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WSP SECC & CRS PRACTICES EVOLVE TO ADDRESS CLIENT NEEDS IN ESG STRATEGY AND EXECUTION; FOCUS ON INNOVATION

WSP is a leading global professional services consultancy that brings together roughly 50,000 experts and last year generated just under $9 billion in revenue globally. WSP USA is the U.S. operating company of WSP, with more than 12,000 employees in over 200 offices across the U.S. The firm provides engineering and consulting services to private and public sector clients in the transportation and infrastructure, property and buildings, earth and environment, power and energy, resources and industry markets, as well as offering strategic advisory services. WSP's talented professionals — comprising engineers, advisors, technicians, scientists, architects, planners, sustainability analysts, environmental specialists and surveyors — are well positioned to deliver successful, sustainable, resilient, Future Ready™ projects, wherever clients need us.

Tom Lewis, Senior Executive in charge of Climate, Resilience & Sustainability at WSP USA. CRS also includes the professional consulting firm's emergency management practice and Future Ready innovation program. Prior to its acquisition by WSP, Mr. Lewis served as president and corporate board member of Louis Berger U.S., and earlier as its lead executive on environment, emergency management, sustainability and climate resilience, working across the U.S. and globally. Mr. Lewis has also served on a variety of boards and committees promoting sustainable and resilient infrastructure, specifically including the International Coalition for Sustainable Infrastructure, Resilience First and the Zofnass Program's Sustainable Infrastructure Advisory Board at the Harvard University Graduate School of Design.

Michael Mondshine is an internationally recognized sustainability expert with more than 25 years of experience in climate change mitigation and resilience strategies, from risk assessments to adaptive policy development to greenhouse gas accounting. In 2007 he was recognized by the United Nations' Intergovernmental Panel on Climate Change for his contributions to their efforts that were awarded the 2007 Nobel Peace Prize. He leads WSP's Sustainability, Energy & Climate Change practice at WSP USA, and delivers strategic counsel to clients ranging from Fortune 100 corporations to utilities, and from local municipalities to national governments. He facilitated the Climate Adaptation Implementation Committee for the California High Speed Rail Authority and serves as Senior Advisor to WSP USA's Future Ready Program.

Heather Unger is the Future Ready and Innovation Program Lead for WSP USA and a sustainability project director within its CRS business. Heather focuses on Environmental, Social and Governance (ESG) strategic planning, materiality assessments and public disclosure for clients as well as WSP. Ms. Unger serves on WSP's Global ESG Committee and co-led the development of WSP's 2020 and 2019 GRI 'In Accordance-Core' annual ESG reports. As the Future Ready Program Lead, Heather supports and guides staff across the organization to better anticipate future conditions, develop industry leading innovations, and plan for the future by integrating future trends into the firms work. Future Ready is WSP's approach to thinking beyond the conventional to design and deliver projects that are ready for the changes and challenges that our world will face in the future.

EBJ: Congratulations on winning the "Most Sustainable Company in the Engineering Industry" award issued by the *World Finance Magazine* for the third consecutive year. What WSP accomplishments and internal initiatives were key to the award?

WSP: World Finance Magazine has recognized WSP's continued ESG leadership including alignment with the Paris Agreement and Science-Based Target Initiative (SBTi); commitment to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), UN Global Compact and the Sustainable Development Goals; and Global Reporting Initiative (GRI) disclosure.

The publication highlighted WSP's global Future Ready program, which encourages and enables our staff to better anticipate future conditions through a series of trends related to climate, society, technology and resources, plan for the future by integrating future trends into our work, and support our clients to develop industry leading innovations. World Finance Magazine also noted WSP UK's role in founding Pledge to Net Zero, which was the first environmental services industry commitment in the UK requiring science-based targets from its signatories to tackle Greenhouse Gas (GHG) emissions within its organizations.

EBJ: When did WSP develop its ESG Services Practice? How do you differentiate your ESG services, and what is the make-up of your ESG team?

WSP: WSP USA's multidisciplinary sustainability, energy, climate change and resilience teams have been providing ESG-related services for two decades. In the past year, WSP established its Global ESG Committee under the leadership of André-Martin Bouchard, WSP's Global Director, Environment & Resources Sector and Global Corporate Director, ESG,

from WSP corporate headquarters in Montreal. As with counterparts from other global WSP regions, Tom Lewis serves on this committee as the U.S. representative in his role as the U.S. Climate, Resilience and Sustainability (CRS) National Business Line executive.

In January 2021, WSP USA pulled together existing specialists from across multiple parts of its organization to create and launch CRS. By doing so, we centralized a wide range of services within WSP to provide best-in-class solutions in ESG, sustainability, community and infrastructure resilience, and emergency/disaster response, recovery, preparedness and mitigation. We know of no other firm that brings all these capabilities with hard and soft skills synergistically together into one team under one leader in a non-P&L organizational element.

This structure allows CRS to work collaboratively and seamlessly with all regions and all other business lines in a manner that addresses every mode and lifecycle stage of infrastructure across both the private and public sectors. The CRS team members have highly varied backgrounds and technical disciplines including but not limited to sustainability, resilience, financial reporting, planning, climate science, modeling, risk analytics, hazard mitigation, engineering, emergency management, social equity and program/project management.

EBJ: What is the importance of Accelerating Climate Change Action within a company's ESG program? In which ways is WSP reducing its GHG emissions?

WSP: The urgency of addressing climate change through both mitigation and adaptation in an integrated fashion cannot be overstated. Every organization needs to understand its unique climate impacts and take action to address them. WSP has been helping clients on their sustainability journey for two decades and "walks the talk" itself. In 2020, WSP became the first professional services firm in the Americas to sign a sustainability-linked syndicated credit facility, which ties our borrowing costs to meeting three sustainability performance targets: a reduction in global GHG emissions, an increase in Green Revenue (revenue from services having a positive impact on the environment), and an increase in the percentage of management positions held by women.

In April 2021, we raised the bar even further on our climate action ambitions by committing to achieve net zero emissions across our value chain by 2040, supported by science based GHG emissions reduction targets, approved by the SBTi. We also continued our TCFD journey by conducting a qualitative assessment of climate-related risks and opportunities.

EBJ: What do you need to take into consideration when assisting clients to accelerate their own Climate Change Action? How do these key factors vary among industries?

WSP: It is critical that we meet clients wherever they are in their climate change action journey. Early in the journey we help organizations complete inventories or key environmental metrics including greenhouse gas emissions, energy consumption, water consumption and waste production. We then assist in the reporting and disclosures for this performance via such frameworks as CDP, GRI, SASB and TCFD.

As our clients further progress in their journey, we help them set targets for improved performance, including net zero energy and GHG emissions (helping with energy efficiency, feasibility assessment for on-site renewable and securing power purchase agreements), net zero waste (circular economy), net zero water and water replenishment, and, of course, net zero greenhouse gas emissions. Further on, we help our clients extend their sustainability upstream to their supply chain and downstream by performing life cycle analysis of their products and services, assisting in the creation and marketing of low-carbon alternatives. We aid these clients in community engagement to ensure that values of equity and justice are integrated into their sustainability efforts early in the process rather than as an afterthought.

Finally, we evaluate risks associated with the physical impacts of climate change and a transition to a low carbon economy, leading to support for building adaptive capacity and both infrastructure and organizational resilience among our clients and the communities in which we work. In these efforts we have the benefit of relying on technical experts across WSP, in our Sustainability, Energy & Climate Change (SECC) practice, the broader CRS, and other lines of business such as Property & Buildings (e.g., energy auditing) and Power & Energy (e.g., renewable energy system design), in addition to those in other WSP regions including Canada, UK, Sweden and Australia.

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Overall, we are supporting some 120 customers on approximately 150 projects annually at all stages of the sustainability journey. These customers are predominantly commercial entities, including more than 40 in the Fortune 500. More recently, our public sector clients have also become more focused on their own climate change action and ESG journey, so this is a major new growth area for WSP.

EBJ: How do you use TCFD?

WSP: We have seen a strong surge in client interest in assessing and disclosing climate risks and opportunities due to increased investor pressure, regulatory and opportunity drivers, and present-day impacts from extreme weather.

WSP uses the TCFD guidance to assist clients in identifying, managing and disclosing risks and opportunities from climate change. Although there are a number of other frameworks used for reporting climate risks and opportunities, the TCFD framework has emerged as a highly effective tool for developing disclosures used by investors and other stakeholders. At their June 2021 Summit, representatives of the G7 countries expressed support for mandatory climate-related financial disclosures using the TCFD framework.

The TCFD guidance recommends 11 specific disclosures across four core elements: Governance, Strategy, Risk Management and Metrics and Targets. The TCFD recognizes that it may take several years for a company to fully align with the disclosure recommendations as it can require a great deal of effort for companies to build the necessary knowledge base and institutional capacity and carry out the required analyses. WSP works with companies at all stages of their journey toward aligning with the TCFD recommendations, taking a phased approach to assisting companies with climate-related disclosures.

Phase 1: Discover

As companies begin work to align with the TCFD's recommendations, WSP typically performs a gap analysis and benchmarking exercise to determine the company's current alignment, as well as that of its peers. This analysis evaluates in detail how well the company's existing disclosures meet the TCFD's 11 disclosure requirements across the four core elements. Interviews with senior company leaders during the Discover phase inform the gap analysis, provide information about Governance and are an opportunity to educate key stakeholders on climate issues and TCFD.

The result of the Discovery phase is a roadmap that guides the company toward its desired level of alignment with the TCFD recommendations.

Phase 2: Assess

In Phase 2, WSP works with the company to assess its climate-related physical and transition risks and opportunities. To manage the uncertainty associated with future climate change, WSP uses the scenario analysis approach recommended in the TCFD guidance. A company that is at an early stage in its TCFD journey typically begins with qualitative scenario analysis and may later perform quantitative scenario analysis of key identified risks and opportunities to understand its financial and strategic impacts. For key assets with exposure to physical climate risks, an adaptive capacity assessment helps to quantify the true residual risks.

The results of the scenario analysis can then inform future disclosures, business strategy development and risk management. A critical component of Phase 2 is working with key stakeholders to incorporate climate assessments into the company's existing risk management, strategy/planning, and business continuity systems, and to then disclose these enhanced governance processes.

Phase 3: Plan

In Phase 3, WSP assists companies with setting goals, metrics and targets that inform disclosures consistent with the TCFD's Metrics and Targets core ele-

Core Elements of Recommended Climate-Related Financial Disclosure by the TCFD



Core Elements of Recommended Climate-Related Financial Disclosures

1. Governance
The organization's governance around climate-related risks and opportunities

2. Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

3. Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

4. Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Source: WSP, Adapted from the Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017).

ment. Companies typically set targets for their greenhouse gas emissions, water use and waste, and increasingly are developing metrics to monitor resilience.

Developing and disclosing climate-aware business strategies is a key element of Phase 3, which moves the company toward aligning with the TCFD Strategy core element. At this phase, a company may disclose climate-related information through its CSR or ESG reporting or develop a stand-alone TCFD report. Given the alignment between the CDP and TCFD frameworks, companies often find synergies between their CDP and TCFD reporting.

Phase 4: Transform

In Phase 4, climate change planning is fully integrated into a company's strategic, planning and operating processes. Systems are put in place to monitor performance against metrics and targets developed in Phase 3 to update the scenario analysis as needed, and to drive continual overall improvement in assessing and managing risks and taking advantage of opportunities. Governance processes may be enhanced by tasking a Board committee with oversight of climate issues, appointing Board members with climate expertise, or appointing a Chief Resilience Officer.

WSP uses the TCFD framework to support companies as they develop the institutional knowledge and systems to assess and manage climate risks and benefit from climate-related opportunities. Using the TCFD framework helps companies deal with the uncertainty and the long-range planning horizons associated with climate change. WSP uses the TCFD framework as a guide to enable companies to go from the start of their TCFD journey to successfully addressing climate change alongside the many risks and opportunities that already successfully manage.

EBJ: How do you incorporate the United Nations Sustainability Development Goals (SDGs) into a company's ESG plan/strategy?

WSP: The UN SDGs are a set of 17 global goals and 169 targets that aim to ensure a sustainable, equitable future for all. The SDGs can be used both as input in ESG strategy development and materiality assessments, as well as a framework for reporting activities. Many companies align with the high-level SDGs, but fewer go down to the target level. Some companies, including WSP, have started tracking the percentage of revenues earned from services that have a positive impact on the environment and that are identifiable according to and in support of the SDGs.

EBJ: What are the main components of an ESG report?

WSP: ESG reports vary in structure and content depending on which, if any, framework(s) they align with; the organization's ESG strategy and material topics; and stakeholder interests and concerns.

The GRI sustainability reporting standard has long been the gold standard for sustainability reporting. Some organizations have moved to an integrated reporting approach that incorporates ESG reporting into the organization's annual financial report. In recent years, newer frameworks such as SASB and TCFD have been introduced to address specific stakeholder concerns, primarily from investors. Many companies choose to align with multiple frameworks. In September 2020, five leading ESG frameworks and standard-setting organizations (CDP, CDSB, GRI, IIRC and SASB) committed to working together to align ESG disclosure requirements and announced their shared vision for climate disclosure in late 2020.

ESG reports are often structured around material topics. The definition of materiality can vary by framework, but generally refers to ESG topics for which the company has the biggest impact (positive or negative). The report defines the company's material topics, explains how the topics are managed, and reports on qualitative and quantitative indicators. Some companies set specific targets that they report on such as GHG emission reduction targets.

A typical ESG report includes the following high-level sections:

- Introduction/About our Business
- Operations
- Clients/Customers
- People/Communities
- Appendices/Indices

Some organize the report around ESG elements rather than Operations, Clients/Customers and People/Communities. The ESG reporting landscape continues to evolve at a rapid pace.

Our public sector clients have also become more focused on their own climate change action and ESG journey, so this is a major new growth area.

EBJ: What is the process and importance of obtaining third-party ratings from organizations?

ESG Ratings

ESG ratings are consulted by investors and other stakeholders to assess company ESG performance against peer and industry benchmarks. Some widely used ESG rating platforms include Sustainalytics ESG Risk Rating, MSCI ESG Ratings Assessment, Vigeo Eiris ESG Scorecard, and Refinitiv ESG score.

To develop these ratings, ESG rater analysts aggregate publicly available information on ESG policies, practices and performance. Thus, publishing an annual ESG report is important to gaining recognition for ESG performance. Most ESG raters allow organizations to review the scoring before it is finalized and recommend changes. However, changes are typically only accepted if the organization can provide backup documentation.

WSP's annual ESG report includes a data extract, summarizing all key ESG metrics in one place for easy access by analysts. WSP provides some additional information directly into ESG rater platforms as needed, and periodically reviews ESG rater datasets and reports to ensure accuracy and correct any mischaracterizations. Ratings are typically updated annually.

WSP is pleased to be recognized for our ESG efforts, with strong ratings on third-party platforms like CDP Climate Change Score CDP is a non-profit organization that provides a global disclosure system for companies and cities across the globe to manage and measure their environmental impact. In order to participate in CDP, an organization must complete a detailed questionnaire. WSP has responded to the CDP Climate Change questionnaire annually since 2010 and received an A- score on the most recent (2020) submission.

WSP is also a CDP accredited solutions provider, supporting clients across the CDP lifecycle, including developing strategies and programs, compiling inventory data, setting targets aligned with climate science, procuring renewable energy, assessing climate risk and opportunity, and responding to CDP's annual questionnaires.

EBJ: What are the major trends within the ESG Services Market and how are these trends evolving?

WSP: Four major trends we see in the ESG services market include:

Net zero commitments and science-based GHG emissions reduction targets: The number of companies who have committed to or set science-based targets has accelerated over the past few years, and over 1,000 companies around the world now have SBTi-approved science-based targets. We expect this trend to continue to accelerate as companies commit to take meaningful action to support the Paris Agreement and nations increasingly mandate disclosure of climate risk and GHG emissions. For example, in May the Biden Administration expressed a desire for large federal suppliers to set science-based targets and publicly disclose GHG emissions and climate-related financial risk. Once targets are set, the real work begins in developing achievement plans.

Renewable Energy Strategies: Sourcing renewable energy is important to achieving GHG emission reduction goals. As more companies are committing to net zero and science-based targets, the cost of renewable energy credits is going to increase. Leading companies are working towards running entirely on renewable energy 24/7, avoiding the need to purchase renewable energy credits, which is becoming possible through increased market penetration of renewables and battery technology. Equity and social justice are also emerging as important considerations in clean energy purchasing — looking for opportunities to invest in under-resourced communities that are often disproportionally affected by environmental pollution and without access to affordable clean energy.

Supply Chain Management: It is no longer sufficient to simply reduce GHG emissions and other environmental impacts within one's own operations. For many companies, scope 3 (upstream and downstream) emissions are significantly higher than scope 1 and 2 emissions. Further, companies wishing to set SBTi-approved GHG emissions targets must address scope 3. Reducing emissions within a company's supply chain is more challenging as companies have less control over these emissions. We have seen an increased request for support in understanding and reducing supply chain emissions.

TCFD Alignment: As noted previously, clients are increasingly interested in assessing and disclosing climate risks and opportunities. In addition to pressure from investors, governments have started to require or indicate the intention to require disclosure of climate-related financial risk. Both governments and financial institutions have referenced using the TCFD recommendations as a guide for assessing and disclosing climate risk.

With several recent announcements from the Biden Administration, including the establishment of the Securities Exchange Commission Climate and ESG Task Force, and the Executive Order on Climate-Related Financial Risk, some form of mandatory climate disclosure in the U.S. that will be informed by TCFD is a real possibility. □

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ESG Reporting Mandatory For Large EU Companies

In April 2021 the European Commission adopted a package of sustainable finance measures including reporting requirements and advisers' duties, strengthening the rules under the Non-Financial Reporting Directive (NFRD), requiring companies to disclose information on social and environmental challenges. Its proposal would extend NFRD sustainability reporting requirements to all large and listed companies, meaning nearly 50,000 companies in Europe.

The EC is developing a separate set of comparable standards for small and medium-sized enterprises. The package includes rules requiring advisers to discuss clients' sustainability preferences and changes to the EU Taxonomy Regulation – a classification system for sustainable investments, based on six objectives. It establishes technical screening criteria for the first two categories, climate change adaptation and climate change mitigation.

Valdis Dombrovskis, executive VP of the European Commission for its 'an economy that works for people' initiative, said that the measures would enable investors to re-orientate their activities towards more sustainable technologies and businesses, in line with making Europe climate neutral by 2050.

"Europe was a leader in reforming the financial system to support investments for climate change. Today, we are taking a leap forward with the first-ever climate taxonomy which will help companies and investors to know whether their investments and activities are really green... essential if we are to mobilise private investment in sustainable activities."

WSP On Top of the Decarbonization Business Opportunity

EBJ: There is a lot of work going on in planning and strategy, but not yet as much in execution of the strategy related to ESG goals and carbon neutrality in particular. Emissions reduction and your renewable energy practice yes, but what about developing carbon positive projects or natural assets like forest preservation or regeneration in order to create marketable carbon credits. Have you proposed this for any of your major clients seeking a pathway to carbon neutrality. Does a company of your scale have the resources to invest in carbon positive projects that will continue to generate economic value?

WSP: Bringing to market new product and services is critical to enabling other organizations to meet their net zero footprint management commitments. As a professional services firm, the opportunity for WSP is to provide advisory/design services to developers of carbon positive projects.

The net zero gold standard is when WSP achieves its own net zero commitment by sourcing environmental commodities from projects that WSP supported with design/advisory services. We are advising several leading organizations with this approach given it ties the carbon positive impact narrative with a decarbonization business opportunity.

EBJ: Do you offer acquisition services for power purchase agreements in renewables or carbon offsets in various forms? How do you view the sustainability and supply of voluntary carbon offsets in order to achieve corporate or institutional carbon neutrality goals?

WSP: We do indeed support clients with the procurement of renewable energy and carbon offsets. One of our staff is a board member of **Green-e**, with an inside view to both environmental commodity markets. The supply in the renewables market is constrained and growth in demand is outpacing new supply. Renewable energy is geographically/market dependent.

Carbon offset demand is narrowing to "removal" offsets where the majority of current supply and pipeline are "avoidance" offsets. These trends compound the supply and demand imbalances and is creating nuanced sourcing decisions.

Note: The Center for Resource Solutions' Green-e® certification program is a trusted global leader in clean energy certification. Green-e aims to make it easy for businesses and individuals to purchase verified clean energy with confidence, and for consumers to choose sustainable products and services.

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