



Assurance Statement

About this statement

For the third year running, Sustainability Advisory was engaged by ERM to provide independent assurance of ERM's Sustainability Report.

Assurance focus

This year, ERM asked us to focus specifically on the following topics:

- The impacts of a changed working environment will have long term implications for ERM – to what extent has ERM addressed these impacts in the Sustainability Report?
- How effectively has ERM responded to the diversity, equality and inclusion agenda?
- To what extent is ERM's ambition and commitments reflecting the company's desired leadership position?

In conducting our work, we were mindful of ERM's observance of the AA1000 Guiding Framework of Principles for Sustainability Management (2018) and the Global Reporting Initiative Foundation Standard (2016) Principles for Defining Report Content. AA1000 defines these principles as Inclusivity, Materiality, Responsiveness and Impact; and, GRI as Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

This statement is provided for ERM's management as well as ERM's sustainability report readers. Beyond this engagement, we have no other financial relationship with ERM. Information about our qualifications and relationships can be found here www.sustainabilityadvisory.net.

Responsibilities

ERM has sole responsibility for the preparation of the report and its contents. We were not involved in the preparation of any part of the report; however, we did review and provided feedback on pre-publication draft. We have not evaluated the reliability of reported data or related data collection processes, for which ERM has conducted its own internal quality assurance (as discussed in the report).

In addition to this public statement, a separate Management Report will be issued to ERM's Executive Committee Sustainability Working Group. This provides further observations and recommendations relating to the below commentary.



How we formed our opinion

We undertook the following activities to produce this statement:

- We reviewed ERM's processes for determining materiality and how identified material issues were considered in strategy formation, decisions on targets and goals, management approaches to material issues and reporting on performance against these issues.
- We conducted interviews with members of ERM's Executive Committee, including the CEO, and key staff involved in the preparation of ERM's sustainability report. In all, 10 senior staff were interviewed.
- We reviewed and commented on drafts of the Sustainability Report as well as previously published Sustainability Reports; documentation describing ERM's approach to materiality analysis and stakeholder engagement, various sustainability related policy documents, as well as previous assurance statements and associated management reports.

For the second year running, ERM asked to engage with a panel of external stakeholders in forming our opinion. The Stakeholder Panel was recruited by ERM and consisted of five members representing a range of stakeholder perspectives and areas of expertise. The members were: John Dony, Jeanne-Marie Gescher, Terry Nelidov, John Schaetzel and Alison Stowell.

Panel members were specifically invited to:

- provide feedback on ERM's materiality analysis;
- comment on Sustainability Report draft;
- provide a public quote for the report (these can be viewed in the Assurance section in the main report);
- comment on this assurance statement; and,
- comment on the Management Report.

We have considered the Panel's feedback in forming our below commentary and submitted their consolidated feedback to ERM's reporting team to feed into report finalization. The Panel's feedback on the report, materiality analysis, this statement and the management report has also been reported to the Executive Committee Sustainability Working Group via a separate Management Report and a presentation.

Commentary

The below provides our commentary with respect to the three questions ERM asked us to focus on in this year's assurance engagement.

Changed working environment - The impacts of a changed working environment will have long term implications for ERM – to what extent has ERM addressed these impacts in the Sustainability Report?

As the pandemic took hold at the tail end FY20 report preparation, it is probably fair to say that none of us expected to be where we are today. From the beginning of the pandemic, ERM's response was decisive, driven by its strong ethos of 'safety first'. Building on its existing crisis management process, the company swiftly set up a COVID-19 task force with the primary objective of safeguarding the health and wellbeing of its employees as well as others directly under the company's care. These efforts have continued and deepened with an array of new tools, procedures and working practices having been introduced to help ensure



continued employee welfare, level of engagement and, importantly, continued ability to work productively out of the office environment.

As the scale and impact of the pandemic escalated, ERM focused on engaging with clients to find ways to adapt work programs and ways of working to achieve project outcomes while keeping everyone safe and without the need for physical presence when this has not been possible. This has led to a number of innovations in working practices and services, often supported by digital solutions, that have not only enabled remote working but have generated significant cost savings in many cases. Building on its long-standing capability especially in occupational health and safety, ERM also started to help clients with their immediate operational responses to the pandemic, followed by more strategic guidance on how to build longer-term resilience to future disruptions arising from sustainability challenges.

Based on both employee health and safety statistics and revenue expectations for the period, ERM's immediate response to the pandemic has clearly been effective. As one of the Stakeholder Panelists observed, ERM's systems-based approach to health and safety has continued to lead to results many times better than typically seen in the sector. In parallel, ERM's business performance for the financial year remained strong – a commendable outcome from a business entirely dependent on direct engagement with its clients.

As in many organizations, ERM's focus is now shifting to longer-term 'future of work' considerations – on topics and developments in the workplace that have lingered for some time now but have been forced to the foreground by the pandemic. The COVID-19 task force has now morphed into future of work task force with a remit to review and recommend more permanent changes to ERM's working practices and office arrangements. The catalyst for the task force may have been the pandemic and the need to sustain productivity and employee wellbeing, however, its work also considers how best to leverage the now accelerating advancements in virtual and collaborative digital technologies and how to design a working environment that enables ERM to progress its net-zero carbon commitment.

ERM reports on significant reductions in carbon emissions over the period. Scope 1 emissions reduced by nearly a third compared to FY20 (mostly due to reduction in company vehicle use); scope 2 emissions reduced by 96% (primarily due to a shift to renewable energy contracts for offices following ERM's carbon action plan); and scope 3 emissions reduced by 80% (due to a dramatic drop in both business travel and employee commuting). The silver lining from the pandemic is obvious based on these figures – and it points to a different kind of future of work where remote working is accepted as a viable and productive option with an additional bonus of significantly reduced carbon emissions and other environmental impacts.

Nonetheless, as was evident from conversations with ERM executives, the future of work is by no means a done deal. The list of issues under consideration is long and multifaceted – from the obvious (such as review of office leases and the changing function of the office space itself), to the legal (how to deal with possible new contractual arrangements with employees and clients), to the developmental (how best to ensure continued development of employees, new recruits and nurture future leaders), to the relational (how best to engage, collaborate and deliver with all key stakeholders in the 'next normal' hybrid world of in-person vs virtual). The list goes on, and ERM's report acknowledges many of these challenges and unknowns.

One aspect that we encourage ERM to pay close attention to is how to maintain cultural cohesion. Some earlier at scale experiments with remote and hybrid working models in other companies ended somewhat abruptly due to the emergence of fractured organizational norms and loss of shared trust between in-person and virtual staff. This appears especially pertinent in ERM's case due to its dynamic growth, active



recruitment of new talent and the need to integrate staff into ERM's culture from the numerous recent acquisitions.

Diversity, equality and inclusion - How effectively has ERM responded to the diversity, equality and inclusion (DE&I) agenda?

For some time now, DE&I has been a key aspect of ERM's people agenda. This continued, and ERM's efforts escalated partly following its own longer-term plan, partly in response to the greatly intensified expectations for racial and social justice in many of its key markets, and importantly, from its employees.

An ambitious target for increasing gender diversity at senior levels by 10% has now been in place for some time. In FY21, ERM continued to progress its action plan framed around the [Global Diversity and Inclusion Benchmark](#) and made positive progress in many of the GDIB categories. Key efforts during the period included, for instance, the establishment of the Global Head of DE&I position and DE&I Lead positions in regions; mandatory DE&I Action Plans in Business Units; integration of DE&I in balanced scorecards for Business Unit Managing Partners; and, the restructuring of the global DE&I advisory group into regional groups to better align efforts with regional priorities and challenges. However, regardless of continued efforts having been invested into meeting the gender target, actual gender demographics continue to show modest improvement.

As ERM's DE&I efforts have matured, the company has expanded its focus to topics beyond gender. To inform its efforts, the company changed its human recourse system to enable employees who choose to voluntarily share their diversity data (e.g., gender identity, age, nationality, marital status, race/ethnicity, sexual orientation, disability, military service, etc.) to do so. Once baselines have been established, ERM will be in a better position to set more informed action plans and targets beyond gender. A more robust baseline should also help ERM when it considers its next people related 5-year goals.

ERM's commitment to DE&I may not yet be evident from its employee demographics, however, compared to previous periods, the cultural shift is now palpable and shines through from, for instance, executive interviews and employee survey results. This cultural shift, together with the investments in foundational work and the commendably transparent action plan for FY22 should push ERM's performance and effectiveness to a higher level.

Going forward, we echo ERM's own commitment to pursue a deeper and wider appreciation of the DE&I agenda. Specifically, we encourage embracing the topics of equality and equity further, including their emerging interlinkages with 'future of work' considerations relating to changing working arrangements. Another topic of increasing importance to ERM is diversity of thinking. As ERM continues to consolidate its leadership position as the largest 'pure-play' and 'boots to boardroom' sustainability consultancy with a desire to respond to increasingly varied and complex client needs, multidisciplinary backgrounds, skills and cognitive styles will become critical for sustained success.

Finally, we encourage ERM to redouble its efforts to pursue its commitment to increase gender diversity especially in senior positions.



Leadership ambition – To what extent is ERM’s ambition and commitments reflecting the company’s desired leadership position?

ERM’s core ambition, its stated purpose, is to ‘shape a sustainable future with world’s leading organizations’. As such, ERM defines its different domains of impact as firstly improving ERM’s own operations across the material issues it has identified; secondly, partnering for impact with clients; and, thirdly, collaborating with others to create sustainability solutions for public good.

ERM’s formal longer-term goals and annually revised targets focus on improving its own performance in relation to identified material issues. During the last three reporting cycles, ERM’s targets have gradually evolved in both number and in quality. In some cases, ERM’s level of aspiration has taken a leap to clear sector leader position – for instance, the net-zero carbon commitment announced earlier this year. In some cases, level of aspiration has been commendable – for instance, increased gender diversity in senior positions and ability to quantify impact from client work – however, achieving these commitments has proven challenging. Commendably, ERM has persevered and recommitted to both of these important aspirations either as a formal target or as a public commitment.

Last year, we encouraged ERM to explore additional People related targets. This has now been actioned with targets having been set addressing professional development, level of engagement and enablement; all important commitments especially considering the post-pandemic working environment, coupled with the intensifying war for sustainability and ESG talent in many markets.

In some cases, goals and targets are still under development. For instance, ERM has now committed to expanding its Health and Safety & Wellbeing targets to set a baseline for a new wellbeing metric, and to establishing an independent and verifiable process for measuring client satisfaction.

Beyond setting targets for improvements in ERM’s own operations, the company has now set its first target relating to thought leadership. Although the target of tracking downloads from the newly established SustainAbility Institute is a tentative step towards measuring ERM’s clearly significant contribution, it is an important step towards acknowledging the importance of this work. Measuring the impact of the numerous initiatives that ERM is either leading, contributing to or collaborating in will not be easy, nonetheless, we encourage ERM to dive into this deeper going forward.

Finally, we wish to acknowledge ERM’s commitment to continuous improvement and its openness to external feedback. The last three reporting cycles have shown that reporting for ERM is not just an external exercise in transparency but also an internal platform for pushing the sustainability agenda forward.

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Founding Director
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