ERM

ERM SUSTAINABILITY REPORT 2024

ERM Climate-Related Financial Disclosures Supplement

Sustainability is our business

Contents

Introduction

This document comprises the Climate-related Financial Disclosures Supplement to the ERM Sustainability Report 2024.

The information set out in this supplement has been produced in pursuance of the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD) and in fulfilment of the requirements for The Non-Financial and Sustainability Information Statement, as prescribed under The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD).

The Non-Financial and Sustainability Information Statement is published in The ERM Group International Ltd group financial statements / statutory accounts for the year ended 31 March 2024 and is published in its' entirety within this Supplement.

During FY25, we will continue to refine our approach to financial impact assessment in line with both CFD and TCFD requirements, as part of our preparation towards publication of an ERM Transition Plan consistent with The Transition Plan Taskforce (TPT) and UN Integrity Matters Report (HLEG requirements).

Where information is provided in this Supplement consistent with CFD and TCFD requirements

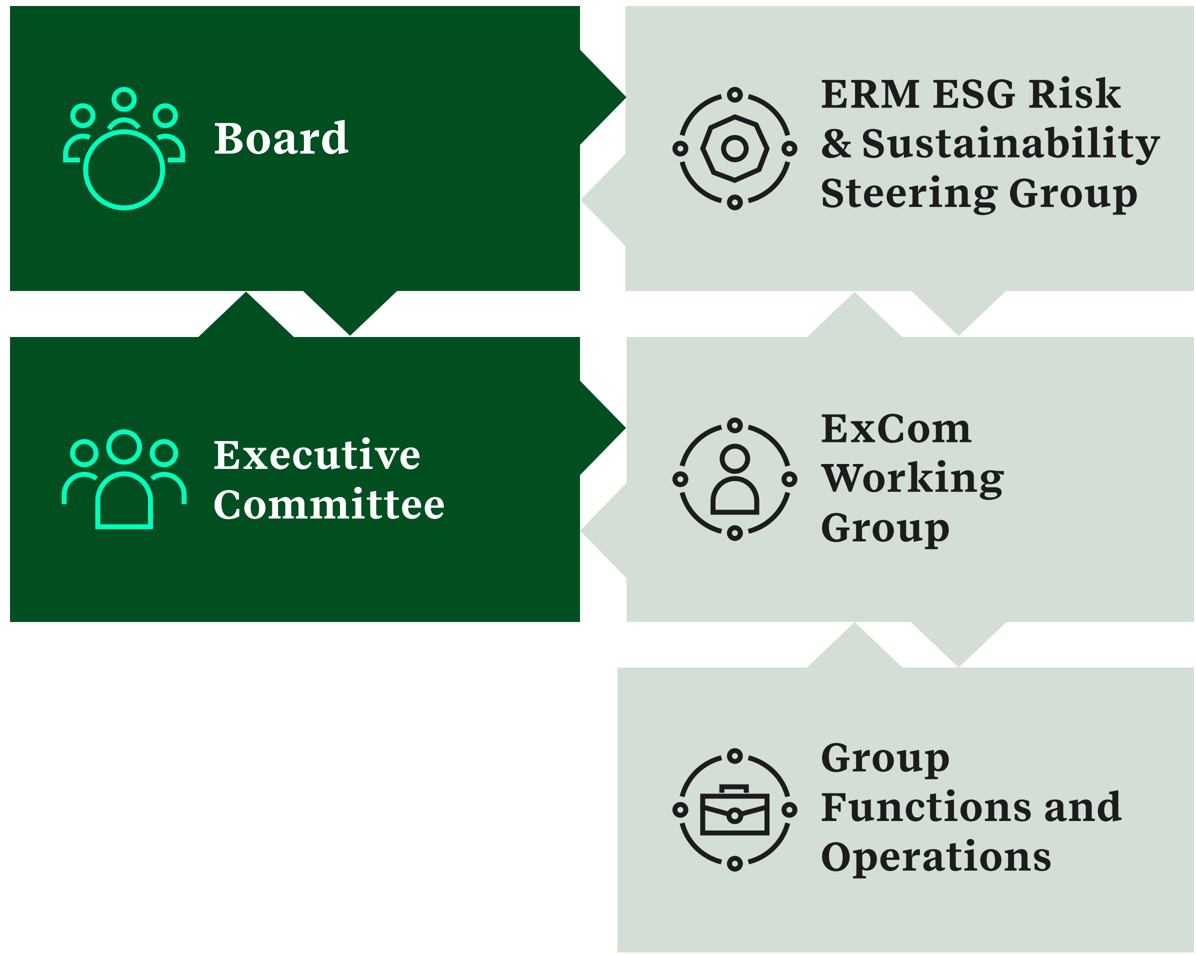
Section of this Supplement	CFD Requirement	TCFD Pillar
Decarbonising our own operations & FY24 Performance Data	Context information.	Metrics and targets: disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks.
Governance of climate related risks and opportunities	Governance of climate related financial risk and opportunities.	Governance – organization's governance around climate-related issues and opportunities.
Our strategic approach to consideration of climate related risk and opportunity	Description of how processes are integrated into overall risk management. Identification, assessment, and management of climate-related risks and opportunities.	Risk Management – how the organization identifies, assesses and manages climate-related risks.
Our material climate related risk and opportunity	Description of principle climate-related risks and opportunities arising in connection with the operations of the company and the relevant time periods.; Impact of principle climate-related risks and opportunities on business model and strategy; Analysis of resilience of business model and strategy, taking into account different climate-related scenarios.	Strategy – the actual and potential impacts pf climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.
Monitoring our performance	Description of targets used to manage climate-related risks and realize climate-related opportunities and performance against those targets; KPIs used to assess progress against targets used to manage climate-related risks and realize climate-related opportunities and a description of the calculations which KPIs are based on.	Metrics and targets – the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance of climate risks & opportunities

Governance structure

Structure

Responsibility for the consideration of climate-related risks and opportunities is embedded throughout our corporate governance structure. As a professional services business which delivers market leading climate-related and wider sustainability consultancy to clients, consideration of climate-related risks and opportunities comprehensively informs our strategic management and operational planning.



Board oversight of climate-related risks and opportunities

The Board of Directors of the Group parent company The ERM International Group Limited is responsible for the direction and oversight of the Group on behalf of its shareholders and is accountable to them, as owners, for all aspects of ERM's business. Further information on the role of the Board is set out on page 25. The Board meets six to seven times per year to review performance and consider key strategic growth plans, which includes the impact of climate related risks and opportunities on ERM's business strategy, such as our approach to accessing and capitalizing upon the market for energy related transition services.

Supporting the consideration of climate related risks and opportunities is the ESG Risk and Sustainability Steering Group, which serves as an advisory committee to the Board. It works with the Board to identify and manage risks relating to ERM's strategy, reputation, reporting and disclosures. This includes horizon scanning across evolving regulatory, client and wider stakeholder requirements and expectations to inform our positioning on ESG issues, including identifying and managing climate related risks to protect ERM's brand and commercial position.

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

On a day-to-day basis, the Group is managed by the Executive Committee ("Excom"), comprised of four of the five executive directors of the business and a number of other senior Partners in executive management roles who lead geographic, service, industry and client divisions of our operations, legal, people development, sustainability & risk and other professional support functions.

The Excom has accountability for managing business operations and generally meets monthly to discuss performance and plans in support of this. This includes ensuring that the strategic management of our climate related risks and opportunities is being undertaken effectively to optimize current and future business performance through regional and country level planning, recruitment and renumeration, and aligned to our ability to capitalize upon climate related opportunities for commercial growth.

The Excom is supported by the Excom Sustainability Working Group, which advises on all aspects of operationalizing sustainability across our value chain, including our management of climate related risks, operational strategy, programmatic priorities, target setting and resourcing. The Working Group comprises representatives from the Board, Excom and our Global Sustainability Director and Head of Sustainability. This Working Group has oversight and reports into the Excom on ERM's decarbonization strategy and performance against targets, which includes our net-zero and science-based targets ("SBT") commitments, as well as our approach to managing residual emissions and beyond value chain mitigation measures. This is undertaken as part of our wider approach to operationalizing sustainability and involves the identification of relevant KPIs/metrics which support our ability to mitigate against financial material impacts arising from emissions abatement and mitigation, as well as strengthen our positioning as a credible leader in climate advisory services through our own operational decarbonization.

To support our senior leadership, a Climate-related Financial Disclosures/ Taskforce on Climate-related Financial Disclosures ("CFD/TCFD") Working Group was created to input and review the identification of climate related risks and opportunities for the business. This Working Group comprises representatives of Risk, Sustainability, Operations, Finance, Client and Services, who provide specialist subject matter expertise on what and how the business should respond to such risks.

Strategic consideration of climate-related risks & opportunities

Description of how we identify, assess and manage our principal climate related risks and opportunities

Our approach

ERM strategically considers all aspects of potential climate related impacts to our operations, including people, industry and service line, operational, financial, geopolitical and legal parameters, to comprehensively assess potential risks and opportunities to our business.

Strategic risks and opportunities are identified through a multi-faceted approach involving ongoing market, regulatory and horizon scanning, engagement with clients and wider stakeholders, the input of our subject-matter experts and senior operational leaders across the globe and is supported by our annual Double Materiality Assessment process.

Supplementing this approach and consistent with the recommendations of the TCFD, a further detailed analysis and review of current or emergent climate related risks and opportunities is undertaken annually. This is supported by the CFD/TCFD Working Group who have responsibility for driving implementation of our management of climate risk, working in conjunction with senior management to deliver our strategic and operational work programs. Our senior management include regional and business unit managing partners, service and client leads. The output of this analysis support visibility of the potential impacts across the short, medium and longer-term horizons and informs the content of this statement.

Scope of assessment

The assessment of climate related risks and opportunities draws upon the scenario analysis and impact identification set out in our FY23 TCFD reporting (published separately in our annual Sustainability Report), augmented by supplementary inputs and analysis from our subject matter experts and CFD/TCFD Working Group during FY24. This process enables the business 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.

Business strategy and Enterprise Risk Management

ERM's business strategy strategically considers all aspects of potential climate related impacts to our operations, including people, sectoral and service line, operational, financial, geopolitical and legal parameters, to comprehensively assess potential risks and opportunities to our business.

Strategic risks and opportunities are identified through a multi-faceted approach involving ongoing market, regulatory and horizon scanning, engagement with clients and wider stakeholders such as our investors, the input of our subject-matter experts and senior operational leaders across the globe and is supported by our annual Double Materiality Assessment process.

Supplementing this approach and consistent with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD), a further detailed analysis and review of current or emergent climate related risks and opportunities is undertaken on an annual basis. This is supported by the CFD/TCFD Working Group. The outputs of this analysis help provide full visibility of the potential impacts across the short, medium and longer-term horizons and informs this disclosure.

Collectively this analysis feeds into our enterprise risk management system, which remains live and subject to ongoing review from our ExCom and Board, and which informs the identification of key strategic risks and opportunities for the business and supports commercial planning, investment strategy and our operational programs.

Our enterprise risk management process aligns broadly 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. This includes the integration of material climate-related issues into our risk management and our strategy. Under the oversight of our Global Head of Risk, our Risk function serves as a second-line support and challenge role to help our organization deliver on our goals, anticipate and manage risks, flow risk information to decision makers and implement and continually improve risk management strategies.


Inputs & Analysis
Market and regulatory analysis & horizon scanning
Double Materiality Assessment
Service line, client and operational program review
Scenario analysis
Enterprise Risk Management
Climate related risks & opportunities CFD/TCFD working group
Planning & Approvals
Business planning and budget: global, regional and BU
Investment planning: Capex, Opex
Operational Programs
Key Strategic Outputs & Reporting
Business Plans
Investment Plan
Operational Strategies
Annual Disclosures: Financial & Sustainability

Assessment of climate risks and opportunities

Scenario analysis

Consistent with our previous TCFD disclosures published separately in our annual Sustainability Reports, the impact assessment is based on three timeframe scenarios, which this year also considers our latest operational decarbonization targets, validated as in alignment with the SBTi Net Zero Standard.

Our scenario analysis considers time horizons for physical climate and the transition to a low-carbon economy, 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-term timeframes. We have reflected this in our selection of time horizons outlined in the table below, which are linked to our strategic commitments and planning horizons. We have also considered the impacts on our own operations and services over shorter timeframes to reflect the interests of our investors.

Each scenario takes into consideration the potential impacts arising from physical climate change and the transition to a low-carbon economy respectively. The scenarios selected align with guidance and reflect the latest dataset available from the leading international bodies and combine qualitative storylines of social 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).

As per previous analyses, the greatest level of surety exists around the short-term scenario planning and identification of potential climate related risks and opportunities.

As the scenarios progress towards our longer-term timeframe of up to 2040 the analysis represents horizon scanning based on analysis of the impacts of ongoing climatic change on the physical environment, anticipated variability in terms of adaptation across our geographical operations and potential evolution of the market and client demand.

Scenario	Timeframe	Context	Associated Plans
Short-term	Up to 2026	Representing our immediate and short-term planning scenario which takes the business to 2026	Current Business Plan
Medium-term	Up to 2030	Representing our medium-term planning scenario and aligning to key operational decarbonization SBTi targets of 2028 and 2030	Decarbonization Strategy: SBTi 2028 & 2030 emissions reductions targets
Long-term	Towards 2040	Representing our longer-term planning scenario and aligning to our SBTi 2040 net zero target and further horizon scanning to 2050	Decarbonization Strategy: SBTi 2028 & 2030 emissions reductions targets

Impact assessment parameters and assessment of financial materiality

To support our analysis, we have assessed differing parameters by which climate related risks or opportunities may impact our business, these including:

- Point of impact on our operations
- Whether the impact is realized now (actual) or potential
- The likely duration of impact
- The geographical scope of our operations impacted and potential variation within this
- The estimated magnitude of potential impact to our operations
- The probability of potential impacts being realized and
- Whether mitigation is possible and what this may look like

The consideration of these impact parameters informs the next stage of our assessment, namely the analysis of the financial implications of the identified residual risks and opportunities. This is assessed through consideration of:

- The cost of required mitigation and/or enhancement of the identified risk or opportunity respectively – this is assessed as a capex/opex cost and considered in the context of our overall investment strategy and operational budgets. This is rated as low, medium, or high in terms of financial cost and impact on our business.
- The potential impact to our revenue generation and profitability of the residual risk or opportunity post mitigation/enhancement. This is considered in the context of overall current and projected growth of the business and rated as low, medium, or high in terms of financial impact and either positive or negative subject to whether this is generation/value creation or extraction.

Based on this analysis, an assessment is made of the projected financial impact of the risk or opportunity against each of the three scenarios timeframes – short, medium and long term. A final determination is then made of whether the identified risks and opportunities are currently regarded as material to our business or not, with accompanying narrative. Where we anticipate materiality to change over the timeframes, this is also noted.

Management of risk

The key risks and opportunities identified are incorporated into the enterprise risk register, overseen by our Global Head of Risk, who uses this to report to ExCom and to our Board. The register remains live and subject to ongoing review from our ExCom and Board, and informs the identification of key strategic risks and opportunities for the business and supports commercial planning, investment strategy and our operational programs.

Our enterprise risk management process aligns broadly 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. This includes the integration of material climate-related issues into our risk management and our strategy. Under the oversight of our Global Head of Risk, our Risk function serves as a second-line support to help our organization deliver on our goals, anticipate and manage risks, flow risk information to decision makers and implement and continually improve risk management.

Our material climate-related risks & opportunities

Key climate-related risks and opportunities

Topic	Potential financial impact	Risk or opportunity	Short-term: up to 2026	Medium-term: up to 2030	Long-term Towards 2040	Rationale
Market Drivers						
Changing customer behavior influencing market demand for our services	Change in demand for climate-related services and transition of high carbon sectors	Opportunity	Material	Material	Material	Our business is predicated on providing professional services to enhance sustainability performance in our client base. We see the demand for such services as continuing to escalate and therefore presents as a material opportunity. Our geographical scope, breadth of our technical expertise and ability to diversify our service offering in anticipation of/response to client need, positions us well to capitalize upon this market opportunity which we anticipate will be sustained and demand then accelerate as we progress towards 2040 as the urgency of addressing climate change intensifies.
	Decline of spend for activities within sectors that cannot transition	Risk	Decreasingly Material	Not Material	Not Material	Our business supports our client base in transitioning to a low carbon future, including working with those currently in more carbon intensive industries who are seeking to make this transition. Our business model is predicated on shifting away from those projects/activities which do not support transition to a low carbon future. As such, the potential future state decline of activities within sectors that can't transition represents an increasingly diminishing financial impact to our business.
	Retirement of high carbon production assets	Opportunity	Material	Material	Material	We are already supporting clients with the divestment of high-carbon assets worldwide and predict the demand for services will continue to increase, particularly within certain regions/geographies. We have a strong and growing service line which supports the transition of assets to facilitate renewable energy generation and, whilst this has emerged more strongly in certain geographies, it is anticipated that this will become global in scope in the short to medium term. Anticipating this demand, we have catered service line development and team capacity to meet this and view this as a financially material opportunity for the business.

Topic	Potential financial impact	Risk or opportunity	Short-term: up to 2026	Medium-term: up to 2030	Long-term Towards 2040	Rationale
	Increase in demand for low carbon infrastructure, products and services	Opportunity	Material	Material	Material	The business is already seeing the demand for low carbon infrastructure, products and services materializing and we anticipate a sustained increase in the demand for our professional services in support of this, across the time horizons. This represents a financially material opportunity for the business and one which we have strategically positioned ourselves to capitalize upon through capacity building across our operational geographies. This includes acquisition of specialist capacity which has significantly enhanced our ability to meet ever increasing client demand and further capitalize upon our market presence.
Access to new markets	Increased revenues through access to new and emerging markets (e.g., partnerships with governments, banks)	Opportunity	Material	Material	Material	Our business strategy includes investment in strategic partnerships which bolster our capacity to access or enhance our position in emerging markets globally and materially increase revenue generation. A recent example of this is our formation of a partnership with Sumitomo Mitsui Trust Bank, Limited ("SMTB"), aimed at advancing climate change solutions in Japan. Emergent markets for climate-related services represent a financially material opportunity to the business both now and in future state. As with aforementioned opportunities, we anticipate this opportunity will be sustained and demand accelerate as we progress towards 2040 as the urgency of addressing climate change intensifies.
Policy and regulatory environment						
Increased pricing of GHG emissions	Increased client demand for carbon trading and beyond value chain mitigation	Opportunity	Material	Material	Material	Key to our business strategy is a dual approach of acquisitions and service line development to meet the current and anticipated evolving market demand for carbon trading and beyond value chain mitigation. ERM acquired specialist expertise in the form of Coho and has also developed ERM Climate Markets, a new capability and business line that supports clients to mitigate their unabated emissions through investment in high-quality carbon credits that support their broader net zero and sustainability goals. The demand for these services is already evident and anticipated to increase across near, medium, and long-term scenario planning and presents a financially material impact to the business.

Topic	Potential financial impact	Risk or opportunity	Short-term: up to 2026	Medium-term: up to 2030	Long-term Towards 2040	Rationale
Increased costs and/or reduced demand for products and services resulting from fines and judgments	Increased costs and/or demand for products and services resulting from fines and judgments within client base	Opportunity	Material	Material	Material	We provide specialist support to our clients to enable them to meet current and future state regulatory requirements and enhance the sustainability of their operations. This serves to bolster their ability to meet stakeholder requirements and reduce their exposure to potential fines and judgments. The provision of services to operationalize sustainability in our clients is a commercial opportunity for us, which is material in terms of financial impact. Our strategy is to continue to invest in technical expertise and technology enablement to support our service delivery and escalating market need in this context.
Exposure to litigation	Impact to client strategy and demand for advisory services	Opportunity	Material	Material	Material	Across the globe but particularly in developed economies, there has been an increase in stakeholder led litigation, as stakeholder scrutiny of corporate performance has evolved into direct legal challenge, with both the efficacy of transition planning and compatibility of corporate investment with climate regulatory frameworks being two of the central foci for litigation. We expect this trend to continue with escalation anticipated across our scenario timeframes as the drive for net zero gains ever increasing urgency and societal scrutiny intensifies. We already see our client base responding to this trend and anticipate ongoing increase in demand for our services to support pre-emptive measures to mitigate litigation. We view this as a financially material opportunity for the business, with ongoing review of specialist capacity being critical to meet demand.
Technology						
Technological investment	Capital investments in technology development to address client need & market opportunity for technology services to client	Opportunity	Material	Material	Material	The business has been strategically investing in technological advancements which support our diversification of services to meet evolving client demand, key amongst which is investment in technology which supports ever increasing disclosure requirements. Our technology portfolio now contains an array of products directly created to meet identified need and positions strongly to capitalize upon growing market demand. This is augmented by commercial partnerships with many third-party digital software providers. Across all scenario planning, this represents a financially material opportunity for the business.

Topic	Potential financial impact	Risk or opportunity	Short-term: up to 2026	Medium-term: up to 2030	Long-term Towards 2040	Rationale
Resilience						
Physical risks - acute	Increased severity of extreme weather events such as cyclones and floods	Risk	Not Material	Potential to be Material	Potential to be Material	In the event of an acute physical risk, such as a cyclone or floods, our operational priority is focused on prioritizing the safety and wellbeing of our employees. Once secured, delivery of our services to clients can be maintained through switching to home-based working and through the leasing of temporary office facilities, should our offices be physically impacted. Disruption to business continuity in the respective location is, therefore, anticipated to be temporary and can be mitigated through the aforementioned measures, as our recent experience in managing the impacts of flooding to our Brazilian business unit has reinforced. Our business continuity and travel planning should help minimize impacts to employees working remotely or in-field. Repairs to the physical infrastructure of the office are anticipated to be recoverable through our insurance and the financial impact to the business whilst material in the immediate impact is not considered material in respect of the global financial performance of the business. We will actively monitor changing climatic conditions and the potential for acute physical risks to become chronic and impact a wider geographical area. We have, therefore, noted the potential for chronic physical risks to become material in the medium to long term, though offset by mitigation measures.
Resource substitutes/ diversification	Increased cost of retaining supply chain ability to operate under various conditions	Risk	Not Material	Not Material	Potential to be Material	Future state, suppliers and specifically subcontractors, may face increased challenges and cost in operating within physical environments impacted by climatic change, particularly those who conduct in-field services for us. There is also recognition that as regulatory requirements for decarbonization and enhanced disclosure continue to grow, this may increase costs for SME and niche suppliers. The business is focused on engaging our subcontractors to understand and build capacity in terms of decarbonization, adaptation and resilience to ensure continuity of service provision. This does not currently present a material risk to the business, but we remain alert to the need to pre-emptively mitigate against this and diversify the supplier base if required.

Physical climate related risks and opportunities

As noted previously, the assessment considered a broad range of potential climate related risks and opportunities which includes physical risks, both acute and chronic, and the impact this could potentially have on our business operations.

The impact of climate change in terms of temperature rise, changes in precipitation patterns and volume, variability and extreme weather is already being seen across the globe. We are alert to the risks that this may pose in the future to our operations, as with any multinational business.

The nature of our business is primarily office based, either in our own offices or those of our clients. With respect to our own operations, our Global Operations teams oversees the running of our offices, working with regional and local facilities teams which annually plan for the requirements associated with each office, consistent with our stringent Health & Safety requirements. Air conditioning and/or heating is integral to our office running and we are strategically committed to the use of renewable energy across all our offices, pursuant to our decarbonization strategy and also purchase renewable energy certificates ("REC"s) to offset residual emissions. We proactively budget for the cost of this, whilst also seeking to incrementally introduce energy efficiency measures through our office optimization program. The cost - both current and future state - is not financially material.

Acute physical risks pose potential disruption to any business and have been considered in relation to the physical location of our offices, specifically those in locations identified as being current or potentially prone to extreme weather conditions. This also takes into consideration existing and predicted capacity to adapt to such conditions. In the event of an acute physical risk, such as a cyclone or flood, our operational priority is the safety and wellbeing of our employees. Once secured, delivery of our services to clients can be maintained through switching to alternative working environments, including home working and alternative premises. Subject to the scale of impact of the specific physical risk, for example, if the impact is felt on a national or regional geographical basis, the impact to our business has the potential to be material in the immediate term. This impact will be mitigated by the operational measures we would deploy.

In the event that physical risks are anticipated to become chronic, for example, increased and sustained high temperatures, adaptation measures will be considered in respect of the relevant office and business unit operational planning. Actions would then be undertaken through our office optimization and business unit planning, to adjust our office working environment or relocate to alternative premises. Employee commuting to work and work undertaken in-field would also be adjusted to reflect changed climatic conditions and incorporated into our working practices, Health & Safety protocols and service delivery plans. This would be proactively assessed, factored into the respective business unit budget and implemented in a manner which we do not anticipate to be financially material to the business unit or wider business but have conservatively noted as a potential material risk in the medium to long term, which will be actively monitored and mitigated against.

Impacts to our operational strategy and business resilience

Our operational strategy actively considers the potential varying impacts to business continuity and resilience in the short, medium and long-term which would emerge from the different assessment scenarios. Whilst it is hoped that we will see the realization of the SSP1/NZE low emissions, net-zero emissions scenario, the business is also prepared for the possibility of the SSP2/STEPS high carbon emissions scenario, in the event that there is a more passive approach adopted to decarbonization by states, businesses and wider stakeholders.

SSP1/NZE Low or net-zero emissions scenario

In the scenario of SSP1/NZE net-zero emissions scenario, we anticipate demand for our commercial services will continue to increase across the three time horizons. Immediate and short-term demand arises from clients who are actively transitioning now, the early movers and/or those preparing for future state transition. Demand for services is anticipated to continue and likely escalate as we move towards 2030 and a further wave towards the 2040 time horizon for those industries/sectors which may require a more staged or elongated timeframe for transition. Through a strategy of targeted acquisitions and strategic hires, service line development and consolidation of our technical communities, employee retention and recruitment programs, we are positioned to meet the anticipated increasing and diversified client need. This also enables us to capitalize upon anticipated climate related commercial opportunities across short-, medium- and long-term horizons.

As a global sustainability consultancy, we operate in accordance with our longstanding commitment to demonstrate credible net zero leadership and implement operational programs consistent with this. From an operational perspective, our established decarbonization program which has been validated to align with the SBTi Net Zero Standard, sees us on a sustained pathway of emissions reduction in pursuit of net-zero by 2040. This positions us to be beyond compliant with both current and projected escalating regulatory commitments to reduce emissions across medium and longer-term scenario timeframes. Our incremental emissions reductions also buffer the business against potential rising costs associated with market-based mechanisms delivering credits and beyond value chain mitigation.

Even under a low or net-zero emission scenario, acute physical risks are likely to continue to become manifest, with varying ability to adapt to such risks in geographies across the world. As outlined in the assessment, however, we believe the impact of such risks to be temporal in nature and limited in terms of their potential financial materiality to the business. We have established adaptation measures integrated into our business planning to enable continuity of services to clients and business resilience.

Our operational strategy actively considers the potential varying impacts to business continuity and resilience in the short, medium and long-term which would emerge from the different assessment scenarios. Whilst it is hoped that we will see the realization of the SSP1/NZE low emissions, net-zero emissions scenario, the business is also prepared for the possibility of the SSP2/STEPS high carbon emissions scenario, in the event that there is a more passive approach adopted to decarbonization by states, businesses and wider stakeholders.

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In the scenario of SSP1/NZE net-zero emissions scenario, we anticipate demand for our commercial services will continue to increase across the three time horizons. Immediate and short-term demand arises from clients who are actively transitioning now, the early movers and/or those preparing for future state transition. Demand for services is anticipated to continue and likely escalate as we move towards 2030 and a further wave towards the 2040 time horizon for those industries/sectors which may require a more staged or elongated timeframe for transition. Through a strategy of targeted acquisitions and strategic hires, service line development and consolidation of our technical communities, employee retention and recruitment programs, we are positioned to meet the anticipated increasing and diversified client need. This also enables us to capitalize upon anticipated climate related commercial opportunities across short-, medium- and long-term horizons.

As a global sustainability consultancy, we operate in accordance with our longstanding commitment to demonstrate credible net zero leadership and implement operational programs consistent with this. From an operational perspective, our established decarbonization program which has been validated to align with the SBTi Net Zero Standard, sees us on a sustained pathway of emissions reduction in pursuit of net-zero by 2040. This positions us to be beyond compliant with both current and projected escalating regulatory commitments to reduce emissions across medium and longer-term scenario timeframes. Our incremental emissions reductions also buffer the business against potential rising costs associated with market-based mechanisms delivering credits and beyond value chain mitigation.

Even under a low or net-zero emission scenario, acute physical risks are likely to continue to become manifest, with varying ability to adapt to such risks in geographies across the world. As outlined in the assessment, however, we believe the impact of such risks to be temporal in nature and limited in terms of their potential financial materiality to the business. We have established adaptation measures integrated into our business planning to enable continuity of services to clients and business resilience.

SSP2/STEPS High carbon emissions scenario

ERM is committed to working with stakeholders to avoid the realization of the SSP2/STEPS high carbon emissions scenario but we nonetheless take into consideration the potential for this scenario to be realized. Even in the scenario of other state or business actors seeking to adopt a more passive approach to decarbonization, we believe wider societal, consumer and investor demand will at least partially mitigate against this. As previously noted, ERM seeks to work with those businesses who are invested in delivering a low-carbon future, providing ongoing demand for our services.

Our cross-sectoral and global coverage enables us to flex and remain agile and resilient in the face of geo-political uncertainty impacting the speed or scale of policy and regulatory driven change and potential variability in the rate of transition across sectors or geographies. In the event of industry or country specific policy and regulatory uncertainty impacting market demand, our operational model enables rapid retraining and/or redeployment of personnel, to mitigate against potential material financial impact. This can be undertaken on a temporary or sustained basis, subject to projections of how we anticipate the respective sector or country will respond in the short to medium term.

We will also seek to continue the decarbonization of our own operations. Through our strategic approach, we reduce the financial impact of carbon credits and beyond value chain mitigation, supporting our ability to deliver net-zero in a cost efficient and resilient manner.

Under the high carbon emissions scenario, there is an increased likelihood of physical risks becoming chronic and a reduced potential for certain economies to adapt or increased level of investment required to support this. Our ongoing constraints mapping will actively consider this and inform our planning around office location and deployment of personnel in-field, working with clients, to ensure we continue to deliver services and remain resilient. Any potential realization of the high carbon emissions scenario will be gradual and actively monitored. Our operational strategy supports the business to capitalize upon market demand, reflecting our assessment of current and projected climate related commercial opportunities and taking into consideration foreseeable geo-political, regulatory and sectoral disparities to support business resilience.

Targets and monitoring of performance

The nature of our business means that the suite of our metrics/targets are collectively focused on supporting our own operational decarbonization and that of our clients, and the commercial opportunity which this creates. Our business plan integrates targets aimed at sustaining and growing our business across short-, medium- and long-term planning, and takes into consideration our geographical scope, sectoral presence, and projected demand for our service lines across the scenarios set out in this assessment. Commercial targets are set accordingly for service teams, sector, and client workstreams, and for our business units and regions, which are integrated into business planning. Progress against these commercial targets is monitored on a quarterly, half-yearly and annual basis.

A wider set of sustainability metrics are also established each year to support our operational programs, including in key areas such as people management and the recruitment and retention of staff which supports our ability to be agile in the face of increasing market demand or climate related professional services. Performance against these targets is published in our annual Sustainability Report and our wider financial performance is set out in these financial statements.

Target	KPI
Adaptation to changing physical environment	
Protection of health, safety and wellbeing of office working environment for employees in face of changing climate and extreme weather conditions	New: Track % of offices with updated business continuity plans that take into account climate related physical risks.
Protection of health, safety and wellbeing of employees in-field/conducting survey work in face of changing climate and extreme weather conditions	New: Develop methodology and KPI to track productivity loss arising from physical risks (e.g., days lost due to inability to conduct in-field survey activity due to extreme weather/changing climatic conditions).
Transition of operations	
Decarbonization of operations, including supply chain, to reduce financial cost of emissions abatement, credits and beyond value chain mitigation	Reduce scope 1, 2 and 3 emissions in line with SBTi targets against FY20 baseline. For historical performance data; see table 1 below.
Changing market for climate-related service delivery	
Capitalizing upon increased market demand for professional services to support client transition	Year on year growth in net revenue; see summary results on page 3.

Historic performance data

Table 1: GHG emissions reduction

	FY20 baseline (tCO_2e)	FY24 (tCO_2e)	% reduction against baseline
Scope 1	1,350	1,037	23%
Scope 2	2,582	1,750	32%
Scope 3	51,571	41,524	19%

Metrics for monitoring climate-related risks & opportunities

Metrics

The nature of our business means that the suite of our metrics/targets are collectively focused on supporting our own operational decarbonization and that of our clients, and the commercial opportunity which this creates.

Our business plan integrates targets aimed at sustaining and growing our business across short-, medium- and long-term planning, and takes into consideration our geographical scope, sectoral presence, and projected demand for our service lines across the scenarios set out in this assessment.

Commercial targets are set accordingly for service teams, sector, and client workstreams, and for our business units and regions, which are integrated into business planning. Progress against these commercial targets is monitored on a quarterly, half-yearly and annual basis.

A wider set of sustainability metrics are also established each year to support our operational programs, including in key areas such as people management and the recruitment and retention of staff which supports our ability to be agile in the face of increasing market demand for climate related professional services. Performance against these targets is published in our annual Sustainability Report.

The key metrics used to manage our climate related risks and opportunities is summarised in the table below. Performance against these metrics is monitored on an ongoing basis and reported to our senior leadership.

Category	Description of Target	KPI
Adaptation to changing physical environment	Protection of health, safety and wellbeing of office working environment for employees in face of changing climate and extreme weather conditions	New: Track % of offices with updated business continuity plans that take into account climate related physical risks
	Protection of health, safety and wellbeing of employees in-field/conducting survey work in face of changing climate and extreme weather conditions	New: Develop methodology and KPI to track productivity loss arising from physical risks (e.g., days lost due to inability to conduct in-field survey activity due to extreme weather/ changing climatic conditions)
Transition of operations	Decarbonization of operations , including supply chain, to reduce financial cost of emissions abatement, credits and beyond value chain mitigation. *To note land water and waste are not material operational topics/impacts*	Reduce scope 1, 2 and 3 emissions in line with SBTi targets against FY20 baseline Historical performance data – Table 1
Changing market for climate related service delivery	Capitalizing upon increased market demand for professional services to support client transition	Year on year growth in net revenue Historical performance data – Table 2

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Sustainability is our business