

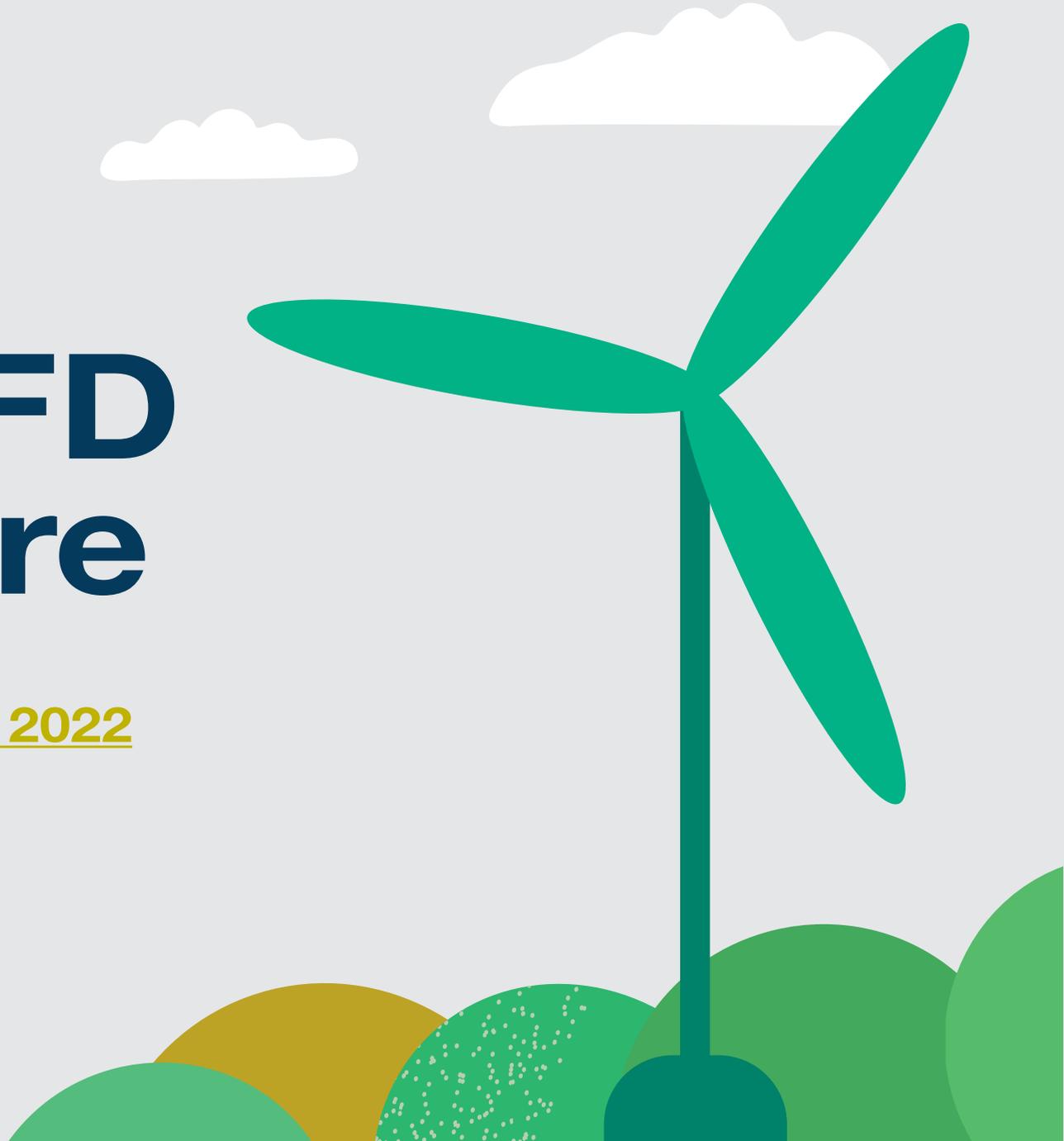


# 2022 ERM TCFD Disclosure

ERM Sustainability Report 2022

*The business of sustainability*

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# The ERM International Group Limited

This disclosure is in alignment with the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) and covers The ERM International Group Limited and all its subsidiaries (collectively “ERM”) for the fiscal year (FY) ending 31 March 2022.

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# 1. Introduction

**ERM has been a supporter of the Taskforce 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 second year that we have published a TCFD Disclosure alongside our TCFD Index, the latest of which is available [here](#). 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:

- Undertaking 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; and
- Setting key performance indicators for percentage of total revenues from projects that contribute to the transition to a low-carbon economy and measuring our impact in the development of renewables projects globally.

Our commitment to, and involvement with, the TCFD extends beyond our disclosures. In 2017, ERM was the primary 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 science-based reduction targets for 2025.

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 the effective monitoring of climate change performance.
- 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 its attainment of environment, social and governance (ESG) standards which includes climate 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 permanent committees of the Board include the Remuneration Committee, the Audit Committee and the Executive Committee.
- 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 risk and opportunity.
- The Board delegates its 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).

#### 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 its 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 risk. 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 offsetting and residual emissions.

- An Executive Committee Low Carbon Economy Transition (LCET) Steering Committee was established in 2019 to govern ERM's implementation of our LCET revenue growth strategy. The LCET leadership has been responsible for designing and implementing a commercial strategy that enables ERM to fully respond to the risks and opportunities emerging from climate change and the low carbon economy transition.
- While climate change is not a separate, standing item on Board and Executive Committee meeting agendas, ERM appreciates the extent to which climate 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 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

In 2022, we engaged a team of in-house climate risk specialists to conduct scenario analysis, aligned to the TCFD technical supplement on Scenario Analysis that ERM co-authored in 2017, as well as subsequent additional guidance released by the TCFD in October 2021. This exercise has enabled us to identify potential climate-related risks and opportunities, expand our understanding of where material exposures may exist and establish the drivers and timeframes of potential impacts.

Our scenario analysis suggests we are facing both climate-related risks and opportunities. For the transition to a low-carbon economy, opportunities are manifesting as increased demand for ERM's services. Policy-related risks may present themselves

in the form of climate inaction or slow responses to change. With regards to physical climate events, the analysis indicates potential risks related to extreme heat as warming trends could affect employee productivity, health, safety and wellbeing, or result in damage to our offices.

We believe our strategy is resilient to these potential risks, whilst also helping us to effectively respond to the opportunities to support clients in the low carbon economy transition. 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 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. 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 scientific 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 – 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 de-carbonisation. 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. From a long list of climate-related risks and opportunities, we identified 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).

Table 4: ERM's global climate-related risks and opportunities resulting from the Scenario Analysis.<sup>1</sup>

	Risk/ Opportunity	Category	Description of Potential Financial Impact	Level of Risk or Opportunity (2030) <sup>2</sup>	Level of Risk or Opportunity (2050) <sup>2</sup>
Climate inaction/slow climate regulation	Risk	Policy & Legal	Slowdown in climate regulation leading to reduced demand for ERM services.  Increased conflict may affect cooperation.	 Moderate risk	 High 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 Moderate opportunity	  High risk High opportunity
Workforce retention and talent acquisition	Risk	Reputation	Increased competition for climate 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 as market size decreases and some existing clients do not provide repeat business; or opportunity to ERM, which offers services to help these sectors decarbonize.	  Moderate risk Moderate opportunity	  High risk High opportunity
Increased mining of minerals for the energy transition	Opportunity	Products & Services	Increased demand for certain minerals, requiring an increase in mining 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

<sup>1</sup> All scenarios were considered in this analysis<sup>2</sup> Determined using a combination of climate data and ERM subject matter expert judgement.

**Key:**  High risk  High opportunity  
 Moderate risk  Moderate opportunity

Table 4 (continued): ERM's global climate-related risks and opportunities resulting from the Scenario Analysis.<sup>1</sup>

	Risk/ Opportunity	Category	Description of Potential Financial Impact	Level of Risk or Opportunity (2030) <sup>2</sup>	Level of Risk or Opportunity (2050) <sup>2</sup>
Increased retirement of high-carbon production assets / Increased utilization of brownfield sites vs greenfield	Opportunity	Products & Services	Under the low-carbon scenario increased retirement of high-carbon assets is expected, which could increase demand for ERM's decommissioning and remediation service line. 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 decommissioning and remediation services.	 Moderate opportunity	 Moderate opportunity
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.	 High risk	 High risk
Damage to ERM's offices caused by wildfires	Risk	Acute Physical	Reduced revenue associated with operational disruptions.  Increased expenditure (e.g., costs to repair or relocate, higher insurance premiums).	 High risk	 High risk
Reduction in water availability	Risk	Chronic Physical	Increase in operational costs associated with higher price of water.	 Moderate risk	 High 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).	 High risk	 High risk

<sup>1</sup> All scenarios were considered in this analysis<sup>2</sup> Determined using a combination of climate data and ERM subject matter expert judgement.

**Key:**  High risk  High opportunity  
 Moderate risk  Moderate opportunity

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

ERM's business model is adapting to capitalize on the increased demand for climate change-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 FY22 through investing in the digitization of our services – for example, through the release of our [Climate, Risk, Impact and Solutions Platform \(CRISP\)](#) – to conduct physical climate risk screenings that are aligned with TCFD, which combines both ERM's technical and digital expertise.

Furthermore, we are developing digitized solutions underpinned by the latest technology, such as our Artificial Intelligence-(AI)-enabled services, including [ESG Fusion](#) and [emissions.AI](#). ESG Fusion provides on-demand ESG ratings and analysis to help investment professionals make better decisions, whereas emissions.AI helps clients optimize complex industrial facilities for lower-carbon emissions. 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.

Providing services that help organizations navigate the various effects of climate change represents a potential climate-related opportunity, while services

provided in support of carbon intensive processes are potentially at risk.

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 are therefore adapting 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. In the past year, we have seen:

#### Renewable energy capital project delivery



#### Contributing to in excess of



Equivalent to annual carbon emissions of

**22,540,000**

US households

More details can be found [here](#)

We believe that our 50-plus year focus on sustainability – which has evolved with our client's understanding of climate 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 27 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 risk, corporate sustainability and clean technology strategy and project level implementation related offerings in key geographies, sectors and services. For example, in FY22 ERM acquired eight companies, all of which have a role in supporting the low carbon economy transition.

In addition, we are taking steps to ensure the resilience of our own operations to the effects of climate change. With 170 offices in more than 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. 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.

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 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 energy 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 will inform focused resilience measures in the short and medium term, with metrics, such as lost time related to climate-related weather events, established to help monitor progress and to be included in future disclosures.

We continue to take steps toward reducing our direct and indirect impact on climate change. This year we strengthened our science-based targets to align to a 1.5°C target. This target underpins our commitment to achieve net-zero carbon emissions by 2025.

In the last year, we adopted a 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 28 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 new initiative established by the WBCSD and the Sustainable Markets Initiative, known as [H2Zero](#), will help accelerate the use and production of hydrogen as an essential part of the future net-zero system. Furthermore, we are actively seeking opportunities to enhance our future business strategy in this space, for example through [ERM Dolphyn](#), which involves an ERM design for production of ultra-low carbon hydrogen at scale from offshore wind.

These ambitions will ensure ERM continues to demonstrate leadership with respect to climate action and protect us from potential reputational risks associated with inaction (e.g., increased cost of capital for less sustainable businesses), as well as supporting our position as a global-leading consultancy.

Learn more about ERM's strategy in [this video](#) from James Stacey, Global leader for the Low Carbon Economy Transition.



# 4. Risk management

## Proactively identifying, assessing and managing our climate-related risks

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 risk management process. For example, in 2021, we conducted a strategic enterprise risk management assessment that covered all topics related to our value chain, including strategic, operations, financial, regulation and reporting. Our Board and Executive Committee are updated on climate-related risks via regular meetings and involvement in decisions related to risk management processes. We have recently updated our risk processes to further enhance our identification, assessment and management of climate-related risks. To evaluate the potential size and scope of identified climate-related risks (as part of wider ESG-related risks), we employ a risk matrix that considers the impact and likelihood of the risks materializing and the potential impacts they may have.

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.

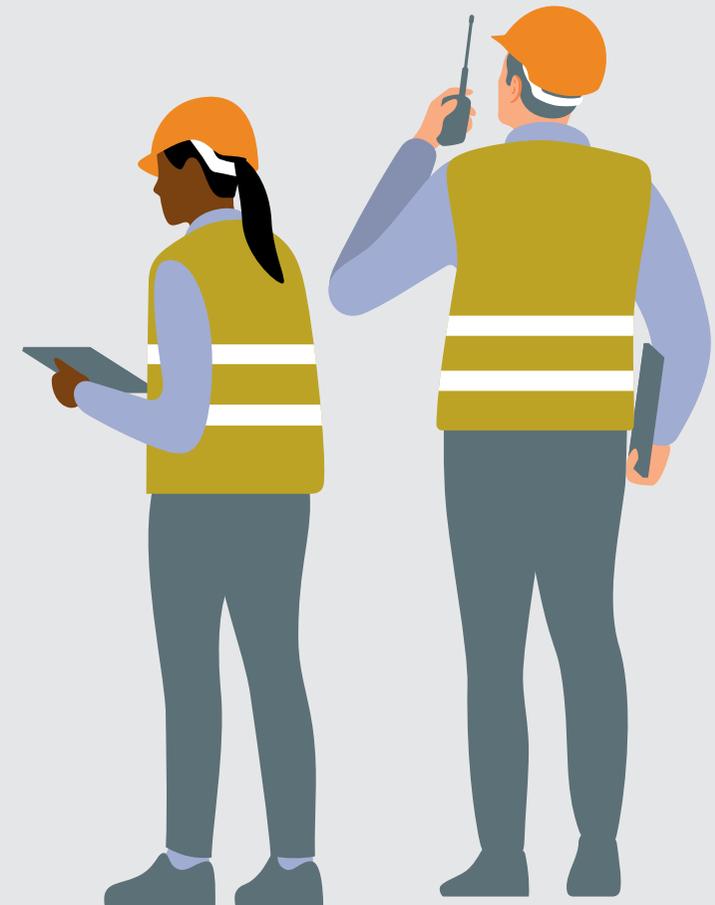
## Engaging key stakeholders in identifying, assessing and managing our operational and strategic climate-related risks

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 ensure our management of climate-related risks remains up to date, this process will be repeated annually, supplemented by ongoing engagement with key stakeholders throughout the year. As such, we will have subject matter experts involved from key stakeholder groups, as well as our investors, all of whom will have oversight and help manage the direction we take in terms of identifying, assessing and managing climate-related risks. ERM has also appointed a new Global Head of Risk who will be responsible for strengthening our risk management approach for all risk types, including climate-related risks and opportunities.

## The added value of TCFD-aligned scenario analysis

To further enhance and develop our process for identifying climate-related risks, this year we undertook a [TCFD-aligned scenario analysis](#) exercise to understand the climate-related risks and opportunities we may face. We are integrating, where relevant, the climate-related risks into our operational risk register to identify and track mitigation, to ensure our organization is resilient to future material risks.



# 5. Metrics and targets

In relation to our own operational performance, ERM has been collecting data for emissions and energy use since 2008, 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 Scopes 1, Scope 2 and Scope 3. More details can be found at this [link](#).

For a number of years, we have also 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 its 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 170 offices in more than 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 below. 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 GHG emissions, an external assurer provided independent assurance of our FY22 data and processes for these metrics. This is the first 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.

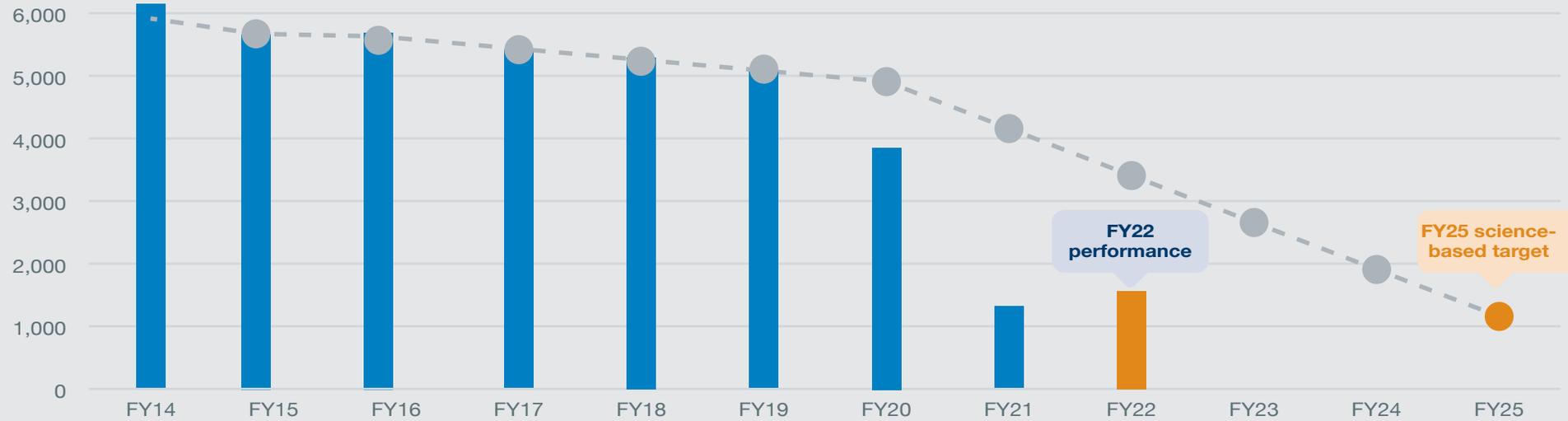
The COVID-19 pandemic impacted ERM's business activities and therefore emissions profile in a significant way. The majority of our workforce was working remotely for some or all of their time, and travel for client and organizational activities was less frequent. For the purposes of setting targets, we refer to FY20 (ended 31 March 2020) as our last fully operational year from the perspective of our emissions profile. The pandemic is still impacting our ways of working in some parts of the world and we are currently conducting a review of our Scope 3 emissions to model the potential impacts in the years ahead. This will inform our program to achieve our targets.

ERM's business is growing. Alongside measuring our total emissions, we also track the intensity of emissions per employee (full-time equivalent personnel). 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 from FY20 – the last fully operational year – in order to meet our targets.

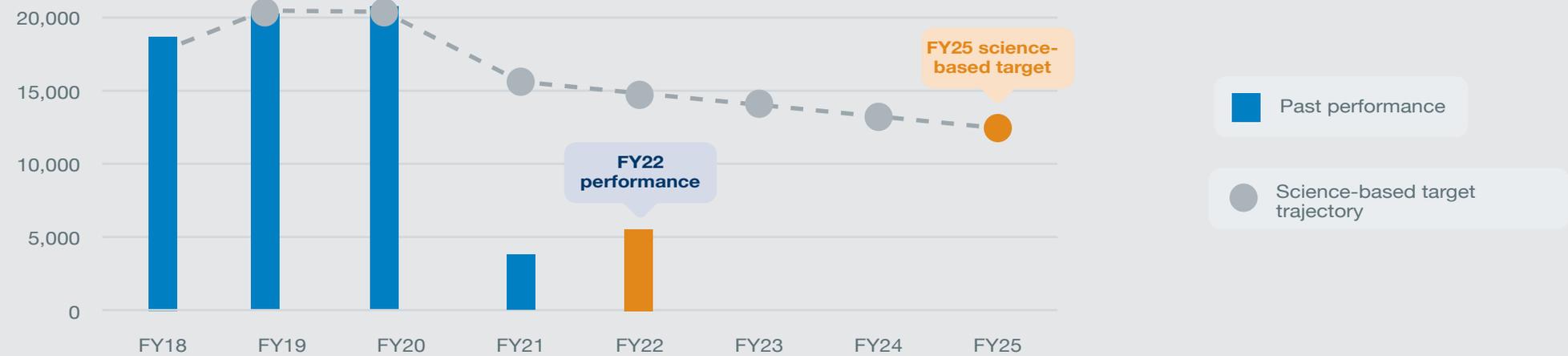
### Energy use

ERM's global office energy use between FY20-22 megawatt-hour (MWh) is provided in the 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](#).

**Figure 2: Scope 1 & 2 performance against science-based target trajectory FY14 - FY25 (tCO<sub>2</sub>e)<sup>1,2</sup>**



**Figure 3: Scope 3 performance against science-based target trajectory FY18 - FY25 (tCO<sub>2</sub>e)<sup>3-4</sup>**



<sup>1</sup> tCO<sub>2</sub>e = tonnes of carbon dioxide equivalent

<sup>2</sup> In FY21, ERM updated the ambition of our science-based target to 80% reduction of Scope 1 and 2 emissions from FY14 to FY25.

<sup>3</sup> In FY21, ERM updated the ambition of our science-based target to 30% reduction of Scope 3 emissions from FY18 to FY25.

<sup>4</sup> ERM has set a science-based target for business travel and employee commuting, covering 73% of the total Scope 3 inventory.

**Figure 4: Scope 1 & 2, total emissions and intensity per FTE FY14 - FY22<sup>1,2</sup>**



**Figure 5: Scope 3 total emissions and intensity per FTE FY18 - FY22<sup>1,2</sup>**



<sup>1</sup> FTE = full-time equivalent

<sup>2</sup> tCO<sub>2</sub>e = tonnes of carbon dioxide equivalent

**Figure 6: Global office energy use FY20 - FY22 (MWh) <sup>1,2</sup>**



<sup>1</sup> MWh = megawatt-hour

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

### Targets

In April 2021, ERM announced a commitment to achieve net-zero emissions across its 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 its 1.5°C-aligned emission reduction target, ERM will:

- Maintain our commitment to 100% renewable energy in every office globally (commenced in FY21) to address our direct and indirect emissions (Scope 1 and Scope 2).
- Address Scope 3 emissions primarily through a focus on reducing business travel. Since FY21, organizational travel budgets have been reduced, and a new global travel policy has been implemented. Emissions from employee commuting will be addressed through reviewing office locations and rolling out incentive schemes to encourage low-carbon commuting options.
- Draw on our extensive pool of subject-matter experts as well as emerging best practices to develop a robust and comprehensive plan to address residual emissions. This includes carbon removal and reduction as well as contributions to biodiversity and livelihoods.

- 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 optimisation program.
- Continue work on its new 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.

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 FY22, we grew this area of business by more than 80%. We have set a target in our budget, for an additional 40% growth in FY23.

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.

#### *Monitoring progress against targets*

At the end of each reporting cycle, ERM's global sustainability team evaluates the current performance against its 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.

#### *Partnerships and collaboration*

ERM a signatory to the [Ambition for a 1.5°C Future](#), [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 Hydrogen Program. The WBCSD and the Sustainable Markets Initiative (SMI) announced on Industry Day at the 2021 United Nations Climate Change Conference (COP26) the pledges of 28 companies to drive growth in the demand for, and supply of, hydrogen. This new initiative, H2Zero, will accelerate the use and production of hydrogen as an essential part of the future net-zero energy system. As part of this initiative, ERM has pledged to develop 4 GW ultra-low carbon hydrogen by 2035 through [ERM Dolphyn](#) and support the wider growth of the industry.

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 has grown to more than 100 GW of installed renewable energy capacity through the 299 projects our teams have been involved in. In FY23, we will also start measuring the carbon avoided as a result of these projects.



# 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 FY23.

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 40% over our FY22 performance.
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 to 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 CRISP, which will financially quantify a range of climate-related risks.
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.
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.
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.
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.



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