

ERM TCFD disclosure

FY21



Introduction

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, 2 and 3 emissions across our operations and through engaging employees to identify and deliver GHG emission reduction activities across 160 offices in more than 40 countries.

ERM has been a supporter of the Taskforce on Climate Related Financial Disclosure (TCFD) since 2018. 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 continues with a recent assignment to support the TCFD Secretariat through the World Business Council on Sustainable Development (WBCSD) Reference Scenarios project to be published ahead of the COP26 Climate Change Summit. ERM is a lead technical advisor in this project.

Alignment with the TCFD will become increasingly important for ERM, with mandatory reporting in the United Kingdom and growing interest among key stakeholders to increase the pace and scale of the transition to a low carbon economy. As a leader in sustainability, transitioning to a low carbon future starts with disclosing our own climate-related financial risks and opportunities.

In addition to supporting numerous clients on TCFD strategy and implementation, ERM is developing a roadmap to implement the TCFD recommendations across its own business. In 2019 and 2020, ERM published a TCFD index as part of its annual Sustainability Report. This is the first year that we have published a TCFD Disclosure alongside the TCFD Index. We recognize that this is a starting point that will mature as we apply a systematic approach to managing our climate-related financial risks in the coming years.

About ERM

As the largest global pure play sustainability consultancy, ERM works with the world's leading organizations to create innovative solutions to sustainability challenges and unlock commercial opportunities that meet the needs of today while preserving opportunity for future generations.

Our diverse team of world-class experts support clients across the breadth of their business to operationalize sustainability. This is

underpinned by our deep technical expertise in addressing environmental, health, safety, risk and social issues. We call this capability our “boots to boardroom” approach for its comprehensive service model that allows ERM to develop strategic and technical solutions that advance objectives on the ground and at the executive level.

ERM's organizational structure is built around a Partnership model. Our Partners – trusted advisors to leading organizations across the globe – mobilize ERM's more than 5,000 experts across 40 countries in our continuous effort to remain the leader in sustainability consulting.

Climate-related financial risks and opportunities

Environment is a key focus area within the United Nations Global Compact (UNGC). As a UNGC signatory, ERM strives to embrace its core values and promote these within its sphere of influence. We support a precautionary approach to environmental challenges, and undertake initiatives to promote greater environmental responsibility and encourage the development of environmentally responsible technologies and products.

Climate-related financial risk is also one that has a direct impact on ERM's business and reputation as well as our ability to retain and attract talent. ERM has worked with energy-intensive industries for many years, and our portfolio of clients and projects is in transition as are the economies in which we work. Using the TCFD framework, we are proactively investing in our services, skills and expertise to meet the changing needs and expectations of our clients, employees and industry partners.

The most significant financial impact of climate change is the revenue growth opportunity presented by helping our clients to respond to their financial risks and opportunities presented by climate change and the transition to a low carbon economy. Since 2020, we have set a public target to grow the revenue from services that support the energy transition.

In addition, we continue to take steps toward reducing our direct and indirect impact on climate change. Many business issues – from waste and water management to protecting biodiversity and livelihoods – are integral to a holistic approach to climate change.

1.0 Governance

- ERM's Board of Directors 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 of Directors is responsible for the direction and oversight of ERM Worldwide Group Limited (as parent company of the ERM Group) on behalf of our stakeholders, including shareholders. The Board meets at least six times per year to review performance and consider key strategic growth plans, which includes, where relevant, the impact of climate-related issues on ERM's strategy. In addition, Board subcommittees provide oversight of audit, risk and remuneration. The Board delegates its authority for the executive management of the Group to the Group Chief Executive Officer and, through her, to the Executive Committee (subject to defined limits and monitoring by the Board).
- 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 monthly 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 Working Group that focuses specifically on ERM's sustainability performance and reporting, including the company's approach to climate risk.
- Additionally, 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.
- A Senior Leadership Team (SLT) Working Group comprising senior operational and technical leaders from across the business provides oversight and guidance on the implementation plan to meet ERM's science-based reduction targets for 2025. The SLT Working Group reports to the Executive Committee Sustainability Working Group on a regular basis.

2.0 Strategy

- Climate-related risk is a material topic for ERM. Our comprehensive approach to sustainability is embedded in our corporate strategy with a stated purpose to "shape a sustainable future with the world's leading organizations." A sustainable future is aligned with the 2030 ambition of the Sustainable Development Goals and the Paris Agreement on Climate Change.
- Our focus on sustainability, our range of services, and our "boots to boardroom" approach ensures that we can work alongside clients to address their most pressing challenges and opportunities, whether they require focused technical attention or full top-to-bottom strategy and solutions.
- ERM works with clients in high emitting sectors (such as mining and metals, oil and gas and chemicals). Increasingly

projects involve helping these clients with their transition to a low carbon economy. As investors and regulators have ramped up pressure on companies with respect to climate-related disclosure and commitments, demand is growing for our services.

- To accelerate ERM's ability to service clients in the transition to a low carbon economy, ERM has a strategic focus on developing services that meet the evolving needs of our clients.
- In addition, ERM has an acquisitions program to catalyze our positioning in climate-risk and LCET related services in key geographies, sectors and services. In recent times we have brought in expertise through the acquisition of Michael J Bradley and Associates in North America, and Arcus, Sustainalize and E4Tech in the Europe, Middle East and Africa region.
- A strategic hiring program to attract leading technical, digital and commercial experts to accelerate our ability to support clients' climate change strategies complements a program of capability building within our existing technical communities.

Influencing our clients

ERM actively engages our clients on the impacts of a transition to a low carbon economy. ERM acknowledges the ongoing emissions associated with our projects and clients and recognizes that:

- our client base includes companies in energy-intensive sectors that play an important role in society;
- we are supporting these companies so they may thrive in a decarbonized world; and
- our clients need our skills and expertise to set bold targets, deliver against these targets and transition to business models which are compatible with and will succeed in a decarbonizing economy.
- Our consulting services related to supporting clients with the low carbon economy transition include:
 - Advising at corporate and asset levels to evaluate and respond to climate-related (transition and physical climate change) financial risk and opportunity.
 - Creating net zero pathways that are scientifically robust, commercially viable and technically practicable – and that meet the needs of today's ESG investors.
 - Building the trillions of dollars of 'new energies' and lower-carbon infrastructure (e.g., renewables, electricity networks, liquid natural gas, hydrogen and carbon capture, utilization and storage).
 - Helping close, clean up and regenerate redundant, high carbon assets and land for new uses in the low carbon economy.

3.0 Risk management

- ERM manages climate change risks as part of our wider risk management process. We are in the process of updating our Enterprise Risk Management approach with a view to integrating the COSO ESG guidelines. This year we held an internal workshop to update the climate-related financial risks that will feed into ERM's FY22 risk-review process and future processes.
- In FY20, ERM established a baseline for revenue from projects that contribute to the transition to a low carbon economy. We have set annual percentage growth targets to increase this revenue year-on-year. This represents an initial step to de-risk our business in the context of the global transition to a lower carbon economy.
- ERM exercises judgment with respect to clients and third parties it engages with and the types of work we undertake. ERM scrutinizes opportunities and projects carefully before proceeding, and reserves the right to withdraw from a project if business conduct, ethics or climate concerns arise.
- We have reviewed the physical risks resulting from changing patterns in climate-related weather events for our office locations.
- We assess the evolving impacts on fieldwork from a changing climate including impacts of extreme weather events, prevalence of species in new areas (e.g. ticks) and a greater focus on emergency response planning.
- As part of our approach to meeting greenhouse gas emission reduction targets, ERM is identifying short, medium and long-term risks and opportunities.

An initial assessment of ERM's most significant climate-related financial risks and opportunities are provided in the following table.

This includes the climate-related risks and opportunities for our clients where we see it will impact ERM's business. This will be updated through a more extensive assessment in FY22.

Type	Climate-related risks
Transition risks	Policy and legal <input checked="" type="checkbox"/> Increased pricing of GHG emissions <input checked="" type="checkbox"/> Enhanced emissions reporting obligations <input checked="" type="checkbox"/> Mandate on and regulation of existing products and services <input checked="" type="checkbox"/> Exposure to litigation
	Technology <input checked="" type="checkbox"/> Substitution of existing products and services with lower emissions options <input checked="" type="checkbox"/> Unsuccessful investment in new technologies <input checked="" type="checkbox"/> Costs to transition to lower carbon technology
	Markets <input checked="" type="checkbox"/> Changing customer behaviour <input checked="" type="checkbox"/> Uncertainty in market signals <input checked="" type="checkbox"/> Increased cost of raw materials
	Reputation <input checked="" type="checkbox"/> Shifts in consumer preferences <input checked="" type="checkbox"/> Stigmatization of sector <input checked="" type="checkbox"/> Increased stakeholder concern or negative stakeholder feedback
Physical risks	Acute <input checked="" type="checkbox"/> Increased severity of extreme weather events
	Chronic <input checked="" type="checkbox"/> Changes in precipitation and extreme variability in weather patterns <input checked="" type="checkbox"/> Rising, mean temperatures <input checked="" type="checkbox"/> Rising sea levels
Type	Climate-related opportunities
Resource efficiency	<input checked="" type="checkbox"/> Use of more efficient modes of transport <input checked="" type="checkbox"/> Use of more efficient production and distribution processes <input checked="" type="checkbox"/> Use of recycling <input checked="" type="checkbox"/> Move to more efficient buildings <input checked="" type="checkbox"/> Reduced water usage
Energy source	<input checked="" type="checkbox"/> Use of lower-emission sources of energy <input checked="" type="checkbox"/> Use of supportive policy incentives <input checked="" type="checkbox"/> Participation in carbon market <input checked="" type="checkbox"/> Shift toward decentralized energy generation
Products & services	<input checked="" type="checkbox"/> Develop and / or expand low emission goods and services <input checked="" type="checkbox"/> Development of climate adaptation and risk solutions <input checked="" type="checkbox"/> Development of new products and services through R&D and innovation
Markets	<input checked="" type="checkbox"/> Access to new markets <input checked="" type="checkbox"/> Use of public-sector incentives <input checked="" type="checkbox"/> Access to new assets and locations needing insurance cover
Resilience	<input checked="" type="checkbox"/> Participation in renewable energy programs and adoption of energy-efficient measures <input checked="" type="checkbox"/> Resource substitutes / diversification

- Potentially significant
- Not significant

4.0 Metrics and targets

- Since 2020, ERM has set a public target to increase revenue from projects that contribute to the transition to a low carbon economy. In the last financial year, we grew this area of business by 70% and have set a target in our Global Budget, for a further 50% growth in FY22.
- In April 2021, ERM announced a [commitment to achieve net-zero emissions across our operations by 2025](#). To underpin this commitment we have submitted an updated science-based target from 2° C to 1.5° C by 2025. At the time of writing, we are waiting for Science Based Targets initiative to validate this target. To achieve 1.5° we will:
 - Address our direct and indirect emissions (known as Scope 1 and 2) by moving to 100 percent renewable energy across our global portfolio of offices starting in FY21, and further reduce emissions across our vehicle fleet.
 - Value chain emissions (known as Scope 3) will be addressed primarily through a focus on reducing business travel. This year, organizational travel budgets have been reduced by 50 percent and a new travel policy is being implemented. Emissions from employee commuting will be addressed through reviewing office locations and rolling out incentive schemes to encourage lower carbon commuting options.
 - While all efforts are being made to reduce emissions, ERM anticipates that in 2025 we will have a residual carbon footprint, largely related to business travel. To this end, ERM has made a public commitment to achieve net-zero emissions by 2025.
 - ERM will draw on its 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.
 - ERM is a signatory to the Ambition for a 1.5 Degree Future, The Climate Pledge, and The Race to Zero.

5.0 Our operations

- Given the global nature of ERM's business, which involves significant travel to project locations, Scope 3 emission reductions from business travel are particularly challenging. ERM has adopted an integrated approach to managing these emissions, which involves looking at alternatives to emission-intensive travel, while recognizing that much of our site-based work requires employees to travel to that location.
- Like many other organizations, the COVID-19 pandemic has led ERM to initiate an "office optimization" process to reduce the number and size of offices that we maintain around the world. Where office moves are required, ERM will endeavor to

use its Green Building Guidelines to ensure we are moving to office space with a lower carbon footprint, including access to public transport, where possible. The guidelines have been updated by internal experts to align with our greenhouse gas emission reduction targets.

- With many employees working remotely during the past year, through the COVID-19 pandemic, we have seen a reduction in emissions from employee commuting and office energy. We recognize that in some cases emissions are being displaced from our offices to employees' homes. We are progressing our efforts to calculate the emissions from home working. We plan to disclose this as part of our future year-end reporting.

6.0 Plans to enhance future disclosures in line with TCFD recommendations

- ERM will strengthen its disclosures over the coming years by:
 - Undertaking scenario analysis of ERM's sectors and services to identify climate-related financial risks and opportunities, leveraging our deep expertise in this area which has to date been focused towards assisting our clients to evaluate their climate-related financial risks and opportunities associated with different transition pathways, or scenarios.
 - Disclosing details of ERM's investment in and development of new services that contribute to the transition to a lower carbon economy.
 - Continue to set a KPI for percentage of total revenues coming from projects that contribute to the transition to a low carbon economy.

Further information on climate-risk and performance data can be found in ERM's annual sustainability reports.

ERM commits to ongoing disclosures in line with the TCFD recommendations.

<https://www.erm.com/sustainability-report/>