



ERM SUSTAINABILITY REPORT 2023

Approach to materiality

SUPPLEMENT

Sustainability is our business

Materiality assessment

ERM has developed a robust process for determining our material issues and ensuring these are the focus of our sustainability reports and programs. Through our materiality assessment, we strive to identify our most significant economic, environmental and social impacts. We share the results of our assessment in our annual sustainability report so our stakeholders have access to the information needed to make reasonable decisions regarding ERM – as a client, employee, contractor, business partner, investor, government or nongovernmental entity, community member or other interested parties.

This document provides details on ERM's materiality assessment in preparation of our [Sustainability Report 2023](#).

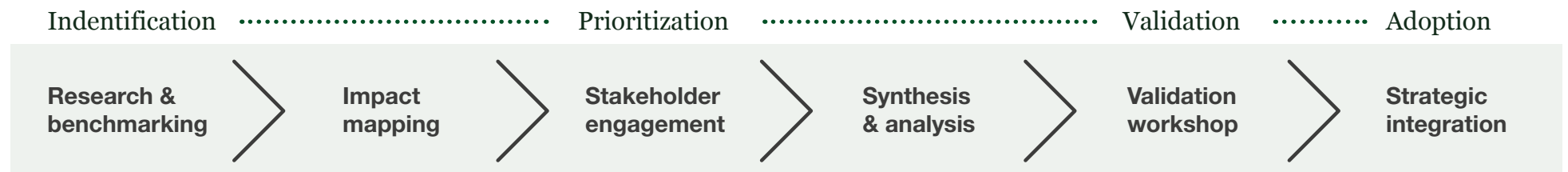
Approach for FY23

Our GRI-driven materiality assessment process enables us to identify, prioritize, and validate material topics. We are using the same process for ERM that we use with clients.

We conduct annual materiality assessments as part of a three-year cycle. During year one, we undertake a comprehensive evaluation, while during years two and three we perform a streamlined review to confirm that our material topics continue to be appropriate for our company and adjust as needed. Based on the results of the materiality assessments, we set targets to track the effectiveness of our management of our material sustainability issues.

Given the rapid changes in our company, our clients and across society, last year we undertook a deeper analysis to determine the material topics for our company. As the second year in our three-year cycle, we performed a more streamlined approach to our assessment in 2023.

ERM's materiality assessment process





We drew on a range of inputs to develop a view on what matters to our internal and external stakeholders, including interviews with senior management, Partners, employees, clients and sustainability thought leaders. We undertook the following comprehensive approach to determine the material topics for our Sustainability Report 2023:

Research and benchmarking

- Expanded our understanding of ERM's sustainability context through our involvement in various global organizations, including the World Business Council for Sustainable Development (WBCSD), UN Global Compact, Ceres, Climate Champions and many others.
- Benchmarked our peers as well as companies recognized as leaders in sustainability reporting.
- Utilized ERM's ESG Fusion, an AI-enabled ratings platform for private markets. ESG Fusion evaluates more than a dozen factors including climate change (physical and transition risks); supply chain; and diversity, equity, inclusion and belonging (DEIB) to provide a comprehensive assessment of a company's environmental, social and governance (ESG) risks and opportunities.

Impact mapping

- Refined our high-level value chain map that summarizes business inputs and outputs.
- Used the results of our research and benchmarking sources to identify potential sustainability impacts, risks and opportunities throughout the value chain.

Stakeholder engagement

- Gathered stakeholder input and associated evidence to support which topics the company should prioritize:
 - 38 internal interviews of Executive Committee members, Partners and staff, including subject matter experts and key functional leaders.
 - 13 external interviews of clients and sustainability thought leaders.
 - Internal survey results.

Synthesis and analysis

- Scored and synthesized inputs that reflect:
 - Feedback from stakeholders (survey and interviews).
 - Benchmarking results.
 - Relevant industry standards, policies, statements and studies.
 - ESG Fusion assessment results.
- Developed KPIs, targets and goals for each proposed material topic.

Validation

- Validated materiality topics and associated KPIs, targets and goals with:
 - Executive Committee Sustainability Working Group.
 - Full Executive Committee.
- Presented results to the ESG Risk and Sustainability Steering Group of the Board of Directors for validation and approval.

Strategic integration (ongoing)

- Determining and/or refining management approach regarding the material topics to deliver performance throughout our operations, under the leadership of:
 - Executive Committee leads for each material topic.
 - Membership of Executive Committee Sustainability Working Group.
- Incorporating materiality results in annual sustainability reporting.
- Where necessary, setting or refining goals, KPIs, strategies, partnerships and internal controls.



Relationship to enterprise-level risk management

The top sustainability issues identified through our materiality assessment are considered alongside enterprise-level risks, which in turn informs our strategy and strategic plans. Strategic risks, including sustainability and ESG-related risks are identified and assessed through our risk management processes and included on our risk register.

This year, under the direction of our Head of Global Risk, we updated our enterprise risk management system to align more fully with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which addresses control environment, risk assessment, information and communication, monitoring and existing control activities. This includes the integration of material sustainability issues into our risk management and our strategy.



Photo credit: Alexis Marti, Canada

Incorporating double and dynamic materiality

Our assessment has evolved to take into consideration several different approaches for identifying our material topics, including double and dynamic materiality:

- 1.** We assessed the potential and actual impacts of ERM on the environment, economy and society (including human rights) and the substantive influence of these impacts on the assessments and decisions of stakeholders, as required under the GRI Standards.
- 2.** We considered how sustainability issues affect ERM's performance, position and development and our impact on people and the environment (i.e., double materiality) as defined under the proposed European Corporate Sustainability Reporting Directive (CSRD). Although we are not required to report under CSRD at this time, we considered double materiality in determining our material topics.
- 3.** We also considered topics that are not as material to ERM today but could become material in the coming decade (i.e., dynamic materiality, as defined by the World Economic Forum).



Our material topics

Based on our materiality assessment, our Executive Committee and Board of Directors agreed to the following material topics. These topics form the basis of our FY24 targets and support our longer-term goals.



People

including talent development; diversity, equity, inclusion and belonging (DEIB); wellbeing; health and safety.



Digital innovation

including digital enablement; client data security and privacy; cybersecurity.



Climate, nature & social challenges

including decarbonization; nature, water and biodiversity; social impact and human rights.



Impact & influence

including thought leadership; partnerships; measurement; supply chain.



Governance & accountability

including strategic and operational leadership; client, project and partner selection; reporting and disclosure; ethical business conduct; risk management.

Photo credits:

1. Ewa Matuszewska, South Africa
2. ERM
3. Anna Bruchhausen, Germany
4. ERM
5. ERM LAC Marine Team

Changes to material topics from previous year

We made several refinements to the material topics this year, based on the results of our materiality assessment for FY23.

Material topics FY23	Material topics FY24	Changes made FY23-FY24
<p>People including talent and capability, wellbeing, diversity, equity, equality and inclusion (DE&I).</p>	<p>People <i>including talent development; diversity, equity, inclusion and belonging (DEIB); health and safety and wellbeing.</i></p>	<ul style="list-style-type: none"> Renamed talent and capability to talent development to align with our programs. Changed DE&I to DEIB to recognize the importance of belonging. Added health and safety as subtopic to reflect its importance at ERM (previously Foundational Enabler).
<p>Digital innovation including digital products, tech enablement, client privacy and data security.</p>	<p>Digital innovation <i>including digital enablement; client data security and privacy; cyber security.</i></p>	<ul style="list-style-type: none"> Renamed client privacy and data security to client data security and privacy for clarity. Added cyber security as a subtopic to reflect its growing importance to our stakeholders.
<p>Climate, nature and livelihoods including decarbonization, nature and biodiversity (collectively referred to as nature in this report), livelihoods and communities.</p>	<p>Climate, nature and social challenges, <i>including decarbonization; nature, water and biodiversity; social impact and human rights.</i></p>	<ul style="list-style-type: none"> Renamed livelihoods and communities to social programs to better reflect the breadth of social issues material to us. Added water as a subtopic to increase its visibility as a material topic. Renamed livelihoods and communities subtopic to social impact and human rights to align with the challenges facing our clients.
<p>Impact and influence including thought leadership, collaboration and society, measurement.</p>	<p>Impact and influence <i>including thought leadership; partnerships; measurement; supply chain.</i></p>	<ul style="list-style-type: none"> Changed collaboration and society to partnerships to more accurately reflect our approach. Added supply chain as a subtopic as it has become a high priority for our stakeholders.
<p>Accountability including strategic and operational leadership, client and project selection, and reporting and disclosure.</p>	<p>Governance and accountability including strategic and operational leadership; client, project and partner selection; reporting and disclosure; ethical business conduct; risk management.</p>	<ul style="list-style-type: none"> Added governance to title of material topic for clarity. Expanded client and project selection to reflect that our approach includes our partners. Added ethical business conduct and risk management as subtopics to reflect their importance to stakeholders (previously Foundational Enablers).



Regional differences

As a global company with over 8,000 employees working in 40 countries, we recognize the different contexts and interests at the regional level. Based on external stakeholder feedback, we are presenting information about regional difference in the prioritization of material topics.

On the following pages, the charts show the top six material topics identified in each of our four regions, based on our 38 internal stakeholder interviews in which we asked each person to identify the top six most important sustainability issues for ERM based on the three different perspective of materiality (outside-in, inside-out and future impact). Taking all three perspectives into account, we see some interesting differences as well as similarities across the regions:

- Climate change ranked highest in Asia Pacific and North America, with nearly three-quarters of the interviewees in each region ranking it among the top six topics, and the topic was the highest ranked or tied for highest ranked across all four regions.
- Diversity and inclusion ranked as high as climate change in Latin America (67% of interviewees).
- Digital and technology innovation ranked as high as climate change in Asia Pacific (73%) and Europe, Middle East and Africa (52%).
- Energy, a component of decarbonization, ranked very high in Asia Pacific (60%).
- Risk management topics such as business decision-making (50%) and client and project selection (50%) ranked especially high in Latin America.

Understanding regional variations provides valuable insights on how to manage sustainability impacts for our clients and within our own operations.

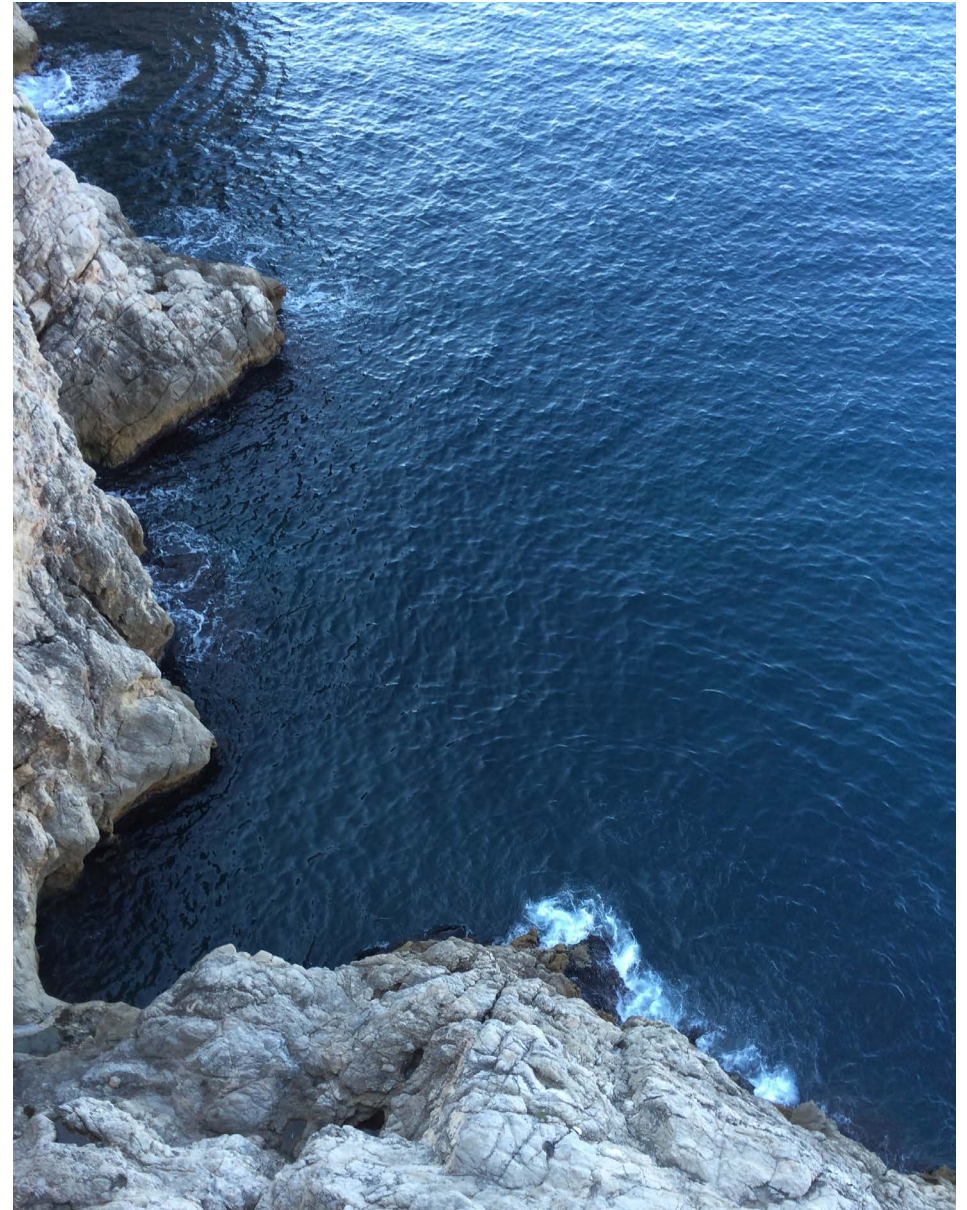


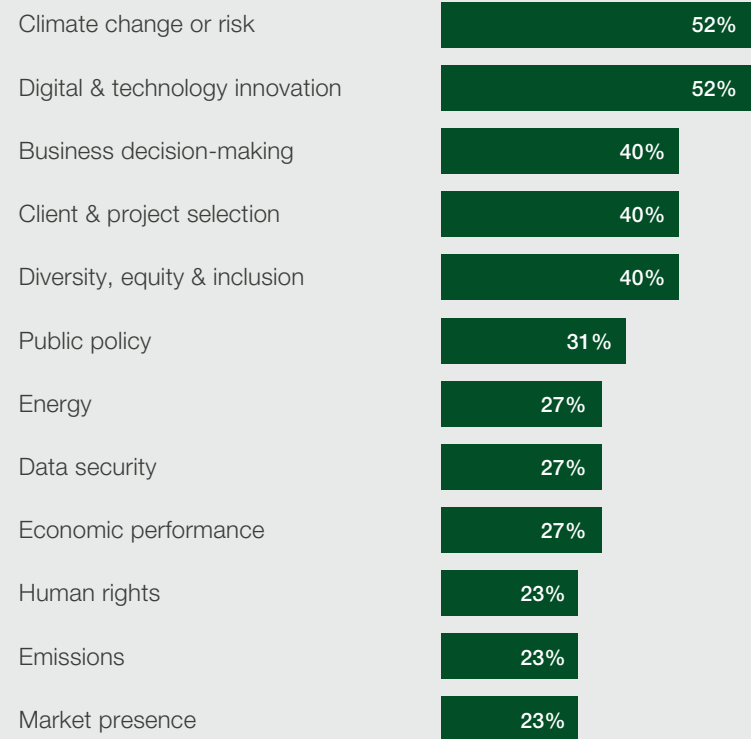
Photo credit: Barbara Winter Watson, United States



Asia Pacific % of respondents selecting subtopic as among ERM's top 6 material topics



Europe, the Middle East and Africa % of respondents selecting subtopic as among ERM's top 6 material topics





Latin America and the Caribbean % of respondents selecting subtopic as among ERM’s top 6 material topics






North America % of respondents selecting subtopic as among ERM’s top 6 material topics





Assessing our impacts across our value chain

In line with the GRI Standards, we have assessed our impacts on the economy, the environment and people, including human rights.

Material topics	Overview of impacts on economy, environment and people, including human rights	Actual/potential	Negative/positive
 People	If we cannot attract, develop, reward and retain talented employees, we will be unable to help our clients meet their sustainability challenges.	Actual	⊖ Negative ²
	Growing our diverse and inclusive work environment helps us create better solutions for our clients while respecting the rights of stakeholders.	Actual	⊕ Positive
 Digital innovation	Digitization of EHS and sustainability systems make our client's and our own processes more automated and responsive, better connected and insightful.	Actual	⊕ Positive
	Our clients and workforce would lose trust in ERM if we cannot assure the confidentiality, integrity, protection and responsible use of data.	Potential	⊕ Positive ⊖ Negative ^{2,3}
 Climate, nature and social challenges	As an advisory business, ERM works with many of the largest companies in the world, which in turn have some of the largest impacts on climate, nature and society. Our services are directly related to helping our clients to address these impacts and to operate in a more sustainable way through decarbonizing their businesses, working towards nature-positivity and providing social and economic benefits.	Actual	⊕ Positive
	Some of the activities of the companies we work for may have negative impacts on climate, nature and society – directly or indirectly. We are enhancing our client and project selection processes to identify and respond to client activities that may have negative environmental, economic, social or human rights impacts.	Potential	⊖ Negative ¹
	As economies move towards a low-carbon and nature-positive future that addresses the social aspect of ESG with urgency, there will be greater demand for ERM services.	Actual	⊕ Positive

¹ Negative impacts relate to the activities of our clients. ² Negative impacts relate to our own operations. ³ Negative impacts relate to the services we provide to our clients.








Material topics	Overview of impacts on economy, environment and people, including human rights	Actual/ potential	Negative/ positive
 Impact and influence	<p>ERM has a unique opportunity and responsibility to leverage our technical expertise, societal understanding and business acumen to shape a more sustainable world through the SustainAbility Institute, partnerships and the ERM Foundation.</p> <hr/> <p>As we strengthen our voice on what must be done to address the environmental, social and economic challenges of our time, some key stakeholders may not agree with our insights and perspectives.</p>	<p>Actual</p> <hr/> <p>Potential</p>	<p>⊕ Positive</p> <hr/> <p>⊖ Negative^{2,3}</p>
 Governance & accountability	<p>Good corporate governance will fulfill our responsibilities to our external investors, lenders, Partners, employees, strategic partnerships, suppliers and contractors, clients, regulators, society and the environment.</p> <hr/> <p>The inability of ERM to effectively respond to stakeholders' increased expectations on ESG performance may negatively affect client engagements, investor and lender support, talent acquisition and retention, and regulatory compliance.</p>	<p>Actual</p> <hr/> <p>Potential</p>	<p>⊕ Positive</p> <hr/> <p>⊖ Negative^{2,3}</p>

¹ Negative impacts relate to the activities of our clients. ² Negative impacts relate to our own operations. ³ Negative impacts relate to the services we provide to our clients.



FY24 targets

We set annual targets and longer-term goals for each of our material sustainability topics based on the review and approval of internal subject matter experts, the Executive Committee and our Board of Directors. We will report on our progress in the ERM Sustainability Report 2024.






Material topics	FY24 targets
 People	<ul style="list-style-type: none"> • Achieve workforce growth and strengthen community within ERM to meet client needs and enhance our social impact. • Achieve year-on-year improvement in learning effectiveness. • Maintain net engagement score above industry average. • Achieve global DEIB annual targets.
 Digital innovation	<ul style="list-style-type: none"> • Achieve annual targets for digital enablement of core service offerings. • No reportable breaches of privacy regulations.
 Climate, nature & social challenges	<ul style="list-style-type: none"> • Increase sales supporting the low-carbon economy transition by 20% over FY23. • Remain on track to meet SBTi targets. • Finalize and implement ERM's updated decarbonization, nature, social and supplier engagement programs.
 Impact & influence	<ul style="list-style-type: none"> • Contribute 1% of prior year profits to support sustainability initiatives globally. • Publish initial Impact Report.
 Governance & accountability	<ul style="list-style-type: none"> • Formalize quarterly reporting of ESG/sustainability metrics to the Board. • 100% of eligible full-time employees complete Contributions Statements. • Implement refreshed enterprise risk management approach.

Longer-term goals

Based on the results of our FY22 materiality assessment, we launched a new set of longer-term goals, as reported in last year's Sustainability Report. These multiyear goals are reviewed annually and modified only if they are no longer relevant or due to data source changes.

As a result of our most recent review, we refined two climate and nature goals, as noted in the following table.

Unless otherwise noted, goals are to be achieved by the end of FY26.

Material topics	Longer-term goals
 People	<ul style="list-style-type: none"> • Achieve workforce growth to meet client needs. • Achieve year-on-year improvement in learning effectiveness. • Maintain net engagement score about industry average. • Achieve year-on-year improvement in ERM's total wellbeing metrics. • Achieve DE&I goals.
 Digital innovation	<ul style="list-style-type: none"> • Deliver roadmap for digital enablement of core service offerings. • No reportable breaches of privacy regulations.
 Climate, nature & social challenges	<ul style="list-style-type: none"> • 40% of total revenue from projects supporting the low carbon economy transition. • Remain on track to deliver SBTi targets (Scopes 1, 2 and 3).¹ • Implement a roadmap for nature-positive action.² • 100% of ERM's offset projects have demonstrated livelihoods benefits.
 Impact & influence	<ul style="list-style-type: none"> • Out perform industry benchmarks for thought leadership. • Quantify and report on sustainability impacts across all elements of ERM's business. • Contribute 1% of prior year profits to support sustainability initiatives globally, with a minimum of 0.5% to ERM Foundation grants.
 Governance & accountability	<ul style="list-style-type: none"> • Increase transparency of Board ESG metrics. • Integrate ESG criteria into performance management system for all line managers. • Assess all clients and projects in alignment with ERM's purpose. • Maintain leadership position for sustainability and ESG reporting requirements in all jurisdictions in which we operate.

¹ Updated to align with SBTi changes.

² Updated to align with our biodiversity policy.



ERM SUSTAINABILITY REPORT 2023

Approach to materiality

SUPPLEMENT

© Copyright 2023 by The ERM International Group Limited and/or its affiliates ('ERM'). All Rights Reserved. No part of this work may be reproduced or transmitted in any form or by any means, without prior written permission of ERM.

Sustainability is our business