

Climate Risk Assessment

Introduction

As a global company Tetra Tech recognizes the risks that climate change presents to our business, our employees, clients, and investors and gives due consideration to these as part of our enterprise-wide risk management process.

Climate Risk Governance

Tetra Tech's Chairman and Chief Executive Officer has overall responsibility for climate change matters, with oversight by the Tetra Tech Board of Directors. The Board oversees Tetra Tech's environmental, social, and governance (ESG) policies, procedures, and reporting, including its [Climate Policy](#), and climate-related issues are considered quarterly at Board meetings.

Responsibility for ESG oversight sits with the Board's Strategic Planning and Enterprise Risk Committee. The Committee oversees the program and evaluates our progress in achieving the goals and objectives outlined in our Sustainability Report. We conduct scenario analysis that includes a risk-based evaluation of the business, including climate change.

Tetra Tech's Chief Sustainability Officer provides quarterly briefings to the Committee and the Board of Directors.

Process and Methodology

Our Enterprise Risk Management process identifies, evaluates, manages, monitors, and reviews significant and emerging risks at both corporate and project level to minimize losses and maximize opportunities.

Risks are periodically assessed during the year as part of our Board of Directors' Strategic Planning and Enterprise Risk Committee meetings, and our climate risk assessment is integrated into this process.

Risk Evaluation and Mitigation

Physical risks

The physical risks of climate change are considered within our business continuity planning process. Our offices are typically leased, reducing our risk of physical building assets being impacted. We have processes in place to address any acute impact to locally affected operations, including the capability to rapidly switch to remote and flexible working arrangements while restoring or relocating affected operations.

We also consider the physical impact of climate related events on project activities, including operational security risks for projects operating in regions that experience socio-political impacts and security disruptions due to extreme weather, fires, flooding, or prolonged drought conditions.

Operational risks

Our workforce is highly mobile, able to work remotely, and can in most cases quickly adapt to changes in local conditions. We have a strategic focus on increasing our workforce mobility and virtual technology, and this commitment ensures the company's employees can perform most work remotely.

We maintain a strong information technology infrastructure to facilitate remote working and provide virtual access to systems. Our enterprise and project data are accessible through cloud-based systems, reducing the risk of localized disruptions to data access and computer systems. We continue to expand our remote working capabilities and virtual technology to increase our adaptability, protect employees, and reduce carbon emissions.

Transition risks

Current and emerging regulation

We monitor and review the impact of current and emerging climate-related regulation on our activities and include these impacts in risk assessments, including those relating to specific countries at a local, regional, and national level.

Climate policy impact

We hold ourselves to the highest ethical and governance standards and have put in place [climate, environmental, and ethical policies](#) and procedures to guide our actions and address our impact on the world.

Sustainability is a key issue for our stakeholders, and we maintain ongoing engagement to monitor market expectations and identify changing trends. We report annually on our sustainability performance and our climate change commitments through our Sustainability Report.

Adaptability to changes in market conditions

Our annual strategic planning process addresses near term and long-term business planning and scenario analysis, to prepare the business for potential changes in economic conditions, markets, and geopolitical shifts. Climate transition could have a potential impact on client spending priorities and resources, types of services needed, and geopolitical stability. By orienting the business to strong markets and quickly adapting to changes as a result of climate change, we minimize financial risk and, in many cases, have revenue growth or increased business opportunities.

Opportunities

Climate change as a growth driver

Our business provides a wide range of water, environment, and sustainable infrastructure services. Our most significant opportunity resulting from climate change is greater demand from clients to forecast, mitigate, adapt, and remediate the increasing climate-related impacts they are seeing. These include extreme weather events, sea level rise and coastal flooding, and drought and limited access to adequate water supply.

Our clients are increasingly requesting our services to support projects for reductions in energy use and greenhouse gas emissions to meet their sustainability commitments.

As the frequency and intensity of climate-related events increase under various forecasted scenarios¹, we also anticipate rising demand for our post-disaster response services, and our preparedness and adaptation services.

We continue to develop new technology to support and extend our climate-related services including software solutions for building emissions reductions, greenhouse gas calculations, enhanced remote working and data collection solutions for land, riverine, and coastal regions. In collaboration with our clients, we are developing new programs and safety net solutions to assist in addressing food security risks.

Impact Analysis

We evaluated the impact of climate-related risks on our operations within three timescales, and across three climate scenarios of increasing severity^{1 2}.

Near term impacts (0 - 5 years)

In the near term (0-5 years) we see limited and localized risk to our business associated with the extremes of climate change, across all climate impact scenarios, while these same effects are likely to increase our revenues for climate related services.

Mid-term impacts (6 - 10 years)

In the midterm, if climate mitigation achieves a 1.5 °C scenario, we see increased business with low risk. However, if climate impacts are more severe under a 1.5 - 2.0°C or 2.0 - 2.5°C scenario we see neutral business impact and medium risk associated with climate change. Geopolitical disruption could cause some reduction in revenue in some of the client sectors we serve, due to changes in spending, reduced or repurposed government budgets, or disruption that adversely affects commercial clients' ability to operate.

Long-term impacts (11 - 20 years)

In the longer term, and under more extreme climate impact scenarios, we speculate that impacts might result in significant changes in government spending, limitations on localized investment, and fundamental disruptions to client's budgets spending ability. Longer term estimates are highly speculative, with significant but unknown risks, potentially increased volatility, and increased frequency of extreme events and impacts from climate change. Tetra Tech would need to adapt and pivot to new services and refocus resources to meet unknown challenges under a more severely disrupted global economy.

Timescales	Climate scenarios		
	1.5 C	Above 1.5 - 2.0 C	Above 2.0 - 2.5 C
Short term 0 - 5 years	Climate business increase / lower risk	Climate business increase / lower risk	Climate business increase / lower risk
Medium term 6 - 10 years	Climate business increase / lower risk	Neutral business impact / medium risk	Neutral business impact / medium risk
Long term 11 - 20 years	Climate business increase / lower risk	Neutral business impact / medium risk	Unknown business impact / higher risk, increased volatility

¹ Reference: IPCC Sixth Assessment Report - Climate Change 2022: Impacts, Adaptation and Vulnerability. <https://www.ipcc.ch/report/ar6/wg2/>

² TCFD recommendations on "The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities". <https://www.tcfhub.org/scenario-analysis/1>