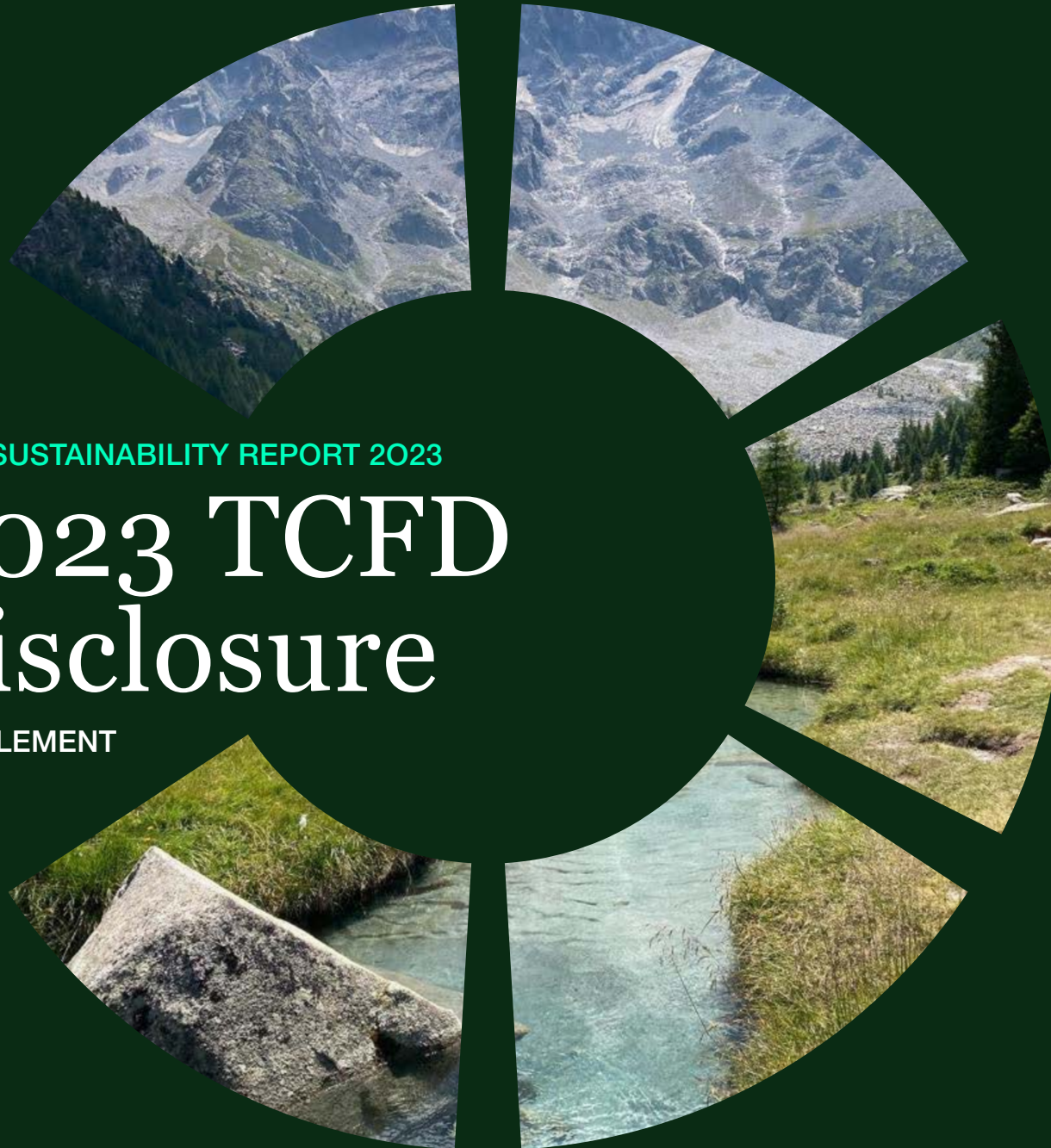




ERM SUSTAINABILITY REPORT 2023

2023 TCFD disclosure

SUPPLEMENT



Sustainability is our business



The ERM International Group Limited

This disclosure is in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and covers The ERM International Group Limited and all its subsidiaries (collectively “ERM”) for the fiscal year 1 April 2022 to 31 March 2023.

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Photo credit: Indradi Soemardjan, Singapore



Introduction

ERM has been a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) since 2018. We recognize that alignment with the TCFD recommendations is, and will become, increasingly important for our business. Mandatory reporting is in place, or proposed, in a number of key jurisdictions and there is growing interest among key stakeholders to increase the pace and scale of the transition to a low-carbon economy. As a leader in sustainability, we believe that transitioning to a low-carbon future starts with evaluating and disclosing our own climate-related financial risks and opportunities.

This is the third year that we have published a TCFD disclosure. This year, we have undertaken a range of activities that have strengthened our understanding and management of climate-related issues. These are described within this statement. Some of these activities include:

- Refreshing the scenario analysis of ERM's sectors and services to identify climate-related financial risks and opportunities;
- Disclosing details of ERM's investment in and development of new services that contribute to the transition to a low-carbon economy;
- Developing methodologies to undertake high level financial quantification of risk aligned to our updated approach to enterprise risk management; and
- Reviewing performance against key indicators and setting new targets for the next financial year.

Our commitment to, and involvement with, the TCFD extends beyond our disclosures. In 2017, ERM was an author of the **TCFD Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities**. Our collaboration continued with ERM's role as technical advisor, and leading engagement with Advisory Group members, to support the **World Business Council for Sustainable Development (WBCSD) Reference Scenarios Project**, which resulted in the climate Scenario Analysis Reference Approach published in early 2022.

We also continue to support numerous clients, across geographies and sectors, to develop climate strategies aligned to the TCFD recommendations and to advise on implementation actions. In the sections below, we explain ERM's alignment to the pillars of TCFD: governance, strategy, risk management, and metrics and targets.



2. Governance

ERM has established processes and structures that align our climate governance to the TCFD recommendations.

As it relates to climate change and the low-carbon economy transition, ERM has a direct chain of governance from the Board of Directors (Board) to the wider business, as set out in Figure 1. The Executive Committee Sustainability Working Group provides oversight and guidance on the implementation plan to meet ERM's climate-related commitments, including science-based reduction targets.

A description of these processes and structures is also provided in the following sections.

The Board's oversight of climate-related risks and opportunities

- ERM's Board and Executive Committee are ERM's highest governing bodies. They are responsible for the strategic direction of the organization and carry out governance responsibilities to support Executive Management in achieving strategy and business objectives. This includes the effective monitoring of performance relating to climate-related risks and opportunities.
- The Board is responsible for the direction and oversight of The ERM International Group Limited (as parent company of the ERM Group) on behalf of our stakeholders, including shareholders. The Board oversees the sustainability performance, targets and goals of the ERM business and the company's attainment of environment, social and governance (ESG) standards, which includes climate-related risk and opportunity.
- The Board meets at least six times per year to review performance and consider key strategic growth plans, which includes the impact of climate-related issues on ERM's strategy, where relevant.
- The Board has also established the ERM ESG Risk and Sustainability Steering Group that provides, amongst other topics, advice to the Board on ERM's approach to climate-related risk and opportunity.
- The Board delegates authority for the executive management of the group to the Group Chief Executive Officer and, through that person, to the Executive Committee (subject to defined limits and monitoring by the Board).



Photo credit: Alana Santana, Brazil

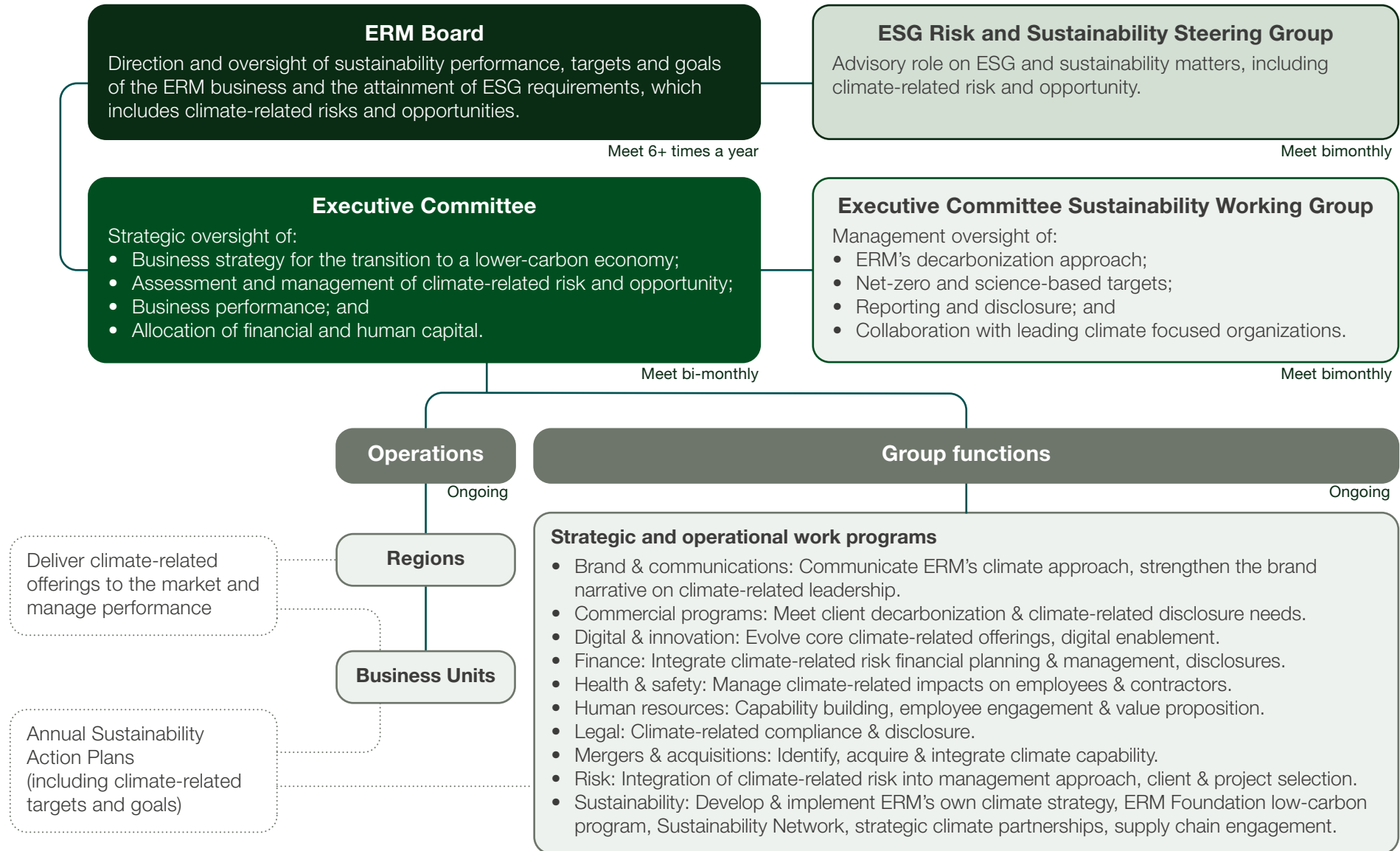


Management's role in assessing and managing climate-related risks and opportunities

- ERM's Executive Committee members are responsible for the strategic and operational leadership and management of the business and the subsequent management of climate-related financial risks and opportunities.
- The Executive Committee meets regularly to discuss operational performance and to ensure key strategic responses to climate-related financial risk and opportunity are being implemented effectively.
- ERM has an Executive Committee Sustainability Working Group that focuses specifically on ERM's sustainability performance and reporting, including the company's approach to climate-related risk and opportunity. This Working Group also has oversight of ERM's net-zero and science-based targets (SBT) commitments and performance, as well as our approach to managing residual emissions and beyond value chain mitigation measures.
- While climate change is not a separate, standing item on Board and Executive Committee meeting agendas, ERM appreciates the extent to which climate-related risk and opportunity is influencing our clients and, therefore, our business. This is integrated into several agenda items at Board and Executive Committee meetings, particularly in terms of ensuring our offerings meet client needs, as well as our client and project selection.



Figure 1: ERM’s governance model for managing climate-related risks





3. Strategy

ERM's commitment to a sustainable future

As the largest global pure play sustainability consultancy, we are committed to paving the way to a sustainable future. We support the world's leading organizations as they manage their climate-related risks and opportunities and navigate the low-carbon economy transition. By our very nature, we collaborate with clients in carbon-intensive industries like mining and metals, energy, steel and chemicals as part of our portfolio of clients. The range of climate-related services we offer ensures we work alongside these clients to address their most pressing challenges and opportunities, whether they require focused technical solutions or strategic support.

Climate change is a strategic priority for us, and we are adapting our business model to meet the increasing demand for climate-related services by governments, corporates and investors.

Understanding our climate-related risks and opportunities

As in previous years, we engaged a team of in-house climate specialists to update our scenario analysis published in our 2022 report. This exercise has enabled us to review potential climate-related risks and opportunities, expand our understanding of where material exposures may exist and refresh the drivers and timeframes of potential impacts.

Our scenario analysis suggests we face both climate-related risks and opportunities in the markets we operate in. Opportunities are manifesting as increased demand for ERM's services arises from the risks and opportunities faced by our clients in transitioning to a low-carbon economy. Policy-related

risks may present themselves in the form of climate inaction or slow responses to change while opportunities result for ERM from increased regulatory drivers for clients.

With regards to physical climate events, the analysis indicates potential risks for our employees related to extreme heat as warming trends could affect employee productivity, health, safety and wellbeing, or result in damage or disruption to our offices.

We believe our strategy is resilient to these potential risks and we have adjusted our strategy to capitalize on material opportunities to support clients in the low-carbon economy transition, including the supply of critical minerals and metals. Our growth ambitions and desire to lead the strategic and practical responses of companies to a low-carbon economy, coupled with ambitious net-zero targets and dynamic response to market shifts, means we can ensure our ongoing resilience to climate change.

Our approach to assessing climate-related risks and opportunities

Within our scenario analysis, we considered time horizons for physical climate and the transition to a low-carbon economy that align with TCFD recommendations, as well as the changes in the global economy and markets we operate in.

We recognize that climate-related issues can manifest over medium and longer timeframes. We have reflected this in our selection of time horizons, outlined in Table 1 on the following page. We have also considered the impacts on our own operations and services over shorter timeframes to reflect the interests of our investors.

We considered two scenarios each to assess the potential impacts arising from physical climate change and the transition to a low-carbon economy (Table 2), respectively. The scenarios selected align with the TCFD guidance and reflect the latest data available from the leading international bodies.

For physical climate, we conducted our analysis using the Intergovernmental Panel on Climate Change (IPCC) Assessment Report 6 (AR6) Shared Socioeconomic Pathways (SSP). These scenarios combine qualitative storylines of societal features and quantified measures of development alongside climate data, to create plausible scenarios for how quickly society can curb emissions.

To assess trends related to the transition to a low-carbon economy, we used the International Energy Agency (IEA) and Network for Greening the Financial System (NGFS).

Table 1: Time horizons considered in ERM’s Scenario Analysis

	Period	Rationale
Short	Up to 7 or 8 years	Aligns with client activity and incorporates near-term policy implementation.
Medium	Between 2030 and 2040	Reflects changes resulting from the transition and acute physical climate events.
Long	Beyond 2040	Reflects changes in chronic physical climate events.

Table 2: Physical scenarios and associated time horizons selected for ERM’s Scenario Analysis

	Shared Socioeconomic Pathway (SSP) 1 – 2.6	Shared Socioeconomic Pathway (SSP) 5 - 8.5
Source	Intergovernmental Panel on Climate Change (IPCC)	
Description	Referred to as a lower-emissions scenario, this projects warming to remain below 2 degrees Celsius by 2100, and is aligned to current commitments under the Paris Agreement.	A high-emissions scenario, which follows a business-as-usual trajectory and assumes no additional climate policy, resulting in carbon dioxide emissions tripling by 2100.
Time horizons	2030 and 2050	

Table 3: Transition scenarios and associated time horizons selected for ERM’s Scenario Analysis

	Net-zero Emissions Scenario (NZE)	Stated Policies Scenario (STEPS)
Source	International Energy Agency (IEA) & Network for Greening the Financial System (NGFS)	
Description	A scenario where ambitious climate policies and low-carbon market drivers limit warming to 1.5°C and net-zero emissions are met by 2050. This has been supplemented by the NGFS Net Zero 2020 scenario where needed, and is referred to as the low-carbon scenario.	In the framework of the yearly issued World Energy Outlook (WEO), this considers a pathway that takes account of announced climate-related policies, but does not forcefully pursue decarbonization. It is supplemented by the NGFS Current Policies scenario, and can be referred to as the high-carbon scenario.
Time horizons	2025, 2030, 2035 and 2040	















ERM’s material climate-related risks and opportunities

The Scenario Analysis exercise revealed a number of physical and transition risks and opportunities that may emerge over the coming years. We reviewed the list of climate-related risks and opportunities prepared in 2022, and updated those we consider material through consultation with key internal stakeholders from our finance, risk, commercial, sustainability, technical, strategy, communications and legal teams and our in-house climate assessment subject matter experts (Table 4, on the following page).



Photo credit: Hanh Nguyen, Vietnam







Table 4: ERM’s global climate-related risks and opportunities resulting from the Scenario Analysis.¹

	Risk/ Opportunity	Category	Description of Potential Financial Impact	Level of Risk or Opportunity (2030)²	Level of Risk or Opportunity (2050)²
Climate inaction/ slow climate regulation	Risk	Policy & Legal	Slowdown in climate regulation leading to reduced demand for ERM services.	 Moderate risk	 Moderate risk
Geopolitical	Risk and Opportunity	Policy & Legal	Increased conflict may affect international cooperation, thereby creating an opportunity (e.g., European Union moving faster on renewables), as well as risk (hard-to-abate sectors in emerging countries slow the pace).	  Moderate risk High opportunity	  High risk High opportunity
Workforce retention and talent acquisition	Risk	Reputation	Increased competition for climate and other sustainability/ESG-related technical expertise could increase labor costs for ERM or hamper delivery of market leading services.	 High risk	 High risk
Increase in demand for low-carbon infrastructure	Opportunity	Products & Services	Increase in growth in low-carbon infrastructure (e.g., wind farms, turbine factories, hydrogen infrastructure), increasing demand for associated ERM services (such as impact assessments, permitting, safety).	 High opportunity	 High opportunity
Decline in high- carbon sectors	Risk and Opportunity	Market	Reduced size of carbon-intensive sectors as displaced by low-carbon alternatives may pose a risk to revenue as market size decreases; or opportunity to ERM, which offers services to help these sectors decarbonize and retain market share.	  Moderate risk Moderate opportunity	  High risk High opportunity

¹ All scenarios were considered in this analysis

² Determined using a combination of climate data and ERM subject matter expert judgement.









Table 4 (continued): ERM’s global climate-related risks and opportunities resulting from the Scenario Analysis.¹

	Risk/ Opportunity	Category	Description of Potential Financial Impact	Level of Risk or Opportunity (2030)²	Level of Risk or Opportunity (2050)²
Increased mining of minerals for the energy transition	Opportunity	Products & Services	Increased demand for certain minerals, requiring greater demand in mining, metal processing and recycling activity and the associated ERM services.	 Moderate opportunity	 High opportunity
Increase in climate change/ sustainability services demand	Opportunity	Products & Services/ Markets	A significant increase in sustainability and climate change-related services under a low-carbon scenario (e.g, greenhouse gas (GHG) measurement, climate risk – physical and transition – decarbonization support, sustainable finance/ESG advisory, offsetting advisory), increasing demand for associated ERM services.	 High opportunity	 High opportunity
Increased retirement of high-carbon production assets/increased utilization of brownfield sites vs greenfield	Opportunity	Products & Services	Under the low-carbon scenario increased repurposing of high-carbon assets is expected, which could increase demand for services. Similarly, pressure to utilize brownfield sites for development instead of greenfield sites in order to protect and enhance ecosystem services is also expected, also increasing demand for ERM services.	 Moderate opportunity	 Moderate opportunity

¹ All scenarios were considered in this analysis

² Determined using a combination of climate data and ERM subject matter expert judgement.

Table 4 (continued): ERM’s global climate-related risks and opportunities resulting from the Scenario Analysis.¹

	Risk/ Opportunity	Category	Description of Potential Financial Impact	Level of Risk or Opportunity (2030)²	Level of Risk or Opportunity (2050)²
Impact of extreme heat on worker productivity in ERM’s offices	Risk	Chronic Physical	Potential risk to employee health, safety and wellbeing resulting in injury or lost time incidents. Reduced revenues associated with lower worker productivity. Increased operational costs associated with a greater need for air conditioning in some locations.	 Moderate risk	 Moderate risk
Damage to ERM’s offices caused by wildfires	Risk	Acute Physical	Reduced revenue associated with operational disruptions either directly or indirectly through air pollution impacting cities. Increased expenditure (e.g., costs to repair or relocate, higher insurance premiums).	 Moderate risk	 Moderate risk
Reduction in water availability	Risk	Chronic Physical	Disruption of reliable water supplies and potential for increased costs of water in some locations.	 Moderate risk	 Moderate risk
Damage to ERM’s offices caused by tropical cyclones (and associated secondary impacts, such as flooding caused by intense precipitation)	Risk	Acute Physical	Increased expenditure (e.g., costs to repair or relocate, higher insurance premiums).	 Moderate risk	 High risk

¹ All scenarios were considered in this analysis

² Determined using a combination of climate data and ERM subject matter expert judgement.



Ensuring our business, strategy and financial planning resilience to climate-related risks and opportunities

ERM's business model is continuously reviewed to capitalize on the increased demand for climate-related services through investment to realize this opportunity.

As a service provider, ERM does not own or operate significant value-generating physical assets that require investment or divestment in response to the effects of climate change. Instead, our revenues are generated primarily via consultancy services. Therefore, these are the focus of our financial planning and strategic response to climate change.

We have actively demonstrated this during FY23 through investing in the further development of the **Climate Impact Platform**, which is an ERM-built solution for assessing physical and transition risks to our clients' assets. This consistent, systematic identification of the emerging financial risks and opportunities to an organization's assets due to climate change and the transition to a low-carbon economy, allows organizations to make informed decisions about their future.

Furthermore, we have digitized solutions underpinned by the latest technology, such as our artificial intelligence-enabled services, including **ESG Fusion** and **emissions.AI**. ESG Fusion provides on-demand ESG ratings and analysis to help investment professionals make better decisions on a range of topics including climate risk, whereas emissions.AI is a digital solution that helps carbon intensive companies to decarbonize their operations and reduce emissions, energy and fuel costs.

Such digitized advancements showcase our desire for growth and ensure our business continues to respond to the increasing demand for climate-related services, while also ensuring our resilience to competitors.



Photo credit: ERM

The results of our scenario analysis indicate that we face significant opportunities from a low-carbon scenario aligned to 1.5 degrees Celsius (°C) of warming. However, we recognize that a low-carbon scenario could potentially lead to disruptive effects for certain client sectors, client locations and markets and we have therefore adapted our strategy to improve our resilience to this potential risk.

In line with this, we actively engage clients on the impacts of a transition to a low-carbon economy, and they are increasingly seeking our skills and expertise to set bold targets, deliver against these targets and transition to business models that are compatible with and will succeed in a decarbonizing economy.

We believe that our 50-plus year focus on sustainability – which has evolved with our client's understanding of climate-related risk and opportunity – will help mitigate the risks associated with exposure to carbon-intensive clients without credible transition plans. We will continue to implement and monitor key performance indicators relating to our services to measure the ongoing resilience of our strategy to a low-carbon scenario.



To improve the measurement of ERM's success in responding to low-carbon economy transition opportunities, internal metrics of our pipeline, sales and revenues specifically associated with these types of projects have been developed with measurement beginning in FY20. Our continued growth will come from strengthening our existing capabilities, evolving our offerings to clients including through integrating digital technologies and acquiring companies to respond to key market needs. It is also recognized that in some markets, we have worked extensively with companies in energy intensive industries. As those economies evolve, the ability of our business units to adapt to this transition will be key to our longer-term business success.

In response to demand, we have enhanced our strategic hiring program to attract leading technical, digital and commercial experts to accelerate our ability to support clients' climate change strategies. This complements a program of capability building within our existing 28 technical communities, which all have a role in supporting clients in the low-carbon economy transition. Similarly, ERM's corporate acquisition programme continues to strengthen our positioning in climate-related risk, corporate sustainability and clean technology strategy and project level implementation related offerings in key geographies, sectors and services. For example, in FY23, ERM acquired five companies, all of which have a role in supporting the low-carbon economy transition.

We are also expanding our partnerships with organizations to create innovative solutions to climate-related challenges and unlock commercial opportunities. We work with technology companies, competitors, policy makers and ERM clients. The objective is to leverage our business partners' technical capabilities, market reach and client base to develop superior capabilities collectively compared to acting alone. Partnerships established recently include:

- ERM and Salesforce, the global leader in customer relationship management, will work together to bring clients decarbonization services and Net Zero Cloud to help organizations establish operational excellence to track and report on ESG goals.
- Persefoni, a climate accounting solutions software company, formed a strategic alliance to help organizations accelerate their efforts to deliver on the Paris Agreement and navigate the transition to net zero.
- Planet Labs PBC, the leading provider of global near-daily satellite imagery and earth data with the highest frequency satellite data commercially available, will expand the imagery use cases, applications and reporting capabilities for our clients.
- Element Energy, an ERM Group company, is working with Wallbox and UK Power Networks to help drive the commercialization of vehicle-to-building (V2B) technology through the V2B User Interface Learning Device project.



Photo credit: Khinsusu Naing, Hong Kong



In addition, we are taking steps to ensure the resilience of our own operations to the effects of climate change. With offices in 40 countries and territories around the world, our operations have been impacted by the changing intensity and frequency of climate-related weather events. Intense storm events, flooding, hot temperatures, wildfires and the resulting air pollution have disrupted our field work as well as access to client facilities and our own offices. Our teams have been innovating with the use of technologies including satellites, remote auditing and unmanned aerial vehicles to conduct work on client sites, which reduces the potential impacts of extreme weather events on employees. The impacts of the pandemic have resulted in most of our employees adopting a hybrid pattern of working between an office and remote locations (their homes, client sites or other locations). We are mindful of the distributed nature of employees from their own homes to fieldwork locations when providing guidance on responding to local extreme weather events.



Photo credit: Quyen Nguyen, Vietnam

Scenario analysis suggests extreme heat may pose an increased risk to our employee's health, safety and wellbeing in the future. We have reviewed our business continuity plans and continue to evolve our health and safety and wellbeing approach. Our health and safety teams have improved our monitoring and processes for fieldworkers, in addition to reduced physical labor and travel approaches to mitigate potential impacts on ERM offices and employees. We have in place an office optimization program that includes sustainability criteria with a consideration for responding to changing climatic conditions, for example efficiency of air conditioning systems. We have maintained 100% renewable electricity within our changing portfolio of offices by negotiating renewable energy contracts and purchasing renewable energy credits in locations where direct purchase is not yet feasible.

The results of the scenario analysis are informing focused resilience measures in the short and medium term, with metrics such as lost time related to climate-related weather events, to be established to help monitor progress and to be included in future disclosures.

As the largest sustainability pure play advisory firm, it is important that we set demonstrate our own commitment to a net-zero future and this is a core part of our business strategy. ERM has been collecting GHG emissions data since 2007 and published our first performance results and targets more than a decade ago.

ERM is on track to meet our Science Based Target initiative (SBTi) targets aligned to 1.5 degree trajectory, which supports our current target to achieve net-zero by 2025.

In the past year, we conducted a full Scope 3 review, rebaselined our data in response to our acquisition activity and established new baseline years. This enabled us to submit updated Scopes 1, 2 and 3 targets, aligned with the Corporate Net-Zero Standard, to SBTi for approval. More details can be found in our [Approach to decarbonization supplement](#).



We are implementing our Sustainable Procurement Policy, which outlines expectations for suppliers. This includes prioritizing suppliers with a public target to reduce carbon emissions, responsible waste management and conservation of natural resources.

In terms of other strategic commitments, we are one of 36 companies that has pledged to drive growth in the demand for, and supply of, hydrogen, via enabling the production of 500 MW of ultra-low carbon hydrogen by 2030, and 4 GW by 2035. This initiative established by the WBCSD and the Sustainable Markets Initiative, known as **H2ForNetZero**, will help accelerate the use and production of hydrogen as an essential part of the future net-zero system. ERM is taking forward **Dolphyn Hydrogen**, a company established to commercialize the Dolphyn green hydrogen production process in the UK and around the world. ERM has been developing 'Dolphyn' since 2018. The approach focuses on the production of ultra-low-carbon hydrogen at scale.

These ambitions will ensure ERM continues to demonstrate leadership with respect to climate action.

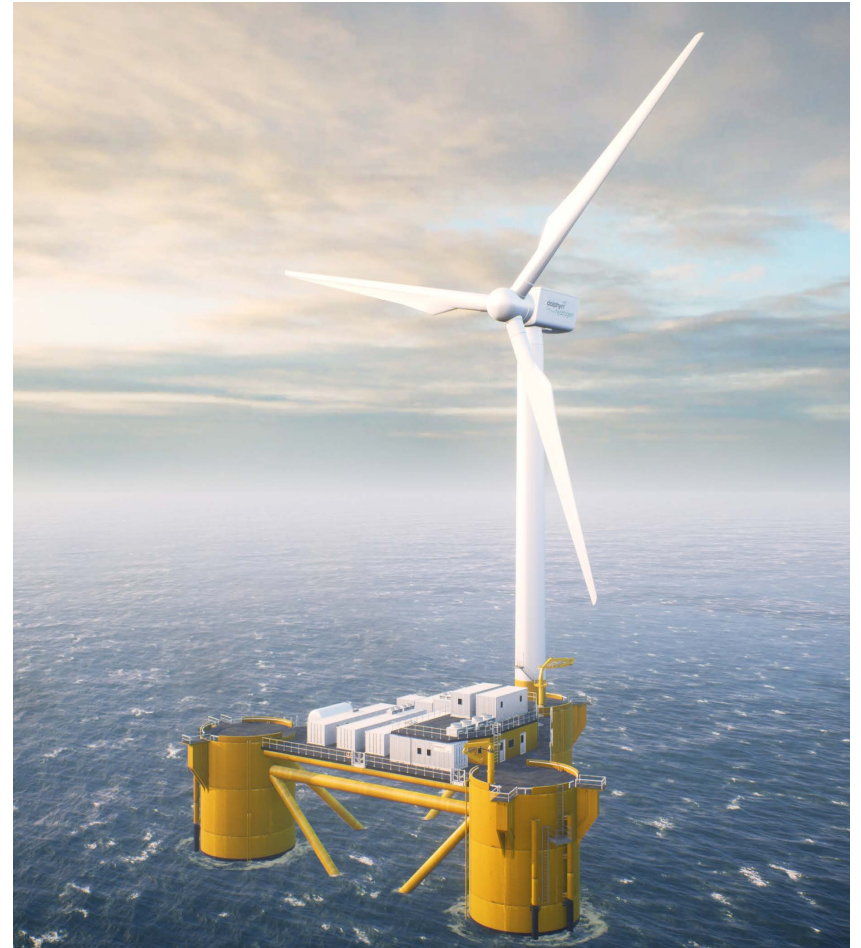


Photo credit: ERM



4. Risk management

Proactively identifying, assessing and managing our climate-related risks

To execute our vision, deliver on our growth ambitions and meet the needs of stakeholders, our risk and sustainability programs are tied directly to each other in support of our business strategy. The top sustainability issues, including climate change are identified through our materiality assessment are considered alongside enterprise-level risks. This in turn informs our strategy and strategic plans. ERM sees risk management as one of our key strategic enablers. We are proactive in identifying, assessing and managing climate-related risks, as part of our wider refreshed enterprise risk management process.

Our Board and Executive Committee are updated on climate-related risks via regular meetings and involvement in decisions related to risk management processes. Last year, we established an ESG Risk and Sustainability Steering Group, which serves as an advisory group to the Board to advise on a range of ESG risk management.

This year we updated our enterprise risk management system to align more fully with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which addresses control environment, risk assessment, information and communication, monitoring and existing control activities. COSO defines risk as “the possibility that events will occur and affect the achievement of strategy and business objectives.” This includes both negative effects such as a reduction in revenue targets due to physical climate risk as well as positive impacts or opportunities such as an emerging market to support the low-carbon economy transition.

We have integrated material sustainability issues into our risk management and our strategy. Strategic risks, including climate-related risks and opportunity are identified and assessed through our risk management processes and included on our corporate risk register. This includes climate-related risks that can affect our strategic objectives or result from our strategic plans.

Each year, we conduct an extensive review of forthcoming ESG and sustainability policy and regulations in the key markets in which we operate. As a result, we have developed a roadmap to enable us to maintain our leadership position in disclosure and meet regulatory requirements.

Many stakeholders including clients, suppliers, industry partners and regulators are requesting more detailed climate-related disclosures. The [2023 Sustainability Report](#) and [Approach to decarbonization supplement](#) contain information to meet stakeholder needs and we have had third party assurance conducted on our GHG emissions data for the past two years.

We have continued to evolve our risk management processes to capture both existing and emerging climate-related risks, as well as to improve our overall climate-related risk management.



Integration of material sustainability issues into risk management & strategy



Strategy

How we achieve our **BUSINESS OBJECTIVES**



Enterprise risk management

Enabling pursuit of **DESIRED RISKS** & avoiding **UNREWARDED RISKS**



Sustainability & ESG

LICENSE TO OPERATE:
• **PROTECTING & ENHANCING** our reputation through commitments & business conduct
• **MATERIALITY ASSESSMENT** identifies our priority issues

Engaging key stakeholders in identifying, assessing and managing our operational and strategic climate-related risks

We have ongoing, active communication with the Board and Executive Committee members on the topic of climate-related risks. For example, we conducted surveys with more than 80 key stakeholders to confirm the key risks, of which climate change was included as an ESG-related risk. We reviewed and validated these risks through engagement sessions with Executive Committee Members and functional leads. This information was reported to the Board. For all risks, including those related to climate change, we identified owners and identified priority mitigation actions.

To demonstrate our commitment to a sustainable future, we seek clients, partners and third parties whose organizations demonstrate clear commitment to sustainability and ongoing performance improvement across ethical, environmental and other domains, including a low-carbon economy strategy.

As a active member of the World Business Council for Sustainable Development (WBCSD) we are actively involved in developing guidance materials, delivering training and engaging the C-suite (for example through the CFO Network) for companies seeking to identify and manage climate-related risk. We, in turn, bring that experience into our own approach to managing climate-related risk and opportunity.

The added value of TCFD-aligned scenario analysis

This year we integrated the findings of the **TCFD-aligned scenario analysis** undertaken in FY22 to more effectively respond to the climate-related risks and opportunities we are facing. We are integrating, where relevant, the climate-related risks into our operational risk register to identify and track mitigation, and ensure our organization is resilient to future material risks.



5. Metrics & targets

In relation to our own operational performance, ERM has been collecting data for emissions and energy use since 2007, and began publishing these in 2011. Over the course of the last 15 years, we have focused on developing our methodologies to improve the accuracy of such data. The data covers energy use and emissions for the operations of the ERM Group globally and includes Scope 1, Scope 2 and Scope 3. More details can be found in the performance data section of the [Sustainability Report](#).

For a number of years, we have recognized that the transition to a lower-carbon economy would be a key driver for our clients. We have, therefore, invested in growing our capabilities in this area and have set targets accordingly, as described below in the 'Targets' section.

More details on our metrics and targets are provided below, with a detailed, site-based breakdown of all our energy and emissions data, including emissions and energy intensity, provided in our [Sustainability Report](#) in the climate data section.

Metrics

Emissions

For the past decade, ERM has set greenhouse gas (GHG) reduction targets and reported annually on our GHG emissions. Over this time, the focus has been on abating Scope 1, Scope 2 and Scope 3 emissions across our operations and through engaging employees to identify and deliver GHG emission reduction activities in our offices in 40 countries and territories.

Data on ERM's past performance and forecasted trajectory of (a) Scope 1, Scope 2; and (b) Scope 3 emissions is provided in Figures 2 and 3. To calculate our emissions, we follow the GHG Protocol Corporate Accounting and Reporting Standard, and have set our targets in line with the calculation methods and criteria of Science Based Targets initiative. For this we use the Absolute Contraction Approach, a method that ensures absolute emissions reductions in line with global decarbonization pathways and pursuing efforts to limit warming to 1.5°C for Scope 1 and 2 and Scope 3. More information on the methodology followed can be found [here](#).

For ERM's GHG emissions, a third party provided independent assurance of our FY23 data and processes for these metrics. This is the second time ERM has commissioned external assurance of GHG emissions data, and we are doing so as part of our preparation for new regulatory and reporting requirements in the key jurisdictions in which we operate. Click [here](#) to read the third-party data verification statement.

ERM's business is growing. Alongside measuring our total emissions, we also track the intensity of emissions per employee (full-time equivalent personnel) as outlined in Figures 4 and 5. We have seen a consistent decline in the intensity of emissions per full-time equivalent personnel for both Scopes 1 and 2 and our Scope 3 emissions (noting the pandemic impacts for FY20/21). We will need to keep reducing the emissions intensity in order to meet our targets.



Targets

In April 2021, ERM announced a commitment to achieve net-zero emissions across our operations by 2025. This is underpinned by our updated science-based target that aligns with the pathway to reduce GHG emissions to levels that will limit global warming to 1.5°C above pre-industrial levels.

Supporting this goal, ERM has set absolute targets for 2025 as follows:

- Reduce absolute Scope 1 and Scope 2 GHG emissions 80% by 2025 from a 2014 base year; and
- Reduce absolute Scope 3 GHG emissions from business travel and employee commuting by 30% by 2025 from a 2018 base-year.

To achieve our 1.5°C-aligned emission reduction target, ERM will:

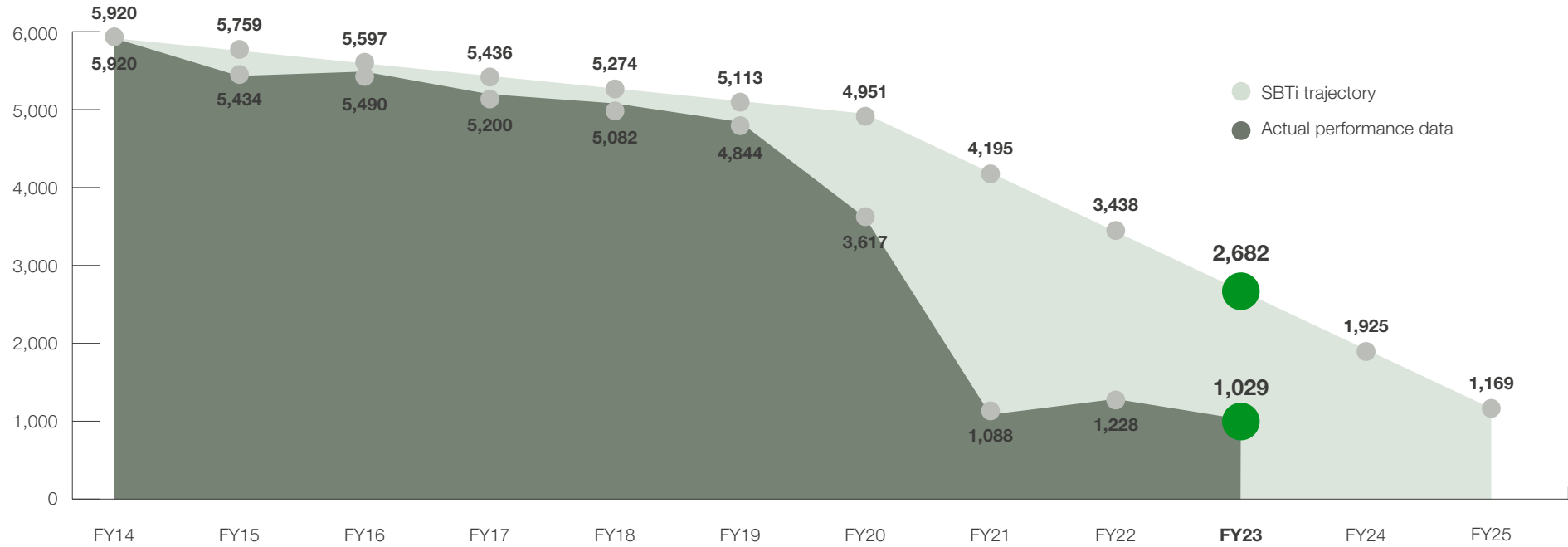
- Maintain our commitment to 100% renewable electricity in every office globally (commenced in FY21) to address our direct and indirect emissions (Scope 1 and Scope 2).
- Use our Green Building Guidelines to ensure we are occupying office space with a lower carbon footprint, including access to public transport, where possible.
- Measure the estimated savings in GHG emissions from our offices through, for example, hybrid working, office closures, as well as relocations through our office optimization program.
- Continue to work on our vehicle emissions reduction program, with the intent to reduce Scope 1 emissions from ERM's fleet of vehicles by 50%. Mapping of ERM's vehicle fleet in each region was completed in FY22, which presents a first step in understanding opportunities for reduction of Scope 1 emissions.

- Respond to our Scope 3 emissions review, which sees the inclusion of capital goods and purchased goods and services. We have a Sustainable Procurement Policy in place and in FY24, we are launching a supply chain engagement strategy.
- Continue the focus of managing business travel and employee commuting. Our travel policy and reduced travel budgets remain in place to address emissions as pandemic travel restrictions have lifted.
- Voluntarily compensate for residual emissions on our path to net-zero.

Since FY21, ERM has set a public target to increase sales from client projects that contribute to the transition to a low-carbon economy. In FY23, we grew this area of business by 34% from our previous year's performance. We have set a target for an additional 20% growth in FY24.

These trends in sales increase are monitored frequently, and are evaluated annually. At the same time, we are becoming increasingly selective around the work that we choose to undertake in high-emitting sectors, or on projects that may be associated with increases in carbon emissions over time.

Figure 2: Scope 1 & 2 performance against science-based target trajectory FY14 - FY25 (tCO₂e)^{1,2}

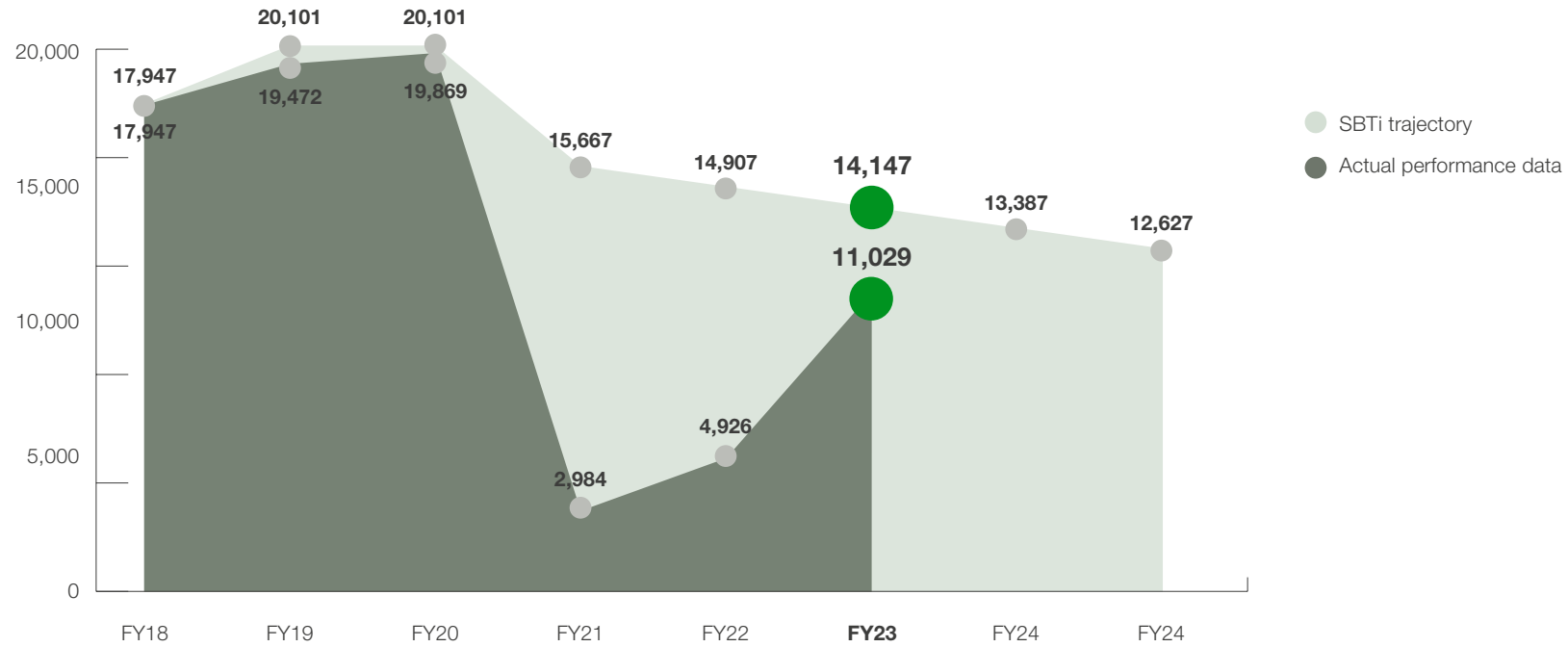


¹ ERM's current science-based target is 80% reduction of Scopes 1 and 2 emissions from FY14 to FY25.

² The above trajectory represents ERM's current SBTi target. In June 2023, we submitted an updated net-zero target to SBTi with our new base year of FY20 for Scopes 1, 2 and 3 emissions. Our updated target is currently undergoing SBTi's validation process.



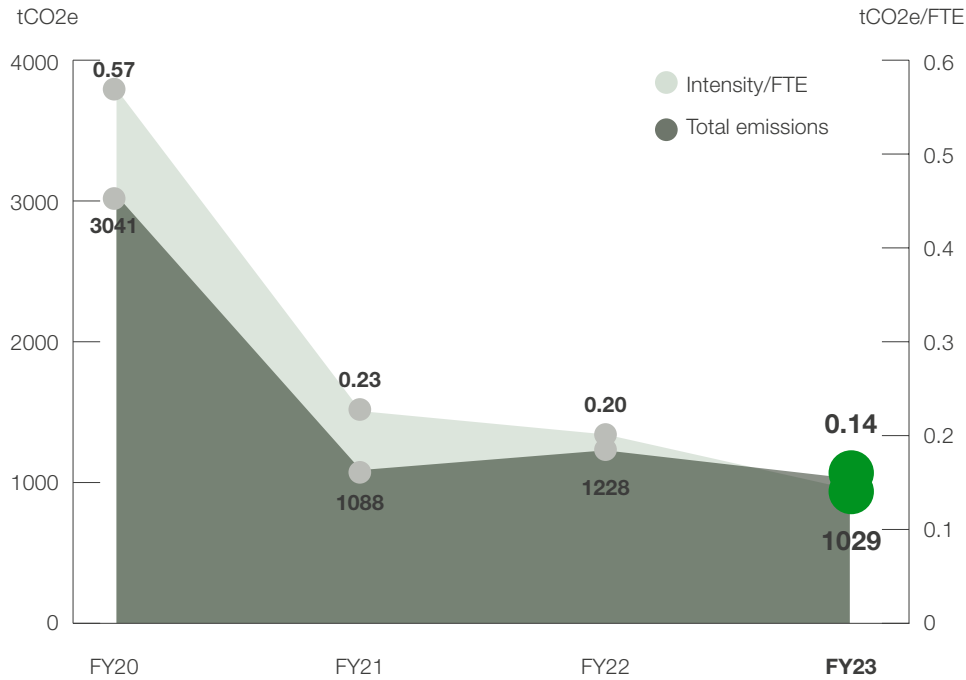
Figure 3: Scope 3 performance against science-based target trajectory FY18 - FY25 (tCO₂e)^{1,2}



¹ ERM's current science-based target is 30% reduction of Scope 3 emissions from FY18 to FY25. This includes Categories 6 and 7 of Scope 3.

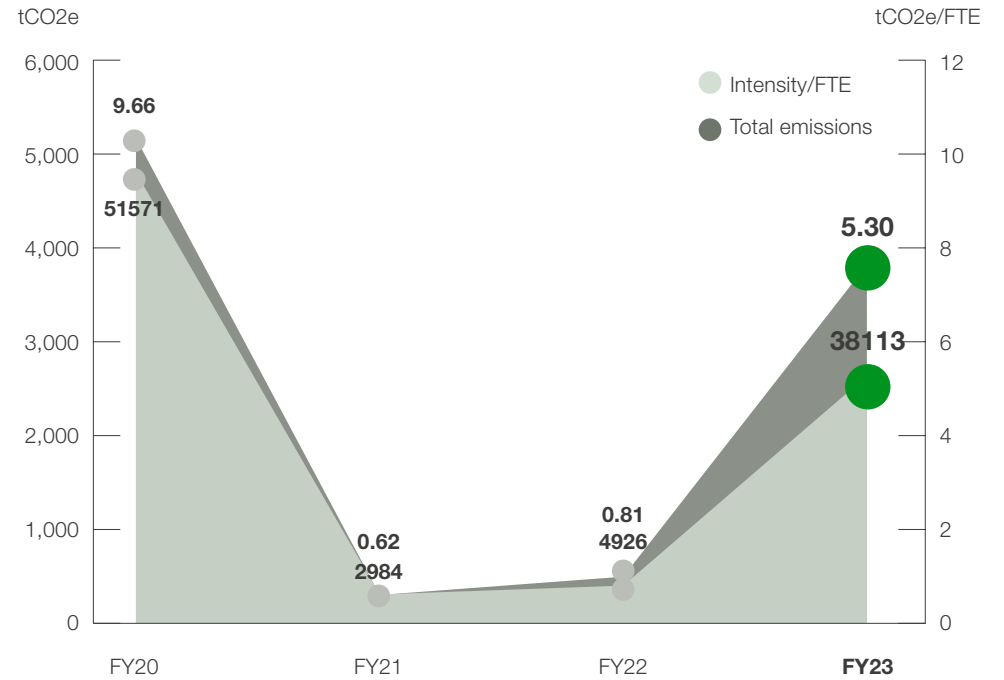
² The above trajectory represents ERM's current SBTi target. In June 2023, we submitted an updated net-zero target to SBTi with our new base year of FY20 for Scopes 1, 2 and 3 emissions. Our updated target is currently undergoing SBTi's validation process.

Figure 4: Scope 1 & 2, total emissions and intensity per FTE FY20 - FY23^{1,2}



¹ FTE = full-time equivalent
² tCO₂e = metric tons of carbon dioxide equivalent

Figure 5: Scope 3 total emissions and intensity per FTE FY20 - FY23^{1,2}



¹ FTE = full-time equivalent
² tCO₂e = metric tons of carbon dioxide equivalent



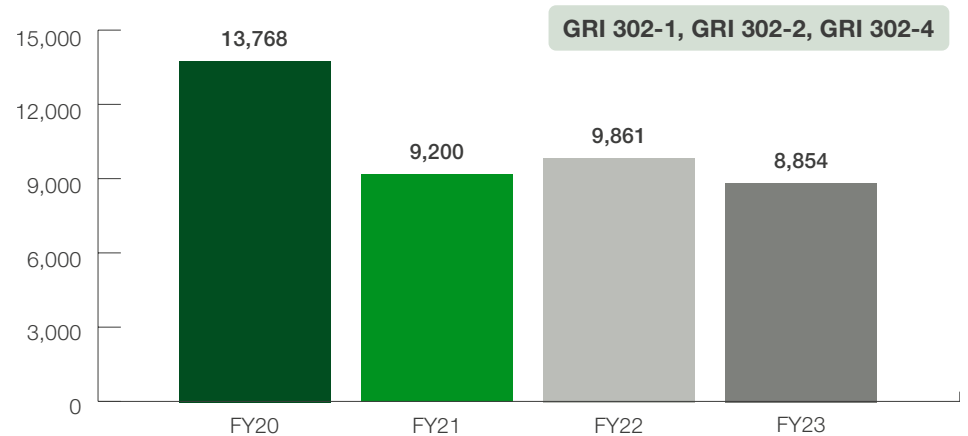
Energy use

ERM's global office energy use between FY20-23 is provided in Figure 6. Employees from Global Businesses and Group are included in the data for the ERM region in which their home office is located. For reporting purposes, only MWh using the regular method is included, and upstream energy use is excluded. This is considered the most appropriate method due to the nature of our operations. More information on the methodology followed can be found [here](#).

Monitoring progress against targets

At the end of each reporting cycle, ERM's global sustainability team evaluates the current performance against our public climate targets, using a combination of data analysis and stakeholder engagement across the business. The results are published annually as part of the [Sustainability Report](#). We update our programs to ensure we are managing the most material elements of our emissions reduction program. In addition, ERM has a company wide bonus program in place, which is linked to our business performance indicators that include sustainability and ESG elements which includes climate-related performance.

Figure 6: Global office energy use FY20 - FY23 (MWh)^{1, 2}



¹ Employees from Global Businesses and Group are included in the data for the ERM region in which their home offices are located.

² For reporting purposes, only MWh using the regular method are included and upstream MWh are excluded.

The complete decarbonization dataset can be found in the Performance Data section of the [2023 Sustainability Report](#).



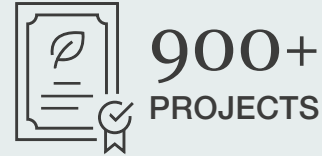
Partnerships and collaboration

ERM a signatory to The Climate Pledge, Pledge to Net Zero and Race To Zero Campaign. Through these engagements we are collaborating with business and other organizations to address climate risk and accelerate action.

ERM is an active member of WBCSD's Climate and Energy programs with ERM's CEO currently Co-Chair of the Energy Program Board. We are actively engaged in workstreams including hydrogen, carbon removals and the update of the GHG protocol.

Moreover, ERM is supporting many companies to develop, install and operate renewable energy projects. In FY21, for the first time we measured the amount of new renewable energy brought to market on projects we worked on for our clients. We contributed to more than 60 GW of installed energy capacity through more than 180 projects. In FY22, this grew to more than 100 GW of installed renewable energy capacity through the 299 projects our teams have been involved in. In FY23, this has increased to more than 160 GW and over 900 projects.

FY23 renewable energy capital project delivery



CONTRIBUTING TO






EQUIVALENT TO



the annual
carbon emissions of
36 million+
US HOUSEHOLDS

Progress in meeting targets from FY23

Target	Progress
<p>1 We will enhance our scenario analysis through quantification of potential financial impacts of the climate-related risks and opportunities we identify.</p> <p>We explored methodologies to quantify climate-related risk though aligning with our updated enterprise risk management approach. This work will continue in FY24.</p>	 Target partially met
<p>2 We will continue to invest in capabilities to meet the needs of our clients as they decarbonize their business. We have a target to increase sales supporting the transition to a lower-carbon economy by 40% over our FY22 performance.</p> <p>In FY23, we had a 34% increase in sales supporting the lower-carbon economy over our FY22 performance.</p>	 Target partially met
<p>3 We will continue to invest in digitization of our service offerings to support our ongoing commitment to delivering innovative solutions. We have set a target finalize the roadmap for the technological enablement of core service offerings. For example, we will invest in research and development associated with continual development of Climate Impact Platform, which will financially quantify a range of climate-related risks.</p> <p>Ongoing investment in the digitization of climate-related offerings. CRISP is now the Climate Impact Platform and we have introduced Net Zero Compass a tool to support asset-level decarbonization.</p>	 Target met

Target	Progress
<p>4 We will implement our updated approach to client and project selections, which will include new criteria on climate risk. We will be taking into greater account client commitments and actions towards decarbonization. This will be determined in the coming year and then implemented across our global operations.</p> <p>Updated approach to client and opportunity selection implemented through a phased approach.</p>	 Target met
<p>5 We will strengthen the measurement of climate-related impacts through our work with clients and in our collaborations with other leading organizations. We have committed to developing a 3-year roadmap to enhance the measurement of ERM's work with clients.</p> <p>Roadmap completed and implementation is ongoing.</p>	 Target met
<p>6 We will develop a methodology for integrating ESG criteria into the Executive Committee and Partner performance management system as part of strengthening our accountability for delivering on our targets, which includes our climate-related commitments.</p> <p>Development and introduction of Contribution Statements for all eligible full-time employees, which include ESG criteria.</p>	 Target met
<p>7 We are committed to remaining on track to meet our net-zero commitment and science-based targets of 30% reduction in Scopes 1 and 2 and 11% reduction in Scope 3 by 2025.</p> <p>On track to meet targets.</p>	 Target met



6. Next steps

While we have made progress in this financial year, we know that we must set plans and targets for the year ahead alongside our longer-term goals. And although we have also made progress in preparing for and disclosing to the TCFD recommendations, we recognize there are still areas we can improve.

Here are the next steps for us in FY24

- 1 We will enhance our scenario analysis through quantification of potential financial impacts of the climate-related risks and opportunities we identify.
- 2 We will continue to invest in capabilities to meet the needs of our clients as they decarbonize their business. We have a target to increase sales supporting the transition to a lower-carbon economy by 20% from FY23 performance.
- 3 We will continue to invest in digitization of our service offerings to support our ongoing commitment to delivering innovative solutions. We will deliver on our annual targets for the roadmap for digital enablement of core service offerings.
- 4 We will continue to implement our approach to client and project selection, which includes criteria on climate-related risk. We will be taking into greater account client commitments and actions towards decarbonization.
- 5 Every ERM employee will have a Contribution Statement which includes a portion related to contribution to the company linked to our purpose, capability, people leadership and other ESG factors.
- 6 We are committed to remaining on track to meet our net-zero commitment and science-based targets.



ERM SUSTAINABILITY REPORT 2023

TCFD disclosure

SUPPLEMENT

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Sustainability is our business