A time of change

This was my fourth year as RPS’ CEO. Each year has produced different opportunities and different challenges:

- **In 2018**, we were dealing with succession at every level. A change in CEO after 30 years was a shock to the organisation. At the same time, we saw significant renewal in the Board. We flattened the organisation and populated the leadership teams with a mix of promotions and selected external hires.

- **In 2019**, we made significant investments in our people, in our clients, in our brand, and in technology that connected our business.

- **In 2020**, RPS, like the rest of the world, had to manage our way through the pandemic. Our people worked with us to preserve jobs, to retain capability, to do great work for our clients, to maintain the order book and to protect the value of the company. We showed resilience and strong financial discipline. We benefited enormously from the investments that we had made – but it was a very tough period, and I can’t thank our people enough.

- **2021** was the year we began to grow back from the pandemic. We were delighted that we had retained jobs and capability because there is strong demand for the services that we provide. It was good to grow again. We were pleased that we were again able to show our very strong financial discipline. We wanted to come through the pandemic with a strong balance sheet and have done so emphatically.

It has been a rewarding period. RPS has changed a great deal since late 2017.

Everything we do is informed by our purpose: RPS exists to create shared value by solving problems that matter to a complex urbanising and resource-scarce world.
Shared value
We are committed to creating value and ensuring that value is shared with our people, clients, the communities in which we operate and, of course, our investors. Growth is an essential part of that value creation and I was very pleased that in 2021 we started growing again.

We have invested heavily in good people practices. We ensure employees receive good development feedback so that we can make RPS a great place to do great work. We pay competitively and we pay for performance.

We are seeing signs of increased salary inflation in many markets that we operate in. We will need to match these market pressures to retain our quality people and to recruit more great talent. We believe that markets are such that we will be able to recover salary pressures in improved pricing.

The company has a long history of strong dividend payments and for a period, we did over distribute profits and underinvest in the business. In 2020, we halted dividends to conserve cash and protect the value of the company. At our Capital Markets Day in November, Judith Cottrell, our Group Finance Director, talked to our capital allocations policy and announced that we were recommencing dividends.

While the initial dividend is modest, we believe that paying dividends is a good financial discipline. We are delighted that we can do so again.

Solving problems that matter
We solve problems that matter to our clients and to the communities that we operate in. We do this because our people want to make a difference. And we do this because we believe that we can create more value and better margins by focusing our expertise on parts of the whole project life cycle that are a small part of the overall project cost but that can have a big impact on project outcomes.

We want to work on those parts of the project life cycle where we can have the biggest impact. This means that our strategic focus is to create defensible niches; we strive always to be a natural inclusion in any request for proposal in the markets we compete in.

We are a company of five thousand problem solvers operating around the world. Our strategy is not just to have strong defensible niches; we link those niches wherever possible to create stronger insights for clients, career opportunities for our people, and faster growth. We extract synergy where it exists but don’t add unnecessary organisational layers.

In our industry, we are a mid-sized global. We can’t be all things to everyone. But we do have clients come to us, people work for us, and vendors sell to us because we are big enough and global enough to be interesting and small enough to care.
Our clients – urbanisation, natural resources, and sustainability

In a volatile world, we work hard to create the right mix of cohesion and diversification. Everything we do is based around our thematics of urbanisation, natural resources, and sustainability. In this annual report, we give some examples of the work that we do. We always strive to make complex easy for our clients. We work hard to produce actionable outcomes, to communicate clearly, and to make it easy for clients to deal with RPS.

We regularly review our service offerings to find opportunities for organic growth. I have always been clear that we must grow organically, and that acquisition is a supplement to organic growth, not a replacement for it.

Having said this, we continue to acquire selectively:

• where an acquisition fits with our Purpose and where potential new employees will find our company Behaviours compelling
• where the acquisition adds density not further diversification
• when the business case is financially attractive
• where the acquired business brings new capability and technology.

I am pleased to say that Corview (Australia) and Reservoir Imaging Limited (Energy) both acquired before COVID-19 hit, have continued to perform well. Both businesses are fully integrated into RPS. Executives from both businesses have taken leadership positions in the broader business.

We also look to see if any of our business might be better owned by others. In late 2020, we completed the divestment our Specialist Geology business.

A simple, robust, business model

We do such a wide range of interesting things that some investors have worried that we are overly complex. They don’t need to. Everything we do is underpinned by a simple robust business model:

• We are happy to procure services on behalf of our clients and we make anything from 5% to 15% margins. This not our priority, however.
• Our core business is recruiting really smart people who solve problems that matter to our clients. We target 50% margins on the work we do.
• Our best technical people don’t just do client work, they are our best salespeople and also invest time in hiring and training the next generation. We keep variable overheads, largely the unbilled time of our technical people, to about 20% of fee revenue. We will, however, lift this a little if we see the need to sell more or hire and train faster.
• We keep our fixed overheads below 20% of fee revenue. This is the costs of functional people (management, HR, marketing, technology, and finance), our insurance and our buildings.

Our business model means that we have a clear target of 10% margins and 5% organic growth. We are not there yet but we are closing the gap. We are transparent in our investor communications and talk clearly about progress against this model.

See our Business Model p.42-43

A new way of working

In 2021, as the world recovered from the pandemic, RPS committed to hybrid working. We asked our people to talk with their manager and agree a plan of working that suits the needs of our clients, of the team, of the manager and of the employee. Many employees are working two to three days a week in the office, but this will vary greatly depending on the role. We are well down the path of resizing offices to accommodate this new reality. This will have some positive benefit on our fixed overheads.
ESG credentials we are proud of
We have a long history of ESG excellence; RPS originally stood for Rural Planning Services, and rural and urban planning is part of our DNA. As planning moved from being an economic discipline to an environmental discipline and then to a social discipline, we led the way.

The combined challenge of energy security and decarbonisation is a problem that matters. RPS is proud to be part of the energy transition and is particularly proud of the way that we have taken skills and relationships built in the gas and oil industry into offshore wind.

We continue to invest in and grow our renewables business aggressively. As well as wind, we support clients in:

- Solar and geothermal;
- Green and blue hydrogen;
- Carbon capture, utilisation, and storage; and
- Hydrocarbons – particularly light hydrocarbons.

We are asked about the logic of a company with strong ESG credentials working in hydrocarbons. We engage regularly with energy forecasters and we believe that hydrocarbons – particularly light hydrocarbons – will be part of the world’s energy mix for a long period. We see value in helping ensure that those hydrocarbons are extracted in the most environmentally and economically efficient manner.

A safe, engaged, diverse, and inclusive workforce
As a people business, it is important to us that we have a safe engaged, diverse, and inclusive workforce.

Our safety statistics are good and show continuous improvement. Our safety focus is recognised by very demanding clients like Shell. We recently ran a global employee survey and the feedback on our safety approach was extremely positive.

The employee survey had an 85% participation rate: well above the participation rate in 2018 and well above global benchmarks. At 70%, employee engagement was higher than 2018 but not yet best practice and not where we want it. Encouragingly, employees noted very significant improvement in senior and line manager effectiveness, in clarity of direction and objectives, in change management, and in company direction. This all reflects the management changes that took place in 2018 and the investment that followed. We also received helpful feedback on what employees want more of going forward - with creativity and innovation and action on recruitment and retention being key points.

RPS is an industry leader in gender diversity. We have always had strong female technical representation and have seen women over-represented in functional roles. We are one of a very limited number of companies with a majority female Board. We have worked hard to build a cadre of women in senior P&L roles. I was delighted that we were able to promote Meegan Sullivan as CEO of Australia, Asia Pacific.

In North America, where capturing data on the racial makeup of the workforce is the norm, we know that our racial diversity comfortably exceeds the industry average. Importantly, employees everywhere told us that we have an inclusive culture where people are treated fairly; the positive feedback was comfortably above global benchmarks.

Ongoing improvement
While we are proud of our ESG performance to date, we can always improve. We announced this year the appointment of Matt Farnsworth as our Global Director for ESG and Sustainability. We conducted a vigorous external search and ultimately decided that one of our own client-facing professionals was our best choice. One of Matt’s first tasks was to work with our Group Leadership Team to agree RPS’ own science-based targets and our path to Net Zero.

A bright future
2021 was a good year for RPS. We returned to growth, resumed dividends, ended the year with a very strong balance sheet, and made further gains with ESG.

We will continue to grow and to become a bigger, better, and brighter version of the RPS you see today.

Thank you to our clients for their trust, to our people for their efforts, and to our investors for their support.