



Independent Assurance Statement

About this statement

For the second 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 five topics:

- ERM's processes for determining materiality;
- 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.

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 provide feedback on pre-publication drafts. We have not evaluated the reliability of reported data or related data collection processes, for which ERM has conducted its own internal assurance.

In addition to this public statement, a separate Management Report has been issued to ERM's Executive Committee Sustainability Working Group. This provides further observations and recommendations relating to the below findings and 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, 12 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.

In addition to last year's assurance process, ERM wanted us to engage with a panel of external stakeholders in forming our opinion. The Stakeholder Panel was recruited by ERM and consisted of five members of SustainAbility's (an ERM Group Company) independent Advisory Council. These members were: Jeanne-Marie Gescher, Hendrik Jan Laseur, Terry Nelidov, John Schaetzl and Peter Zollinger. More information about the Council and its members can be found here www.sustainability.com.

Panel members were specifically invited to provide feedback on ERM's materiality analysis and comment on a Sustainability Report draft. We have considered the Panel's views in forming our opinion (see under 'Findings and commentary' below) and submitted their consolidated feedback to ERM's reporting team to feed into report finalization; their feedback has also been submitted to the Executive Committee Sustainability Working Group via a separate Management Report.

Findings and commentary

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

ERM's processes for determining materiality

ERM's materiality analysis has matured over a number of reporting cycles. ERM follows a rolling methodology where a full analysis is carried out every three years, with 2nd and 3rd cycles focusing mainly on validating issues identified during the 1st year analysis. FY20 was year 1 of the cycle and hence a full materiality analysis was carried out.

ERM's materiality research and related stakeholder engagement is extensive and appears robust. This year the analysis was further strengthened by the use of, for instance, Datamaran, an AI-based materiality research platform and by convening of an independent Stakeholder Panel. The Executive Committee Sustainability Working Group continued to engage deeply in the materiality determination process, and this year, the full Executive Committee reviewed the process in detail as well.

Two notable changes to material issues were identified; 'climate change' has been expanded to specifically include 'transition to low carbon economy' and 'innovating with clients and other leading organizations' has been replaced with 'client satisfaction'. Both positive developments as noted elsewhere in this statement.

How identified material issues were considered in strategy formation

The strategic thrust of ERM's sustainability approach has been defined in its Purpose Statement as 'shaping a sustainable future with world's leading organizations'. As such, the company's main potential for generating positive impacts arises from its technical and strategic advisory work with its clients. Coupled with this, ERM seeks to drive improvements in its own sustainability performance and to collaborate with partners to deliver sustainability solutions to wider societal challenges.

Three notable shifts in ERM's strategic focus occurred during the period. Firstly, a clear and significant emphasis has now been placed on helping clients to transition to a low carbon economy. This further crystalizes ERM's strategy in and contribution to climate change mitigation and adaptation. Considerable effort and resources were invested into furthering ERM's capability and capacity in building its Low Carbon



Economy Transition (LCET) related services and know-how; for instance, through acquisitions, senior appointments and leadership training.

The second shift occurred in ERM's aspiration to quantify its impact arising from its client work. Core to ERM's vision is to demonstrably add value to its clients' sustainability efforts and, for some time now, the company has aspired to enhance the way it measures this impact. However, quantification of this impact continues to present a challenge – although admittedly a challenge faced by many peers wanting to achieve the same. Instead of recommitting to a formal target relating to impact measurement, ERM has now shifted its focus to setting targets and goals relating to its newly defined material issue on client satisfaction. We welcome the addition of client satisfaction as a material topic, however we encourage ERM to continue to explore ways to measure its impact from client work.

Finally, ERM's response to the global COVID-19 pandemic has been decisive and strategic. Going beyond its first priority of safeguarding employee health and wellbeing, ERM is leveraging its capability and capacity especially in occupational health and safety to help its key stakeholders from clients to suppliers and subcontractors to return to work safely and to build long-term resilience to future disruptions arising from sustainability challenges. ERM's efforts span across all of its spheres of impact – from its own operations, to work with clients and to collaborative efforts with trade and professional associations to combat the pandemic.

Decisions on targets and goals

Targets and goals have been set for all material issues, and compared to previous periods, additional ones have been committed to. The full Executive Committee and its Sustainability Working Group review and sign-off all targets and goals and these are communicated to the Board by the CEO.

In FY19, ERM adopted science-based emissions targets and longer-term goals – a commendable commitment considering the nature of ERM's business. During FY20, implementation plans and guidance were cascaded to all Business Units to support operationalization, and ERM is on track to meet its targets for 2025. To underpin its new strategic focus on transition to low carbon economy, ERM committed to a target of increasing its LCET related sales by 25% over 2020.

Diversity and inclusion continue to be a strong focus on ERM's people agenda. In FY19, an ambitious target was set for increasing gender diversity at senior levels by 10% compared to previous period. Regardless of significant effort having been invested into meeting this target, performance remained somewhat modest. ERM has now recommitted to this target, reinforcing its aspiration by now expecting all Business Units to have in place a formal diversity, equality and inclusion plan. We encourage ERM to explore further people related targets beyond diversity and inclusion – for instance, relating to general employee satisfaction, wellbeing and professional development.

Client satisfaction has now been identified as a material topic and related target has been set. The target focuses on measuring satisfaction through the number of services provided to key clients – a good step forward. However, we encourage ERM to explore additional targets in this crucial area.

Management approaches to material issues

In FY19, ERM revised its Sustainability Action Planning (SAP) process to facilitate more uniform action planning and monitoring of progress against group-level targets and goals across all Business Units. This was followed by the launch of an on-line SAP platform to enable easier, more systematic and transparent setting of plans, their implementation and monitoring of progress. The revised process is now bearing fruit as it



creates greater internal visibility of ERM's sustainability agenda, stronger lines of accountability and opportunities for knowledge sharing. As the SAP processes matures, we continue to encourage ERM to explore how targets and goals can be further cascaded to management level and, in due course, integrated with individual performance targets for senior management.

As noted earlier, client satisfaction has now been identified as a material issue. Although a good step forward, we recommend that ERM expands on its reporting on client related management approaches and indicators. Positively, however, ERM has expanded on its disclosure regarding how it identifies and mitigates possible sustainability and / or reputational risks potentially arising from client and project selection. Similarly, reporting on supplier and subcontractor management has been expanded on and commendable work continues as part of ERM's efforts to enhance its risk management processes.

Reporting on performance against these issues

ERM's report is well structured, clearly identifying the different sources of impacts arising from the company's operations, activities and aspirations. Reporting on performance against all material issues continues to evolve with either new targets or performance indicators being introduced. This year, following its commitment in FY19, ERM reported on a much wider set of employee related data. Going forward, this baseline data should allow for a wider set of employee related targets to be explored and established.

Heavy reliance on voluntary time contributions by the Sustainability Network continues to bring its challenges to data collection. However, some efficiencies have been secured through the introduction of new data collection technologies. We continue to encourage ERM to explore how best to empower the work of the Sustainability Network further.

Going forward, there continues to be an opportunity to further enhance ERM's internal reporting and systematic monitoring of performance against stated targets and key performance indicators at Executive and Board levels.

Maria Sillanpaa

Sustainability Advisory
Founding Director

June 2020