP of Human Resources at ARM, to be Vice President of Talent and Development for the Institute.
City A.M.	ARM was nominated for, and won, the City A.M. Business of the Year award.
techMARK	ARM was nominated for the 2011 Achievement of the Year and awarded 2011 Company of the Year.
International Organization for Standardization	ARM is audited against and certified for ISO9001 (Quality Management) and ISO27001 (Information Security).

Lord Lieutenant Mayor of Cambridge presents ARM with the Queen's Award for Enterprise



ARM President, Tudor Brown, meeting HRH Queen Elizabeth II



External affiliations

United Nations Global Compact	<p>In 2010 ARM became a new participant in the United Nations Global Compact (UNGC), a voluntary strategic policy initiative for businesses. We built on this commitment in 2011 by becoming UN LEAD members. UN LEAD is a platform through which each participant is challenged to implement the Blueprint for Corporate Sustainability Leadership and share lessons learned with other UNGC companies. For more information see pages 14 and 29.</p> <p>We are also committed to the Caring for Climate action platform for those who seek to demonstrate leadership on the issue of climate change.</p>
Carbon Disclosure Project	<p>ARM is a contributor to the Carbon Disclosure Project, an independent database recording the greenhouse gas emissions and climate change strategies of major global corporations.</p>
National Association of Pension Funds	<p>ARM is committed to the National Association of Pension Funds' Pension Quality Mark (PQM), a benchmark scheme recognising high quality defined contribution pension schemes with strength of employer contributions, fund management and stakeholder communications.</p> <p>More information can be found at http://www.pensionqualitymark.org.uk.</p>
American Council for an Energy-Efficient Economy (ACEEE)	<p>ARM participates in European Union-funded research to improve the efficient and responsible development of ARM-powered products and worked with the American Council for an Energy-Efficient Economy (ACEEE) to help found its intelligent efficiency advisory board.</p>
Employers Forum on Disability	<p>ARM joined the Employers Forum on Disability to share learning and as part of our commitment to provide equal opportunity to all.</p>
FairPensions Living Wage Standards	<p>ARM is committed to adopting the Living Wage Standards for all directly employed staff and onsite contracted workers. A Living Wage is the minimum hourly wage necessary for housing, food and other basic needs for an individual and their family.</p>

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About this report

2011 marks ARM's tenth year of corporate responsibility reporting.

The purpose of Our Commitment 2011 is to communicate ARM's activities and achievements in corporate responsibility (CR) and sustainability over the past year and outline our future commitments.

For more information on what corporate responsibility and sustainability mean to ARM see page 10. It is not possible to relate every activity and therefore we aim to highlight the main examples supported by detailed case studies and data where appropriate. The report is written for our employees, customers, partners, shareholders, community members and others with an interest in our approach to sustainability.

Report content

Our report content and structure focuses around four key areas: Marketplace, Workplace, Community and Environment. This report also serves as our UN Global Contact Communication On Progress (COP).

Report boundary

Data in this report covers the period from 1 January 2011 to 31 December 2011, unless otherwise stated. This is our tenth Corporate Responsibility Report. We publish reports on an annual basis; our last report was published in March 2011 covering 2010 data. There have been no significant changes to the scope, boundary or measurement methods used in our 2010 report.

Reporting standards

This report was prepared using the Global Reporting Initiative's (GRI) G.3 Reporting Guidelines, which provide a standard framework for organisations to report on their social, environmental, governance and economic performance. We believe this report achieves a self-declared GRI Application Level C. More information on GRI can be found in our GRI Index.

Environmental measurement and calculations are based on data from our environmental database, which houses environmental data for our offices.

For more information see page 25.

We are in the second year of incorporating the UNGC's 50-point Blueprint for Sustainability: Corporate Action Plan into our CR reporting. ARM was the first company to do this and remains one of the few companies to demonstrate this level of commitment.

Future reporting

We will continue to align ARM's future reporting with the GRI and UNGC Blueprint.

Through membership of the UNGC LEAD programme ARM was invited to take part in a unique integrated reporting pilot programme with the International Integrated Reporting Committee (IIRC). As part of this two-year programme ARM will work with a network of peer group organisations to share our experiences. We will also play a role in developing the IR Framework.

Alongside the annually produced Our Commitment report we intend to expand our communication through better use of the company website and intranet to give our stakeholders a broader range of content.

Contact

We welcome all feedback on our corporate responsibility approach and the report itself.

ARM's sustainability and communications staff are available for consultation with local communities through phone calls, emails and post and also attend local events and hold consultation meetings with community representatives in ARM facilities.

Please contact:

ARM Corporate Responsibility
110 Fulbourn Road
Cambridge
CB1 9NJ

ARMcorporateresponsibility@arm.com

Our approach and governance

Corporate responsibility and sustainability

ARM views CR as how the company behaves internally, in its communities and through its supply and value chains. ARM's sustainability activities encompass CR as well as exploring the long-term contribution the company can make to overcome the global challenges ahead. New applications of ARM technology, collaborative projects with ARM's extensive partner ecosystem and catalysing cross-sector initiatives are all examples of how ARM can help make a positive impact.

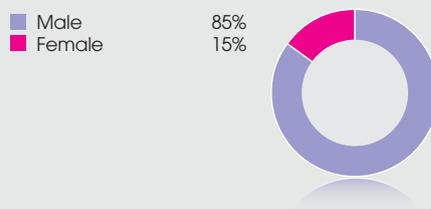
Good corporate governance and strong stakeholder relationships are vital to all our business activities, helping us to build the trust that is key to the success of our partnership business model.

Corporate ethics and governance

ARM's corporate governance structure and processes, as discussed in detail in our 2011 Annual Report, allows for effective group management. Additionally, they create transparency in business decisions and actions so that we remain accountable to all our stakeholders. The strength of these stakeholder relationships has a significant influence on ARM's continued success.

The value we place on good corporate governance is reflected in our governance principles, policies and practices and our everyday working processes. This approach is backed by continuous improvement based on measurement against internal objectives, external audits and benchmarking and a rigorous approach to risk management. During 2011, the Group complied with the UK Corporate Governance Code 2010. The Group also continued to comply with the requirements of the Sarbanes-Oxley Act 2002 (US). The gender split of the board reflects the gender diversity of the workforce as a whole. It is also broadly in line with the gender split of engineering graduates in the UK in 2011 of 90% men and 10% women.

2011 Board Gender Split



94%

of employees believe that the Executive Team consider the moral and ethical consequences of their decisions. (Global Employee Opinion Survey 2011)

Our global Code of Business Conduct and Ethics Policy outlines the expected behaviours of all employees and addresses areas of risk that ARM and/or its employees are most likely to face, such as anti-bribery and corruption measures and procedures as well as processes for reporting any illegal or unethical behaviour. All employees, established and contracted, are required to read and accept this policy on an annual basis and understanding is tested. Suppliers are encouraged to abide by the policy in their own organisations.

We scrutinise 100% of our divisions and functions for risks related to corruption on an annual basis. A risk register is maintained and actions to mitigate these risks are set.

Throughout the year, all employees were given basic training to ensure that they understood the implications of the introduction of the UK Bribery Act and the resulting changes to our policy and procedures. In addition more detailed training was provided to any employees who were considered to be in a high risk category i.e. those in more senior roles including, finance, sales, purchasing, licensing, legal and HR. These groups represent 16% of total headcount.

No incidents of bribery or corruption were identified in 2011. In future, should incidents of bribery or corruption be identified, they would be dealt with through appropriate policies. Sanctions up to, and including, dismissal would be considered depending on the incident.

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All managers within ARM are required to accept the ARM Management Charter which outlines key behaviour expectations required to nurture and support staff so that they achieve their potential. Amongst other things the Charter specifically states that managers should behave ethically and manage their team in an environmentally and socially responsible manner.

We adhere to the Universal Declaration on Human Rights as part of our commitment to the United Nation Global Compact. The nature and locations of ARM's businesses make the risk for human rights violations minimal, however it is our intention to draw up a specific policy on human rights in 2012 for ease of reference and clarity.

In addition we have separate policies on whistleblowing and equal employment opportunities.

90%

of employees would feel comfortable reporting issues through ARM's whistleblowing procedures (internal or external) and believe the reports would be treated anonymously and without fear of recrimination. (Global Employee Opinion Survey 2011)

99%

of all employees (established, fixed-term and external workers) have reviewed and accepted the Code of Business Conduct and Ethics. (Global Employee Opinion Survey 2011)

Data handling and protection

Our Global Data Protection Policy summarises the standards followed to protect the data collected from employees, suppliers, customers and other third parties. Except as expressly stated in the policy, we do not provide data to third parties without consent, though ARM may be required to disclose or share personal data in order to comply with legal obligations or to protect rights. ARM always uses industry-standard encryption technologies when transferring and receiving data and has appropriate security measures in place to protect against

any loss, misuse, or alteration of information that it has collected. In 2011 we introduced an improved process for employees to alert the company to any security incidents or related observations.

Business continuity plans

To minimise disruption and manage risk in the event of a serious incident, ARM has business continuity plans (BCPs) for all of its operations worldwide. BCPs are designed so that ARM can continue critical activities and provide the facilities and infrastructure needed to reinstate business operations as quickly as possible after an event. These plans are designed to protect the interests of ARM's stakeholders and in particular ARM's employees, property and other assets. The continual review of these plans forms part of the management review process alongside environmental management and health, safety and welfare. Our plans are guided by best practice principles.

ARM's position on conflict minerals

The electronics industry often comes under scrutiny regarding the use of 'conflict minerals' within the supply-chain. The revenue from mining these minerals (gold, tantalum, tin and tungsten, in particular) contribute to fuelling human rights atrocities in areas of armed conflict, most notably the Democratic Republic of the Congo (DRC). ARM takes the issue of conflict minerals very seriously.

The components of consumer electronics that require the use of such minerals are not those which ARM designs. Therefore, this issue does not apply to our core products directly. However we recognise that, within our System Design Division, a small number of tools and development boards are produced which require the use of gold and tin. In these cases, we deal only with reputable, established suppliers who provide statements to the effect that they do not use minerals sourced from conflict zones for their component manufacture.

ARM stakeholders

One of our aims for 2011 was to improve stakeholder communications particularly on CR and sustainability issues. ARM has launched a project to improve the CR information on its website which will result in a new CR section on the site later in 2012. Internally, we have made increasing use of

blogs, community forums and wikis focused on different areas of CR to enhance existing communication channels allowing ever increasing sharing of information.

Stakeholders are any group, either internal or external to ARM, which may be impacted by, or have concerns about, our activities and decisions. Our approach aims to strengthen stakeholder relationships and demonstrate accountability by:

- Understanding stakeholder concerns
- Addressing any existing issues
- Identifying new opportunities
- Managing risks
- Anticipating potential future risks.

Internal stakeholders

Employees – As an IP company relying on innovation, retaining the highest calibre staff is key to the performance of the company. The majority of ARM employees are educated to degree level. While all employees are stakeholders and share certain concerns, such as long and short-term success of the business and equal opportunities for progress, we understand that concerns will differ depending on the employee group. For example, the needs and concerns of contractors will differ to those of employees who have been with the company for several years. CR plays an important role in maintaining an excellent relationship with employees.

External stakeholders

Investors – Investors provide us with the capital we need to develop. Their concerns and interests relate to both our long and short-term success. Issues of importance to them are transparency and reporting clarity, risk mitigation, the strength of our business model and our industry positioning.

Potential Employees – To maintain our level of success we need to make sure we continue to attract the right talent.

Government and regulatory bodies – We operate in 14 countries and have customers and Partners across the globe. ARM understands that we have a duty to comply with all relevant laws and regulations and understand how they impact on us and on the semiconductor industry more widely.

Social Community – Contributing and connecting with the communities where we operate enables us to build trust and enhance our reputation and influence as a member of that community.

Customers and Partners – Our customers rely on us to provide them with innovative solutions which enable innovation of their own. We rely on customers in order to grow our business and must understand their needs to develop our next generation of products. Trust, accountability and risk mitigation are all of vital importance in these relationships. ARM’s customers, and Partner companies that use ARM technology in their products, make up the ARM ecosystem. The strength of this ecosystem lies in the breadth and variety of companies involved, all of whom expect the

highest level of integrity from ARM.

Suppliers – Suppliers provide us with goods and services we do not undertake ourselves. ARM has relatively few suppliers in comparison to companies whose primary business is manufacturing, however we take the opportunity to share best practice with them.

Managing stakeholder concerns

ARM has dedicated departments or teams managing relationships with customers, Partners, investors and employees to ensure that their needs are regularly addressed and reported on.

All other stakeholder groups are engaged with on an issue by issue basis. Given the variety of stakeholder groups ARM is aware that there may be occasions where the views and concerns of one stakeholder group conflict with those of another. In such a situation we endeavour to reach resolution through open dialogue and collaboration. There were no cases of this being required in 2011.

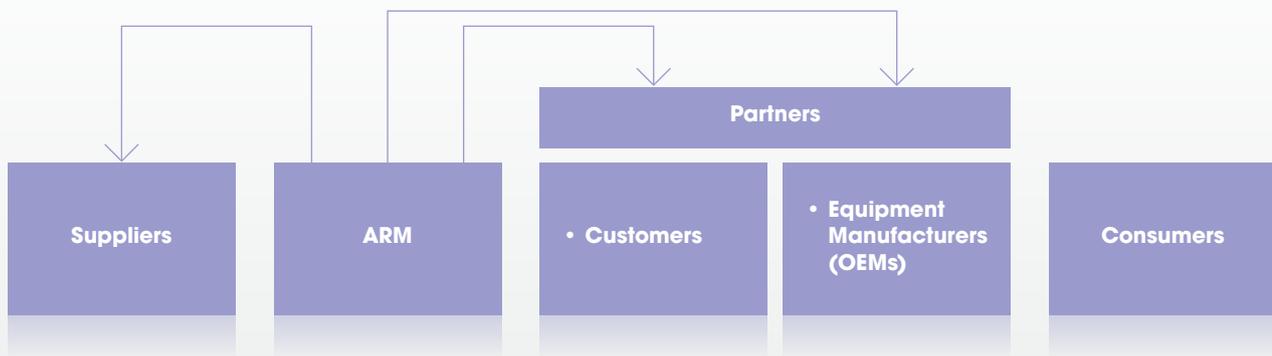
Our sphere of influence

ARM has relatively few suppliers compared to our customers whose main business is manufacturing, but a very large number of companies use our technology in their products. We are not in the position to propose changes to the actions of other companies but we are able to utilise our existing relationships with customers and Partners to enable change through collaboration and thought leadership. We focus on creating positive opportunities and mutually beneficial programmes. The diagram below outlines our areas of influence.

2012 targets

- Enhance our CR strategy, initiatives and reporting through further collaboration with stakeholders and external experts.
- Continue to assess the main areas of concern for our stakeholders and understand their impact on our operations to develop a material issues matrix.

ARM’s supply and value chain influence



96%

of employees believe that ARM takes corporate responsibility and sustainability issues seriously (Global Employee Opinion Survey).

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ARM and its market

What we aimed to do	Score	What we did
Continue to explore how to engage ARM customers and Partners in relation to corporate responsibility, sustainability and international development.	●	<p>UN keynote speaker at ARM Techcon</p> <p>Working with UN LEAD and Partners to develop new projects</p> <p>ACEEE's intelligent efficiency council now includes 6 ARM Partners.</p>
Improve external CR communications and reporting.	●	<p>Started creating CR webpages, put in place reporting improvements. Sustainability featured in a number of external conferences held.</p>
Develop new programmes to demonstrate the positive potential of ARM technology to improve global energy efficiency.	●	<p>Helped establish ACEEE's intelligent efficiency programme. For more information see page 27.</p> <p>Started new research into electric motor efficiency.</p> <p>Researching the potential for ARM servers to reduce data centre power consumption.</p>

ARM's opportunity lies in enabling customers and Partners in the electronics industry. ARM's position in the industry is relatively neutral, giving us a platform to present new ideas and create new partnerships. In this section we demonstrate a number of such activities.

Product responsibility

An expanding global population, rising energy costs and climate-change concerns are all driving renewed interest in energy-efficiency. ARM's technology is inherently low-power and enables smarter, more energy-efficient products to be created.

ARM's business is not focused on manufacture, but we still take responsibility for ensuring that our designs are energy-efficient. We make efforts to work with customers and Partners to help them realise the energy savings created by using ARM technology.

As part of our participation in the ACEEE's intelligent efficiency council and our commitments to UNGC, we work to increase sustainability in our sector. We also collaborate with research and development organisations such as university science and engineering programmes worldwide.

Cortex-A7 and big.LITTLE

The Cortex-A7 processor was launched in October 2011 as ARM's most energy-efficient applications processor. The energy-efficiency and small footprint of this processor will enable low cost smartphones which will deliver the performance and capability of today's high-end phones and help to connect the next billion people in developing markets. The benefits of Cortex-A7 are further extended with its compatibility with ARM's latest high-power Cortex-A15 processor. By deploying the two processors on a single chip and then switching between processors depending on the task required, the Cortex-A15, Cortex-A7 system can deliver peak performance well beyond today's phones while simultaneously extending battery life and reducing power-consumption. This concept is known as big.LITTLE. Using big.LITTLE processing is estimated to enable up to 70% energy savings compared to today's high-end smartphones.

ARM technology in servers

ARM believes that the server market must evolve to be more power and cost-efficient to realize the vision of the connected world. With the current economic and power realities, existing infrastructure cannot meet the needs of the next billion people who are starting to use technology in developing markets or the evolving needs of current users in developed markets. The transition to a cloud computing world is

disruptive for the server market, which is becoming increasingly segmented from the point of view of the types of workloads and software running on these systems. HP, who announced an ARM powered development platform called "RedStone" in November 2011, believes ARM technology has the opportunity to reduce system power by up to 90% compared to conventional approaches.



ARM's work with R&D partners is further evidence of our commitment to the UNGC's Principle Nine, which calls for encouragement of environmentally-friendly technologies.

Responsible marketing and communications

ARM's Code of Business Conduct and Ethics requires full, understandable, and accurate information in our public disclosures as well as complete compliance with all applicable laws and regulations. Our corporate policies prevent sponsorship of illegal activities or those that violate equal opportunity and discrimination laws. In 2011, there were no incidents of non-compliance with regulations or voluntary codes concerning marketing communications and promotion. The Company's Disclosure Committee, consisting of senior management, assists in monitoring disclosure on ARM's financial condition and results of operations.

Within our marketing group, we have employees who focus on understanding particular market segments through interactions with our Partners and their customers. This way we can enable change through demonstrating how ARM technology allows for innovative and power efficient end products.

Customer satisfaction

Knowing how satisfied our customers are with doing business with ARM, our products and our support is an essential part of understanding our performance and ways in which we can improve. To monitor customer satisfaction, ARM synthesises

responses from the diverse customer interactions we have through our business operations along with direct feedback gained through formal customer support satisfaction surveys. We focus on particular key performance indicators around overall satisfaction, on-time delivery, product quality and support response times. This information is reviewed by management and used to resolve any existing issues and implement process improvements to minimise repeat problems. Through continued assessment we aim to ensure that lessons learned are fed into product development and deployment processes.

2012 targets

- Develop at least two new collaborative projects with Partners.
- Develop cross-sector partnerships to assist technology projects that can alleviate poverty.
- Develop cross-sector partnerships to independently verify the potential benefits of ARM technology.

United Nations Global Compact LEAD programme

ARM was honoured to be asked to join the UN Global Compact (UNGC) LEAD programme early in 2011. This new UN initiative invited those companies the UNGC felt were showing the most commitment to the UNGC, and had the most to contribute, to join a new group of LEAD companies. Members of LEAD have to demonstrate leadership in sustainability and are expected to integrate the UN Blueprint for Sustainability, a far-reaching model of sustainable business practice, into their reporting and business operations.

See <http://www.unglobalcompact.org/HowToParticipate/Lead/blueprint.html>

ARM's partnership approach to business is a key aspect of how we can contribute to the UNGC. A UN keynote speaker came to ARM's Techcon event in October 2011 and addressed representatives from approximately 70 technology companies from the ARM Partnership on the UN's strategy on "Sustainable Energy for All." This initiative aims to achieve ambitious goals by 2030 in the areas of universal access to modern energy services, reduction of global energy intensity and the increased use of renewable energy globally.

Our commitment has been recognised by Ole Lund Hansen, Head of UN Global Compact LEAD, who stated:

"ARM has been an active member of UN Global Compact LEAD and has proposed a number of interesting ideas for collaborative projects which are being explored at the moment. We were delighted to be able to speak at one of ARM's key customer events last year. It is not often that we are able to present the UN Global Compact position on a sector at a commercial event like this so it was a great opportunity to get our message across to a wider audience. We are also pleased to see that ARM is continuing to integrate the Blueprint for Corporate Sustainability into their reporting, being the first to do so last year, and has joined our integrated reporting programme to embed sustainability even more deeply into its reporting and company strategy."

At the UN Private Sector Forum, as part of the "Sustainable Energy for All," ARM made the following pledge.

"In an increasingly connected, mobile and energy conscious world, ARM is committed to achieving its vision where all electronic products are based on energy-efficient technology, accelerating the move from traditional, high-power, tethered computing to smart, low-power, right-size, mobile technologies that make life better for everyone. ARM spends ~25% of its revenue on R+D dedicated to energy-efficient computing and commits to accelerating this effort. ARM's Partners permeate every aspect of the technology industry, from healthcare to communications to automotive, shipping 6 billion ARM processors in 2010. Through this community (the industry's largest partnership network) and platforms such as UNGC LEAD, ARM pledges to create collaborative initiatives dedicated to improving energy efficiency, accelerating the transition to the new energy economy and reducing global poverty by extending the benefits of technology to the next billion people."

ARM is currently working with other member of LEAD to try to start new collaborative projects on this theme. See page 29 for more detail on how ARM is implementing the Blueprint into our reporting and operations.



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Working at ARM

What we aimed to do	Score	What we did
Assess governance in relation to CR to maintain and improve responsibility and accountability.	●	Corporate Donations and Sponsorship Committee formed to oversee community involvement and social investment activities.
Improve employee participation in Team ARM.	●	Team ARM activities occurred in 12 ARM locations involving approximately 19% of our global workforce.
Improve internal CR communications and reporting.	●	Increased internal use of blogs, community forums and wikis focused on specific CR activities and included CR and sustainability issues in the employee induction process.

ARM relies on attracting and keeping the best talent to maintain its industry position as a leading innovator. The welfare of our employees is therefore one of our highest priorities and investing in our workforce is enshrined in our business strategy.

More than 80% of our workforce are educated to graduate degree level or above and the specialised nature of our work demands very high calibre employees. During 2011 new hires represented 18% of our workforce, resulting in a net increase of about 10%, and we expect similar increases in 2012. Such business growth, particularly in the current economic climate, is a positive indicator of ARM's success, however it also poses a number of challenges. For example, attracting the best talent has meant a record number of graduate hires in 2011 which creates a need for ARM to ensure that the generation gap is bridged through social capital building and through preparing new entrants for future roles, not just their current one.

The employee turnover rate in 2011 was 7% (4% voluntary, 3% involuntary). Although low, this highlights the challenge of losing knowledge when employees leave the company. This is addressed through offering diverse communication channels and nurturing a culture of collaboration and training.

ARM's culture has developed around its partnership business model. We understand that much of our success can be attributed to our culture and are aware of the challenges associated with maintaining this culture as the company evolves. ARM is developing measures and processes to address these challenges continually. Some of our key methods are discussed in this section.

Accountability for all employee matters lies with the Executive Vice President of Human Resources who sits on the Executive Committee.

Global employee opinion survey

A global employee opinion survey has been conducted every two years (with annual reviews) for the past decade as a means of monitoring employee engagement. It also provides valuable input on internal operations.

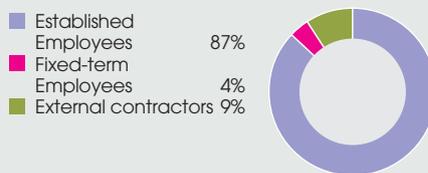
ARM uses this survey to better understand a wide variety of employee related issues and to establish the overall level of employee engagement. In 2009 engagement was 83%. A programme of local and global actions, considering the outcome of the survey, then follows to address areas of concern. The 2011 results show marked increase, with the overall engagement score rising to 88%.

These figures are the sum total of all positive responses (somewhat agree, agree and strongly agree) on a six option response scale, as is standard practice. However, the figure ARM uses to grade itself internally excludes the response category 'somewhat agree' and includes only unequivocally

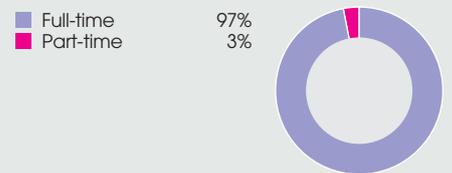
80

Student Summer Placements and Internships offered in 2011

Employees by Contract Type - Global



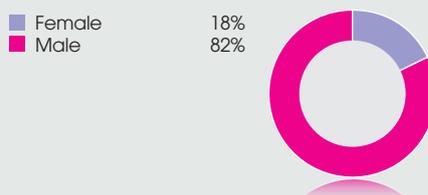
Employees by Contracted Hours - Global



88%

overall employee engagement (Global Employee Opinion Survey, 2011)

All employees, including external contractors, by Gender - Global



positive responses. This results in a definitive engagement score of 69% which is an 11 point improvement on the 2009 figure of 58%.

Internal communication channels

ARM values open and honest communication at all levels of the business. We use a variety of communication channels to ensure employees are informed about, and involved in, activities across the organisation.

As the following diagram shows, the emphasis is on two-way communication and knowledge sharing. In addition to receiving top-down communications, employees have a range of tools for sharing information with each other, and several mechanisms for feeding back to ARM as a business.

ARM provides an exceptionally wide range of opportunities for employees to offer upward feedback to senior management and the business. The open door policy, for example, allows employees to approach Executive Team members to discuss queries or ideas they may have for the business. The Executive Team also travels to various ARM offices throughout the year to hold Director

Q&A sessions. A new initiative in 2011 is the 180 degree feedback system, developed to allow reports to provide anonymous feedback on their manager’s performance against the ARM Management Charter.

Social capital building

ARM defines social capital as the combination of strong internal and external networks, a common set of values and high levels of trust. Just as ARM is committed to external partnership and collaboration through its business model and services such as the Connected Community, we are committed internally to enabling our employees to build a network of relationships. We believe in the value of creating connections between individuals as well as groups, as it is connections that facilitate collaboration and innovation. Strong social capital also helps strengthen our inclusive culture.

We help employees build cross-business relationships through a number of channels. All of these channels aim to connect employees to people they would not encounter in their day to day tasks.

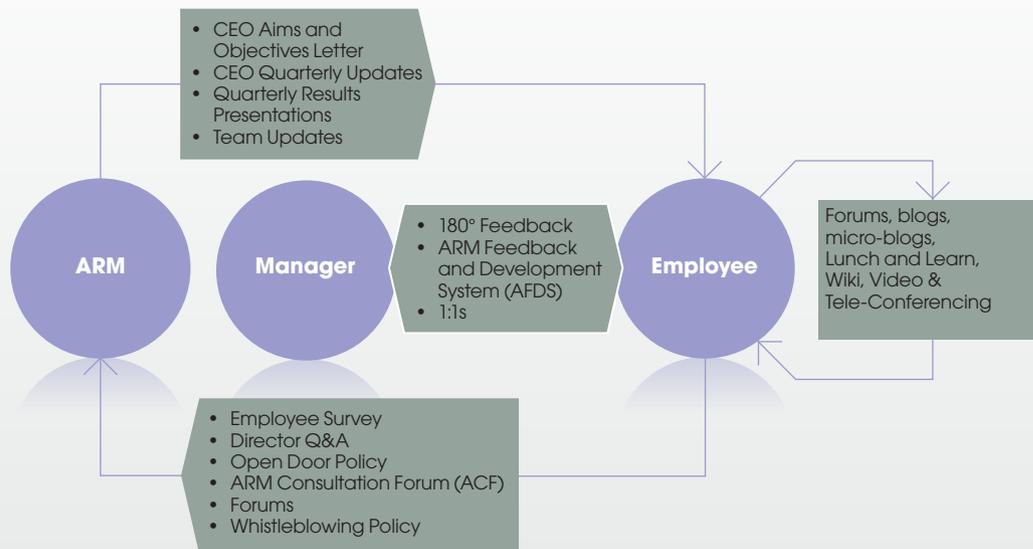
Examples for each channel are given below.

Communication – There are a number of communication channels that allow employees to discuss or comment on ideas or issues. For example our ‘idea forums’ are set up for specific topic areas such as the Green Ideas forum and the Knowledge Sharing forum. Other channels, such as the internal wikis and Lunch & Learn sessions, give employees a chance to learn in informal settings.

Formal Events – Several internal events and conferences take place each year with the aim of increasing global understanding of the focus area and networking opportunities. For example, the Global Engineering Conference is a conference held to allow a cross-section of engineers in ARM, spread across divisions, locations and seniority, to get together and share best practice, learn what each other is doing, make new contacts and start conversations. The Global Graduate Conference brought together approximately 70 recently-hired graduates for two weeks of training and networking. Other events include the Organisational Development Conference

Communication channels within ARM

ARM values open and honest communication at all levels of the business.



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and the Global Sales and Marketing Conference.

Employee Led Groups – We have a number of employee led environmental impact groups which are discussed in [detail on page 26](#). Another example of such groups is Team ARM. Team ARM is the global team building and fundraising employee network, which saw regular events occurring at 12 locations throughout the year. Examples include the Taipei office conducting a beach clean, the Austin office holding a food bank donation drive and the Cambridge office cycling from London to Cambridge. An estimated 19% of the workforce participated in a Team ARM event with approximately 35 charities benefiting and more than £109,000 being raised including ARM's contribution to match employee's personal fundraising. Any ARM employee is able to join in these activities and all distinctions based on position, or length of service are removed. In essence the events behave as a leveller. Employees are coming together through a joint activity and organisational skills are also improved. [For more details see page 20](#).

Employee health and well being

ARM has adopted UK health and safety legislation as the global corporate standard due to its depth and breadth and maintains membership of the British Safety Council to reflect this standard. ARM's global internal audit programme, the Facilities Management Review, evaluates health and safety performance across all sites with a goal of consistent health and safety provision world-wide.

Health, Safety & Welfare training is included in each employee's induction. Employees also receive desktop assessments and postural awareness training. In the UK this extends to workplace assessments and in-house gym programmes to improve workstation use.

A formal H&S Committee operates across UK offices which represents nearly 50% of the total workforce. This is operated under the chair of the European Facilities Manager. Our UK data shows that in 2011 there were less than two accidents and near misses per 100 employees.

Employee training and lifelong learning

Employees are expected to stretch themselves intellectually and develop continuously. ARM encourages each individual to embark upon a path of personal development by using a blend of formal training, education, reflection, feedback, experience and on the job training. This allows employees to achieve their full potential and contribute to the wider success of ARM.

Some examples of the wide array of learning resources available are mentoring, higher education assistance, leadership programmes, technical training, on-line reference and learning and rotation programmes.

ARM also supports employees who are made redundant with redundancy pay (which takes into account years of service and is generally higher than legal requirements) and outplacement services. Where possible employees are also offered re-deployment and re-training to move into alternative roles within the business.

£109k

raised by employees through Team ARM events globally including ARM matching.



Team ARM China gathered for a day of outdoor challenges in aid of Right to Play

ARM believes that every employee should have the opportunity for regular and comprehensive feedback on his or her job performance. As such, the Group employs the ARM Feedback and Development System (AFDS) process to identify gaps in employees' abilities and provide training or other appropriate support. This ensures that all staff have clear accountabilities and objectives that relate to the wider organisational objectives. In 2011 98% of female employees and 99% of male employees received formal AFDS reviews, excluding groups exempt from completing an appraisal e.g. those on maternity leave, long-term sick and very recent starters.

Diversity and equal opportunity

ARM hires all employees based on their qualifications and experience regardless of gender, religion, race, nationality or political affiliation. Our employment policies are well-defined to ensure candidates and employees are treated equally in recruitment, promotion, personal development and reward. As a global player, ARM requires a first-hand understanding of regional markets and sensitivity to local customs. Diversity in gender, ethnicity, age and other

factors supports this requirement.

The gender split of the board is 15% female and 85% male. This reflects the gender diversity of the workforce as a whole which is 18% female and 82% male. 2011 saw the promotion of more females into senior positions. The senior management gender division is 7% female and 93% male. The average salary paid to female employees in the UK, US and India is 95% of the average salary paid to male employees. We do not have data to conduct this analysis for total global remuneration.

Global benefits and policies

ARM provides the same benefits to full and part-time staff globally. In many cases, this means that employees receive benefits over and above the norm for their region. Where appropriate benefits for part-time employees are pro-rated based on the hours worked e.g. holidays and equity. Similarly we have global policies that are based on best practice so that all locations are bound by the same codes of conduct and all employees have access to the same opportunities, regardless of location.

Temporary workers (i.e. workers on fixed-term employment contracts usually between 8 weeks and 12 months) are provided the same benefits as permanent or indefinite employees where practical.

Temporary workers receive the same entitlements to holidays, sick leave, maternity/paternity leave. The only benefits that are not provided to temporary workers are benefits that reward length of service: one month sabbatical in addition to holiday allowance – after every four years service with the company; Restricted Stock Units – only start vesting after a year's service with the company; and stock purchase schemes e.g. SAYE, ESPP.

2012 targets

- Increase channels for employees to build social capital by improving internal communication and the quality of our internal employee conferences.
- Enhancing Team ARM (see page 20 for more details)
- Plan and implement a global programme of follow up activities based on lessons learned from the 2011 Global Opinion Survey.

98%

Female

99%

Male

Percentage of employees who received a formal performance review. Excluding groups exempt from completing an appraisal e.g. those on maternity leave, long-term sick and very recent starters.

54

nationalities are represented in the workforce

27.6 hrs

Average hours of training per year per employee



WE SUPPORT

Employees' explicit acceptance of ARM's Global Code of Business Conduct and Ethics is tracked through internal systems and demonstrates ARM's commitment to the Tenth Principle of the UNGC.

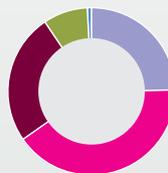
ARM is also committed to complying with the tenets of the Universal Declaration of Human Rights, from which the First and Second UNGC Principles are derived. More information on the Declaration can be found at <http://www.un.org/en/documents/udhr>.

95%

average female salary as a percentage of males of UK, US & India employees.

Established employees by age

- 21-30 25%
- 31-40 40%
- 41-50 25%
- 51-60 9%
- 61-70 1%



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ARM's place in the community

What we aimed to do	Score	What we did
Review our Charitable Donations and Sponsorship policies and processes.	●	A full review of processes and policies was carried out. Policies were amended to increase employee understanding and awareness and the Corporate Donations and Sponsorship Committee (CDSC) was formed to oversee ARM community engagement activities.
Continue to improve external CR communications and reporting.	●	We launched a project to improve the CR information on the ARM website which will result in a new CR section of the site later in 2012.

ARM has always taken an active role in its local communities and as the company grows our engagement is increasing.

Business community involvement

ARM is a founding member of a number of business initiatives and networks across Cambridgeshire.

- The Cambridge Network links people from business and academia to the global high-tech community and in 2011 ARM, alongside other Cambridge Network members, set up the Recruitment

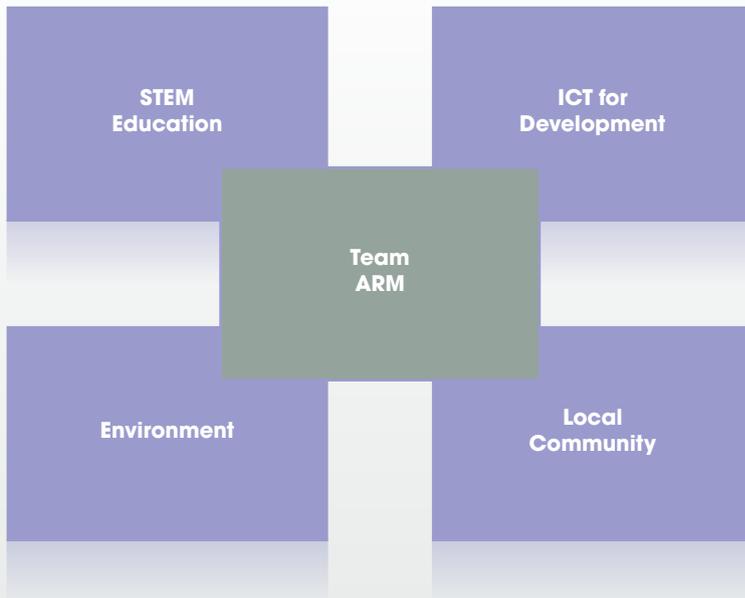
Gateway a source for jobs in and around the Cambridge UK high-tech cluster.

- The Learning Collaboration enables small and medium sized organisations around Cambridge to purchase training collectively, giving their employees access to development services that otherwise would not have been available.
- The Cambridge Responsibility Forum (CRF) is a joint venture between multiple local businesses to promote corporate responsibility and sustainability issues in Cambridge. In 2011 CRF held four

successful events which brought together nationally renowned speakers, local businesses, academics and other groups to debate, share knowledge and network.

ARM also continued to support Future Business, a Cambridge-based social enterprise. The initiative aims to develop businesses with a positive social and/or environmental impact, whether operating on a for-profit or not-for-profit basis. ARM's involvement contributed to the building of new facilities for Future Business, enabling the incubation of many new not-for-profit and clean-tech start-ups.

ARM's Social Contribution Focus Areas



90%

Of employees believe that ARM is active in supporting the local community (Employee Opinion Survey 2011)

ARM's charitable activities

A review of our charitable donations and community sponsorship process and governance highlighted the opportunity for a more focused and planned approach. To this end a Corporate Donations and Sponsorship Committee (CDSC), including four Executive Committee members, was formed with the intention of increasing all our community engagement activities in the future. The review led to the selection of four focus areas for our activities. These areas are: STEM education (Science, Technology, Engineering and Mathematics); ICT for Development; the Environment and the Local Community. Team ARM is the global team building and fundraising employee network which endeavours to cover all four focus areas. ARM maintains a policy not to support any political or religious causes.

Team ARM

Local employee groups plan and run a range of Team ARM events. In 2011, efforts increased and we saw numerous events occurring across 12 ARM locations with an estimated 19% of the workforce

participating in an activity. ARM also offers a donation programme whereby employee's charitable fundraising will be matched. Through this and the efforts of all those involved in Team ARM, more than £109,000 was raised in 2011 benefiting approximately 35 charities globally.

Team ARM Bangalore is particularly active and their successes of 2010 were repeated in 2011. For example, the team encouraged employees from ARM as well as surrounding businesses to attend a blood drive held onsite. In just two days almost 200 units of blood were collected. ARM China held a day of teambuilding activities to raise money for the charity Right to Play, helping to support children in poverty and children with disabilities.

In Taiwan, the team gathered for a day of charitable and social activities that included a litter picking session on a local beach and a group bike ride in aid of Worldvision Taiwan. Team ARM Korea elects to meet monthly to pursue regular activities with two larger events being held each year with a focus on outdoor challenges such as hiking and hill walking.

The US teams are active across a number of different areas. Alongside taking part in many sponsored sporting events, such as the Tour De Cure bike ride in San Jose benefiting American Diabetes Association, they also organise events that allow employees to donate goods (e.g. food and sports equipment drives) or time to local and national organisations.

Our UK team continued with our traditional yearly events, such as, the London to Cambridge bike ride in aid of Breakthrough Breast Cancer, with an impressive 105 riders joining the team and our charity concerts where employees get the opportunity to show off their musical talents. They also took on new events such as a rough sleep with Action for Children to raise funds and awareness for young people who are experiencing homelessness.

Employees in Norway coupled charitable donation with reducing their environmental impact and increasing their fitness by competing against other businesses in physical challenges (e.g. cycling to work) across a number of weeks.

Team ARM Korea in high spirits during a mountain hike



Crossing the finish line at the Breakthrough Breast Cancer London to Cambridge bike ride



ARM Cambridge employees taking part in byte night, a rough sleep event to support Action for Children



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In France, Team ARM catered for employees' creative sides by running a photography competition. The success of this event prompted a globally run employee photography competition where winning photos formed a calendar with proceeds going to Water Aid.

Science, Technology, Engineering and Mathematics (STEM) Education

ARM employees participate in multiple science, technology, engineering and mathematics (STEM) educational efforts within the community.

At secondary/middle school level (ages 10-18) we take part in a number of existing programmes. Within the UK we take part in the Engineering Education Scheme (EES) and GO4SET both of which are programmes which allow for ARM engineers to mentor groups of school children through engineering projects. The students learn about project lifecycles, teamwork, time management, report writing and delivering presentations. Employees also attended the Engineering

Festival which aims to allow children to explore different concepts within engineering in a practical setting.

In Austin, Texas we sponsor FIRST Tech Challenge of central Texas. This initiative brings together teams of up to 10 students who are responsible for designing, building, and programming robots to compete in an alliance format against other teams. In doing so they also learn to apply real-world maths and science concepts, compete in tournaments and potentially qualify for college scholarships. As part of the sponsorship ARM is providing 2 robotics teams with engineering mentors – ARM engineers interested in supporting future innovators. The mentors work with their teams over the course of the entire year, in preparation for tournament time. In addition, we provide one judge. In San Jose, California ARM sponsors FIRST Lego League which offers a similar programme to younger age groups. ARM mentors provide valuable inspiration to the pupils, demonstrating how science and technology can be applied to solving problems.

Alongside such initiatives ARM provides

scholarship support to a number of talented students through their studies, encouraging them to progress to university level. It is our intention to assess the impact of our current scholarship programme in 2012.

At a university level our activities take two streams. Our university programme encourages and supports the use of ARM processors by providing materials to both students and faculty looking to do ARM-based projects/research, incorporate ARM into new or existing curricula, or gain familiarity with ARM. These include development platforms, IP, tools, support, training and other resources. We also sponsor a number of awards (e.g. Cambridge University LEGO Award, York University Undergraduate Prize) and student societies (e.g. London School of Economics Electrical Engineering Society).

ARM employee demonstrating a robot at the Engineering Festival



Racing challenge – encouraging school children at the Engineering Festival



All credits to Pembrey Studio

Finally we are involved in a number of activities which aid the 'transition to work'. ARM offers approximately 80 summer placements to students allowing them to gain crucial experience in the workplace. ARM is a founder of the UK Electronic Skills Foundation (UKESF) which is a collaboration between industry, universities and the public sector. The UKESF works through a number of different avenues to address the diminishing skills capability in the UK electronics sector by taking a holistic approach and involving a range of players.

Environment

In late 2011 ARM partnered with the Cambridgeshire Community Foundation (CCF) to start the ARM Cambridge Fund. The CCF works as an intermediary, matching organisations to local charities and voluntary groups that are of interest to them. The ARM Cambridge Fund provides small grants to grassroots projects that enable people to enhance their understanding and appreciation of the natural environment.

Below are examples of the organisations the ARM Cambridge Fund has supported.

Somersham Nature Reserve Group received a grant to create a community orchard on the nature reserve; including the installation of a post and rail boundary fence, a kissing gate, an interpretation board and production of a leaflet guide.

Friends of Paxton Pits Nature Reserve received a grant to enable them to plant hedging along the planned new public footpaths in the extension, creating enhanced environments for mammals, birds and flora and enhancing the access provided for visitors.

Technology supporting international development

Partnership between ARM and the humanitarian centre

During 2010-2011 events and activities on the theme of information and communication technology (ICT) for development (ICT4D) were held with the

aim of understanding how their use has contributed to the alleviation of global poverty and inequality.

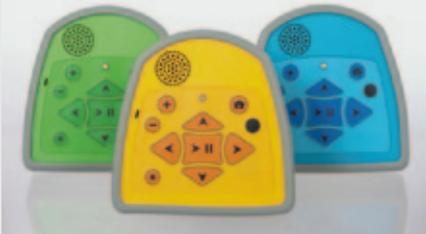
The ICT4D year was run by the Humanitarian Centre, the Cambridge-based network for international relief and development, in partnership with ARM. The successes, challenges and lessons learnt from the event and activities in the ICT4D year were distilled into the 2011 Cambridge International Development report, which can be found at www.humanitariancentre.org.

ARM is continuing to support the outcomes of this year by chairing an ongoing ICT4D special interest group with a range of events planned for 2012.

ICT4D – One use for the Talking Book is accessing information and advice on maternal health



Talking Book – Enabling access to information in areas of poor infrastructure and high illiteracy



ICT4D –The Talking Book can be used by many different groups



Literacy Bridge

We believe technology has a significant role to play in alleviating some of the disadvantages suffered by millions globally. To this end ARM supported an ICT4D project run by the charity Literacy Bridge, which aims to provide information to people who otherwise would not be able to access it as a result of illiteracy, disability or local infrastructure. A durable and affordable audio computer, called Talking Book, was designed specifically for such situations. Piloted in Ghana, the device showed encouraging results; improving crop yields by 48% for farmers using the device in early trials whilst 91% of residents using Talking Book applied a new health or agricultural practice. ARM is supporting the testing and development of the second generation of Talking Book by providing a Cortex-M processor design to the University of Michigan where technical research to support Literacy Bridge is taking place.

More information on the charity can be found at <http://www.literacybridge.org/>

ARM Japan's contribution to the national effort after the tsunami

Following the devastating earthquake and resulting tsunami that hit Japan in March 2011 the country suffered significant power shortages. In an effort to manage this shortage, national energy use reduction targets were set by the Japanese government. For businesses like ARM the target was a 20% reduction.

Thanks to the efforts of all its employees, the ARM Yokohama office surpassed expectations and achieved a 35% reduction through a number of different measures. For example, the team decreased office working hours by standardising when employees started and ended their day, removed 2 in every 7 fluorescent light tubes and decreased the use of air conditioning.

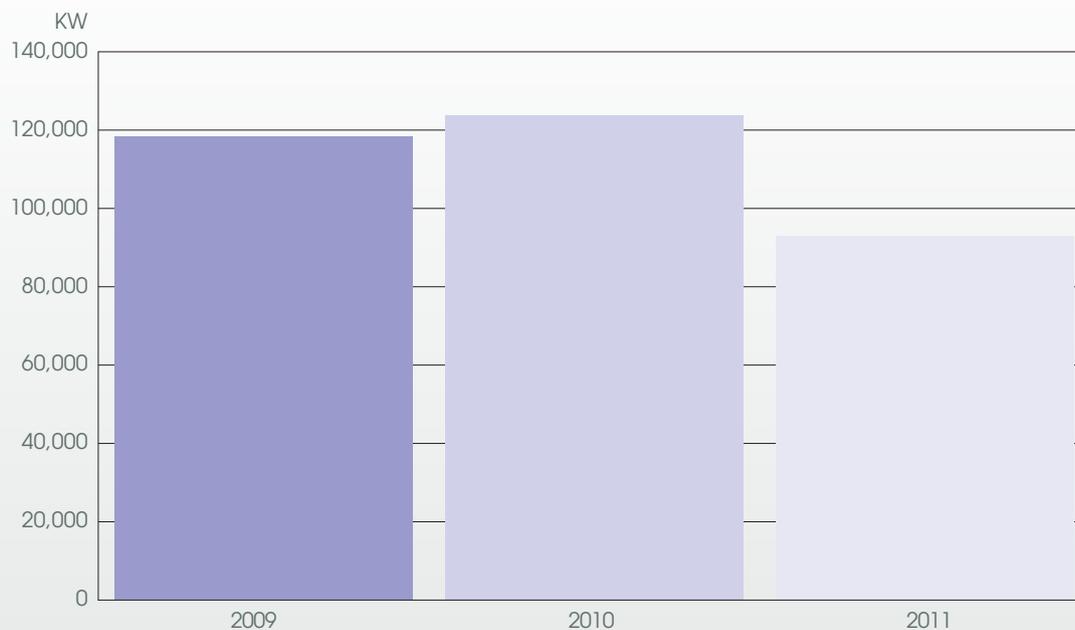
Although the targets have now been lifted the employees in Yokohama will be continuing with many of the new activities to reduce office power consumption. We are now assessing which of these

measures can be applied to other ARM offices globally to further reduce power consumption. Globally ARM employees and their families contributed to the Red Cross to aid the relief efforts, raising over £35k including company matching.

2012 targets

- Continue to grow Team ARM – measured through the number of ARM offices with Team ARM groups and by employee participation levels.
- Develop Team ARM to encompass existing employee volunteering schemes, allowing us to extend the number and variety of opportunities available, and ensure that employees are aware of policies surrounding the process.
- Develop strategic relationships with particular charities to create long-term value for both the charity and ARM.
- Explore social investment opportunities in relation to ICT for Development.

ARM Japan Office electric power consumption by year



ARM's environmental projects

What we aimed to do	Score	What we did
Assess our emissions data collection process and management system.	●	We improved our data collection process by gathering full data from more sites. Moving to a global travel provider also improved the quality of our travel data.
Continue our efforts to reach our two emissions reduction targets.	●	We improved our video conferencing facilities and enhanced training to address behaviour change. In order to achieve this target the first data collection target is a prerequisite and has only just been implemented.
Encourage staff to contribute to improving ARM's environmental impact.	●	Three employee-led issue groups were established – Targets Team, IT Sustainability Team and the Austin Green Team. ARM Japan also made significant energy savings across the year. For more information see page 23.

ARM's direct activities do not produce harmful waste or emissions and the Ethical Investment Research and Information Service (EIRIS) grades ARM as an environmentally "low impact" business. However, ARM still endeavours to reduce any negative impacts created through our business operations and has made great efforts throughout 2011 to improve our awareness and activities in this area.

Time line

- Environmental policy put in place – 2001
- Comprehensive recycling system put in place in Cambridge offices – 2005
- Demand Response Programme through our energy supplier in San Jose – 2009
- Investigative research conducted to understand ARM's carbon emissions – Early 2010
- Environmental data collection software adopted – Early 2010
- Global travel vendor adopted – July 2010
- Energy Use and Climate Change Committee formed – October 2010
- Project Diamond (energy use and climate change reduction project) launched – October 2010
- Corporate carbon emissions reduction goals set – October 2010
- Cambridge HQ carbon emissions reduction team formed – October 2010
- Global video conferencing facilities programme extended – December 2010
- Carbon Disclosure Project – 2010 and 2011
- Green Forum and Green Blog – February 2011
- IT Sustainability Group formed – March 2011
- 'Could You Car Less' scheme launched in Cambridge – April 2011
- Austin Green Team formed – July 2011
- ISO 14001 (Environmental Management System) Certification process started 2011
- Carbon emissions reduction team formed – October 2010
- Bangalore Green Team – Expected 2012
- San Jose Green Team – Expected 2012
- ISO 14001 Certification – Expected 2013
- California Green Star Certification – Expected 2013

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Our emissions reduction targets

We understand that in order to set improvement targets that are realistic and meaningful we need to monitor energy usage, resource consumption and waste creation. In 2011 we reviewed our data collection processes to identify possible improvements. We will continue to improve this process throughout 2012.

ARM has ambitious targets for low carbon business operation and has set goals of:

- 30% emission reduction in tons of CO₂ emission per employee by 2020; and
- 15% energy use reduction measured in KW hours per employee by 2020.

Between 2009 and 2011 we achieved a 4% reduction in tons of CO₂ emission per employee across ARM's four largest offices (Cambridge, Bangalore, Austin and San Jose) which represent 71% of our property portfolio. We have a range of measures in place to reduce energy use in our buildings and improvements in data collection put in place in 2011 will enable us to report more meaningfully on this next year.

Our environmental measurement and data collection process

In 2010 we introduced environmental data software to our environmental measurement and data collection process. This allows for accurate measurement as it acknowledges the country/region in which energy is being consumed and emissions produced. We were also able to collate data from a number of new sites which were previously estimated. In 2010 we were able to provide energy use data only from our four largest sites (Cambridge, Austin, San Jose and Bangalore). Through a number of improvements to the process in 2011 we now collect full data from 16 sites and partial or estimated data from a further 10. The emissions from these 10 sites represent just 5% of our emissions and 3.3% of our headcount. We currently collect information on energy consumption and we are investigating the feasibility of collecting global waste and water use. ARM's waste is limited to general office waste and its water consumption to that of the average worker.



The above goals are in line with the Environmental Issues Area of the UNGC. The goals are tracked regularly and reported to ARM management, as required by Principle Eight. The commitment to use all ARM-powered products also supports Principle Nine, as these products are highly energy-efficient and will enable all of ARM's offices to operate at a lower energy consumption level.

Project Diamond

Project Diamond is the umbrella name we have given to our efforts to reduce ARM's energy use and climate change impact. This project drives the changes we need to reach our targets through a number of employee led groups.

Energy Use and Climate Change Committee

The Energy Use and Climate Change Committee was formed in late 2010 to oversee company progress towards our corporate targets. It advises on priorities and makes recommendations to the Executive Committee. The Committee met four times in 2011 and consists of members of the Executive Committee and senior staff including, the Chief Operating Officer, Chief Information Officer and EVP Human Resources.

Targets Team

The Targets Team meets monthly and participants from other offices join via conference call. The meetings are used to monitor ongoing and planned activities to achieve ARM's corporate carbon emissions reduction targets. A summary of issues and requests is then passed to the Energy Use and Climate Change Committee as appropriate. This group consists of representatives from a number of functions across ARM, such as Facilities, Purchasing, HR and Internal Communications. During 2011 the team reviewed and supported a number of initiatives such as the "Could You Car Less" initiative which encouraged employees to pledge to make fewer car journeys and explore what ARM could do to make sustainable commuting a more viable option for employees.

Global IT Sustainability Group

In March 2011 the Global IT Sustainability Group was formed to focus on IT-related impact issues. It has seven members across the IT function globally and over the past year the group has provided the means to reduce air travel through supporting remote working and aiding the adoption of video conferencing. It has also set in place a programme to reduce paper consumption. Additionally, the group is making power savings through replacing older power hungry equipment in ARM data centres with the latest innovative solutions.

Austin Green Team

The Austin Green Team was formed in July 2011. It has approximately 20 members with many more employees joining in on an ad-hoc basis. Alongside implementing impact reduction initiatives, such as adding recycling systems and composting, the team has set up education sessions open to all employees covering a number of different issues. The aim is to help employees understand how they can help ARM achieve its corporate targets, as well as reduce their own impacts at home.

Emissions reduction responsibility structure

Both hold ultimate responsibility for reviewing and reaching corporate targets.

Sets the high level goals, advises on priorities and makes recommendations to the Executive Committee. Meets quarterly.

Consideration of our goals permeates into strategies and decision making process of particular functions across the business.

Formed and run by interested employees representing various functions across the business.

Through acceptance of and adherence to Group policies.



ARM and ACEEE – Intelligent Efficiency

ARM worked with the American Council for an Energy-Efficient Economy (ACEEE) to help start an Intelligent Efficiency (IE) project, bringing together a wide range of industry peers to consider the potential energy savings and policy recommendations for ICT-enabled energy efficiency. ACEEE have defined intelligent efficiency (IE) as a systems-based approach to saving energy using access to real-time information, controls and information and communication technologies (ICT).

ARM believes that not enough is understood about the “network effect” of smart energy and the enabling role technology can play. A picture of “smart energy” or “smart society” is needed that breaks down the silos and barriers that sometimes occur when we focus on one area (such as smart grids, buildings or meters alone). A clearer big picture needs to be painted for business, governments and consumers alike.

Enormous potential for efficiency remains untapped (ACEEE 2012; McKinsey 2009). These studies show the potential for enabling technologies to achieve energy savings of about 12-22%. ACEEE believes that it is likely that a comprehensive, integrative approach to intelligent efficiency could increase the potential energy savings beyond these levels. A new ACEEE report on Intelligent Efficiency will be published in 2012.

SmartWater Installation at ARM

ARM is working with AquaMW on a series of energy management solutions that can help reduce energy usage within the ARM offices and create the next generation of smart solutions that will connect the “Physical” and “Digital” worlds, helping asset owners (Buildings, Oil & Gas fields, Manufacturing, Renewable energy generation) around the world to improve the efficiency of their infrastructure.

Specifically, AquaMW provide Wireless sensor and Cloud computing based Smart Infrastructure solutions that improve asset efficiency, reduce natural resource (energy, water, CO₂) consumption and increase enterprise asset value. Their cloud based wireless sensing platform is used to deliver a range of real world infrastructure efficiency applications. These solutions are delivered through an annual subscription “pay-as-you-use” model which helps in not only eliminating front end capital investment but demonstrates the efficacy of the new solutions.

At ARM, we have begun working with AquaMW on the efficiency of our own offices by installing a smart water management system in Cambridge. The expected benefits of the project include:

- Reduced energy and water savings from enhanced automation and control at the asset level. Supported through energy and flow monitoring.
- Preventative maintenance through Noise and Vibration monitoring.
- Modular solution that can be extended to other assets.
- Ultimately, when time of use energy tariffs and demand response programmes are supported at the utility provider, price differential can be paid from the Utility as incentives.

A system was designed in collaboration with AquaMW using the low cost and highly efficient Cortex-M3 processor. Taking the mbed platform from ARM (mbed.org) and building a cloud software database solution, an appropriate network was constructed.

2012 targets

- Utilise the ARM Buildings Standard for all new offices, sites and relocation projects.
- Review our flight reduction programme.
- Further improve our data collection process and investigate feasibility of collecting global data on water use and waste.

Looking forward

ARM has an ambitious and wide-ranging set of targets for 2012 which we believe will demonstrate our commitment to CR activities both internally and across our sector. They will also serve to show the relevance of ARM's core expertise and range of products to many of the global challenges we face. Improving the efficiency of our use of resources is key to sustaining and extending a good quality of life for everyone and we believe that the only way to achieve this is through increasing the intelligent, automated management of these resources. ARM technology is at the heart of realizing this vision and creating a more efficient, equitable and sustainable world. We look forward to reporting back on our targets.

CR approach and governance

- Enhance our CR strategy, initiatives and reporting through further collaboration with stakeholders and external experts.
- Continue to assess the main areas of concern for our stakeholders and understand their impact on our operations to develop a material issues matrix.

Marketplace

- Develop at least two new collaborative projects with Partners.
- Develop cross-sector partnerships to assist technology projects that can alleviate poverty.
- Develop cross-sector partnerships to independently verify the potential benefits of ARM technology.

Workplace

Increase channels for employees to build social capital by:

- Improving internal communication
- Improving quality of our internal employee conferences

Enhancing Team ARM
(see page 20 for more details)

Plan and implement a global programme of follow up activities based on lessons learned from the 2011 Global Opinion Survey.

Community

- Continue to grow Team ARM – measured through the number of ARM offices with Team ARM groups and by employee participation levels.
- Develop Team ARM to encompass existing employee volunteering schemes, allowing us to extend the number and variety of opportunities available, and ensure that employees are aware of policies surrounding the process.
- Develop strategic relationships with particular charities to create long-term value for both the charity and ARM.
- Explore social investment opportunities in relation to ICT for Development.

Environment

- Utilise the ARM Buildings Standard for all new offices, sites and relocation projects.
- Review our flight reduction programme.
- Further improve our data collection process and investigate feasibility of collecting global data on water use and waste.

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Communication on Progress and Global Compact Advanced Level Reporting

As part of ARM's participation in the UNGC, we are submitting this Corporate Responsibility Report as our official Communication on Progress (COP).

The requirements of a COP Report, and where in this CR Report they can be found, are summarised below.

Requirement	Page number
1. A statement by the CEO (or equivalent) expressing continued support for the Global Compact and renewing the participant's ongoing commitment to the initiative and its principles	1
2. A description of practical actions (i.e. activities and, if applicable, policies) the Company has taken to implement the Global Compact principles and to support broader development goals. During the first five years of participation, a COP must address at least two of the Global Compact's principle issue areas: Environmental Issues Area Transparency and Anti-Corruption Issues Area	24, 25 10, 18
3. A measurement of outcomes (i.e. identify targets, define performance indicators, or measure outcomes).	28, also throughout and in the Blueprint below.

As members of UNGC LEAD, ARM is required to report at a more advanced level than the standard COP. Most of the criteria are covered in the integrated Blueprint for Sustainability matrix that follows, however some criteria fall outside of this matrix and so are described here.

Criterion

Strategy, Governance and Engagement

- The Company's high-level sustainability strategy is in line with Global Compact principles
The CR Report, Annual Report and the integration of the Blueprint for Corporate Sustainability Leadership demonstrate ARM's commitment to sustainability. The key direct, material social and environmental impacts of the Company's activities are already described in our reporting. Our 2011 report lists some initial KPIs, and we are intending to develop these further in 2012. We will also be doing further work on the sustainability risks and opportunities for the Company.
- Decision-making processes and systems of governance for corporate sustainability
Board members and senior staff are involved in the development of corporate sustainability strategy and progress is presented to the Executive Committee and Holdings Board annually. A new executive sub-committee is planned for 2012 to formalise the role of key executives in developing sustainability strategy for the Company. See items 8 and 39–41 in the Blueprint below.
- Engagement with all important stakeholders
Key stakeholders are listed clearly in the CR Report on pages 11 and 12.

UN Goals and Issues

- Support for UN goals and issues
ARM's support and activities are covered in numbers 15–24 of the Blueprint matrix that follows this section.

Human Rights Implementation

- Commitments, strategies or policies in the area of human rights
ARM has signed the Universal Declaration of Human Rights and would treat the risk of causing or contributing to human rights abuses as a legal compliance issue wherever the Company operates.
- Management systems to integrate the human rights principles
Operational-level grievance mechanisms, including the Grievance, Equal Opportunities and Prevention of Bullying and Harassment Policies and the Contractors Handbook, are in place for employees and contractors potentially impacted by the Company's activities. Management systems are not yet in place for our supply chain because no issue has ever arisen; nevertheless we will draft a policy and process to address this in the coming year.
- Monitoring and evaluation mechanisms of human rights integration
The Company has a process in place to deal with any incidents of human rights abuse. All the policies mentioned under Criterion 6 have processes to ensure incidents are addressed, monitored and recorded. As we broaden our human rights policies over the next year, we will be establishing new monitoring and evaluation mechanisms.
- Key outcomes of human rights integration
The Company discloses the number of human-rights related incidents filed, addressed and resolved each year through formal grievance mechanisms in the CR Report. To date there have been none. Were such an incident to arise, the details would not necessarily be disclosed as this may be counterproductive for various reasons related to the protection of human rights, and confidentiality may be more effective in dealing with any human rights abuses.

 Criterion

Labour Principles Implementation**9. Commitments, strategies or policies in the area of labour**

There are written Company policies on labour principles, including the Grievance, Disciplinary, Performance and Sickness/Absence Procedure, Company Rules, Equal Opportunities, Health and Safety and Prevention of Bullying and Harassment Policies as well as the Contractor Handbook. It is also our intention to cover human rights and labour law in a revised ARM procurement policy to be implemented over the next two years.

10. Management systems to integrate the labour principles

ARM has clear grievance mechanisms, communication channels and whistleblower mechanisms for reporting concerns or seeking advice. See pages 10 and 11.

11. Monitoring and evaluation mechanisms of labour principles integration

ARM has a clear process to address any incident related to labour principles. See pages 10 and 11

12. Key outcomes of integration of the labour principles

The Company discloses when it has been involved in any major incidents. The report also describes the Company's efforts to eliminate discrimination. See page 18

Environmental Stewardship Implementation**13. Commitments, strategies or policies in the area of environmental stewardship**

There is a written Company policy on environmental stewardship. Minimum environmental standards are to be included in the next ARM procurement policy. ARM also has specific commitments and goals in the area of environmental stewardship. See pages 24 and 25.

14. Effective management systems to integrate the environmental principles

New roles and responsibilities are being developed to ensure clear allocation of responsibilities and accountability for environmental issues within the organisation. A number of environmental issue related employee engagement groups are active within ARM. See pages 17 and 24–26

15. Effective monitoring and evaluation mechanisms for environmental stewardship

ARM has a system to track and measure performance based on standardised performance metrics as well as leadership review of monitoring and improvement results. See page 26

16. Key outcomes of integration of the environmental principles

ARM has indicators on emissions, effluents and waste and has plans to improve its monitoring and reporting for 2012. The Company reports on initiatives to improve environmental performance and is developing and promoting environmentally friendly technologies. See page 26 and pages 13 and 14

Anti-Corruption Implementation**17. Commitments, strategies or policies in the area of anti-corruption**

ARM has a publicly stated formal policy of zero-tolerance of corruption and is committed to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes. ARM has carried out a risk assessment of potential high risk areas of corruption and has clear anti bribery and corruption policies. See page 10

18. Management systems to integrate the anti-corruption principle

ARM's leadership demonstrates clear support for anti-corruption measures and there are Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees. Internal checks and balances to ensure consistency with the anti-corruption commitment are in place and there is clear management responsibility and accountability for implementation of the anti-corruption commitment or policy. Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice are also in place and there are internal accounting and auditing procedures related to anti-corruption. Suppliers are also encouraged to abide by the policy in their own organisations. See page 10.

19. Monitoring and evaluation mechanisms for the integration of anti-corruption

ARM has a clear process to deal with incidents and reports on any incidents identified. See page 10

20. Key outcomes of integration of the anti-corruption principle

ARM assesses 100% of divisions and functions for risks related to corruption, 100% of employees are trained on anti-corruption policies and the Company would disclose any major related incidents. See page 10

Value Chain Implementation**21. Implementation of the Global Compact principles in the value chain**

ARM is developing a sustainability procurement policy and communicates relevant policies and expectations to suppliers and other business partners. ARM has also been active in awareness-raising, training and other types of capacity building with suppliers and other business partners. See pages 10 and 11 also 13 and 14

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Criterion

Transparency and Verification

22. Information on the Company's profile and context of operation

ARM provides information on the Company's legal structure, including any Group structure and ownership. Countries where ARM or any subsidiary operates are detailed in full along with markets served, geographic breakdown, sectors served, and types of customers/beneficiaries.

ARM also describes its brands, products, and services and how and where the Company makes money. See pages 3 and 4

23. High standards of transparency and disclosure

The COP uses the Global Reporting Initiative (GRI) guidelines and the CEO and other Board members approve the COP and other formal reporting on corporate sustainability. Relevant sustainability information from COP is included in annual financial report and filings. See pages 1 and 2 and 9

24. Independently verification by a credible third-party

This COP has been reviewed by its peer from the UK Global Compact Local Network.

The 20 additional criteria for LEAD companies are covered in the Blueprint matrix below, numbers 15–34.

Blueprint for Sustainability Leadership: Corporate Action Plan

Plan Item	Location and Explanation
<i>Implementing the Ten Principles into Strategies and Operations</i>	
Full Coverage and Integration Across Principles	
1. Implement all the ten UN Global Compact principles into strategies and operations.	Environment and Anti-Corruption Issue Areas are already embedded in our policies, as noted in the Communication On Progress (COP) Index. Human Rights and Labour are respected by the culture and business of ARM but not explicitly stated in our policies as our business stream has inherently low risk of violations. Reference Page: 10, 13, 18, 25
2. Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.	ARM's environmental strategy has several checks and balances to ensure trade-offs are considered. Through R&D investments in energy efficiency, creation of more responsible business practices (e.g. video conferencing to reduce travel), and formation of external partnerships such as ACEEE, synergies are leveraged appropriately.
3. Ensure that different corporate functions coordinate closely to maximise performance and avoid unintended negative impacts.	ARM's business is small enough that most employees are constantly in touch with multiple functional departments but large enough to demand an executive emphasis on teamwork. The ARM Management System (AMS) is a corporate-wide structure that standardises procedures and ensures all departmental objectives feed into overarching corporate goals. This year, as part of increasing our effort to integrate corporate sustainability across the business, we have also joined the Integrated Reporting pilot with the IIRC. Reference Page: 9
Robust Management Policies and Procedures	
4. Assess risks and opportunities on an ongoing basis at both enterprise and product level and undertake due diligence to ensure that the Company identifies any negative impacts caused by its operations and activities.	Direct impacts are assessed every year in all relevant employees' annual objectives (e.g. environmental waste reductions). We have relatively few direct negative impacts, due to the nature of our I.P. business. ARM's indirect impacts are complex due to the wide range of consumer products incorporating ARM processors. This is an area we will continue to research. Our Corporate Roadmap is driving us to increase the sustainability of ARM-powered products and focus effort into new areas of positive impact such as smart energy and motor control. Reference Page: 26, 27
5. Develop strategies and policies specific to the Company's operating context – as well as scenarios for the future – and establish measurable short-, medium-, and long-term goals.	Macroscopic, corporate-wide business policies are in use and mandatorily read and accepted by all employees annually. Corporate-wide goals are set by the board, managed by Operations as part of the business planning processes defined in AMS (ARM Management System). These goals are then communicated down to individual employees through the AFDS process. Clear goals for improving corporate responsibility are summarised in the final chapter of this report and detailed in each preceding chapter. Reference Page: 12, 14, 18, 23, 27, 28

Plan Item	Location and Explanation
6. Engage and educate employees through training activities, the development and adjustment of business processes, and sound incentive schemes.	<p>Training is performed through the Learning and Development department. Through on-the-job and formal training we aim to promote and support the development of everyone both individually and in teams to fulfil their full potential and contribute to the wider success of ARM. ARM encourages each individual to embark upon a path of self-betterment by using a blend of reflection and feedback, coaching, mentoring, training and education, experience and exposure and on-the-job training. ARM also offers equity participation and conducts biennial Global Employee Opinion Surveys.</p> <p>In 2011 a new leadership programme was introduced, providing extensive leadership training for all ARM's senior staff.</p> <p>Reference Page: 15, 17, 18</p>
7. Implement a system to track and measure performance based on standardised performance metrics.	<p>Each employee's performance is tracked and measured through the ARM Feedback and Development System (AFDS). On a corporate level, ARM's sustainability performance is tracked through reporting using the GRI and UNGC's Communication on Progress and Blueprint for Corporate Sustainability Leadership.</p> <p>Reference Page: 17, 18</p>
Mainstreaming into Corporate Functions and Business Units	
8. Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) and ensure that no function is operating in conflict with sustainability commitments and objectives of [the] Company.	<p>Corporate-wide sustainability goals have been set and approved. Human Resources, Marketing, Facilities, and Product Design all have portions of the responsibility for this strategy, allocated by relevance and ability. Appropriate goals for each functional group are managed by the AMS.</p> <p>Reference Page: 26, 27</p>
9. Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy.	See item 8 above. Corporate goals apply across all business units and subsidiaries.
10. Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary.	See item 8 above. Corporate goals apply across all business units and subsidiaries. Reference Page: 26, 27
Value Chain Implementation	
11. Analyse each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.	Through our Roadmap, we are striving for greater energy efficiency and sustainability in our value chain. We are also working to better understand our value chain – which is extensive and highly complex as described in the report. Reference Page: 6, 13, 27
12. Communicate policies and expectations to suppliers and other relevant business partners.	This is in progress with continued partnership meetings as well as more formal arrangements such as through the Cambridge Responsibility Forum, Caring for Climate and inviting a UN keynote speaker to one of ARM's major customer-focused conferences. We are also trying to catalyse more ARM-powered products to reduce energy consumption and help improve livelihoods.
13. Implement monitoring and assurance mechanisms within company's sphere of influence.	ARM's policies continue to evolve to include ethical requirements.
14. Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.	This is being accomplished through our partnerships such as the charitable partnerships we are developing, our UN keynote speaker, and our participation with ACEEE. Reference Page: 14, 19, 22, 27

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Plan Item	Location and Explanation
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Taking Action in Support of Broader UN Goals and Issues

Core Business Contributions to UN Goals and Issues

- | | |
|--|---|
| 15. Align core business strategy with one or more relevant UN goals/issues*. | ARM's vision is a world in which all electronic products and services are based on energy-efficient technology, making life better for everyone. We continue to extend this vision into issues relating to education, health, and poverty reduction. This is in line with the UNGC's Principles Eight and Nine, calling for environmental responsibility.

Reference Page: 25 |
| 16. Develop relevant products and services or design business models that contribute to UN goals/issues. | See item 15 above. ARM strives to create the most energy-efficient processors in the world and to enable products that drive intelligent efficiency such as smart appliances, smart meters, and smart water. We are also supporting projects that use ARM technology to alleviate poverty.

Reference Page: 13, 14, 22 |
| 17. Adopt and modify operating procedures to maximise contribution to UN goals/issues. | See items 15 and 16 above. This will also be developed as our participation with the UNGC grows. |

Strategic Social Investments and Philanthropy

- | | |
|--|---|
| 18. Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy. | ARM's policy on charitable giving is to support Science, Technology, Engineering and Mathematics (STEM) fields within communities local to ARM, as this is our core business competency. We are also pursuing major investments with organisations such as Future Business, a Cambridge-based social enterprise. There are several other social investment opportunities being assessed at present.

Reference Page: 19, 21, 22, 23 |
| 19. Coordinate efforts with other organisations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors. | ARM is a founder/major contributor within several relevant partnerships such as the ACEEE, Cambridge Responsibility Forum, Learning Collaboration and through LEAD activities, which include many other corporations such as Schneider Electric, Microsoft, Hewlett Packard, Texas Instruments, and IBM, as well as small businesses local to ARM offices.

Reference Page: 19, 27 |
| 20. Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups. | Each individual office makes decisions on local charitable giving, allowing them to appropriately consider community priorities. Additionally, ARM has a policy against donations that target political and religious causes.

Reference Page: 20 |

Advocacy and Public Policy Engagement

- | | |
|---|--|
| 21. Publicly advocate the importance of action in relation to one or more UN goals/issues. | Our UN keynote this year allowed us to advocate action on all key UN goals relating to the technology industry.

Reference Page: 13 |
| 22. Commit Company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues. | Company leaders are committed to a series of sustainability-related events. ARM's CEO attended and presented at the Cambridge Responsibility Forum again this year and an ARM Executive Committee member attended the UN Private Sector Forum and made a significant pledge.

Reference Page: 14 |

Partnerships and Collective Action

- | | |
|--|--|
| 23. Develop and implement partnership projects with public or private organisations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy. | We helped found the Cambridge Responsibility Forum, designed to facilitate networking and idea-sharing, with several other local Cambridge businesses. We have also partnered with the Humanitarian Centre to promote the use of IT in international development. We are additionally instrumental in founding ACEEE's Intelligent Efficiency Board, the first report resulting from this will be published in 2012.

Reference Page: 19, 22, 27 |
|--|--|

Plan Item	Location and Explanation
24. Join industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the Company's positive impact on its value chain.	See item 23 above. ARM endeavours to have a positive impact on its value chain, as listed in item 19. Reference Page: 14
<i>Engaging with the UN Global Compact</i>	
Local Networks and Subsidiary Engagement	
25. Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.	We regularly attend meetings of local UK Network and are investigating how we can help with training, mentoring, etc., amongst our peers; this is one of the major objectives of the Cambridge CR Forum. ARM's Director of Sustainable Development recently joined the Local Network's Advisory Board.
26. Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.	Our commitment to the UNGC is corporate-wide.
27. Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.	This report covers all of ARM Holdings corporately. ARM has no subsidiaries involved in anything outside our core business of designing and licencing semiconductor IP.
Global and Local Working Groups	
28. Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.	We participate in meetings of our local UK network and are members of the Caring for Climate Working Group. ARM's Director of Sustainable Development recently joined the Local Network's Advisory Board. We are actively trying to initiate new collaborative projects with fellow LEAD participants.
29. Take active part in defining scope and objectives of new working.	ARM is one of the first companies to incorporate this Blueprint in a CR Report. Reference Page: 9
Issue-Based and Sector Initiatives	
30. Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Global Business Initiative on Human Rights.	We are committed to the Caring for Climate initiative, the others cover issues that are less material to ARM's business. Reference Page: 8
31. Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.	See item 29. This is an area of potential growth for ARM. This will be developed as we progress in our participation. We are exploring ideas with the LEAD team at present.

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Plan Item	Location and Explanation
Promotion and Support of the UN Global Compact	
32. Advocate the UN Global Compact to business partners, peers and the general public.	We invited the UNGC to speak at ARM Techcon, one of our largest events, to allow them interaction with ARM's Partners. We also advocate this through the Cambridge Responsibility Forum and through coverage in our Annual Report to investors.
33. Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.	This is also accomplished on a one-to-one basis during our interactions with suppliers and Partners.
34. Participate in activities to further develop and strengthen the UN Global Compact.	We have suggested use of this Blueprint as a possible framework for CR reports. We are also developing further activities in close cooperation with the UNGC.
<i>The Cross-Cutting Components</i>	
CEO Commitment and Leadership	
35. CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.	Our CEO's statement in this report demonstrates the commitment. He also presented at the Cambridge Responsibility Forum. Reference Page: 1
36. CEO promotes initiatives to enhance sustainability of the Company's sector and leads development of industry standards.	The CEO leads the corporate vision of energy-efficient ARM-powered products through integration of sustainability within the ARM Connected Community. The CEO endorsed our pledge to the UN Private Sector Forum and has driven improvement to our social investment and corporate giving strategies. Reference Page: 14
37. CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.	CEO has endorsed the Company's low carbon goals and initiatives and communicated them to the entire ARM workforce personally through emails and presentations. The CEO receives regular updates on these issues through the Executive Committee. Reference Page: 26
38. Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.	Executive goals include transparency, employee engagement, and development of more energy-efficient ARM technologies, which all support the principles of the UNGC.
Board Adoption and Oversight	
39. Board of Directors (or equivalent**) assumes responsibility and oversight for long-term corporate sustainability strategy and performance.	ARM's Board and Executive Committee recognise that continued success has been achieved through the strength and depth of our stakeholder relationships, and thus manage the Company via a transparent, consistent and effective governance framework so that we remain accountable to all stakeholders. Reference: Annual Report
40. Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability.	Our CEO and CFO hold joint responsibility for reviewing and reaching our carbon emission reduction goals. The Energy Use and Climate Change Committee, which includes two Executive Committee members, advises on priorities and makes recommendations to the Executive Committee. The Corporate Donations and Sponsorship Committee (CDSC) includes four Executive Committee members and is charged with overseeing our community engagement activities. Reference Page: 20, 26
41. Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).	Delegated staff, including several board members, will approve the CR report.

Plan Item	Location and Explanation
Stakeholder Engagement	
42. Publicly recognise responsibility for the Company's impacts on internal and external stakeholders.	This takes the form of our corporate CR Report. Also, ARM has an "open-door" policy in regards to sustainability issues and is willing to share our strategy and challenges with any stakeholder or industry peer that enquires. Also, we are active in the UNGC Local UK Network, allowing for knowledge-sharing and feedback. Reference Page: 14, 16
43. Define sustainability strategies, goals and policies in consultation with key stakeholders.	Employees are actively engaged with policy development through regular engagement surveys as well as the ARM Consultation Forum. Other stakeholders are engaged at every available and appropriate opportunity. ARM's sustainability strategies and goals are in constant development.
44. Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.	Where appropriate ARM consults its stakeholders on implementation dilemmas and challenges. Employees are able to take an active part in reviewing performance through our communication channels. Reference Page: 11, 16
45. Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect "whistle-blowers".	This is integrated and well-established within ARM's business. Reference Page: 11
Transparency and Disclosure	
46. Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.	This takes the form of our CR report. Additionally, ARM's sustainability team regularly responds to individual stakeholder enquiries.
47. Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilise, where appropriate, the Global Reporting Initiative framework.	The COP is integrated into the CR Report, which uses the GRI framework. Reference Page: 9
48. Integrate Communication on Progress into annual financial report or publish them together.	The COP is integrated into the CR Report, which is linked to the annual financial report. Our involvement with the IIRC pilot should help us integrate these further over time. Reference Page: 9
49. Secure external verification of Communication on Progress or seek other methods for legitimisation by external stakeholders.	At present, the COP will only be validated by the UNGC.