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AECOM (ACM)

ESG Advisory And Biodiversity Leadership Call

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MANAGEMENT DISCUSSION SECTION

Unverified Participant

Andy, go ahead.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

All right. So, Good morning, everyone, and thanks for joining us today. I'm really happy that you chose to spend some of your time with us. I'm Andy Wittmann, I'm the senior research analyst at Baird that covers the consulting and engineering space. I'm really happy to be joined by some of the people from AECOM today. Many of you will be familiar with Will Gabrielski, who's leads their IR function as well as their treasury. And then today's really special guest speaker to talk about ESG is Robert Spencer. Robert was reported earlier this year as the head of the ESG strategy of business at AECOM.

And we're going to take your time today to just go through a few of the slides, learn more about what ESG strategy consulting is. I've got some questions lined up and we'll also be monitoring the chat box here today. You'll see it on your screen if you have a question to submit. I'll be monitoring those and we'll have some time today to go through some audience questions as well.

So with that, we're going to start off with Will just doing a kind of a quick overview for some of you who might be a little bit less familiar with AECOM before we get into the nuts and bolts of the ESG strategy with Robert.

So Will, why don't you take over here and give us a little intro?

William J. Gabrielski

Senior Vice President-Finance/Investor Relations & Treasurer, AECOM

Absolutely. Thanks, Andy. And for everybody's benefit, the disclosures and risk factors are in the front of our deck. But like Andy said, I'll just give a quick two-minute overview of AECOM and then turn it over to Robert for his remarks and we'll do some Q&A.

AECOM is a pure-play professional services firm, and we like to say we're also a purpose driven company, and that purpose is delivering a better world. So we have about 50,000 professionals across AECOM spanning disciplines from advisors, engineers, consultants, program managers, scientists, architects. And they're all working on one goal, which is solving our client's most complex challenges. So if there are two takeaways from my quick comments today, I want it to be that we have a very resilient business model and that there are a handful of key secular growth trends behind our markets right now. So I'll start with those trends.

One, a global infrastructure investment renaissance, and that's thing is like the Infrastructure Investment and Jobs Act in the US. But there's a number of similar programs globally that are driving our business today. The second one would just be the world adjusting to post-COVID. So changes in transit and travel, how people work, how supply chains function and of course now is very prominent is energy transition. And finally, on ESG, which will be prominent today as cities and companies across the world are advancing new strategies built around ESG, and what does that mean for AECOM?

And so that's really great for us. We're positioned for all three of these megatrends. If you think about our rankings, number one, we're in the top few in every one of our core markets, be it transportation, environment, water, green design and all of the subcategories under those. And I think importantly, specific to AECOM, the markets only now beginning to truly appreciate the difference between who we are today versus what is perceived as the traditional EPC model.

So I said we're a pure-play professional services firm and we have a new strategy called Think and Act Globally, that's been in place for the past few years. And you can see today we're quite a different company than we were in the past. We lead our industry on margins. We aren't acquisitive. Our focus is on compounding earnings and cash flow on a per share basis at the highest rate of the industry, which we've been doing for some time.

And I'll just – I'll finish up with what are the key attributes of our business, the inherent attributes, as we call them, that make us very predictable and attractive and produce strong returns, and is that highly variable cost structure so we can flex up and down with demand. The fact that we're focused exclusively on higher margin and lower risk work, which drives very consistent performance. Backlog visibility, we're sitting near all-time highs across our backlog. We have really good clients. They pay their bills on time and we're capital-light. So that produces very consistent cash flow conversion every year.

And then finally, in terms of, I know everyone is focused on inflation, the nature of our contracts allows us to recover costs in most instances, or our book is turning so frequently, we're able to reprice our work to manage through what is now pressure on the global supply chain, and for us, that's labor. And so, we've built what we think is the best model in the industry to manage that, but also to attract labor to our platform. So, you see strong return on capital, free cash conversion, and we think you'll see those benefits across cycles.

So, with that quick intro, I just want to turn it over to Robert. He's going to take you through our ESG business and really how we're helping clients face those big challenges that they have today. Thank you.

Robert Spencer*Global Lead-ESG Advisory, AECOM*

Thanks very much, Will. If I could have the next slide. Thank you very much. There it is. So, hello, everyone. My name is Robert Spencer. I'm the Global ESG Advisory Lead for AECOM. So, I'll just take a minute to say a little bit about my role and my profile at AECOM. So, I've been with AECOM and its legacy companies since 1998. My original background was in international development, working on UK Aid contracts for a legacy company, Scott Wilson in Nigeria and in Peoples Republic of China.

That was about five or six years of that kind of IDEV work. And then I came back to the UK and got involved in what would now be called circular economy, a program that was run by the UK, Department for the Environment on Industrial Symbiosis. We run a network across the UK, looking at how to reapply waste that was going to landfill, that was going to incineration, how to get more value from that, classic circular economy thinking.

We've run that program for about five or six years, very successful, diverted millions of tons from landfill. And then for the last, sort of, 10 years, I've been doing a mixture of in-house corporate sustainability strategic work for AECOM itself and its predecessor companies URS and Scott Wilson. That was my sort of lineage. And twinning that with client facing work, with business development, developing our markets, developing our tools and approaches and involved in quite a lot of innovation as well around some of those key themes, circular economy, nature-based solutions and natural capital as we would call now, and of course decarbonization and net zero with climate as king.

So, I took up this role earlier in this calendar year. And it's been a fantastic opportunity to really capitalize on AECOM's massive technical wealth of understanding and solutions around sustainable development and ESG. And what we're doing now is we're pivoting that vast sort of technical knowledge and practice network that's global in nature and covers all manner of technical solutions from climate risk assessments to circular economy strategy, to decarbonizing a real estate portfolio, drawing up that into specific advice and strategic advice that we can give to the highest levels of our clients into the C-suite, into the senior management executive rooms and into the board at times as well.

So, that's been a really interesting way in which we've been growing our services, creating more high value opportunities for us to provide advice to our clients, which then acts like a tip of the spear. It sort of creates more opportunities downstream for our technical services to be realized and implemented on the basis of the strategic opportunities and risk amelioration that we can help our clients with looking through that ESG lens.

So I think that's what the focus is going to be for the next short to medium-term period. We've got our strategy. We've got some great client examples under our belt. So, you can just see a couple of them on this slide that I've got on here. One of the pieces of work that we did fairly recently for one of the large infrastructure clients or core clients in our AECOM Europe Business, Network Rail, supported them with their 2050 Environmental Sustainability Strategy. That's just the kind of work that we're calling our ESG advisory work that was working with board level, non-executive directors within Network Rail, senior managers, operational executives, and really segmenting out sustainability in ESG into some of those key priorities for them which, for them, was around energy efficiency, decarbonization, circular economy, natural capital, and effective interactions with nature and natural systems, and so on.

And then I'll come on to how that's been driven a little bit by some of our innovations as well. But I think what you can see is that the strength of our services that we've built up over decades as a recognized sustainability and technical services, supplier of advice to our major clients is now being transformed into higher value work, because we've got those insights from what actually is going to work on the ground, what is going to be pragmatic, what is going to yield impacts and outcomes against an ESG strategic framework. We're very well-

positioned to offer that. In fact, I was talking to an ex-colleague, who's now a non-executive director the other day, and he was saying, you see a lot of new ESG experts coming out of the woodwork in recent months.

And he said, now, I'm a bit worried about that. I'd like to get my ESG advice from someone who is a bit more lived-in, the theme and the topics, and actually has some experience of delivering on projects and knows what's going to work. So, I thought that was a very interesting remark from that non-executive director that he's looking for a lived-in advisor to give him some really tangible approaches that he knows will be effective on the ground and will yield the sort of growth opportunities and security against ESG risks that he was concerned with.

So, if I just jump on to the next slide, I will just go through some of the elements, if you like, the key ingredients that are driving this. Now, let me pick out a few. This is quite a comprehensive slide that you can take away and reference later. But I think, clearly, we are seeing a lot more interest from investors in the ESG performance of companies. And so, naturally enough, that is one of the drivers for them to be reaching out to organizations, like us, who know about what those risk factors could be, what those opportunities are to mitigate them, and how to look at that. And that could be through supply chain risk, it could be through decarbonization, there are a bunch of ESG themes that will be different according to where that organization is on their journey that the investor has interest in. And technical term for that would be materiality. What's material to that business or that organization in terms of their ESG risk? It could be water, security. It could be supply chain risk if it is a global enterprise with lots of products coming from different parts of the world.

I think the ESG risk frame allows you to look at what are those strategic hotspots for that organization that they're going to need to be mindful of. And, of course, if they're a port or a coastal industrial facility, resilience and adaptation to a changing climate will be top of mind. Then, that will be the focus that we would bring. I think the other thing that's driving this, we really noticed at AECOM and one of the benefits of me having been one of the architects of AECOM's own ESG strategy, sustainable legacies, is that I've been walking the talk in-house with our executives, with our business leaders, and our regional executives around the business, actually getting our own strategy together.

One of the fascinating drivers there has been how important that is to our people, to our workforce, that they know they're working for an organization that is alive to these issues and that is aware of what the risks are of not getting this right in terms of retention, likelihood to stay on in a role, likelihood to look for new opportunities. So, absolutely critical. And I think we're all well aware of how society's views are changing very rapidly on these issues, as folks become much more aware of societal risks of vulnerable societies, vulnerable communities within societies, and how an ESG approach can actually help address a more equitable approach to, for example, infrastructure delivery are key area of work.

So, what does a more mature ESG program bring to an organization? What would our insights and help developing an ESG strategic program bring to an organization? Said a different way. So, it would help set out what those ESG risks are. Any of you familiar with the World Economic Forum, last two years, you've seen all those environment and social sustainability risks all getting into the top right-hand corner. So, they are all serious and urgent needs to be dealt with.

How do we develop a resilient and strategic opportunity out of that sort of context and that sort of maelstrom of competing issues? So teasing that out, and then coming back to that materiality issue is absolutely vital for this. I think it's competitive advantage as well. If you have a strong ESG strategy in place, you're actually buffered against some of the wins and the drivers that could knock a less resilient company, of course, you have answers to the serious questions, because you've developed your strategy that is resolving your carbon risk or your financial stability is enhanced by, for example, an ESG-linked financial facility.

And I think the other appeal is that we do get that loyalty and brand recognition from our clients from knowing; A, that we've gone through this process ourselves. So, I would say that we are one of the ESG leaders in our sectors that we operate in. You may know we recently had our science-based targets validated by the Science Based Targets initiative, one of the first organizations to be validated in our sector. That was a heavy lift, getting all the data ready for that. So, we understand what it takes to get a mature ESG program in place, and we have the advisors, the global network and the insights from delivering standalone sustainability projects and embedded sustainability projects in major infrastructure over many years.

I just want to highlight. I said I'll talk about innovation, and my last slide actually talks to that and it reflects some work we've been doing for some time now. We're three years into a five-year program up in the Highlands of Scotland, where we've taken the view that businesses – organizations are increasingly needing to integrate effective natural system data into their business decision making, into their asset and capital decision-making processes. Be that a water company that's vulnerable and, indeed, reliant on active and performing catchments in natural systems, be that a client that's wanting to, for example, restore wetlands for resilience and nature-based solutions.

What we need is effective data capture of the environmental system, how it's working, what are the benefits that society is gaining from those natural systems? How do we quantify those, monetize those, and bring them into a Chief Financial Officer's purview? So that he or she can actually understand what the natural systems impacts, dependencies that they might have on the natural systems, and what the opportunities are to enhance their own strategic growth and enhance their own capital investment program, understanding nature better.

I always say, when you go into nature and you're walking on a hill or you're walking through a meadow, you get it. You get all the benefits of nature. You're sucking in the clean air. You're looking at the verdant vegetation and you feel good. But the minute you're back into the office, it's difficult to translate all that into meaningful data. And I think this is where we're getting a breakthrough here with some of the work that we're doing at AECOM, as we're able to translate all those benefits from nature that society gets into meaningful data points that can be scaled and replicated and integrated into business decision making in a way that hasn't been possible until recently. And so, there's lots of learning to come from there, and I'd be very happy to talk for hours on that. But I would like some time for Andy to ask his questions. So, I'll stop there.

QUESTION AND ANSWER SECTION

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. That's great. Thank you for the overview, Robert. I guess the thing that comes to mind here as ESG has become more important for organizations, what the challenges or barriers are for AECOM's customers to implementing a more fulsome strategy around ESG today? What are the institutional barriers that they're having to overcome when they're looking at their posture?

Robert Spencer

Global Lead-ESG Advisory, AECOM

A

Yeah. Well, I mean, there's good news and bad news. I mean, there is increasingly some international frameworks and regulatory drivers that are helping. Obviously, the Task Force on Climate-Related Financial Disclosures is increasingly important and, indeed, in some jurisdictions, being made mandatory. We have the equivalent framework on the way for natural systems that, just to the point now, I was in a webinar the other day where they're starting to develop the metrics. So, you have got that approach. You've also got to bear in mind that point I made earlier on, Andy, about what is material to your business, where do you need to focus effort to get the ESG strategy right?

And, for example, if you're an organization working in the world of media, you will be interested in the social drivers, the social value that could be created; understanding how engaging with stakeholders is going to need to take new forms, and understanding what's valuable, what is valued by society? That would be a totally different ESG strategy for that organization than one like Network Rail, which I mentioned earlier, very keen on understanding the resilience and decarbonization of their fixed assets, large infrastructure assets across thousands of miles of countryside.

Again, very different to, say, an industrial facility on a coastal port facility that's vulnerable to tidal surges; could be, let's make it even worse, let's put that organization on the coast of California, so it could be vulnerable to tidal surges and fires. And then you're going to have to be really focusing on those climate-related global warming risk factors and understanding how that would be the fulcrum for their strategy, and how they would be effectively getting themselves climate-ready, what would be the social implications of that as well?

So, I think, as I said in some of my opening remarks, Andy, it depends where the organization's coming from, and also what stage they're already at on their journey. So, you might have one organization, which is really, just it's had some calls from its investors, it's had some charismatic employees who've been, you know, juggling the boat a bit saying, hey, we should be doing something on this, and they're going to be reaching out and saying, well, look how do we get started? What are the first things we need to do to get a strong and robust ESG strategy in place?

On the other hand and this is the kind of situation for many of our clients, you're almost in a sort of maintenance and refurbishment ESG strategy approach, because they might be very mature. They might already have set their science-based targets out to 2040. They might be really good on their social value approach, but maybe they want to understand nature more and want to understand how their business, their organization interacts with nature. So there, we would have a nature-focused ESG strategy that would help them understand their reliance on natural systems, how to quantify, monetize that, bringing some of that learning from the Natural Capital Laboratory, and giving them a robust framework for making good decisions and good strategic investments in

their business organization going forward. So, it is about looking at the organization, seeing where they need support, understanding how far they are along, and then tuning the strategic advice to give them the most benefit and the highest value of support they can get.

Andrew John Wittmann*Analyst, Robert W. Baird & Co., Inc.*

I see. I mean, one of the first things you talked about is, the standards that are being set and the ability to measure some of these metrics. Can you just talk about what the common metrics are out there today, and how far along do you think we are in the development of the quantification and standardization of those processes? I know there's these forums that have been happening, but it's still kind of feels to me like it's early, maybe I'm wrong, maybe I'm naïve, but can you just set us – help us think about where we are in that journey?

Robert Spencer*Global Lead-ESG Advisory, AECOM*

Yeah. I think it depends which jurisdiction you're in. One of the insights that we get from being a global company with a global network of ESG practitioners is that we see what's going on in the United Kingdom, we see what's going on in Australia, we see what's going on in the US and Canada and, of course, everyone's very excited in the US about the SEC consultation and all that. And then, in the UK, we've pretty much got the Task Force on Climate-Related Financial Disclosures mandatory now, all businesses going to need to be reporting on that. And a similar, actually, in Australia. And so, I think the key thing there is that you talked about data, what sort of data do we report on?

For me, we've been reporting for some time, and I run our in-house sustainability team as well, just to be clear, so I get these insights as well from what they are being asked to do and support our clients. Lots of clients now are asking for, in a pre-procurement sort of approach, how are you doing on water management? How much waste to landfill are you avoiding? How much carbon are you saving each year? How are you dealing with corporate travel? So, I'd say, for enlightened or mature clients, we've already got standard reporting systems of our own that have been developed in part for our own purposes, but in part also to be able to respond effectively to inform clients who want to know that they're getting advice and technical support from a company that's on a similar trajectory and wavelengths that they are.

They want to feel that they're procuring support from organizations that are on the same page as they are and have that data. But it doesn't get away from the main challenge here, Andy, is that we're bringing a lot more data under management around, specifically, in the last 10 years it's been environmental reporting. So, climate's king, data on carbon, data on waste, data on water use. But increasingly now, clients are getting sophisticated in wanting to understand what is the social impact of working with you? How many apprentices are you employing and bringing on? How effectively does your company reflect the local environment in terms of the people that you're going to be bringing to this project that we're asking you to do for us? Does it reflect the local community from a diversity and ethnicity point of view, for example?

So these are the questions that are – I think you get the picture, Andy, that there's a lot more data streams that we have to; A, collate; and B, bring under management in order to; A, fulfill our clients' requests about understanding what kind of beast they're dealing with; and B, for our own purposes, we talked about what are the drivers. When we were doing our ESG strategy at AECOM, we had sort of four principle stakeholders that we wanted to be aligning around. It was our investors; it was our peer group in industry; of course, clients, absolutely essential; and then, it was our workforce. And I think if you're working with those four lenses in mind, then you'll be having a fairly robust approach to understanding what your ESG drivers are, and how you can respond to them.

Q

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Yeah. You mentioned in your response there how you're trying to provide your clients with AECOM's ESG and environmental posture among other things. It really speaks to the point of Scope 3 emissions when you start looking about the whole supply chain. And it seems – again, as someone who's become more familiar with, but is no expert on ESG, the idea of monitoring and reporting out Scope 3 emissions means a whole lot of work for people you don't have direct control over. What is AECOM saying to its clients about the ability to set up the infrastructure, and is it even possible?

A

Robert Spencer

Global Lead-ESG Advisory, AECOM

Well, that's a fantastic question, and then gets to the heart of the complexity around this. So, for those of you who aren't quite up to Andy's level of knowledge on the Scopes, Scope 1 and 2 are the easy ones. Scope 1 is the direct energy you consume, running at the fleet of vehicles, for example. Scope 2 is your lights in your office. Somebody else's generated that energy. You're using it and buying it. And Scope 3 is everything else; business travel, goods consumed, IT, everything that the business relies on, the organization relies on. And all of that has got a carbon footprint. So, what we've done at AECOM is we've worked with third parties and our own experts.

So, one of the benefits of being an environmental and technical engineering consultancy, we have people in-house, who understand how to do this complex work. So, we've got our understanding of our own Scope 3 footprint, which is, of course, way bigger than our Scope 1 and 2 emissions. That's part of the course. Okay. Your Scope 3 is going to be massive. And as you said, you're not going to have much control over it. You have influence, not control by and large. Business travel is a bit more controlled, because you can sort of decide who you're going to book your travel with. But increasingly, you can't force your supply chain down a certain direction unless you want to get serious about your procurement process, in terms of, do you align your procurement process with a level of maturity and data savvy around climate, around wastewater with your supply chain?

So, effectively, you then start to actually be working with the suppliers that have gone through that and having seen with heavy lifts that you have, understand what their carbon emissions are, set themselves some targets, ideally science-based ones, and are able to share with you that progress, so that then when you're asked by your Chief Executive, hey, how we're doing against our 2040 net zero target? You've actually got reasonably robust data coming in from the supply chain, and you can say, well, we're 20% there, or we're 28% there, or we're 30% depending on how close we get to 2040. So that is hard work. There is no way of getting around. It's a heavy lift. It's a whole bunch of data that we're having to make business decisions around and collect and develop systems for, that we haven't had to before.

Q

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Yeah.

A

Robert Spencer

Global Lead-ESG Advisory, AECOM

However, there's plenty of digital and IT systems architecture that is getting built to help support that, some of which...

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Yes.

Robert Spencer

Global Lead-ESG Advisory, AECOM

...we're doing ourselves as well. And you asked specifically about how does it relate to major infrastructure? So, our clients are checking in with us, some of them anyway, and say, hey, have you guys got science-based targets? If you want to bid for this major roads framework in a couple of years' time, if you haven't got science-based targets, don't even bother with the RFI because you're not going to be getting into the tent. Okay?

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Yeah.

Robert Spencer

Global Lead-ESG Advisory, AECOM

So some clients are already that mature, and they're already starting to exclude that principle Tier 1 and Tier 2 suppliers on the basis of their maturity with respect to their carbon journey. So, that's a really strong driver for us, in addition to our momentum to keep us sharp on that.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Yeah. And I'm glad you went that direction, because that's, kind of, where I want to go next is here we are with a call full of investors today. And so, I really want to boil it back down to what's tangible financially then too. And so, I don't know – I mean, can you talk about, I don't know, maybe the size of AECOM's ESG advisory services today? What are the growth rate that you expect out of it over the coming few years? Just so that we can, kind of, understand how important this is today, and/or could be in a few years from an investors' perspective.

Robert Spencer

Global Lead-ESG Advisory, AECOM

Well, there's few things to say there, Andy. First of all, we're not coming from a standing start here. We have always had sustainability and ESG practitioners, some of whom have been providing strategic advice to our clients. I think the shift that we've seen in the last couple of years, around rolling out our sustainable legacy strategy, is we've been much more focused, and we had much more emphasis on bringing together that strategic network of ESG practitioners that we already had. Linking them up globally, because we're getting so many global drivers now that our clients needing to respond to.

So, then you get best practice from the US, helping out Australia and best practice from China, helping out Canada and vice versa. That's one thing. The other thing is it's a hot market, as you know, for ESG practitioners, and we are able to do two things. One, we're able to recruit, because we're a fantastic place to work. So, we are able to cut through some of that hot market demand for ESG practitioners, because people can see when they come to us that they're going to be working for an organization that's doing really exciting stuff.

So, for example, a woman that joined our ESG team in London, just a few months ago. She was asked post-hire, what was the real reason you wanted to come to AECOM? She said I wanted to be with the company that has got

the natural capital lab because she had seen about it on videos with her other business beforehand and so on. And so, that kind of innovation is [indiscernible] (00:29:44) the teams.

And I think the other thing is that we are able to grow expertise from technical experts who might be focusing on something that's perhaps a less demanding market right now and they have the interest and ability to want to work on a growing ESG themed type of work. So sometimes we will be able to redirect resources into a faster growing area of what was requiring more intense effort at a particular time.

And that's the nature of the fact that people want to work on ESG sustainability focused stuff. Most people who are at AECOM want to have a significant impact. In fact, when we were recruiting for ESG advisory leaders in our Australia business just a few weeks ago, we were getting that business. So I think that business was almost going to double by the time of we're getting into the new financial year in terms of the number of ESG advisors they've got.

And what they did was they took videos of all the existing ESG advisory team members and they asked them to speak to what's important for them. What is the social or environmental impact they've managed to achieve for themselves and for their clients in the time that they had been with AECOM. And that cut through, really did cut through. They got a lot more applications after that video then went out and before it.

And so, I think it's the human story that's – in addition to the financial and the metrics that you're interested in, Andy, the human story is really powerful here in terms of what people want to work on and what is going to interest them in working with the specific company.

Andrew John Wittmann*Analyst, Robert W. Baird & Co., Inc.*

That makes sense. We've been communicating with a lot of the companies that we do research on in the last couple of weeks. We've hosted a conference here at Baird and everything that we're talking about in the financial markets is a lot of macro themes, I think that the price of oil being up is relevant to the ESG discussion today. In a world where energy is scarce and it's putting society in many ways, changing fundamentally how everyday people are spending their money.

Also, I mean, rising interest rates are another factor, a macro factor that are out there. All these things make the costs of doing business harder and heavier. How does ESG stand up today in terms of its merits in a world where capital is more expensive and expenses are higher? Does it justify itself more or less? What do you the tangible impact on the demand for these types of services is from these new developments in the macro economy?

Robert Spencer*Global Lead-ESG Advisory, AECOM*

Yeah, yeah. I mean, I think you're absolutely right around cost of living and inflationary drivers and the uncertainties in food supply and so on caused by the conflict in Ukraine. And, as you say, a lot of organizations and indeed countries are actually looking for how do they secure their energy security and so on. I wouldn't want to comment too much on the sort of almost getting into national politics there on some of those aspects.

But what I would say is that there are tried and tested cost effective ways for reducing carbon and increasing energy efficiency. And by and large do you produce new gas facility or do you produce some offshore wind? The offshore wind is going to be cheaper and it's not going to create you a possible risk of a stranded asset and more CO2 emissions. Tied to that how do you look at things like housing stock with respect to insulation, energy efficiency, switching heat out. Again, there's a lot of work that could be done there in terms of improving housing

stocks, energy efficiency and energy sources. Again, possibly instead of investing more in fossil fuels, which, again, you've got that risk of stranded assets, increased emissions and frankly, just whacking us over – well over the 1.5 degrees sort of livable global warming issues.

I mean, I think, you have got to be mindful that these things aren't going to go away. It is tempting to make short-term fixes, but is that at the extent of having a five meter sea level rise, that you then go to insulate coastal cities all around the world against. Because, we lost the Antarctic ice sheet, the – you have to think out some of these long-term consequences of some of the decisions we're making now. And make sure, I guess, that that it – as we did in COVID during the pandemic, big investments have to be made for the good of a society at large and for long-term resilience. And I think, in some ways, we have to make sure we don't lose sight of the fact that the climate factor is going to need to be looked at in the same frame as that.

Andrew John Wittmann*Analyst, Robert W. Baird & Co., Inc.*

Got it. I just have one other kind of big picture question here for you before I'll check for questions from the audience. But I wanted to give you the opportunity to talk to investors about what you think are the missed – the most misunderstood or maybe most overlooked aspects of ESG as it relates to the perspective of your shareholders?

Robert Spencer*Global Lead-ESG Advisory, AECOM*

That's a really good question. I think if I was coming at it from AECOM's perspective, I would say that we've – for a long time, we've had a very, very strong environmental practice and we've had very, very strong environmental engineers. And we've always understood the E in ESG incredibly well. We've equally made a huge amount of effort on the governance and increasingly the social. But I think more broadly the S in ESG has suffered from a lack of effective universal metrics to monitor performance against and to quantify against. And that is because, I think, there's many reasons for that, but one is, obviously, it's more sensitive.

Two is, it's more difficult to get standard S in ESG metrics that everyone would agree on around the world because social context is so different in every jurisdiction, in every locale. And what we found with our social value strategy for AECOM is that we had to develop a broad, sort of, strategic framework for the business, but then we've given a whole lot of largesse and freedom to our regions to develop their own specific social value strategies, because you can't do a one-size-fits-all in a global organization that spans many, many countries and jurisdictions and has communities next to its projects or benefiting from its projects in many different contexts as well.

So I think that's – for me, that's the one that's going to require more brainpower, more challenge, more effective data intelligence than that we've seen in carbon in the last 20 years, to be fair, that now needs to be applied, that level of effort needs to be applied to the S in ESG, I think, to give investors the comfort that they would need that they are by investing here, they're getting these tangible social outcomes that can be measured on an industry or a bunch of indicators against some defined metrics that everyone's reasonably happy with. But again, that would probably end up being significantly regionally nuanced for the reasons I've elaborated.

Andrew John Wittmann*Analyst, Robert W. Baird & Co., Inc.*

Yeah. I think it's a good point, certainly. I know I struggle when I look at it. I think it's feels like 90% of the time its environment, environment, environment. I think that makes sense but I'm really glad that you highlighted the

difficulties and the opportunities around the societal side. There's always the G side which is pretty straightforward and very quantifiable at least in terms...

Robert Spencer*Global Lead-ESG Advisory, AECOM*

Exactly.

Andrew John Wittmann*Analyst, Robert W. Baird & Co., Inc.*

...of practically looking at how that's set up. But I'm glad you brought that up on the S of ESG.

I think we got to leave it there. We're about out of our time. And I think we've touched on what we want to touch base on. So, I guess with that, Robert and Will, thank you so much for your time this morning. And I hope that everybody has gotten a little bit better sense about AECOM's ESG advisory practice today. Certainly, I know that Will's door is always open for follow-up questions as is mine from a financial model perspective.

William J. Gabrielski*Senior Vice President-Finance/Investor Relations & Treasurer, AECOM*

I'd also very delighted to hear from any of your audience on any of these topics. No problem.

Andrew John Wittmann*Analyst, Robert W. Baird & Co., Inc.*

Fabulous. Thank you so much for your time today and have a great day.

Robert Spencer*Global Lead-ESG Advisory, AECOM*

Thanks, Andy.

William J. Gabrielski*Senior Vice President-Finance/Investor Relations & Treasurer, AECOM*

Thank you.

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