CLIMATE RISK AND OPPORTUNITIES REPORT



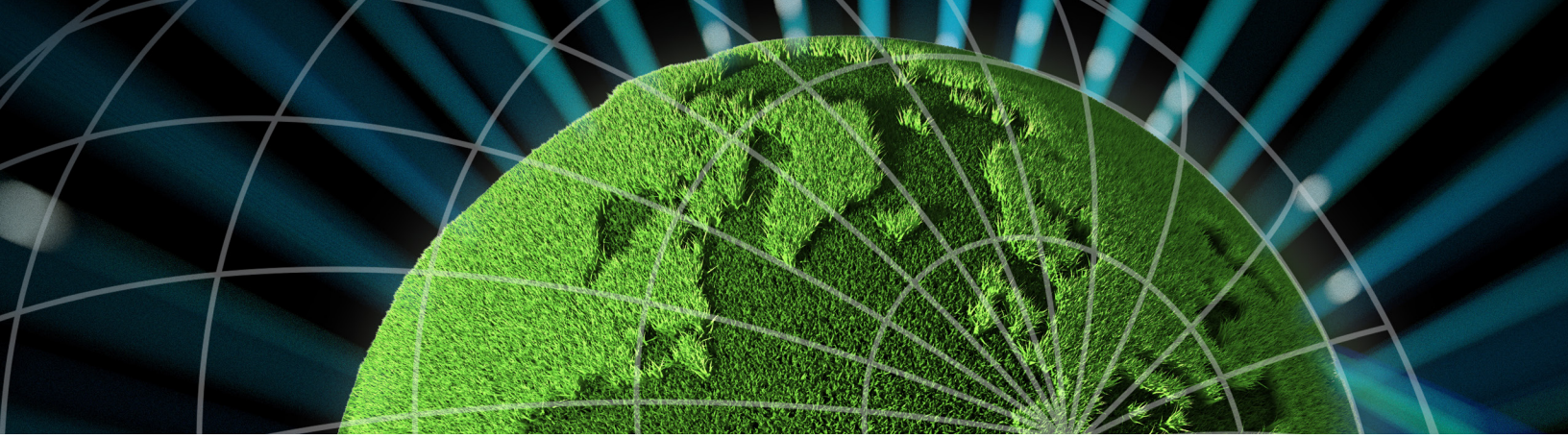
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Executive Summary

To better understand the climate-related risks and opportunities across its business, enhance transparency, and prepare for climate-related disclosure requirements, Alvarez & Marsal Holdings, LLC ("A&M" or "firm") presents its global FY2026 Climate Risk Report. The report reflects A&M's 2025 reporting year, covering November 1, 2024, through October 31, 2025.

Aligned with the International Sustainability Standards Board's (ISSB) guidance, A&M evaluated its physical risks, transition risks, and opportunities, and applied the disclosure recommendations structured around four core elements: Governance, Strategy, Risk Management, and Metrics and Targets.[1]

A&M's methodology assesses acute and chronic physical risks, as well as transition risks, to identify those with the greatest potential impact on its business operations. The assessment considers the likelihood and potential impact of climate-related risks across multiple climate scenarios and time horizons, using historical climate information and forward-looking projections to evaluate how risks may evolve over time. A&M leadership works in collaboration with Environmental, Technical, and Sustainability (ETS) Services and other A&M committees to integrate climate risk considerations into ongoing risk management activities, its Business Continuity Plan (BCP), and the firm's decarbonization goals and strategy.

A&M's analysis indicates that physical risks present limited direct risk to day-to-day operations as the firm leases its offices and uses a flexible work model. These risks still warrant attention because they affect employees, clients, suppliers, business travel, and other operational dependencies.

The firm identified four principal transition risks: client demands, regulatory reporting, brand reputation, and the price of carbon credits. The firm monitors regulatory and compliance developments, assesses and mitigates these risks, and carefully manages client relationships. A&M's diversified business model also provides a natural hedge: reduced demand for its services in some sectors may coincide with increased demand in others.

A&M's assessment identified several opportunities for A&M as climate impacts become more widespread. One relates to brand reputation. By demonstrating its commitment to sustainability through measures such as climate risk assessments, the firm may be better positioned to assist clients with their own sustainability commitments. Another is new business growth. A&M is well-positioned to help clients pursue their sustainability goals and respond to changing regional, federal, and global climate regulations. Demand may also increase for A&M's work in hard-to-abate sectors, such as energy and industrials, where the firm has strong credibility and experience. Like other fundamental changes, climate change creates opportunities for advisory firms such as A&M to help clients navigate the resulting risks and opportunities.

[1] Note: International Sustainability Standards Board, IFRS S2 Climate-related Disclosures (IFRS Foundation, June 2023; amended December 2025), paras. 3, 5, 8, 24, and 27.

What is Climate Risk Analysis?

A climate risk assessment examines how physical and transition risks posed by climate change may affect an organization's operations, strategy, value chain, and financial performance. It involves identifying, analyzing, and disclosing potential risks and opportunities arising from factors such as regulatory changes, market shifts, technological advancements, and extreme weather events. Integrating climate considerations into financial decision-making processes can enhance transparency, resilience, and long-term sustainability in businesses and financial markets. Climate risk assessments are becoming increasingly important as clients and investors expect businesses to consider and disclose climate risks and more regulations require them to do so.

The ISSB incorporated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into IFRS S2. The standard organizes climate-related disclosures around four core areas: Governance, Strategy, Risk Management, and Metrics and Targets. It also requires entities to consider physical risks, transition risks, and opportunities.[2]

The tables below combine IFRS S2's broad categories of physical risk, transition risk, and climate-related opportunity with A&M's working definitions of specific hazards and potential business impacts.

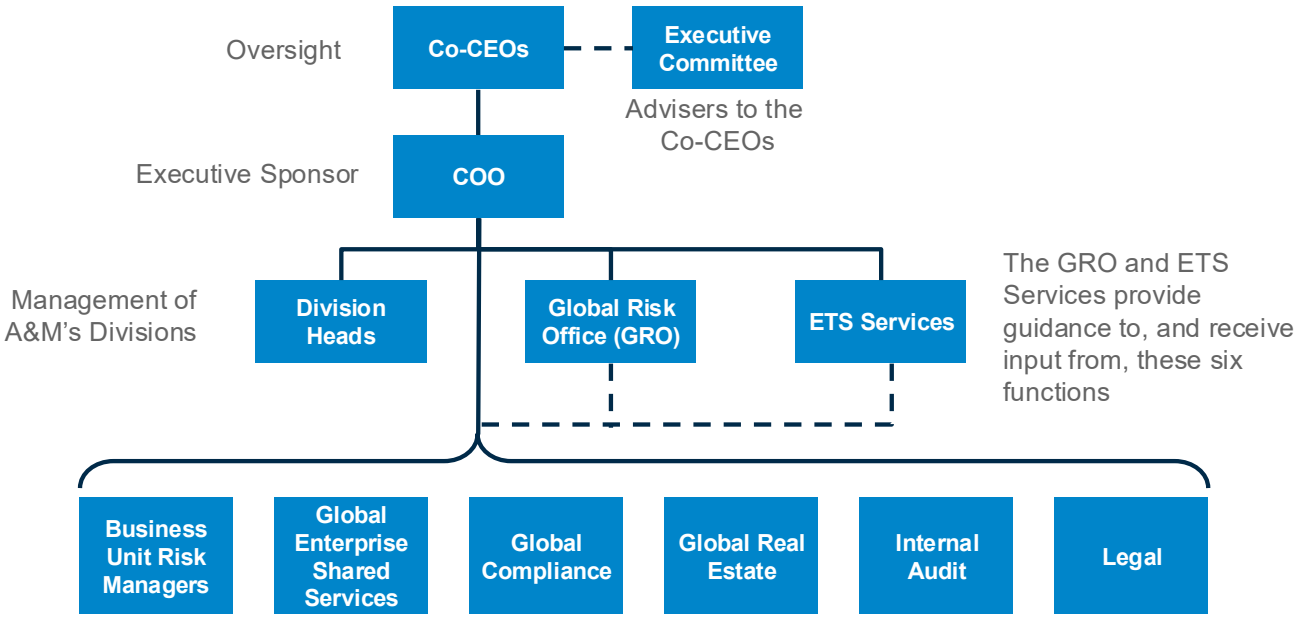
	Definition	Impact
Physical risk	*Risks that arise from environmental degradation and physical climate change effects*	*Shifts to the physical operating environment caused by extreme climate events*
Acute risk	Event-driven risks from the physical effects of climate change	Increased severity of extreme 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

[2] Note: International Sustainability Standards Board, IFRS S2 Climate-related Disclosures, paras. 3, 5, 8, 24, and 27.

	Definition	Risk
Transition risk	*Risks associated with the transition to a low-carbon economy*	*Enhanced operational costs, regulatory scrutiny and policy expectations*
Policy and legal	Changes to legal and policy expectations in the operating environment	Increased operational costs and pricing of GHG emissions, enhanced reporting obligates, 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
Opportunities	*Emerging opportunities for sustainable growth in response to climate risk*	*Use of more efficient resources and operational patterns*
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[3]



[3] Note: Representation for how the firm specifically manages climate risk and should not be construed as how the firm manages all risks.

Management Oversight

A&M is guided by the "A&M Way," which emphasizes the firm's core values: integrity, quality, objectivity, fun, personal reward, and inclusive diversity. As A&M continues to expand globally, it is committed to maintaining the highest ethical standards in all that it does.[4]

A&M's co-CEOs, Tony Alvarez II and Bryan Marsal, oversee risk management across the firm and have ultimate responsibility for its sustainability programs and initiatives. Risk management is also a core responsibility of every managing director, helping A&M integrate sustainability into its business strategy and operations.

A&M's leadership works with the ETS Services team to manage firmwide climate risk, sustainability, and decarbonization activities. This group is tasked with preparing reports that help management make informed decisions about climate risk and planning. The team draws insights from subject-matter experts and risk managers worldwide and brings expertise in decarbonization and climate risk. This collaboration allows A&M to assess risk at both global and local levels.

A&M's Chief Operating Officer (COO) sponsors the firm's sustainability initiatives. ETS Services regularly reports to the COO on sustainability progress, metrics and targets, and the COO reports to the co-CEOs. This structure supports timely, fact-based decision-making on climate action and sustainability.

ETS Services works closely with the Global Risk Office (GRO) and the Risk Managers Committee, composed of Business Unit (BU) Risk Managers across the firm's various practices and geographies. The committee meets regularly to align risk-management priorities and share leading practices. With guidance from ETS Services, BU Risk Managers incorporate climate risk into their discussions and risk-management activities.

The co-CEOs draw on the Legal Department, Global Compliance, Internal Audit, Global Enterprise Shared Services (GESS), and other functions to maintain risk management and compliance processes and identify, assess and mitigate risks as A&M expands into new regions. The Managing Director of Global Corporate Real Estate also considers climate-related physical risks when evaluating new locations and developing lease agreements for A&M offices.

Strategy

Risk Identification

A&M conducts scenario analysis using three RCPs identified by the Intergovernmental Panel on Climate Change (IPCC) to assess the potential effects of climate change on its business. For this report, A&M pairs the RCPs with selected transition narratives informed by the Network for Greening the Financial System (NGFS): Orderly, Disorderly, and Hot House World.[5] The transition narratives represent, respectively, strong climate action, delayed or uneven action, and limited climate action. In this simplified analytical construct, the RCPs inform the physical-climate analysis, while the selected NGFS narratives characterize transition conditions:

- **Orderly Scenario | RCP 2.6 | Stringent Mitigation:** RCP 2.6 is a stringent mitigation pathway designed to keep the increase in global mean temperature below 2°C. In its underlying model, emissions decline rapidly, with net carbon dioxide emissions becoming negative late in the century.[6]

[4] Note: Alvarez & Marsal, Sustainability 2026 (2026), 24–27.
[5] Intergovernmental Panel on Climate Change, Climate Change 2014: Synthesis Report, ed. Core Writing Team, R. K. Pachauri, and L. A. Meyer (Geneva: IPCC, 2014), 8–12; Network for Greening the Financial System, Guide to Climate Scenario Analysis for Central Banks and Supervisors—Update (November 2025), 15–17, 22.
[6] Detlef P. van Vuuren et al., "RCP2.6: Exploring the Possibility to Keep Global Mean Temperature Increase below 2°C," Climatic Change 109, nos. 1–2 (2011): 95–116.

- **Disorderly Scenario | RCP 4.5 | Stabilization:** RCP 4.5 is a stabilization pathway in which radiative forcing reaches 4.5 W/m^2 by 2100 without overshoot. It assumes explicit mitigation policies and declining carbon dioxide emissions over the century.[7]
- **Hot House World Scenario | RCP 8.5 | Adaptation:** RCP 8.5 is a comparatively high greenhouse gas emissions pathway with no explicit climate mitigation target. Greenhouse gas emissions continue to rise throughout the century.[8]

A&M analyzes 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 physical-climate pathways. Of these, six acute risks (wildfire, severe storm, river flooding, heat wave, drought, and extreme precipitation) and two chronic risks (precipitation change and temperature change) may affect A&M's business operations. For transition risks and opportunities, A&M models the likelihood and impact under the Orderly and Hot House World scenarios and considers how the material risks and opportunities may differ between them. The report uses the Orderly and Hot House World scenarios as bounding cases and presents Disorderly as an illustrative midpoint rather than modeling it separately.

The tables below present the risks and opportunities identified as most relevant in A&M's analysis. They compare the Orderly and Hot House World scenarios to illustrate a range of possible outcomes. These scenarios are analytical tools rather than forecasts, and actual outcomes may fall between them or differ from both.[9]

Low Medium High

Physical Risks

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	●	●	●

[7] Note: Allison M. Thomson et al., "RCP4.5: A Pathway for Stabilization of Radiative Forcing by 2100," Climatic Change 109, nos. 1–2 (2011): 77–94.
[8] Keywan Riahi et al., "RCP 8.5—A Scenario of Comparatively High Greenhouse Gas Emissions," Climatic Change 109, nos. 1–2 (2011): 33–57, https://doi.org/10.1007/s10584-011-0149-y.
[9] Network for Greening the Financial System, Guide to Climate Scenario Analysis for Central Banks and Supervisors—Update, 16.

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 Carbon Credits	Cost of purchasing carbon credits, 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

A&M assesses each office's exposure and vulnerability using historical data for 2011–2020 and future projections for 2021–2030, 2031–2040, and 2041–2050, sourced from a third-party climate risk data provider. The projections are modeled across three IPCC emissions scenarios (RCP 2.6, RCP 4.5, and RCP 8.5) to capture a range of potential physical climate outcomes over time. The findings indicate that physical risks are unlikely to significantly disrupt day-to-day operations because A&M leases its offices and can use flexible work arrangements for short periods when necessary, such as after a severe storm or flood.

A&M also maintains a Business Continuity Plan (BCP) for emergencies that threaten its ability to operate. A response team coordinates short-term action with long-term recovery to ensure the firm's ability to operate and serve clients.

Physical risks may also affect clients' operations and A&M's ability to work with them. As such, the firm assesses exposure beyond its leased offices and manages physical risks from a global perspective. Acute and chronic risks are generally more severe under the Hot House World scenario, and the analysis reflects this assumption.

Transition Risks

As a professional services firm, A&M is evaluated on the services it provides, the quality of its work, and its ability to respond to clients' needs and concerns. Transition risks are an important part of A&M's overall risk profile, as some may have a greater effect on business operations than physical risks do. The analysis examines four in detail: regulatory reporting, client demands, brand reputation, and the price of carbon credits.

Client Demands

Client demands are an important consideration for professional services firms. As clients place greater emphasis on climate change, they may expect their suppliers to support decarbonization and climate risk initiatives. Clients may also consider reputational, ethical, and operational risks when evaluating suppliers.

Under the Orderly scenario, clients may place greater weight on A&M's decarbonization performance and sustainability commitments, potentially reducing revenue or increasing costs. A&M must balance these expectations with its own standards and risk tolerance. The firm manages this risk through proactive client engagement and by aligning its sustainability goals with client demands.

Under the Hot House World scenario, A&M is expected to face fewer client-related risks because the scenario assumes limited climate action and less pressure from clients to decarbonize.

Regardless of the scenario, A&M has already taken steps to address major clients' expectations and reduce the risk of lost business. These include disclosing climate-related risks, using IFRS S2 and the TCFD recommendations, joining the United Nations Global Compact, committing to the Science Based Targets initiative (SBTi), and submitting sustainability performance data to EcoVadis.

Regulatory Reporting

Given the nature of its operations, A&M must remain aware of new and emerging regulations related to sustainability and climate risk. Teams across the organization monitor regulatory developments and communicate with affected regions to help A&M meet compliance obligations.

Like all multinational organizations, A&M is subject to regulatory requirements around the world. Under the Orderly scenario, the analysis assumes that these requirements will expand, with more jurisdictions mandating corporate reporting on climate-related risks, carbon emissions performance metrics, and climate-related opportunities. This could increase A&M's compliance costs. Under the Hot House World scenario, the analysis assumes that additional climate-reporting requirements will be less likely.

Brand Reputation

Brand reputation is a critical asset for professional services firms and can also be a significant risk. It reflects a firm's credibility, trustworthiness, and track record, which influence client relationships, employee morale, and market perception. As clients move toward a low-carbon economy, A&M's sustainability strategy and progress may present either a risk or an opportunity. In managing reputational risk, A&M focuses on two main stakeholders: clients and employees.

Stakeholder	Potential Risk
Clients	**Orderly Scenario:** • Failure to align A&M's actions with its stated carbon-reduction commitments could damage its reputation among existing or potential clients. • Client purchasing policies may shift to favor competitors with lower carbon offerings or stronger climate commitments. **Hot House World Scenario:** • Despite limited government action and regulatory pressure, A&M may still face reputational risk if it falls short of clients' sustainability expectations. • Many clients may continue to apply sustainability requirements to suppliers and vendors that exceed regulatory baselines, making sustainability relevant to A&M's competitive position, client retention, and ability to meet changing client needs.
Employees	**Orderly Scenario:** • A lack of firmwide sustainability commitments could make it harder for A&M to attract talent. • Prospective employees may favor employers with strong sustainability standards and commitments. In an extreme case, recruitment difficulties could reduce output or productivity. **Hot House World Scenario:** • Even if regulatory and market pressures remain relatively stable, A&M could face reputational risk if it lacks visible sustainability commitments. • Prospective and current employees may consider sustainability when evaluating employers, and a failure to demonstrate meaningful climate action could affect recruitment, engagement, and retention.

The Price of Carbon Credits

The future price and availability of carbon credits may present a risk to A&M, particularly under the Orderly scenario. As the firm grows and continues efforts to reduce its Scope 2 emissions, it may rely in part on the purchase of carbon credits to support its emissions-reduction strategy. Changes in the cost, availability, or quality of eligible carbon credits could therefore increase the cost of meeting A&M's climate-related goals.

Under the Orderly scenario, growing demand for high-quality carbon credits may increase prices over time. A&M's costs could rise further if suppliers responsible for a significant share of its emissions do not reduce their own footprints, increasing the emissions A&M must address as it works toward its climate goals. Under the Hot House World scenario, market and regulatory incentives may remain limited, potentially affecting the availability and development of carbon credits.

Other Transition Risks

A&M's climate risk analysis identified several transition risks that are not expected to materially impact A&M's operations, including technology risk and raw material supply.

A&M does not expect the shift toward low-carbon technologies to pose a material risk to its IT infrastructure. The firm does not own fleets of gasoline-powered vehicles or aircraft, and regularly replaces IT equipment with newer, more energy-efficient hardware. Over time, the equipment may also rely increasingly on electricity from renewable sources.

A&M does not directly procure raw materials for its operations and therefore has limited exposure to changes in their availability or cost. Although these changes may impact clients, they are not expected to directly affect A&M's ability to provide services.

Opportunities

A&M focuses on continuous improvement and takes pride in its versatility and adaptability. The firm pursues growth across a range of services and industries and adapts its offerings to meet clients' changing needs. Its climate risk analysis identified several opportunities that may support continued growth.

Brand Reputation

As the world moves toward a low-carbon economy, A&M can support existing and new clients in sustainability services, energy transition, and new energy. Clients are also increasingly interested in how A&M integrates sustainability into its own strategy. Demonstrating that commitment may strengthen the firm's reputation and position it to help clients meet their own sustainability goals.

In recent years, A&M has taken several steps to advance sustainability:

- Disclosed its direct and indirect greenhouse gas (GHG) emissions, set near-term and net-zero science-based targets, and outlined a decarbonization plan
- Committed to conducting a biennial climate risk assessment
- Expanded Green Team activities at major offices[10]
- Joined the UN Global Compact
- Enhanced employee development, training, and engagement programs
- Expanded its Giving Back program across major office locations
- Participated in the Carbon Disclosure Project (CDP) and EcoVadis reporting process
- Strengthened its approach to compliance and ethics through the Global Anti-Bribery and Corruption Policy, related processes and training, and the Third-Party Code of Conduct.[11]

In the Orderly scenario, A&M assumes that demand for climate action will rise, leading clients to take greater interest in how the firm integrates sustainability into its strategy. This may create new opportunities for ETS Services and other practices. The scale of that work will depend partly on the maturity and credibility of A&M's own sustainability program, and continued improvement may strengthen the firm's position to serve a broad client base.

In the Hot House World scenario, A&M assumes that demand for climate action will not increase significantly. The potential to support clients may therefore be smaller and less dependent on the maturity of A&M's own sustainability program.

[10] "Green Teams" are A&M's employee-led efforts to promote positive environmental change within the firm. See Alvarez & Marsal, Sustainability 2026, 16–17.
[11] Alvarez & Marsal, Sustainability 2026, 10–27.

New Business Growth

As a professional services firm, A&M helps clients solve complex problems and deliver positive change. The climate-related challenges clients face will vary across the scenarios in this assessment.

In the Orderly scenario:

- A&M is well-positioned to help clients pursue sustainability goals and respond to changing regulations, particularly in hard-to-abate industries.
- Emissions trading systems and other carbon-pricing mechanisms continue to expand. Emissions Trading Schemes limit covered emissions and require regulated entities to surrender allowances, while carbon taxes impose a fee on covered emissions.[12] These mechanisms may increase clients' compliance costs and demand for A&M's related services.
- Tax credits and incentives for sustainability initiatives may become more prevalent at the local, state, federal, and global levels. A&M's Tax Practice can help clients identify and capture available benefits.
- A&M's Restructuring practice may support clients facing disruption or financial difficulty during the transition to a green economy.
- The Valuation Services team may see greater demand as investors work to incorporate the "green premium" into valuation models.
- The Automotive Industry Group may advise clients on battery storage, electric vehicles, and related matters.
- A&M's teams serving the aerospace, defense, and energy sectors may support work involving sustainable aviation fuel, aircraft lightweighting, and other lower-carbon solutions.

In the Hot House World scenario, A&M would continue helping clients operate more sustainably and efficiently within a broader "business as usual" context. Green or sustainable tax credits would be less likely to expand and could be scaled back by governments that do not prioritize the transition to a green economy.

Business Model, Value Chain, and Climate Resilience

While some risks arise under all scenarios, A&M believes its business is well-positioned to respond and adapt. A&M's diverse set of service offerings helps the firm win work and serve clients regardless of the market conditions. For instance, restructuring and cost-takeout initiatives may perform well in weaker markets, while mergers and acquisitions (M&A) and integration work may be stronger when market conditions improve.

As part of its focus on continuous improvement, A&M aims to refine its scenario analysis as it manages risk and responds to changing market conditions. The firm will continue to evaluate material risks and opportunities as its sustainability programs and strategies develop.

Strategy and Decision-Making

A&M's ETS Services team develops and implements decarbonization and climate mitigation strategies with leadership approval. The team has helped advance the firm's decarbonization plan to support A&M's Net Zero by 2050 goal and assess progress annually. A&M also conducts climate risk assessments at least biennially and incorporates updated methods into its analysis.

A&M considers physical risks when selecting office locations and entering lease agreements. The Managing Director of Global Corporate Real Estate meets annually with ETS Services to review sustainability and climate strategy, helping ensure that physical risk remains part of the firm's expansion decisions.

[12] World Bank, State and Trends of Carbon Pricing 2026 (Washington, DC: World Bank, 2026), 10, 13–14, 21, https://doi.org/10.1596/978-1-4648-2348-0.

Risk Management

Identifying and Prioritizing Risks

A&M's ETS Services team uses scenario analysis to identify, assess, and prioritize climate-related risks and opportunities. For each office location, the team assesses regional effects of acute and chronic physical risks under three scenarios (Orderly, Disorderly, and Hot House World) and three time periods (2021–2030, 2031–2040, and 2041–2050). A&M defines these as short-, medium-, and long-term, respectively. Transition risks and opportunities are assessed firmwide and, where necessary, at the regional level.

For physical climate risks, A&M utilizes a third-party climate risk data provider to generate quantitative risk scores on a 0.0–1.0 scale, providing a consistent baseline for assessing potential exposure. Scores from 0.0–0.50 are categorized as low risk, 0.51–0.79 as medium risk, and 0.80–1.0 as high risk.

These scores are considered alongside qualitative inputs from internal workshops, subject matter experts, and A&M's understanding of its business, operations, markets, and clients to determine final likelihood and impact ratings. The same qualitative assessment framework is applied to transition risks and climate-related opportunities, with each classified as low, medium, or high.

This approach enables A&M to identify and prioritize the climate-related risks and opportunities with the greatest potential to materially impact its business and operations. A&M reassesses its climate-related risks and opportunities as needed and will continue to refine its methods in line with changing regulatory expectations.

Internal Audit and Global Compliance

A&M's Global Director of Internal Audit and a Director of Global Compliance oversee the firm's audit initiatives and compliance programs. They work with ETS Services and other internal teams, coordinate responses to climate-related questions in requests for proposals (RFPs), and share annual risk registers with BU Risk Managers. This helps ensure that relevant risks are considered at both the local and global levels.

Business Unit Risk Manager Initiative

A&M's GRO coordinates the firm's risk management activities, supporting collaboration, accountability, and alignment among departments and BUs, including ETS Services. It also brings together BU Risk Managers to address risks and opportunities within their respective areas of responsibility.

Through the Risk Managers Committee, the GRO provides a channel for BU Risk Managers and A&M leaders to meet periodically to:

1. Identify risks to the firm and guide mitigation efforts
2. Develop and share risk management policies and procedures
3. Support ongoing risk management training and employee awareness

ETS Services has briefed BU Risk Managers on climate-related risks and opportunities and their growing importance to A&M. This established a process for the firm's climate risk experts to update the committee regularly and help its members integrate climate considerations into their risk management practices.

Continuing Business Operations

A&M is committed to maintaining business resilience during material disruptions. A dedicated Steering Committee oversees the BCP and includes the Chief Operating Officer (COO), Chief Human Resources Officer (CHRO), and Managing Director of Global Enterprise Shared Services (GESS). The committee maintains the plan and ensures that it is implemented consistently and effectively.

The BCP is reviewed annually and tested through scenario exercises. A Response Team supports the Steering Committee by stabilizing incidents and effectively communicating necessary actions and resolutions. A&M aims to respond quickly and decisively to emergencies and implement long-term recovery measures once situations are assessed and stabilized.

The BCP includes three supporting plans: the Disaster Recovery Plan (DRP), Security Incident Response Plan (SIRP), and Crisis Management Plan (CMP). The DRP covers the restoration of IT systems and data following disruptions. The SIRP addresses the identification and mitigation of security threats, while the CMP sets out procedures for managing and communicating during crises with a focus on accountability of personnel. Together, these plans provide a comprehensive framework to maintain business operations and safeguard A&M's resources in the face of various challenges.

For instance, if a severe storm affects an A&M office location, the short-term response prioritizes employee safety, relocation where necessary, and an assessment of the facilities before employees return, based on guidance from local authorities. Ahead of severe weather, A&M sends firmwide communications outlining potential risks and provides access to emergency assistance through the Global Emergency Alert App.

Global Real Estate

A&M's ETS Services team meets annually with the Managing Director of Global Corporate Real Estate to discuss physical climate risks and office-related emissions. The Managing Director shares updates on new or relocated offices and energy-efficiency initiatives at more than 100 offices worldwide.[13] The firm continues to look for ways to reduce emissions and improve operational efficiency.

Climate-Related Metrics and Targets

A&M's Carbon Footprint

A&M is committed to managing and reducing its greenhouse gas emissions over time and conducts an annual GHG inventory analysis to determine its Scope 1, 2, and 3 footprints. The firm's footprint is available below:[14]

Greenhouse Gas Emissions Totals (Metric Tons of CO2e)

Type of Carbon Emissions	2025
Scope 1	**253**
Scope 2	**6,118**
Scope 3	
Purchased goods and services	20,987
Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	1,775
Upstream transportation and distribution	834
Waste generated in operations	684
Business travel	25,377
Employee commuting	11,252
Upstream leased assets	2,010
Scope 3 Total	**62,919**
TOTAL	**69,290**

[13] Alvarez & Marsal, Sustainability 2026, 4.
[14] Alvarez & Marsal, Sustainability 2026, 13–14.

Net Zero by 2050

A&M has established SBTi-validated near- and long-term emissions-reduction targets and is committed to achieving net-zero GHG emissions across Scopes 1, 2, and 3 by 2050.[15] The firm continues to develop initiatives that reduce emissions and limit the environmental impact of its operations while supporting stakeholder and business objectives. These include:

- Reducing travel to client sites while supporting business growth
- Expanding remote and hybrid working arrangements for employees worldwide
- Expanding recycling options to reduce solid waste
- Reducing single-use items by encouraging reusable alternatives
- Engaging suppliers on emissions-reduction initiatives and science-based target setting
- Exploring renewable energy procurement, including renewable energy certificates (RECs)

Looking Ahead

A&M will continue to integrate climate-related considerations into risk management, business continuity, real estate, procurement, and decarbonization planning. Future assessments will refine the scenario methodology, monitor changes in physical and transition risks, and track progress toward A&M's SBTi-validated targets. The results will evolve as data, climate science, regulations, and business conditions change.

[15] Alvarez & Marsal, Sustainability 2026, 14–15