



# Climate Risk and Opportunities Report



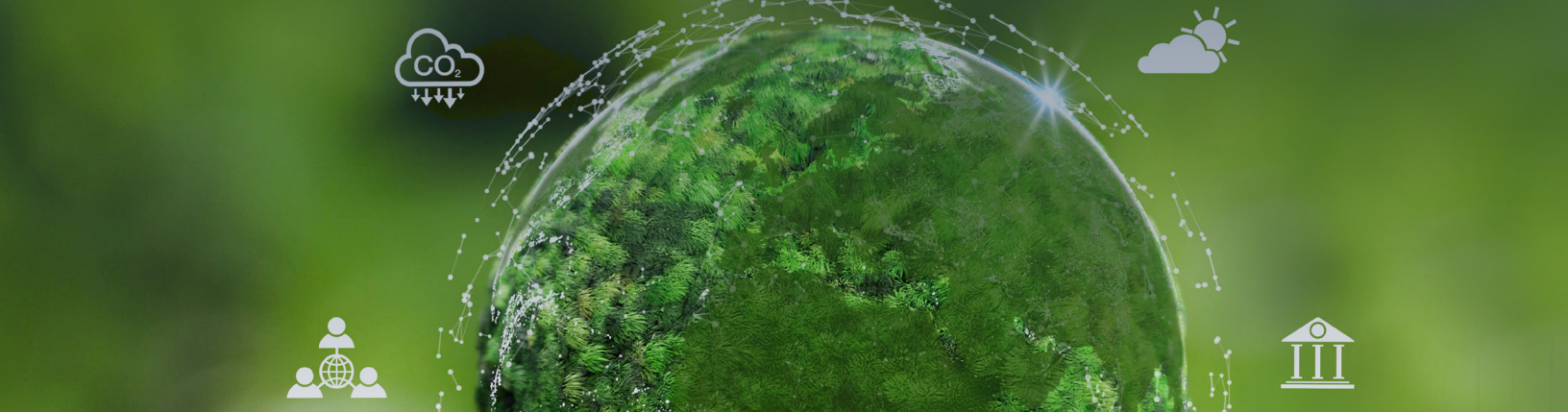


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## Executive Summary

To better understand the climate risks and opportunities across our business, and to comply with emerging regulations and enhance climate-related transparency, Alvarez & Marsal Holdings (“A&M” or “firm”) is proud to present our inaugural climate risk assessment, conducted globally for the firm. Aligned with the International Sustainability Standards Board’s (ISSB) guidance, A&M evaluated our physical risks, transition risks and opportunities, using the recognized practice of incorporating the four dimensions of Governance, Strategy, Risk Management and Metrics and Targets.

In order to assess climate risk accurately, A&M scored eleven acute and chronic physical risks as well as four transitional risks on 0.0-1.0 scale to determine which had the greatest potential material impact on our business operations. Each risk was analyzed across three scenarios, known as Representative Concentration Pathways (RCPs), throughout current and future periods to determine the likelihood and impact on the company. To assess these risks, A&M leadership worked in collaboration with ESG Advisory Services as well as other A&M committees to integrate the findings of these risks into ongoing risk management activities, our Continued Business Plan (CBP), and the firm’s decarbonization goals and strategy.

Among key findings, physical risks were deemed to pose a small threat to day-to-day operations, given A&M’s offices are all leased, and a hybrid remote/in-person work schedule is in place across the firm that provides substantial flexibility in managing operations and serving clients. The firm recognizes that these risks still warrant attention due to potential effects on clients, suppliers and related logistics such as business travel associated with our line of work.

Transition risks such as regulatory reporting, client pressures and demands, brand reputation and potential future needs for, and price of, carbon offsets also pose potential risks to A&M. As steps to mitigate such risks, A&M has individuals in place to monitor changing regulations and compliance requirements, assess and mitigate risks and carefully manage client relationships. Core to A&M’s risk mitigation is the natural hedge of A&M’s business models, where potential declines in client needs in some sectors are likely to involve increases for other practice groups.

As our assessment included both climate risks, and opportunities, we have identified and evaluated multiple opportunities that may contribute to business success as climate impacts become more widespread across our society. Brand reputation is one example; as the firm demonstrates its commitment to sustainability, through measures like conducting climate risk assessments, it may lend itself to new opportunities to help clients with their own sustainability commitments. New business growth is an additional opportunity; A&M is well-positioned to assist our clients in progressing towards ESG goals and aligning with regional, federal and global climate regulations as they continue to evolve. A&M’s work in hard-to-abate sectors (i.e., energy, industrials), industries where A&M has strong credibility and qualifications, may see an increased workload. At its core, climate change – like other fundamental changes – creates opportunities for premium advisory firms such as A&M to assist clients in navigating the resulting risks and opportunities.

# What is Climate Risk Analysis?

A climate risk assessment is a comprehensive evaluation that examines both the physical and transition risks posed by climate change to a company's operations, assets and financial performance. It involves identifying, analyzing and disclosing potential risks and opportunities arising from climate-related factors, such as regulatory changes, market shifts, technological advancements and extreme weather events. By integrating climate considerations into financial decision-making processes, a climate risk assessment aims to enhance transparency, resilience and long-term sustainability in businesses and financial markets. Climate risk assessments are becoming increasingly important as clients, investors and regulations continue to require businesses to consider and disclose climate risks.

The International Sustainability Standards Board (ISSB), informed by the Task Force on Climate-related Financial Disclosures (TCFD), sets guidance for how organizations should assess climate risks and focuses on four areas: Governance, Strategy, Risk Management and Metrics and Targets. These are divided into three categories: physical risks, transition risks and opportunities.

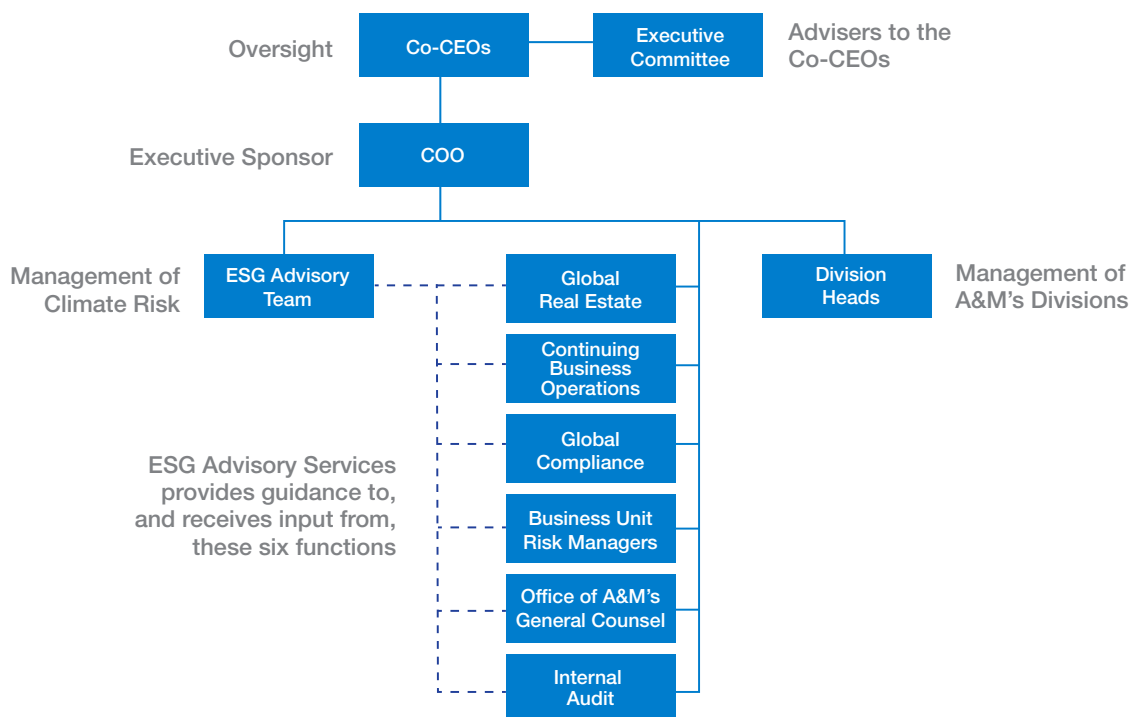
The chart below provides insight on how the ISSB defines risks and opportunities. These definitions were used for A&M's climate risk assessment.

	Definition	Impact
<b>Physical risk</b>	<i>Risks that arise from environmental degradation and physical climate change effects</i>	<i>Shifts to the physical operating environment caused by extreme climate events</i>
Acute risk	Event-driven risks from the physical effects of climate change	Increased severity of extreme weather events –wildfire, severe storm, flood, etc.
Chronic risk	Long-term shift in climate patterns from the physical effects of climate change	Sea level rise, temperature change, precipitation change
Wildfire	A large, destructive fire that spreads quickly over woodland or brush	Infrastructure damage (to offices and employee personal properties), higher employee safety risk, client operations disruptions
Severe Storm	A storm that produces a tornado, winds of at least 58 mph, and/or hail at least 1' in diameter	Power grid outages, loss of production and down time, infrastructure damage, disrupted travel to/from the office/client site
River Flooding	Water levels rise over the top of riverbanks due to excessive rain	Infrastructure damage, disrupted travel to/from the office/client site, disruption in supply chain due to flooding
Cold Stress	Occurs when the temperature drops below normal historic temperatures and strains human life, agriculture and livestock	Increased energy use, resulting in increasing emissions, freezing conditions, power grid outages due to prolonged low temperatures and rising demand, infrastructure damage
Landslide	An event when a mass of rocks, vegetation or other debris moves down a slope in an uncontrollable manner	Employee safety hazards, loss of infrastructure, loss of assets
Heat Wave	A period of abnormally and uncomfortably hot and unusually humid weather	Increased likelihood of occupational illnesses and injuries for those exposed to extreme heat, increased energy use/demand, increased costs of cooling offices, accelerated wear on IT systems/equipment
Drought	A deficiency in precipitation over an extended period	New exposure to water-sensitive areas, human health implications to employees, client operations disruptions
Extreme Precipitation	Weather patterns that bring excessive rainfall	Infrastructure damage, disrupted travel to/from the office/client site, disruption in supply chain due to flooding
Precipitation Change	Changes in the amount, intensity, frequency and type of rain historically	Infrastructure damage, disrupted travel to/from the office/client site, disruption in supply chain due to flooding
Sea Level Rise	Changes in mean global sea level, resulting from the transfer of fresh water from lands to oceans and from the thermal expansion of ocean water due to higher global temperatures	Infrastructure damage, loss of assets, disruption of supply chain
Temperature Change	Gradual change of global temperature levels	Increased energy use/demand, increased emissions, increased likelihood of occupational illnesses and injuries for those exposed to extreme heat, power grid outages, client operations disruptions

	Definition	Risk
<b>Transition risk</b>	<i>Risks associated with the transition to a low-carbon economy</i>	<i>Enhanced operational costs, regulatory scrutiny and policy expectations</i>
Policy and legal	Changes to legal and policy expectations in the operating environment	Increased operational costs and pricing of GHG emissions, enhanced reporting obligations, exposure to litigation
Technology	Technology advancements introduced to combat climate change and disrupt current patterns of operation	Costs to transition to lower emissions technology; research and development (R&D) expenditures, enhanced training costs
Market	Shifts in consumer behavior and market dynamics to combat the effects of climate change	Uncertain market signals, increased raw materials costs, reduced demand, increased production costs
Reputation	Brand and reputational risk tied to a company's climate change response	Consumer preference shift, sector stigmatization, reduced revenue
<b>Opportunities</b>	<i>Emerging opportunities for sustainable growth in response to climate risk</i>	<i>Use of more efficient resources and operational patterns</i>
Resource efficiency	Reduction in resource use and shift to more efficient patterns of consumption	Use of more efficient buildings and transportation modes, increased recycling
Energy source	Use of lower-emission energy technologies and supportive policy incentives	Shift toward decentralized energy generation, participation in carbon market
Products / services	Diversification of goods and services to offer increased low-emission products and satisfy shifting consumer preferences	Development of climate adaptation and insurance risk solutions, R&D and innovation solutions for sustainable product offerings
Markets	Access to new markets created by shifts in public-sector incentives and infrastructure development	Access to new assets and location needing insurance coverage, emerging markets created in partnerships with governments, development banks, etc.
Resilience	Participation in renewable energy solutions and product diversification to maintain presence under shifting supply chains and market patterns	Resource substitutes, increased reliability and variation in supply chain, revenue increases from products and services related to ensuing resiliency

## Governance

### A&M's Governance Structure for Managing Climate-Related Risks and Opportunities<sup>1</sup>



<sup>1</sup> Note: Representation for how the firm specifically manages climate risk and should not be construed as how the firm manages all risk.



## Management Oversight

A&M is guided by the “A&M Way,” our guiding principles, which highlights and stresses the importance of our core Values: integrity, quality, objectivity, fun, personal reward and inclusive diversity. As we continue to expand across the globe, we are committed to maintaining the highest ethical standards in all that we do.

A&M’s co-CEOs, Tony Alvarez and Bryan Marsal, oversee risk management firmwide and have ultimate responsibility of the firm’s sustainability programs and initiatives. In addition, each managing director in the firm has risk management as a core function of their overall responsibilities. A&M also aims to integrate sustainability into our business strategy and operations.

A&M’s leadership employs the support of our ESG Advisory Services to manage firmwide climate risk, sustainability and decarbonization. This group is tasked with pulling together comprehensive reports for management to inform firmwide decisions regarding climate risk management and planning. The team pulls from the knowledge of subject-matter experts and risk managers across the globe and has core competencies in decarbonization and climate risk. This cross-functional collaboration allows us to conduct comprehensive climate risk assessments that consider what is important to the firm globally as well as local levels.

ESG initiatives are sponsored by A&M’s Chief Operating Officer (COO), and ESG Advisory Services regularly reports to the COO on the firm’s sustainability progress, metrics and targets, and the COO reports to our co-CEOs. This process allows for efficient decision making, helping management make quick, fact-based decisions regarding our climate action and sustainability initiatives.

To further bolster the efforts of cross-collaboration across the firm, the Business Unit Risk Manager group meets regularly with participants across our multiple business units and regions. This group ensures that risk management is considered across our many different offices and geographies. This delegated risk management model allows us to understand and identify risks across our global operations and portfolio of leased office space – and to maintain compliance with local laws and regulations as they emerge. The group meets regularly to discuss risk management functions and incorporates climate risk into their considerations.

Our co-CEOs employ the help and input of the Legal Department, Global Compliance, Internal Audit and others to maintain risk management and compliance functions and identify, assess and mitigate risks constantly when expanding business into new regions across the globe. Our Managing Director of Global Corporate Real Estate also considers climate-related risks when expanding into new geographies and considers physical risks when developing lease agreements for A&M office buildings.

## Strategy

### Risk Identification

We conducted scenario analysis utilizing three Representative Concentration Pathways (RCPs) identified by the Intergovernmental Panel on Climate Change (IPCC) to consider the impact of climate change on A&M’s business. These are the ‘Orderly,’ ‘Disorderly’ and ‘Hot House World’ scenario, which respectively highlight the difference in expected climate responses if the world adopts an approach of aggressive climate mitigation, moderate climate mitigation or climate inaction:

- **Orderly Scenario | RCP 2.6 | Mitigation Scenario:** RCP 2.6 is likely to keep global temperature rise below 2°C by 2100. In RCP 2.6 warming scenario, carbon dioxide emissions start declining immediately and reach zero by 2100, methane emissions are halved by 2100 and negative carbon dioxide emissions average two gigatons per year.
- **Disorderly Scenario | RCP 4.5 | Stabilization Scenario:** RCP 4.5 is likely to keep global temperature rise between 2°C and 3°C by 2100. In this warming scenario, carbon dioxide emissions start declining by approximately 2045 and to reach half of the levels of 2050 by 2100. Methane emissions stop increasing by 2040 and represent about 75% of 2040 levels by 2100 while negative carbon dioxide emissions average two gigatons per year.

- **Hot House World Scenario | RCP 8.5 | Adaptation Scenario:** In RCP 8.5, emissions continue to rise, and warming is estimated to reach 4.3°C by 2100. This is commonly viewed as either a “worst-case” or “inaction” scenario.

We analyzed eight acute physical risks (wildfire, severe storm, river flooding, cold stress, landslide, heat wave, drought and extreme precipitation) and three chronic physical risks (precipitation change, temperature change and sea level rise) across all three scenarios. Of these risks, we identified six acute physical risks (wildfire, severe storm, river flooding, heat wave, drought and extreme precipitation) and two chronic physical risks (precipitation change and temperature change) that may impact A&M’s business operations. For each of the climate-related transition risks and opportunities, we modeled the likelihood and impact in the Orderly and Hot House World scenarios and discussed how the material risks and opportunities may change in the different scenarios. The Disorderly scenario is likely to manifest as a blend of the Orderly and Hot House scenario and is not modeled throughout the report.

The tables below highlight the most relevant risks and opportunities identified as a result of our analysis. Note that we have modeled the Orderly and Hot House World scenario in these tables to highlight the differences between the two. Most climate science predictions suggest that the fully realized scenario will likely fall between the two more extreme scenarios.

## Physical Risks

Low Medium High



Type	Risk	Potential Impact to A&M	Scenario	Likelihood/Impact in the		
				Short-Term	Medium-Term	Long-Term
Acute	Heat Wave	Increased likelihood of occupational illnesses and injuries for those exposed to extreme heat, increased energy use/demand, increased costs of cooling offices, accelerated wear on IT systems/equipment	Orderly	●	●	●
			Hot House World	●	●	●
Acute	Wildfire	Infrastructure damage (to offices and employee personal properties), higher employee safety risk, client operations disruptions	Orderly	●	●	●
			Hot House World	●	●	●
Acute	Drought	New exposure to water-sensitive areas, human health implications to employees, client operations disruptions	Orderly	●	●	●
			Hot House World	●	●	●
Acute	Severe Storm	Power grid outages, loss of production and down time, infrastructure damage, disrupted travel to/from the office/client site	Orderly	●	●	●
			Hot House World	●	●	●
Acute	Extreme Precipitation	Infrastructure damage, disrupted travel to/from the office/client site, disruption in supply chain due to flooding	Orderly	●	●	●
			Hot House World	●	●	●
Acute	River Flood	Infrastructure damage, disrupted travel to/from the office/client site, disruption in supply chain due to flooding	Orderly	●	●	●
			Hot House World	●	●	●
Chronic	Precipitation Change	Infrastructure damage, disrupted travel to/from the office/client site, disruption in supply chain due to flooding	Orderly	●	●	●
			Hot House World	●	●	●
Chronic	Temperature Change	Increased energy use/demand, increased emissions, increased likelihood of occupational illnesses and injuries for those exposed to extreme heat, power grid outages, client operations disruptions	Orderly	●	●	●
			Hot House World	●	●	●

## Transition Risks

Low Medium High



Risk	Potential Impact to A&M	Scenario	Likelihood/Impact in the		
			Short-Term	Medium-Term	Long-Term
Client Demands	Loss of revenue from key customers, loss of existing or new contracts/clients	Orderly	●	●	●
		Hot House World	●	●	●
Regulatory Reporting	Increase in compliance costs, legal fines/penalties, increased transparency and public scrutiny	Orderly	●	●	●
		Hot House World	●	●	●
Reputation	Negative publicity, loss of existing or new contracts/incidents	Orderly	●	●	●
		Hot House World	●	●	●
Price of Offsets	Cost of purchasing offsets, loss of existing or new contracts/clients	Orderly	●	●	●
		Hot House World	●	●	●

## Opportunities

Low Medium High



Opportunity	Potential Impact to A&M	Scenario	Likelihood/Impact in the		
			Short-Term	Medium-Term	Long-Term
Brand Reputation	Good publicity, increased likelihood of winning new contracts/clients	Orderly	●	●	●
		Hot House World	●	●	●
New Business Growth	Increased work relating to carbon pricing, increased tax incentive work, increased work for many of our diversified business units	Orderly	●	●	●
		Hot House World	●	●	●

## Climate-Related Risks and Opportunities

### Physical Risks

We assessed the exposure and vulnerability of each A&M office through comprehensive scenario analysis using both historical data and future projections. Findings indicated that physical risk does not pose a large threat to day-to-day operations as we are a professional services firm that leases all our offices. This mitigates risk as we do not own any of these physical assets. In addition, A&M employees are able to be effective working from home for limited periods under certain times and circumstances (e.g., after a severe storm or flood).

As further risk mitigation measures, A&M utilizes a CBP in the instance that emergencies threaten our firm's ability to operate. We retain an emergency response team that looks to pair short-term action with long-term recovery to ensure stable ability to operate the business and serve clients.



Physical risks also warrant attention when considering how they may affect our clients' operations and our ability to interact with them. As such, we adopt a global mindset to the management of physical risks, not just assessing our exposure to A&M's leased office spaces. Both acute and chronic risks are likely to be worse in the Hot House World scenario, and we have included this in our considerations.

## Transition Risks

As a professional services firm, we are judged on the services we provide, the quality of our work and our capacity to adapt to our client's needs and concerns. Transition risks are an important consideration of our overall risk profile as many of them have the potential to have more impact on our business operations than physical risks do. We identified four main transition risks for more detailed consideration: regulatory reporting, client pressures and demands, brand reputation and price of carbon offsets.

### Regulatory Reporting

Due to the nature of A&M's business operations, it is imperative that we are aware of new and emerging regulations that relate to sustainability and climate risk. A&M has resources globally that monitor these regulatory developments and maintain clear and consistent communication with affected regions to ensure the firm is meeting all of its regulatory and compliance obligations.

Like all multi-national organizations, A&M faces regulatory requirements around the world, and these regulations are expected to increase and/or expand in the Orderly and Disorderly scenario. If the world moves toward these scenarios, there would be a global push for mandatory company reporting of climate-related risks, carbon emissions performance metrics and sustainable opportunities. A&M may see an increased cost of compliance as a result. In the Hot House World, additional climate reporting is unlikely to be required.

### Client Pressures and Demands

Client pressures are a significant consideration for professional services firms, and as clients increasingly recognize climate change as a major societal challenge, they are likely to look to their suppliers to join in decarbonization and climate risk activities. Additional client considerations include reputational, ethical and operational risks.

In the Orderly scenario, A&M's client decarbonization performance is perceived to potentially result in a loss of revenues or an increase in costs as companies across all industries exert more pressure for sustainability goals and commitments among their suppliers. Balancing client expectations with the firm's own standards and risk tolerance becomes critical in navigating these complexities and protecting client relationships. A&M takes a proactive approach to risk mitigation and client relationship management to best align A&M's sustainability goals and client expectations.

A&M experiences few client risks in a Hot House World given the "business as usual" nature of the scenario.

Regardless of the scenario, A&M has already acted in the near-term to align with major clients to avoid loss of business and revenue. Examples include disclosing its climate risks, aligning to ISSB (and TCFD), joining the U.N. Global Compact, committing to the Science-Based Targets initiative and submitting sustainability performance to EcoVadis, among others.

## Reputation

Reputation stands as a pivotal asset for professional services firms and therefore also can pose as a significant risk. A firm's reputation embodies its credibility, trustworthiness and track record, all of which profoundly influence client relationships, employee morale and market perception. As clients move towards a low-carbon economy, A&M's sustainability approach and progress could become a risk (or an opportunity) for the business. To manage this reputational risk, A&M primarily considers two primary stakeholders: clients and employees.

Stakeholder	Potential Risk
Clients	<p><b>In the Orderly scenario</b>, failure to align actions to stated carbon reduction commitments may tarnish A&amp;M's reputation with existing clients or potential future clients. Client purchasing policies may shift to favor competitors based on low carbon/eco-friendly products or more expansive climate risk commitments.</p> <p><b>In the Hot House scenario</b>, sustainability demands from clients do not increase from the current state, thus posing little additional risk for A&amp;M.</p>
Employees	<p><b>In the Orderly scenario</b>, a lack of sustainability commitments conducted throughout the organization could impact A&amp;M's ability to attract employee talent. Prospective employees are increasingly seeking to work for companies who uphold high sustainability standards and commitments across the organization. At the extreme end, a worker shortage could cause a decrease in output or a reduction in productivity.</p> <p><b>In the Hot House scenario</b>, A&amp;M is unlikely to be impacted by brand reputational risk, because ESG factors are not considered when choosing a potential employer or line of work. To the extent that a Hot House World is related to lack of government action despite some societal pressures, however, a lack of action on the part of the firm might still limit recruiting and retention based on some employee expectations.</p>

## Price of Carbon Offsets

While A&M is a professional services firm that is not a large emitter of carbon, the price of carbon offsets may impact our company, particularly in the Orderly scenario. As our firm continues to grow at a rapid pace, our footprint may need to be offset to meet our Net Zero by 2050 goal through the procurement of high-quality carbon offsets. In the Orderly scenario, the price of offsets may increase sharply over time and could require increasing costs from A&M to comply with targets, particularly to the extent that key suppliers comprising the majority of A&M emissions do not take steps to reduce their emissions. In a Hot House World, the cost for offsets would likely be similar to the current market today but there would be few ramifications or incentives to purchase offsets. Consequently, the firm would not need to allocate substantial sums of money to purchase offsets.

## Other Transition Risks

As part of our climate risk analysis, we identified several transition risks that we believe will not materially impact our business operations, such as technology risk and raw material supply.

A&M believes that our IT infrastructure is unlikely to be jeopardized by advancements in low-carbon products. We do not own any physical assets like gas-powered vehicles/planes and are regularly updating our IT technology to current hardware, which we believe will have higher energy efficiencies and be increasingly powered by renewable energy sources.

A&M does not directly procure raw materials to sustain our business operations and has a muted upstream supplier impact to availability of raw materials. While raw material supply may impact our clients, our ability to provide solutions to our clients is not directly impacted by the cost of raw materials/resources.

## Opportunities

Our business is focused on continuous improvement in everything we do, and we pride ourselves in our versatility and adaptability as a firm. We pursue growth opportunities across a multitude of offerings and industries and continue to adapt our offerings to best serve our clients given the challenges and opportunities that they may face. Through our climate risk analysis, we have identified a variety of opportunities that A&M can pursue to further business and sustain growth.

## Brand Reputation

As the world moves towards a low-carbon economy, an opportunity exists for A&M to support existing and new clients with sustainability services, energy transition and new energy opportunities. A&M's clients are increasingly interested in how A&M is incorporating sustainability into its own strategy. As the firm demonstrates its commitment to sustainability, it may lend itself to new opportunities to help clients with their own sustainability commitments.

In the recent years, A&M has taken a variety of actions to advance sustainability, such as:

- Disclosed our direct and indirect greenhouse gas (GHG) emissions, set a Net Zero target as a firm, formally committed to setting a Science-Based Target, and articulated a decarbonization plan
- Committed to conducting an annual climate risk assessment
- Expanded Green Teams<sup>2</sup> activities at major offices
- Joined the UN Global Compact
- Continued to emphasize Inclusive Diversity as a firmwide value and a major priority
- Enhanced our employee development, training and engagement programs
- Built out a robust Giving Back program across all major locations where A&M has offices
- Submitted information to receive a score from ESG ratings service EcoVadis, and
- Expanded the firm's rigorous approach to compliance and ethics with our Global Anti-Bribery and Corruption policy and related processes, training and awareness – as well as our Third-Party Code of Conduct

In the Orderly scenario, the demand for climate action will rise and A&M's clients will become increasingly interested in how the firm is embedding sustainability into its strategy. The size of the opportunity to support clients with their climate risk activities is dependent on the maturity of A&M's sustainability activities, and if we continue pursuing sustainability with our mindset of continuous improvement, we are well positioned to serve a wide client base. In the Hot House scenario, demand for climate action is unlikely to increase and the size of A&M's opportunity to support clients with climate action is less dependent on the maturity of the firm's sustainability strategy.

## New Business Growth

As a professional services firm, we are called upon to help clients solve complex problems and enact positive change. When considering climate risk, the changes our clients will face differ between the scenarios outlined in our climate risk assessment.

In the Orderly scenario:

- A&M is well-positioned to assist our clients progressing towards ESG goals and aligning with regulations as they continue to develop, particularly in hard-to-abate industries.

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<sup>2</sup> "Green Teams" are A&M's employee-led, grassroot efforts to make a positive environmental change within the firm.



- Emissions Trading Schemes (ETS) and other carbon pricing mechanisms may impact A&M's clients and can set a limit or a cap on the total level of GHG emissions allowed to be emitted. A&M has local experts who understand regional carbon markets, and as carbon pricing mechanisms increase in popularity, we would anticipate our service offerings in this space increasing commensurately.
- Tax credits and incentives for sustainability initiatives are likely to become more prevalent at the local, state, federal and global level. A&M's Tax Practice is well-positioned to extract maximum value from a growing number of tax reduction mechanisms for our clients.
- A&M's Restructuring practice may see opportunities to serve clients who experience disruption or difficulty in transitioning towards a green economy.
- Our Valuation Services team could see an increase in projects as investors grapple with the challenges of correctly incorporating the 'green premium' into valuation models.
- Our Automotive Industry Group could be well-positioned to collaborate with clients requiring advisory work involving such matters as battery storage, electric vehicles and hydrogen.
- Our Aerospace/Defense and Energy teams could find increasing engagements involving a transition to sustainable aviation fuel, lightweighting of aircraft and similar lower-carbon solutions.

In the Hot House scenario, A&M would continue to support clients to operate more sustainably and efficiently in a "business as usual" context that has resulted in strong sustained growth for the firm over time. Green or sustainable tax credits and incentives would likely not develop further and may even be scaled back by governments unsupportive of transitioning to a green economy.

## Business Model, Value Chain and Climate Resilience

While there are some risks presented throughout all scenarios, we believe that our business is well-situated to address and adapt to them. Our diverse set of service offerings helps the firm win work and serve clients regardless of the market condition. For instance, our restructuring and cost takeout initiatives can thrive when broader economic markets are weak, whereas merger-and-acquisition deal and integration work can be most successful in strong market conditions.

Through our continuous improvement mindset, we aim to improve our scenario analysis as we manage risk and adapt to the constantly changing market that we operate in. We will continue to evaluate material risks and opportunities as we further develop our sustainability programs and strategies over time.

## Strategy and Decision-Making

A&M's ESG Advisory Services responsible for developing and implementing decarbonization and climate mitigation strategies with the approval of A&M leadership. The team has assisted the firm in advancing a comprehensive decarbonization plan to help achieve our Net Zero by 2050 goal and assess progress on an annual basis. Following this inaugural climate-risk assessment, we plan to conduct climate risk assessments periodically over time and will continue to implement updated practices into our analysis.

A&M builds physical risk considerations into our lease agreements and will continue to consider the physical risks of the areas of our offices as we continue to expand. Our Managing Director of Global Corporate Real Estate meets with our ESG Advisory Services annually to receive updates on sustainability and climate strategy to ensure that physical risk considerations continue to remain a priority of the firm as we expand.

# Risk Management

## Identifying and Prioritizing Risks

A&M's ESG Advisory Services team identifies, assesses and prioritizes climate risks and opportunities through our scenario analysis. For each of A&M's office locations, we analyzed each acute and physical risk's potential impact on the region through the lens of three climate scenarios (Orderly, Disorderly and Hot House World) and three time periods (2021-2030, 2031-2040 and 2041-2050) as defined in the Strategy section of this disclosure. These time periods can be considered short-term, medium-term and long-term, respectively. We consider transition risks and opportunities on a firmwide basis, and assess on a more regional basis, as necessary.

We evaluated potential physical risks based on a 0.0-1.0 scale, with 0.0-0.4 indicating low risk, 0.41-0.6 indicating high risk, 0.61-0.8 indicating severe risk and 0.81-1.0 indicating extreme risk. Through this analysis, we were able to identify physical risks that have the greatest potential material impact on our business operations.

We plan to re-evaluate our climate risks and opportunities as needed and will continue to evolve our practices with what is expected from current and emerging regulations to ensure that all relevant risks and opportunities are considered.

## Internal Audit and Global Compliance

To remain compliant across all of our firm's jurisdictions, we have a Global Director of Internal Audit and Director of Global Compliance. These individuals not only oversee our global compliance/audit initiatives but also ensure climate-related RFP questionnaires are appropriately responded to with the help of internal teams. They help our firm stay on top of ESG/climate regulations and trends and circulate annual risk registers to our Risk Managers to ensure all risks are being considered on the local and global level. Over the next year, our Director of Global Compliance and Global Director of Internal Audit will be working closely with our ESG Advisory Services to incorporate relevant climate risk and opportunities questions into the next annual risk register.

## Business Unit Risk Manager Initiative

A&M has a delegated risk management model that mobilizes leaders across firm to take ownership of the unique risks and opportunities in their Business Unit (BU) or geographic region.

BU Risk Managers are leaders across A&M, and meet periodically to:

1. Identify risks to the firm, as well as offer strategic direction for mitigation activities broadly across the firm
2. Develop and share risk management policies and procedures
3. Support the development of ongoing risk management training and awareness for all A&M employees

In mid-2024, BU Risk Managers were formally introduced to climate risks and opportunities, as they affect the firm. This commenced a cadence for A&M's climate risk experts to provide regular updates to the Risk Managers group and support members as they integrate climate risks into their specific risk management approach. Members and other firm leaders respond to a periodic risk assessment survey circulated by Internal Audit and Global Compliance to help the organization understand and prioritize risks across our global practice.

## Continuing Business Operations

A&M also has a Subcommittee for Continuing Business Operations and takes steps to ensure that we support business resiliency in the event of material disruptions impacting the firm's ability to operate. Our COO, Chief Human Resources Officer (CHRO) and Global Enterprise Shared Services (GESS) Managing Director maintain our CBP, allowing for the members of the committee to implement the plan efficiently and routinely.

The plan outlines a variety of governance and maintenance activities, including annual reviews, testing and training. Below the Subcommittee for Continuing Business Operations sits a Response Team that helps to stabilize situations and communicate appropriate actions/resolutions. We aim to meet emergencies with fast action, and this plan/committee helps ensure that long-term recovery actions are taken when situations have been assessed and stabilized.

For example, in the instance of a severe storm that impacts the geographical area of one of our offices, we have a short-term response strategy that outlines how to account for employee safety in the area, initiate relocation procedures and assess facility health to determine when returning to the affected building/office is deemed feasible and safe by authorities. When severe storms are expected to hit, we circulate firm-wide emails to express the potential dangers the storm may have and provide our employees with support through our Global Emergency Alert App should they need emergency assistance.

## Global Real Estate

A&M's ESG Advisory Services also meets annually with the Managing Director of Global Corporate Real Estate to discuss the impact of climate-related physical risks and the firm's carbon footprint (since 100% of the firm's Scope 2 footprint is derived from our leased real estate). This leader provides us with updates on new or moved locations, along with any efficiency initiatives that are being implemented throughout our 80+ global locations. Our firm is consistently looking for ways to improve our carbon footprint across our offices and our internal teams work tirelessly to ensure operational efficiency.

## Climate-Related Metrics and Targets

### Our Carbon Footprint

A&M is committed to managing and reducing our greenhouse gas emissions over time and conducts an annual GHG inventory analysis to determine our Scope 2 and 3 footprints. A&M does not have a Scope 1 footprint as we do not own fuel-powered assets such as vehicles, generators or airplanes. Our year-over-year footprint can be seen in the table below.

Greenhouse Gas Emissions Totals (Metric Tons of CO <sub>2</sub> e)				
Type of Carbon Emissions	Fiscal Year 2019	Fiscal Year 2021	Fiscal Year 2022	Calendar Year 2023
Scope 1	0.00	0.00	0.00	0.00
Scope 2	3,885	4,035	4,738	3,981
Scope 3				
<i>Purchased Goods and Services</i>	-	-	14,007	16,409
<i>Upstream Transportation and Distribution</i>	-	-	344	175
<i>Waste Generated from Operations</i>	-	-	215	291
<i>Business Travel</i>	-	-	13,408	18,919
<i>Employee Commuting</i>	-	-	4,507	6,755
<b>Total Scope 3</b>	<b>96,858</b>	<b>29,167<sup>1</sup></b>	<b>32,480</b>	<b>42,550</b>
<b>Total</b>	<b>100,743</b>	<b>33,202</b>	<b>37,219</b>	<b>46,530</b>



## Net Zero by 2050

A&M has established a target to be Net Zero in GHG emissions across all three scopes by 2050. GHG emissions reduction over time is a priority for our firm, and we seek to reduce the environmental impact of our business activities through a culture of continuous improvement where every employee feels responsible for the resources they use and activities they undertake. In recent years, we have implemented several decarbonization measures that we believe benefit society, our stakeholder objectives and our businesses. These measures include:

- Reduced client travel while growing our business
- Increased telecommuting and hybrid work methods for our global employee base
- Expanded recycling options for solid waste disposal
- Lowered use of single-use items and disposables through the encouragement of reusable items

## Milestones to Net Zero

Each year, A&M ESG Advisory Services analyzes our progress towards our Net Zero by 2050 goal and aids the company in advancing decarbonization plan. Our commitment towards Net Zero began in 2021 and we are committed to reducing our carbon footprint over time.

### 2021:

- Established data management processes and appointed individuals to be responsible for supporting GHG data collection and aggregation
- Calculated our 2019 footprint, inclusive of Scope 1, 2 and 3 emissions to understand our baseline emissions (we deemed our 2020 footprint to not be a representative baseline of business-as-usual operations, given the COVID-19 pandemic)

### 2022:

- Updated our carbon footprint; analyzed data trends and patterns related to GHG emissions and advanced our carbon reduction plan

### 2023:

- Improved data quality used for measuring GHG emissions, reducing the number of estimations and proxy inputs for Scope 3 emissions in particular
- Expanded our Scope 3 boundary to include new Scope 3 categories

### 2024:

- Committed to establish near-term and long-term Net Zero targets with the Science Based Targets initiative (SBTi)
- Rolled out global employee commuting survey to improve data quality of Scope 3 emissions

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<sup>3</sup> Scope 3 estimate method used; categories not delineated

## Looking Ahead: Actions to Reduce our Carbon Footprint

- Seek validation of our near-term GHG emissions targets from SBTi
- Leverage strategic energy efficiency plans and emissions reduction activities with our offices around the globe
- Create relationships with business travel partners with Net Zero commitments of their own
- Consider environmental components when evaluating new office openings
- Increase firm-wide education around sustainability and environmental best practices
- Consider opportunities to prioritize virtual meetings and limit emissions caused by business travel
- Reduce our energy by leveraging lighting efficiencies such as LED lights and control systems
- Optimize business travel to accommodate client needs while reducing our largest source of emissions
- Engage employees at all levels on our path towards Net Zero to pursue individual steps in support of the initiative, such as alternate commute options
- Increase renewable energy use in our offices
- Use office lease renewal periods as opportunities to incorporate improved environmental practices
- Explore the consolidation of offices over time
- Increase procurement of office supplies from local and sustainably sourced suppliers
- Support the growth of A&M Green Teams throughout A&M's major global operations