Responsible business

Focus on what matters

In 1915, Ricardo was set on a mission to 'maximise efficiency and eliminate waste'.

This mission has remained core to how we operate and, more than ever, informs the products and services that we provide to clients around the globe, ignites the passion that drives our people, and our approach to responsible business.

Clients
See page 47.

Environmental
See pages 48-51.

People
See pages 52-58.

Governance
See pages 59-60.

Ratings

MSCI	Sustainalytics	EcoVadis	CDP	ISS ESG	S&P Global Ratings	FTSE Russell
AA – Leader	20.9 medium risk	Platinum award Silver award	C	Rating C decile 3	Score 34	Score 3.4

Responsible business continued

Focus on what matters

Our responsible business framework focuses on the outcomes we impact, enable or influence through our work and our operations, helping us to measure and adjust our behaviour to the long-term benefits of our clients, planet, people, communities and business.

Our responsible business framework covers a broad range of environmental, social and governance (ESG) topics as they relate to Ricardo and to our clients, and links directly to the United Nations' Sustainable Development Goals (SDGs), industry standards, frameworks and legislation, including Global Reporting Initiatives, International Sustainability Standards Board, and CDP.

See page 59 for more on our governance structure.

Responsible business continued

Focus on what matters continued

Our sustainability framework

	Commitment	Achievement date	Progress	Target measure
Clients Working alongside our clients to accelerate the transition to a sustainable future.	**Consulting revenue from projects related to climate change, environmental or safety revenue. Services related to climate change, environmental and safety**	2029	75%	80% of revenue
	Delivering 75% underlying operating profit to the business through the Environmental and Energy Transition portfolio	FY 2026/27	53%	75% of underlying operating Group profit
Environmental Positively impact the planet by upholding the ethos of eliminating waste and driving efficiency in everything we do.	**Reduce Scope 1 and 2 emissions. Target aligned to 1.5°C average global temperature rise – market based**	FY 2030/31	42.8%	46.2% reduction from FY 2019/20 baseline
	Maximise procurement of renewable electricity in markets we operate and manufacture	2030	81%	90% of total electricity
	Reduce water intensity (per employee) from 2022 baseline	2030	16%	30% reduction
People Nurture a workplace where everyone can do their best, while supporting the communities where we operate.	**Employee engagement score of 4.0** **Over 80% response rate to employee survey**	2027 2027	3.81 72%	Score of >4.0 80% response rate
	Improved gender diversity of new hires	2029	39% / 61%	40:60 F/M of new talent
	Zero reportable accidents annually	Each year	1	0
	Employee voluntary turnover below 15%	2027	13%	<15%
Governance Continuously improving our ways of working; ensuring the highest ethical standards across every level of our business and supply chain.	**All existing and new suppliers risk assessed against our Supplier Code of Conduct and due diligence process**	2025	90%	100%

Responsible business continued

Clients

We know that the biggest contribution we can make to the planet is through the work we do with our clients. We want to be the partner and champion of our clients and their sustainability goals, and see their sustainability success as part of how we achieve our ambition to continue to be an industry leader of sustainable solutions.

Delivering sustainability-focused work connects directly to our strategic ambition – to be a world-leading strategy and engineering consultancy in environmental and energy transition – and our related Environmental and Energy Transition portfolio transformation target of delivering 75% operating profit to the business through the delivery of high growth, high margin and less capital intensive business by FY 2026/27. Currently, this part of the business is providing 53% of operating profit. Meanwhile in FY 2023/24, Ricardo R&D spend for climate change and environment was 51%.

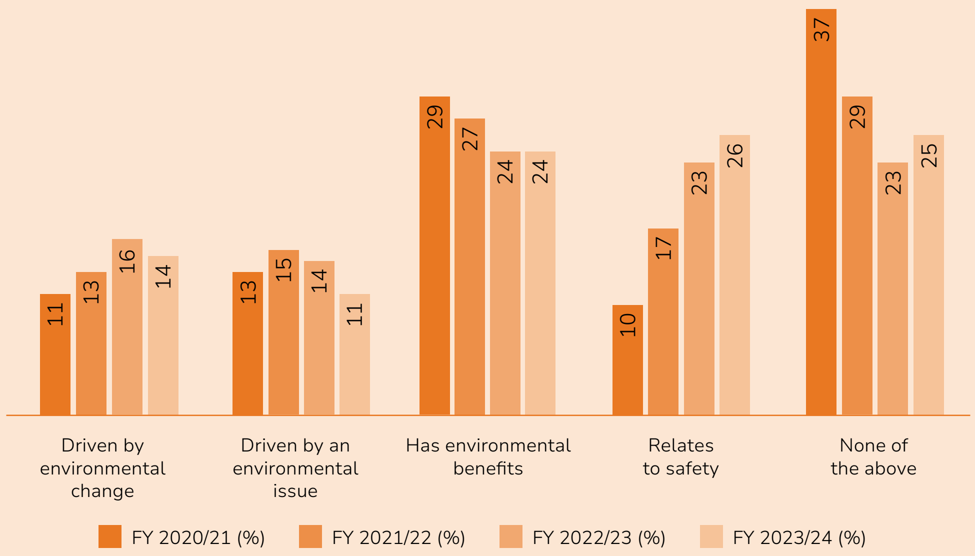
To achieve both these ambitions, we constantly monitor global megatrends to ensure we're prepared to support clients with relevant solutions that accelerate decarbonisation. We're also committed to not only advising clients, but supporting implementation and monitoring.

Climate change, environmental and safety revenue

Ricardo is in a unique position to provide a broad range of end-to-end solutions that support client climate adaption, environmental improvement and safety performance. From analysis and advisory, design, implementation, to ongoing support, while also being in the position to develop world-changing engineering solutions that also address the climate crisis.

We are able to analyse revenue streams from across our business units to assess how strongly they are driven by climate change, environmental change or issues, and safety. In FY 2023/24, such projects have made up 75% of revenue. See the graph on the right for more details.

Climate change, environmental and safety revenue



To help us better understand our business and how it is changing in line with our vision and ambition, over the past four years we have been analysing revenue streams across our business units on how they related to climate change, environmental and safety. Looking at this data side-by-side, we can see trends of increased interest in safety solutions, as the result of increased demand for our ABS/ESC programme and steady demand for environmental-focused consulting services and engineering solutions. Whereas remaining revenue, driven by revenue unrelated to these areas, has been trending downward since FY 2020/21.

Responsible business continued

Environment

We recognise the importance of minimising the environmental harm caused by our business. As part of this, we monitor a range of environmental metrics including our GHG emissions, energy and water use, and waste production across all our sites, so that we can identify improvement opportunities and ensure legislative compliance.

Carbon reduction

Reducing our emissions is an essential part of our overarching responsible business strategy. To support this, Ricardo measures and discloses elements of its impact on the environment by GHG emissions inventory reporting, with a baseline year of FY 2019/20 for Scope 1 and 2, and FY 2021/22 for Scope 3.

As part of our journey to net zero, Ricardo adopted Science Based Targets initiative (SBTi) targets in FY 2019/20, committing to:

- Reduce Scope 1 and 2 emissions 46.2% by FY 2030/31 – aligned to 1.5°C average global temperature rise
- Reduce absolute Scope 3 emissions 27.5% by FY 2030/31 – aligned to well below 2°C temperature rise

Since FY 2019/20, we have reduced our Scope 1 and 2 emissions by 42.8% through adoption of renewable energy and migration to a digital-first approach.

In FY 2023/24 we saw an 11% year-on-year reduction in Scope 3 emissions. However, since we first calculated Scope 3 emissions in FY 2021/22 there has been vast improvement in the ability to measure and calculate these emissions, which, coupled with an increased volume of products sold by Ricardo, has resulted in higher Scope 3 emissions since our baseline year.

During FY 2024/25 we will adjust our baseline year for all scopes using FY 2024/25 data, and use this to update our targets and initiatives in line with the 2025 net zero goal set out in the UN Paris Agreement.

42.8%

Reduction in GHG emissions (Scope 1 and 2 location-based)[(1)]

98%

Waste diverted from landfill

16%

Reduction in water[(2)]

(1) From 2019 baseline year.

(2) Since FY 2021/22.

Responsible business continued

Environment

Carbon reduction continued

As a result of the improved ability to calculate emissions, SBTi adjusted their Scope 3 emission grading system, resulting in over 200 companies – including Ricardo – having their Scope 3 Science Based Targets removed. Irrespective of this, there is no change in Ricardo's resolution to continually reduce our energy consumption and GHG emissions, and we intend to re-confirm our SBTi targets once trends and measurement capabilities at SBTi have stabilised.

For more information on GHG emissions, please see page 61.

Reward incentives

As of FY 2023/24, Ricardo senior management have had a reward incentive on reducing GHG emissions added to their long-term incentive scheme (LTIP), helping to integrate responsible business practices and sustainable thinking into every part of the business. The structure of the LTIP, which allocates 10% of the award on an ESG metric, was approved as part of the Directors' Remuneration policy at the AGM in November 2023. To ensure that this incentive is both fair and stretching, the Remuneration Committee will be reviewing the approach to this measure during the course of FY 2024/25. More details can be found on page 103.

Site environmental certification

Thirty-nine Ricardo sites, including all manufacturing sites, and 95% of colleagues are certified under ISO 14001 – Environmental management systems. All remaining colleagues and sites are managed with ISO 14001 processes which call for continuous improvement of environmental performance.

This helps us to identify and action environmental initiatives for our specific sites, while giving clients assurance of their supply chain.

Air pollution

In 2023, our Energy and Environment business unit initiated The Air Pollution Footprint Partnership to help organisations understand and reduce their air pollution emissions, with the support of our partners, the Clean Air Fund and Impact on Urban Health. Through this initiative, Ricardo has been analysing its own air pollution metrics using the test air pollution emission reporting tools to estimate and report on our air pollutant emissions at our key UK testing and manufacturing site, parallel to our GHG emissions.

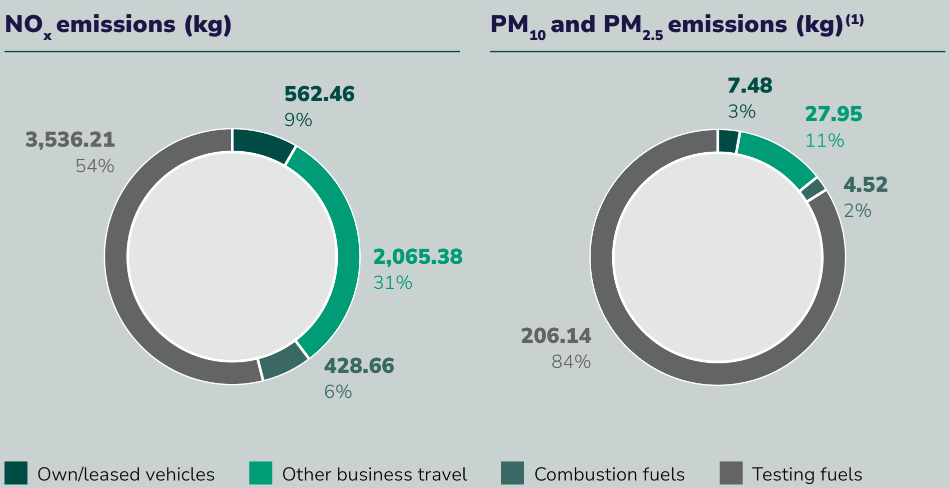
Through this initiative, we gain transparency to the type of toxins our operations are producing and from what activity. The chart to the right demonstrates what we measure relevant to our operations, under transport, heat and power, and non-road transport machinery by vehicle type, fuel types and consumption volumes.

The output provides Ricardo with the volume of NOx (nitrogen oxide), PM_{10} and $PM_{2.5}$ (Particulate Matter) toxic pollutants which are detrimental to good health. Having learned that our air pollution is localised to our main manufacturing and testing site, we are now reviewing the extent of the potential impact and ways to make improvements.

Transport
covering fuel consumption (litres), distance (km) and transport type, including fleet (own/leased) and staff vehicles (such as cars, buses, motorcycles) across all fuel types (diesel, petrol, BEV); powertrain technology, including conventional, HEV, BEV; and travel

Heat and power
from boilers, furnaces and related to electricity use, covering fuel group and type – gases (natural gas, biogas, LPG), liquids (kerosene, petrol, biofuels), solid (coal, coke, biomass), electricity; fuel consumption – kWh, MJ, tonnes, m³, litres

Non-road mobile machinery
covering engineering, construction and materials handling equipment, including machinery type, automotive engine test beds; fuel type – diesel, petrol, HVO etc; and fuel consumption (calculated from fuel use, annual energy use or from machines' net power rating and load factor)



(1) Results for PM_{10} and $PM_{2.5}$ emissions are identical in this case.

Next steps
Assessment showed the areas where Ricardo has the highest air pollution, which was focused to manufacturing and test locations and business travel. Ricardo continues to participate in the pilot, and as we continue to gather data and information we will begin to take affirmative actions to air pollution emissions wherever possible.

Responsible business continued

Environment continued

Spotlight

Conversations on water

Water is a critical component of life, but its increasing scarcity means that it is fast becoming one of the biggest risks to the global economy. This is where water policy can come in. Listen to Ricardo water policy experts Jessica Bohorquez and Ryan Gormly speak about the vital importance of robust water policy and the intricacy behind its development in Jessica's podcast: Our Water Connection.

Listen to the Open Water Connection podcast

Resource efficiency

Water management

We have a limited use of water across Ricardo and seek to reduce its use in our manufacturing processes and test facilities in the UK and US. Overall, we have achieved a year-on-year reduction in water use since FY 2020/21.

Our testing and manufacturing processes consume water, however many systems run alongside recirculation or filtration systems to prolong and reduce water consumptions. A centrifuge system has been added to our Stream Finishing process at our Midlands Technical Centre, saving 151,000 litres of waste water annually, eradicating the waste stream in its entirety.

Water usage on large sites m³ (over 50 people)

Renewable energy use

In FY 2023/24, Ricardo saw a 10% overall decrease in renewable energy use, resulting from higher production levels at sites where we are unable procure 100% renewable energy. This is the case for sites in the US, where the States in which we operate draw their energy from several renewable and non-renewable sources, and therefore we are unable to claim 100% renewable energy use. Despite this, we have seen annual year-on-year reductions in electricity use per employee, with a 6% reduction between FY 2022/23 and FY 2023/24.

	Renewable electricity percentage used per financial year	Non-renewable electricity percentage used per financial year	Electricity used per employee for the financial year kWh
2023/24	81%	19%	3,868
2022/23	91%	9%	4,922
2021/22	89%	11%	4,923
2020/21	91%	9%	5,412

Responsible business continued

Environment continued

Resource efficiency continued

Waste management

We measure the amount of waste we create so that we can continue to reduce and responsibly dispose of it. We have full transparency of where waste is disposed with maximum avoidance to landfill. For FY 2023/24, 76% of waste was recycled and only 2% of waste went direct to landfill.

All hazardous substances are collected from our sites, removed, and correctly controlled and managed by approved specialist waste companies adhering to environmental legislation. A specialist broker now manages waste from both UK manufacturing sites – Shoreham Technical Centre and Midland Technical Centre – supporting our overall waste management responsibilities.

This year, we also enhanced our metal recycling capability, with all test product transmissions, engines where possible, plus machine scrap is 100% recycled.

	FY 2023/24			FY 2022/23		
Waste stream	**Sum of quantity kg**	**% of total waste**	**kg per employee**	Sum of quantity kg	% of total waste	kg per employee
Electronic waste	**4,089**	**0.6%**	**1**	5,215	0.8%	2
Food waste to recycling (composting or anaerobic digestion)	**4,326**	**0.7%**	**2**	17,086	2.6%	6
General waste to landfill	**13,550**	**2.1%**	**5**	65,670	9.9%	23
General waste to recycling	**310,478**	**48.0%**	**109**	260,532	39.5%	89
General waste to incineration	**139,296**	**22.0%**	**49**	190,570	28.9%	65
Hazardous waste	**170,603**	**26.6%**	**60**	121,304	18.4%	42
Grand total – Ongoing operations	**642,342**		**226**	660,377		227
Waste processing						
Amount of waste recycled	**485,095**	**76%**	**171**	390,137	59%	134
Amount of waste converted to energy (EfW)	**144,992**	**23%**	**51**	204,570	31%	70
Exceptional item – Demolition waste	**612,000**					

Note:
- Electronic, food and general waste is from our offices and due to the reduction in office sites and occupancy there has been a decrease, reflected in the reduction in volume to landfill. Our method of estimating office waste has changed from allocated employee headcount to office occupancy
- Waste to incineration has decreased due to additional waste being put into recycling streams
- Hazardous waste has increased due to manufacturing productivity and disposal of asbestos from the one-off demolition waste. This resulted from the demolition of several end-of-life buildings, some of which contained asbestos, which has cleared an area for the construction of a proposed test facility
- Hazardous waste is categorised as oil sludge, batteries, and asbestos

Case study

Understanding our Scope 3 commuter emissions

To ensure we have a more accurate understanding of our Scope 3 emissions, since FY 2022/23 we have run an employee commuter survey. Approximately 82% of employees completed the FY 2023/24 survey, which asked team members to identify the modes of transport they use to commute to a Ricardo office, the distance involved and the frequency, with the data being used to assess emissions by mode, location, headcount and business unit.

From this year's results we learned that emissions for commuters to city centre offices and those with good rail links had much lower emissions per head. While commuters at some of our largest sites, with headcounts above 300 – such as Shoreham Technical Centre and Midland Technical Centre – use higher-emission transport modes with more frequency, when factoring in headcount, they have a lower intensity of emissions than some of our sites with smaller headcounts, as the result of limited public or sustainable transport options available.

Responsible business continued

People

At Ricardo we know that the success of our business is, quite simply, down to our people. We are committed to building an inclusive, engaging workplace that provides colleagues with meaningful and fulfilling work and the opportunity to develop their careers and thrive.

Culture and engagement

We recognise that to achieve our ambition, we must continue to improve collaboration across functions and build on our One Ricardo culture. Throughout FY 2023/24, we have continued to break down silos and are seeing an increasing number of projects come to life that are the result of teamwork across our business units and functions.

Vision and values

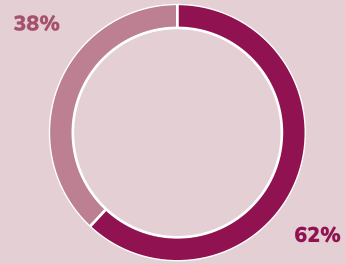
In everything we do, we are led by our vision to create a safe and sustainable world, and our values: Create Together, Be Innovative, Aim High and Be Mindful. It's not just how we approach our tasks but also a reflection of how we behave and what we consider important.

We continue to celebrate how our people put our values into action through the monthly CEO Awards, our annual Leading Lights awards.

- **Create together**
- **Be innovative**
- **Aim high**
- **Be mindful**

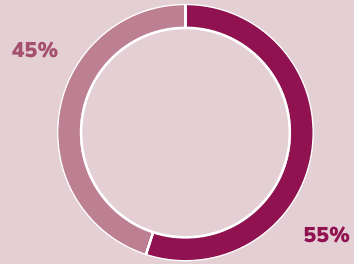
Who makes up Ricardo (numbers are reflective of positions held during the year)

Board members
including CEO and CFO



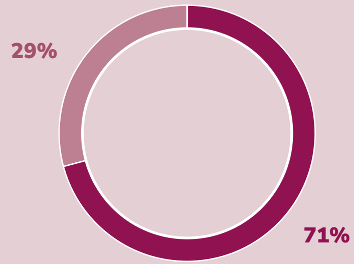
Male	5	Female	3

Executive Committee
including CEO and CFO



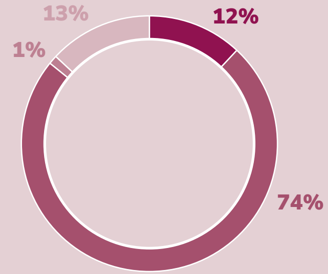
Male	6	Female	5

All employees
Percentage of colleagues by gender



Male	71%	Female	29%

Region
Percentage of colleagues by region



Americas	12%	Middle East	1%
Europe	74%	APAC	13%

Responsible business continued

People

Culture and engagement continued

Building One Ricardo culture

Throughout the year, the Group and local sites have held a number of activities to build a unified culture at Ricardo:

- Community Day (read more on page 57)
- Global Diversity, Equity and Inclusion (DEI) celebrations including Pride, International Woman's Day and Mental Wellness Day
- Local sport days and seasonal celebrations
- Monthly CEO awards
- Annual Leading Lights awards

In FY 2024/25 we look forward to hosting our first Ricardo Day, a day of reflection on One Ricardo and a celebration of the efforts made by our people.

Communicating to our teams

Ensuring that our people have an appropriate understanding of business activity and strategy is important to Ricardo's success and employee engagement. We use several communication streams to keep our people informed on activity and performance. At a Group level this includes CEO Townhalls, weekly newsletters, an active intranet – known as 'The Hub', and emails with the most important updates. At a team level, we encourage managers to have regular team and one-on-one meetings.

Gathering colleague feedback

Our annual employee engagement survey is a formal feedback mechanism we use to understand how Ricardo is performing with regard to culture and engagement, and to provide our people with the opportunity to freely express their views freely. Results and comments from the survey are used by leadership to make improvements to how we work with our people.

Overall, we saw a slight decrease in our engagement score in FY 2023/24 from 4.0 to 3.81 year-on-year, which comes against the backdrop of many changes occurring across the business in the previous 12 months. At the same time, we had our highest response rate to date at 72%, a 11% increase on FY 2022/23, and received more than 6,900 comments – a 40% increase from the prior year – which we see as a reflection of colleagues' belief that their opinion matters.

Top three areas where we are performing well:

- I know what is expected of me at work
- My supervisor, or someone at work, seems to care about me as a person
- At work my opinions count

Following the survey, colleagues were communicated the results via global Townhalls, team meetings, email and intranet. Leadership are using this feedback to develop engagement action plans for teams, sites and the wider Company to be implemented throughout the year.

Outside of the Employee Survey, colleagues are able to provide informal feedback on an ad hoc basis via Teams and The Hub.

Case study

Bring your daughter to work

In March, to celebrate International Women's Day, Ricardo's Shoreham site hosted a 'Bring your daughter to work' day for young female relatives and friends of employees across the business.

In total, 20 aspiring female engineers, aged between 7 and 16, took part in a packed day of activities, which included building a mini race car and marble obstacle course; designing and building clay model cars to test aerodynamics in a mini wind tunnel – aimed at encouraging creative problem-solving; a site tour, highlighting many of the different aspects of engineering; and one-on-one time with their sponsors to get an insight into their specific job role.

The activities aimed to create an environment where the girls could work together as a team whilst also have fun and understand the principles of engineering across a variety of areas.

Responsible business continued

People continued

Health, safety and wellbeing

Ricardo places the utmost importance on the health and safety of our employees, contractors and visitors. This year, we continued to strengthen our safety culture through comprehensive training, rigorous safety protocols, and proactive risk management.

Our ISO 45001 certification encompasses 39 sites and covers 95% of our site-based employees. The remaining employees and sites are managed through the ISO 45001 process to ensure comprehensive health and safety management.

Reportable accidents

We achieved a notable 75% decrease in RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable incidents compared to the previous year. This improvement reflects our focused efforts on hazard prevention and heightened safety awareness.

	Reportable accidents Number
2023/24	1
2022/23	4
2021/22	1
2020/21	1
2019/20	1

Based on current definitions of the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Following the accident that occurred this year, an investigation into the cause was undertaken, allowing us to identify future mitigation measures to minimise the chances of this accident reoccurring. This accident did not result in life-changing injuries or a fatality.

Promoting employee wellbeing

In addition to taking care of our employees' physical health and safety, across Ricardo we want to make sure we are providing opportunities for colleagues to access mental health services should they experience any concerns, through our free and anonymous Employee Assistance Programme, open to them and their immediate family.

Across the business we encourage social wellbeing with site-relevant social engagement teams who organise regular team activities and seasonal or cultural events best suited to a country's or office's interests. There are also a number of opportunities and avenues for colleagues to participate in community volunteering opportunities (read more on page 57).

Attraction, capability and reward

People attraction

This year, we have made significant strides in enhancing our talent attraction initiatives, ensuring we continue to draw the brightest minds to our organisation.

Strategic workforce planning: Through our rigorous annual workforce planning process we now align our hiring plans with our business goals, ensuring that all future hiring requirements are anticipated with proactive strategies and timelines to meet those needs.

Technology integration: By leveraging technology partnerships, we have improved our ability to identify and engage with top candidates. By using these tools (and their built-in AI capability) we have been able to efficiently screen CVs and talent pools to required skill sets, reducing time-to-hire and ensuring a better fit.

Early careers partnerships and online campaigns: Strengthening our relationships with top universities has allowed us to tap into a pool of emerging talent. Through our work placement programmes and campus recruitment drives, we have successfully recruited fresh graduates who bring new perspectives and energy to our team. We have extended our online presence and range through our partnerships with organisations to improve our reach and recruitment of candidates from various backgrounds, enhancing diversity and fostering an inclusive work environment.

Learning and development

To support our clients and engage our colleagues we understand that continuous learning is core to our success. We encourage both on-the-job learning and participation in internal and external courses and participation at relevant industry courses. Across the business, colleagues can commit up to 5% of their time to learning, helping to expand their knowledge and keep abreast of changes within our industry, which can then be applied to client work.

As part of this learning organisation mindset, this year we launched LinkedIn Learning to all our people across the organisation so that they have sustained access to self-paced learning across a broad range of topics that interest them and support their career development.

Since introducing LinkedIn Learning in April, over 50% of the Ricardo employees have activated their accounts, engaging in over 1,200 courses; and over 25% have registered their career goals.

In FY 2024/25, our focus is on the continued development of our people managers with the launch of our first global management development programmes aimed at developing first-time line managers by providing them with learning resources and connecting them with more experienced managers who can provide guidance and support.

Feedback and objective setting

Managers are expected to give regular feedback to their team members throughout the year on their performance, providing the opportunity to align their activity with business objectives and personal development.

In FY 2023/24 colleagues across the Company had their objectives aligned with the strategic objectives of the business (see KPIs – page 18). This is intended to align colleague activity and success more clearly with that of the Company.

Global mobility

Ricardo designed and implemented the Global Mobility Framework and its associated policies, which provide an overview on how we manage and encourage international working within the Ricardo Group. A robust Global Mobility Framework, with a strategy closely aligned to the overall Group strategy, supports talent, the workforce and our clients.

There are many variables which are taken into account for each international movement and the aim is to be consistent, fair and equitable within the framework of provision, thus allowing our employees to achieve their career objectives and goals. The Global Mobility Framework is designed to be market competitive and legally compliant. Our overall reward systems are continually reviewed for legal compliance and equity, respecting regional nuances.

Responsible business continued

People continued

Case study

Global mobility spotlight

We have a large pool of topic specialists at Ricardo to support our global client base. This provides the dual benefit of having our clients supported by subject matter experts and exposing our people to a range of projects around the world at any one time. It also gives the opportunity for some of our people to relocate to provide dedicated support.

Daniela Phillips is one such expert who recently relocated to California, USA to lend her certification experience to the California High Speed Rail project, as part of a larger team of Ricardo experts who have established in the state.

"It was a big decision to move and be away from family, friends, and cat, but I knew what a once-in-a-lifetime opportunity it was to work on the first US high speed rail project. My role on the project is the Systems Certification Manager and on a day-to-day basis I am providing advice and support to construction packages, the Authority and internal teams and liaising with the Federal Railroad Administration (FRA). A lot of what I do is about building confidence in our assurance work and has meant I have had to get to grips with US railway legislation pretty quickly! It was really key for me to be here in person at the start of our work to meet the key people involved and build a relationship with them."

Attraction, capability and reward continued

Reward and recognition

Ricardo has continued to embed its international employee recognition awards including monthly CEO Awards and annual Leading Lights awards. This year, we launched an internal tool called Thank You! on the Ricardo intranet, which allows colleagues to quickly thank their team members for their contributions. When a thank you is sent, a note is also shared with the relevant manager, so they're also aware of the recognition their direct report is receiving.

In January, Ricardo returned to merit-based salary reviews, completing a consolidated, centrally led global salary review cycle. Ricardo continues to monitor its reward systems and benefits to make sure total reward remains in line with local markets. Pay principles have also been reviewed for legal compliance.

Embracing DEI

As an international business working on a broad range of matters, Ricardo recognises the need for not only a workforce that reflects the communities we operate in, but the benefit that diversity of thought, background and skill brings to our business; and for creating an environment that is inclusive and equitable to all who work here.

DEI is led by General Counsel, Harpreet Sagoo, who has been leading a number of discovery sessions across the business to better understand what diversity, equity and inclusion (DEI) means across the business and established an internal benchmark.

Findings from these sessions will help to form the development of a DEI Action Plan that will begin its rollout in FY 2024/25, supporting talent attraction and the development of Ricardo culture.

Read the interview with DEI Chair, Harpreet Sagoo, on page 56.

Gender diversity

We are committed to improving gender diversity at all levels of the organisation, from graduates to Executive and board level. Across the Ricardo Group, in the last 12 months 39% of new joiners at all levels – an increase of 3% – have been female, helping to increase representation by women in our workforce to 29% female, a slight increase from FY 2022/23. Gender representation at an executive level has improved to 45% in FY 2023/24 up from 27% in FY 2021/22, and we achieved our board gender diversity goals in July 2024 with the appointment of Carol Borg.

Reducing our gender pay gap

We have seen positive trends in reducing our gender pay gap in those parts of the business we have been reporting on for the last seven reporting cycles. Our figures have held steady in FY 2023/24, either sitting beneath or on par with the UK median of 14.9% in favour of males, according to the Office for National Statistics in 2022. However, we recognise that no amount of gap is appropriate and continue taking steps to make this a reality.

Responsible business continued

People continued

Accelerating our DEI ambition

Interview with **Harpreet Sagoo, General Counsel** and **DEI Chair** on where DEI is heading at Ricardo

Q Why is DEI important to Ricardo?

A Ricardo wants everyone it engages with to feel valued, respected and a part of the company story. To do this it is essential to have a safe environment where individuals are happy to challenge and provide a different perspective. This accelerates our growth culture. The same thought process, same experience, same ideas creates a stagnant environment. That is not Ricardo! Having a clear commitment to DEI where we can attract the best and retain the best is core to our success. DEI is not just important – it is critical!

Q What was your impression of DEI activity across Ricardo?

A As part of my interview process, I raised DEI and representation as a topic. I was impressed that our CEO was open about the fact we needed to do more. Each business unit was addressing DEI in silos, but it was important to elevate this to Group level. Upon joining, I was impressed with the different employee-led affinity groups that were active across the business. There is a sincere interest across all levels of the business to improve DEI and give it the prominence it needs. This is not a tick box exercise for Ricardo, or a nice to have, it is an integral part of our growth journey.

Q You have been holding a number of discovery sessions to understand DEI at Ricardo. Why did you want to undertake these sessions and what did you learn?

A You need to listen, which is difficult for lawyers! It is important to evaluate where you are, to map out how you get to your final destination. I have been meeting regularly with the affinity groups, and it has been invaluable for putting together our DEI Action Plan and commitment from Ricardo to our teams. These sessions allowed me to build relationships and create a safe environment for feedback. I am very appreciative for the support I have received from our CEO and board on this journey.

Q What are some clear areas of focus for you?

A Transparency is key. I am focused on ensuring that DEI has board, Executive and SLT visibility by elevating the work undertaken by the affinity groups. We are currently working on concluding our Action Plan, with each affinity group focused on one deliverable to help us move the dial. In addition, we are launching a new Code of Conduct which ties DEI into our values. There is a lot for us to do, but I feel empowered, energised and supported by Ricardo to make a difference. I want to conclude by saying a massive thank you to all the DEI Chairs who have been instrumental to get Ricardo to this point. Thank you.

Responsible business continued

People continued

Case study

Global Community Day

In May 2024, Ricardo held its first global Community Day to encourage more colleagues to connect with each other globally across all locations and contribute to their local communities.

As part of the Community Day we encouraged colleagues to step out into their communities and support the local environment by litter picking, helping to clean up local areas and reduce waste that could make its way into waterways, and be eaten by pets or wildlife. We also asked our colleagues to count their steps while collecting litter and encouraged them to say 'Thank You' to their team members using the new internal Thank You! channel.

As a thank you to our teams for getting involved, Ricardo also made donations to the local charities the team chose and contributed too during the day. Overall, we collected over 12,800 pieces of litter, which exceeded our target of 1,000 pieces, walked over 870,000 steps, the equivalent of 696km, and sent over 175 Thank You messages.

STEM and the community

12+	£97,000	1,800
Charities supported	Donations in FY 2023/24	Young people engaged

As a company of engineers, scientists and specialist technology experts, Ricardo has always been a strong supporter of STEM, engaging with local communities and charity work. Our commitment was embedded through a centrally funded social value STEM programme launched early in 2023 which we continue with, expanding the work with our partners into FY 2024/25 and beyond. These activities support our Social Value team with their work, demonstrating our commitment to society often required by our clients.

We actively manage our employee STEM volunteering programme which provides all Ricardo employees with the opportunity to volunteer during the year, which boosts team engagement, health and wellbeing, while positively impacting society.

During the last year Ricardo colleagues have engaged with 1,800 students across the England, Scotland and the USA to inspire and demystify careers in STEM. This has taken place through different STEM initiatives with our partners, including supporting school challenges for students to participate in, and present their final design products to a panel of judges. We also conduct careers talks and provide presentations on various topics such as engineering, air pollution, climate change, water scarcity and other important environmental issues.

We have provided week-long work experience placements and supported many school career fairs. We support our other STEM partners with mentoring students through other activities, which includes post-graduates and young people venturing into their careers.

The funding donated was for our STEM partners, and other charities our employees have supported, which we have fund-matched against the money they raised.

A key element of our community engagement is inspiring the future green workforce and encouraging social transport to overcome disparity in the STEM sector. We are setting out to inspire the next generation of problem-solvers from all backgrounds into careers in the clean energy, environment and sustainability sector and support young people's knowledge of topical issues in the sector.

We partnered with seven STEM charity organisations in 2023 and have worked with them during this year. We will be continuing our work to support STEM charities and are looking for additional partners in other locations where we operate, such as the Netherlands, Middle East and China.

In addition to STEM activities, Ricardo has donated over £97,000 to STEM, environmental, health and emergency response charities in FY 2023/24 (FY 2022/23: £16,069).

Responsible business continued

People continued

Educating on climate change and its solutions

Over the past year, Ricardo UK teams have been volunteering with EDT by bringing climate change education and supporting STEM at schools across the UK. Ricardo team members spoke with around 280 students on the phenomenon of global warming, how our daily activities impact the world, utilising carbon footprints as an environmental indicator, and the potential for carbon capture. As part of the sessions, pupils were then given the chance to plan and create models for an eco garden, with the aim of reducing their respective carbon footprints and improving the atmosphere.

EDT

Industrial Cadets

Hands-on STEM experience

During the course of many weeks, Ricardo team members Canessa Hunter and Sarah Keegan volunteered by taking time to teach fourth graders in Detroit, USA about STEM through the SAE Foundation. Working with young girls and boys between 9 and 10 years old at Emerson Elementary School, the pair applied their skills, experience and education to teach the children about STEM while building a gravity cruiser as part of SAE's A World In Motion® (AWIM®) Gravity Cruiser Challenge. To nurture trust and their passion, the pair committed to answer all questions asked by the students and made sure they could attend every session. By the end of eight weeks, the children had learned more about STEM, as well as the importance of teamwork and compromise. After weeks of preparation, during their final session the children had an opportunity to test their gravity cruisers against their classmates, adjusting their vehicles throughout to improve performance and to see who could take home the first-place prize.

SAE FOUNDATION

Encouraging STEM in Australia

Jessica Bohorquez and Jorge Martin Gistau participated in a Superstars of STEM Career Panel at Brighton Secondary School in Adelaide where they shared their experiences as STEM professionals, and answered questions on work environments and necessary educational and practical advice to pursue their STEM interests in these areas. In addition to the panel, Jessica collaborated with the School of Architecture and Civil Engineering at the University of Adelaide, delivering an interactive workshop to Year 11 and Year 12 students. The 'Aqualibrium' activity was created to enhance students' understanding of critical issues in water management and engineering, working with students to design their own water network, introducing students to design thinking, iterations, and the importance of infrastructure resilience. Both activities underscored Ricardo's essential role in inspiring the next generation of STEM professionals. By sharing real-world experiences and engaging students in practical workshops, Jessica and Jorge demonstrated the exciting possibilities within STEM careers.

Other STEM and charity partners

Michigan Science Center

Mentor SET

wes

British Science Association

In2science UK

Green Schools Project

Dream Big

Responsible business continued

Governance

Building the foundations of a strong responsible business framework with robust governance structure.

Governance structure

While everyone at Ricardo is responsible for helping us achieve our sustainability goals, it is the Responsible Business Committee (RBC) who steers Ricardo's efforts in environmental, social and governance issues. Made up of the board's Chair and Non-Executive Directors, CEO, CFO and the Sustainability team, decisions made by the RBC are shared throughout the executive and the business units for implementation across the business.

Key elements of our responsible business process include:

- Monthly Executive meetings with our CEO and senior leadership team
- The ESG transformation workstream, which meets every two weeks

Part of the RBC's remit is contributing to the development and review – annual, or more frequently if legislation dictates change – of relevant Company-wide policies.

In the past year, the RBC have contributed to a new Anti-Bribery, Fraud and Corruption Policy, and updated the Code of Conduct, Supplier Code of Conduct, Human Rights Policy, Speak Up Policy and the DEI Policy Statement.

Leveraging Ricardo's internal specialist teams, the RBC makes in-depth analytical reviews of pending, developing and international regulations to provide a three to five-year view on impending changes for risk management, decision making and reporting. This provides our stakeholders with increased transparency regarding our risk decisions through the early adoption of reporting standards, and the opportunity to report our involvement publicly. The RBC reinforces the accountability and responsibility we all share, to ensure that the highest standards are adhered to in everything we do internally and for externally for the business and our stakeholders.

For more information on the RBC see page 97.

Case study

2econd Chance

2econd Chance

2econd Chance is a not-for-profit, community interest company that collects and refurbishes unwanted hardware, and provides opportunity for NEET (not in employment, education or training) adults and young people aged 16-25 with an EHCP (Education Health Care Plan). This helps to 'bridge the digital divide' by aiding digital inclusion, helping get people into work. It supports Ricardo to manage its environmental footprint and minimise its e-waste equipment, giving a second life to machines, and building further social value. This programme supports our compliance to ISO 27001 – International Standard for Information Security Management.

"Through our partnership, we have transformed corporate generosity into community empowerment. This support has enabled us to provide accredited and informal training for individuals with disabilities and those furthest from the job market, equipping them with valuable skills. To date, Ricardo has donated over 200 devices, which has facilitated approximately 260 hours of valuable training, and we have been able to donate 33 refurbished computers back into the community, providing people with access to essential technology for online learning and job searching."

Charlotte Solomon – Director, 2econd Chance

Responsible business continued

Governance

Our ratings and engagement with international bodies

We proactively engage with investor rating agencies such as, but not limited to: ISS, CDP, Sustainalytics, and FTSE Russell. Ecovadis awarded our Rail business in the Netherlands a Platinum Award and our A&I UK business Silver Award status for 2023. We await this year's updates.

Ricardo's ESG framework is set against GRI (Global Reporting Initiative) and as ISSB (International Sustainability Standards Board) evolves further with additional standards, we will adapt this further as part of the overarching framework, having already incorporated IFRS S1 and IFRS S2. We remain committed to reporting annually to CDP (Carbon Disclosure Project), mandatory reporting to TCFD (Task Force on Climate-related Financial Disclosures) and GHG emissions regulations. As a signatory to the United Nations Global Compact (UNGC), the world's largest corporate responsibility initiative, we remain committed to the 10 Principles. Our Communication on Progress (COP) report is submitted annually to the UNGC.

Sustainable procurement

Our supplier partnerships are built on business integrity and transparency, and our suppliers are equally accountable and responsible for due diligence of their own value supply chains, and all activities throughout our operations. In FY 2023/24, we completed a due diligence process for 90% of our suppliers, who were assessed against various risk categories including country and regions within, human rights risk levels, political or corruption concerns, with the support of Nexis and Dun & Bradstreet.

As a global consultancy, the majority of our suppliers provide business services rather than manufacturing, but we expect all our employees and external stakeholders to respect individuals with dignity, and to not breach this per our terms of business, our Code of Conduct, Supplier Code of Conduct, Human Rights and Anti-Bribery and Corruption policies. We have related policies which can be viewed on **www.ricardo.com**. These are linked to our internal policies and processes, including sustainable procurement processes and risk assessment supplier evaluation questionnaires for new and existing suppliers. We require information and details related to all core sustainable activities: waste and pollution, climate risks, carbon reduction targets, energy saving and renewables, working conditions, supply chain transparency, modern slavery due diligence and relevant accreditation standards.

Modern slavery

We consider the risks of all forms of modern slavery throughout our global operations. Modern slavery legislation exists in many countries including the UK, Australia and the USA, being three of the large operational regions for Ricardo Group. Therefore, as part of our supplier procurement due diligence process, modern slavery risk assessments are a mandatory requirement for all suppliers, even if the threshold of the individual national obligations does not legally impact a supplier's business.

Risks are prevalent in all countries, and we sometimes consider a smaller business partner more at risk than those who are large corporate businesses. We identify those who need support to help assess and mitigate their own risks. We continue to raise awareness, educating our teams and suppliers with this ongoing journey of complex issues and due diligence. We continue to engage with organisations such as the UNGC, to share best practice with other organisations to keep aware of wider issues that may impact Ricardo. These matters are fluid and high risk, therefore consistent monitoring is required to ensure the highest level of compliance. Ricardo encourages open, honest, two-way communication throughout the organisation to ensure issues of concern are raised, and addressed.

Whistleblowing

We provide an anonymous ethics hotline, Navex, hosted outside of the Ricardo internal network to give confidentiality and protection to those 'speaking out'. This service is open to all employees, clients and suppliers.

Ethics

We consider ethical conduct to be integral to our business and its success. In the past year, led by the Responsible Business Committee, Ricardo has updated its Code of Conduct, Supplier Code of Conduct, Human Rights Policy, Speak Up Policy, DEI Policy and introduced a new Anti-Bribery and Corruption Policy. We adhere to security standards to safeguard sensitive information. Our Information Security Policy is instrumental in fostering trust with clients, suppliers and employees.

Data responsibility

Ricardo maintains a robust information security programme that includes mandatory training for all employees, upon hire and annually thereafter, covering essential topics such as data protection, cybersecurity best practices, and incident response. Our information security programme is aligned with industry best practices and certified to ISO/IEC 27001 and Cyber Essentials standards.

Senior leadership oversees the information security management system (ISMS) through annual reviews assessing performance, risk, operations and incidents. Key performance indicators are tracked to identify improvements. Data, information security and privacy reports are submitted to the Audit Committee every six months, with findings presented to the board annually.

Global Slavery Index | Walk Free

Global: Global Slavery Index 2023 finds limited progress to eradicating modern slavery & forced labour – Business & Human Rights Resource Centre (business-humanrights.org)

2023 Corruption Perceptions Index: Explore the... – Transparency.org

Responsible business continued

Greenhouse gas emissions

The table below and supporting methodology and assumptions summarise the Streamlined Energy and Carbon Reporting (SECR) disclosure in line with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. In support of our ambition to achieve our SBTi targets, we are increasing the breadth of KPI reporting as shown below.

Metrics and targets

		FY 2023/24	FY 2022/23	FY 2021/22	FY 2019/20 baseline
Emissions – tCO_2e					
Scope 1	Gas (methane-based) usage	**1,775**	1,563	1,599	
	Diesel usage	**574**	502	762	
	Gasoline usage	**318**	477	495	
	Other emissions	**58**	303	966	
	Total	**2,725**	2,845	3,822	4,343
Scope 2	Location-based	**2,777**	2,764	3,292	4,981
	Market-based	**914**	637	618	2,016
Total (Scopes 1 and 2)	Location-based	**5,502**	5,609	7,114	9,324
	Market-based	**3,639**	3,482	4,440	6,359
Scope 3	Category 1 (including Category 8) – Purchased goods and services	**124,699**	141,204	85,306	*
	Category 2 – Capital goods	**649**	4,936	4,430	*
	Category 3 – Fuel and energy-related activities	**195**	216	276	
	Category 4 – Upstream transportation and distribution	**340**	361	206	*
	Category 5 – Waste	**36**	113	144	*
	Category 5 – Waste – exceptional item – demolition at Shoreham Technical Centre	**13**	*	*	*
	Category 6 – Business travel (all modes)	**2,448**	3,018	2,462	*
	Category 7 – Employee commuting	**2,018**	1,737	2,902	
	Category 9 – Downstream transportation and distribution	**92**	163	89	
	Category 11 – Use of sold product (weight apportioned basis – GHG Protocol)	**4,925**	4,894	4,600	*
	Category 11 – Use of sold product (whole vehicle weight method – SBTi)	**35,172**	35,736	32,461	
	Category 12 – End of life of sold products	**517**	435	285	*
	Category 13 – Downstream leased assets, location-based	**61**	65	46	*
	Scope 3 total – GHG basis	**135,994**	157,142	100,746	*
	Scope 3 total – SBTi basis	**166,241**	187,984	128,607	*
	Total – Location-based (Scopes 1, 2, 3) GHG Protocol basis	**141,496**	162,751	107,860	13,291
	Total – Market-based (Scopes 1, 2, 3) GHG Protocol basis	**139,633**	160,624	105,186	10,326

- (*) No data
- Scope 1, 2 and Scope 3 categories 1, 2, 3 and 13 have all been verified to 'Reasonable Assurance'
- Scope 3 – Categories 4, 5, 6, 7, 8, 9, 11 and 12 have been verified to 'Limited Assurance'

Responsible business continued

Greenhouse gas emissions continued

Metrics and targets continued

		FY 2023/24	FY 2022/23	FY 2021/22	FY 2019/20 baseline
Intensity measures – GHG basis (tCO_2e per employee)					
Total (Scopes 1 and 2)	Location-based	**1.94**	2.00	2.57	3.05
	Market-based	**1.28**	1.24	1.61	2.08
Scope 3	GHG Protocol basis	**47.91**	56.10	36.40	*
Total (Scopes 1, 2, 3)	Location-based	**49.85**	58.10	38.97	*
	Market-based	**49.19**	57.34	38.00	*
(tCO_2e per £m revenue)					
Total (Scopes 1 and 2)	Location-based	**11.59**	12.58	18.37	24.49
	Market-based	**7.67**	7.81	11.46	18.07
Scope 3	GHG Protocol basis	**286.48**	352.34	260.12	*
Total (Scopes 1, 2, 3)	Location-based	**298.07**	364.91	278.49	*
	Market-based	**294.15**	360.14	271.59	*
Electricity consumption (MWh)					
	Electricity consumed (all sources)	**10,980**	12,021	15,369	17,455
	Renewable electricity consumed	**8,894**	10,901	13,601	12,973
	Non-renewable electricity used	**2,086**	1,120	1,768	4,482
	Percentage of renewable electricity used	**81%**	91%	89%	74%
SECR (UK Streamlined Energy and Carbon Reporting)					
	UK Scope 1 tCO_2e	**2,342**	2,333	3,430	2,496
	UK Scope 2 – Location-based tCO_2e	**1,931**	2,078	2,605	3,065
	UK Scope 2 – Market-based tCO_2e	**138**	12	26	166
	UK Scope 1 + Scope 2 tCO_2e location-based	**4,273**	4,411	6,035	5,562
	UK Scope 1 + Scope 2 tCO_2e market-based	**2,480**	2,344	3,455	2,662
	Energy consumption (million kWh)	**16**	19	26	17
Intensity measures (tCO_2e per UK employee)					
	Scope 1	**1.40**	1.40	2.07	1.50
	Scope 2 Location-based	**1.15**	1.25	1.57	1.84
	Scope 2 Market-based	**0.08**	0.01	0.02	0.10
	Scope 1 + Scope 2 Location-based	**2.55**	2.64	3.64	3.34
	Scope 1 + Scope 2 Market-based	**1.48**	1.41	2.08	1.60

- (*) No data
- Scope 1, 2 and Scope 3 categories 1, 2, 3 and 13 have all been verified to ‘Reasonable Assurance’
- Scope 3 – Categories 4, 5, 6, 7, 8, 9, 11 and 12 have been verified to ‘Limited Assurance’

Responsible business continued

Greenhouse gas emissions continued

Greenhouse gas emissions continued

Carbon accounting methodology and notes

- The operational control test is applied to determine if an emission is within Scope 1 or Scope 2
- The inventory has been compiled according to the GHG Protocol and internal procedures with the exception that individual gases are not reported. Our GHG emissions for FY 2023/24 have been verified by LRQA in accordance with ISO 14064–3:2019, 'Specification with guidance for validation and verification of greenhouse-gas assertions'
- The base year is FY 2019/20, as this is the first year where Scope 1 and Scope 2 data was verified. The Scope 3 base year is FY 2021/22. Some data includes estimates, which may be updated at a later time when more accurate data are available
- Our enhanced quality assurance processes for data have identified a number of data improvements which have resulted in updated estimates – the most significant of this was under-reporting of gas use at our Shoreham Technical Centre caused by a malfunctioning meter and this has resulted in a 52% increase in Scope 1 emissions, but is less than a 1% increase in the Group's total emissions for FY 2023/24 (market-based GHG protocol basis). The related totals and intensity metrics have been restated for FY 2021/22 and FY 2022/23, but these have not been verified by LRQA
- Large improvements have been made to our emissions calculation methodology during the FY 2023/24 reporting cycle, including:
  - Employee commuting: the return rate increased to 82% from 73% for site-based employees
  - Re-evaluation of the vehicle mileage used in the lifetime of the engines we produce. This was based on a sample of over 2,800 vehicles in the US and UK. As a result, the average mileage has reduced by 45%. We have restated all previous years based on this, which reduces the Group's whole carbon emissions by 2.5% and 13.5% on a market-based GHG protocol basis and market-based SBTi basis respectively and the same has not been verified by LRQA
  - Change to the estimating method for waste in our office-only sites where we moved to occupancy from capacity, as several buildings are under utilised – this has resulted in a 68% reduction in ongoing waste emissions from FY 2022/23 to FY 2023/24, and a di minimis change to Group emissions
  - In FY 2023/24 a greater proportion of business travel was calculated on an activity basis rather than spend basis
- Emission factors used for fuels, transmission and distribution and electricity are based on the most appropriate open-source data by location. For example, BEIS/Defra conversion factors are used for the UK, US EPA for the US and the most recent confirmed IEA factors for the majority of other locations. Electricity emissions factors used for market-based calculations where renewable electricity is procured are 0kgCO_2e/kWh. Location-based factors are applied elsewhere
- Scope 3 emissions factors for Categories 1, 2, 4, 5, 8 and 9 are based upon finance data using Defra for UK and EU-based entities, and Quantis for other entities. Scope 3, Category 7 is based on an annual employee commuting survey; Defra and US EPA emission factors are used for this. Category 11 is based on published WLTP emissions for each engine variant, and estimated vehicle use over 10 years. Category 12 emissions are estimated based on volumes of engines, transmissions and ABS kits sold. End of life emissions are estimated on material type and weight using Defra and Ecoinvent emission factors
- Our waste reporting shows an exceptional item in FY 2023/24, where there was significant demolition of old and unfit buildings at the Shoreham Technical Centre
- Most of the air, rail and hotel emissions are calculated by FCM using bespoke factors that take airline and aircraft type. This methodology follows those outlined by Thrust Carbon. The remaining elements of Category 6 are calculated based on cost using the Defra and Quantis factors as above
- Other Scope 1 emissions include refrigerants used to recharge cooling and air conditioning plants, fire extinguishants such as FM200 and sulphur hexafluoride (SF_6) associated with switchgear. These vary from year to year depending on the number and type of fire events and maintenance activities
- SECR: Our UK operations are our biggest consumer of electricity, which is our only UK Scope 2 emission source, where we directly procure electricity from renewable sources for our largest sites
- We have no Scope 3 emissions in Categories 10 (processing of sold product), 14 (franchises) or 15 (investments). Category 8 emissions (upstream leased assets) are included within our Category 1 reporting if applicable
- Our triggers for base year recalculation would be an acquisition or disposal which changed headcount by +/- 20%; this did not occur in the current or previous year. The combined effect of the acquisitions was below the threshold
- Revenue-based intensity metrics rely on the financially audited information and the KPMG audit opinion

Responsible business continued

Task Force on Climate-related Financial Disclosures

Background and approach

Ricardo operates a three-year cycle for major TCFD reviews and annual minor updates in the interim. The prior full cycle update was in 2023. The current review and update were used to capture pertinent changes such as legislation, guidance and the latest climate-related disclosure standards (IFRS S2), in addition to changes to Ricardo's global footprint, products, supply chain or specific geopolitical issues that have emerged that would drive sourcing, transportation or manufacturing locations creating the need to take on board major revisions to strategy, risk or production location. The corporate Group Risk Register was updated and subsequently the Executive Committee validated and signed off on the update.

For the board and the Audit Committee, inputs from our in-house experts and an update to the prior horizon scanning were used. This allowed adjustments and amendments in ratings to be derived. In addition, our materiality assessment process was updated to quantify the risks and opportunities that climate change presents to Ricardo in terms of financial magnitude and likelihood.

TCFD compliance summary

In accordance with the requirements of LR 9.8.67R and the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulation 2022, Ricardo's climate-related disclosures are consistent with all the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Topic	Disclosure	Annual Report reference	FY 2023/24 updates	Planned updates for FY 2024/25
Governance	a) Describe the board's oversight of climate-related risks and opportunities	See page 65 and page 59	• Formally held two RBC meetings, with two further planned after publishing this Annual Report. Both meetings contained GHG and climate-related topics related to risk, location, products and setting KPIs for GHG-related incentives for management	• Hold three RBC meetings, 11 Executive Committee meetings and >20 ESG/GHG Transformation Workstream meetings in FY 2024/25 • GHG and climate change to feature as an agenda item in each ESG Forum and RBC meeting
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 65		
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Pages 66-68	• Reviewed climate-related risks and opportunities and their relevance to Ricardo in 2024. Integrated and aligned the TCFD risks and materiality thresholds with the Group Risk Register and reviewed holistically the climate-related risks with the RBC, the Audit Committee and the Executive Committee • Conducted financial quantification of climate-related risks and opportunities impact on Ricardo's operating profit • Conducted formal reviews of the 60 global Ricardo locations, identifying and prioritising the four properties with the highest risk of Business Impact Analysis (BIA) due to climate-related disruption such as floods, wildfire, hurricane, rain or other acute event. Responses will be included in the FY 2025/26 Business Plan	• Plan FY 2024/25 minor update
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 69-72		• Plan FY 2024/25 minor update
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 73		• Formalise BIA assessments and embed the outcomes into the planning for business continuity

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

TCFD compliance summary continued

Topic	Disclosure	Annual Report reference	FY 2023/24 updates	Planned updates for FY 2024/25
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 74	• Reassessed the materiality of climate-related risks using the principal risk register thresholds	• Plan FY 2024/25 minor update
	b) Describe the organisation's processes for managing climate-related risks	Page 74	• Identified additional business resiliency measure to adapt to the identified climate-related risks	• Continue to implement mitigation controls to manage risks as needed
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Page 74	• Considered the materiality of climate-related risks within the context of the principal risk register and the designated risk of climate change	• Plan FY 2024/25 minor update
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 74	• Refined Scope 1 and 2 measurement methodology which highlighted irregular operating GHG measurement equipment, allowing opportunity for restatement • Reviewed Scope 3 measurement approaches highlighting opportunities for greater accuracy of measurement and a real reduction of gross CO_2 emissions	• Restate Scope 3 emissions in light of improved data. Develop a plan for re-submission of SBTi 2030 short-term targets and for 2050 long-term targets reflecting the categories measured and the precision of the measurements (page 49)
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 emissions, and the related risks.	Page 74		
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 74		

Governance

Board's oversight of climate-related risks and opportunities

The Ricardo plc board has ultimate responsibility for risk management including risks and opportunities related to climate change. The board is also responsible for reviewing and directing the strategic approach on products, capital allocation and decisions related to investment. Support and advice to the board is provided by the ESG Forum, the RBC and the Audit Committee. The ESG Forum is responsible for ensuring the Company's approach to climate-related risks and opportunities is appropriate, fit for purpose, and that metrics and targets are in place and reported annually. The ESG Forum oversees measurement of and progress against these targets via a monthly report to the Executive Committee and twice per year through the RBC. Progress against KPIs for the compensation-linked GHG reductions are part of the reviews, together with a feed into the Remuneration Committee.

Risk management responsibilities are conducted through the Audit Committee who review the principal risks twice a year formally and on an ongoing basis. All department and business unit risks are assessed as part of this half-year process (see page 74 for fuller description). The ESG Forum supports the risk management process by reviewing and providing detailed updates of specific aspects of the risk portfolio. The membership of both the ESG Forum and Audit Committee are Executive Committee and Senior Leadership Team members.

Management's role in assessing and managing climate-related risks and opportunities

As set out on page 75, each business unit, and each of the enabling functions (HR, finance etc.) maintains its own risk register. The unit/function lead is responsible for ensuring this is done in a timely and comprehensive manner. Climate-related risks and opportunities are considered, and the Group Risk Register reflects those risks and opportunities most material to Ricardo.

Each business area develops a strategy, and from this strategy the budget is set to run projects to mitigate climate-related risks and grasp opportunities occurring over the short term (up to five years). These are reviewed and blended with the core enabling functions' budgets and requirements (Facility Operations, QSHE, HR) and used to prepare a comprehensive five-year plan. Longer-term risks and opportunities such as shifting weather patterns, and large, structural shifts in the markets in which Ricardo operates – particularly regarding fossil fuel use and the emergence of new technologies – are considered by the RBC as part of the annual TCFD refresh process. Any substantial changes in these risks and opportunities which might impact the current five-year plan are escalated to the board.

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy

Figure 1 (right) outlines the process undertaken in 2023 and the updates made in FY 2023/24 and the planned updates for FY 2024/25, when risks and opportunities will be reviewed again as part of our annual process. Ricardo aims to achieve full compliance with IFRS S2 as part of our major three-year updates in FY 2025/26

Identification of climate-related risks and opportunities

In 2023, the physical (acute and chronic) and transitional (regulatory, technological, market, legal and reputational) risks and opportunities attributed to climate change were assessed. Ricardo identified the six most material risk and opportunity issue groups as detailed in Figure 2 on page 67. Opportunities were assessed relating to Ricardo's capability to grow environmental consulting, service ever broader climate needs, maintain integrity of analysis and results, and develop new tools in a timely fashion.

In 2024, as part of the annual review, the risks and opportunities were reviewed, and it was concluded that there were no significant changes to the risks and opportunities identified in 2023. We updated our financial materiality assessment, in line with our Group risk management process, to reassess the individual risks and opportunities. The materiality of the individual risks and opportunities were assessed based on the magnitude (the financial significance or business impact level of a particular issue, risk or opportunity on Ricardo) from a scale of very low to very high and the likelihood of the risk/opportunity occurring from a scale of very unlikely to almost certain. The materiality assessment was conducted using the five-year timeline in line with the Group's strategic view and viability statement. Additionally, as part of this year's annual update we conducted financial quantification of the risk and opportunity issue groups and its impact on Ricardo's operating profit in the medium term (2030) and long term (2050) using a worst-case scenario RCP 8.5, as detailed on page 68.

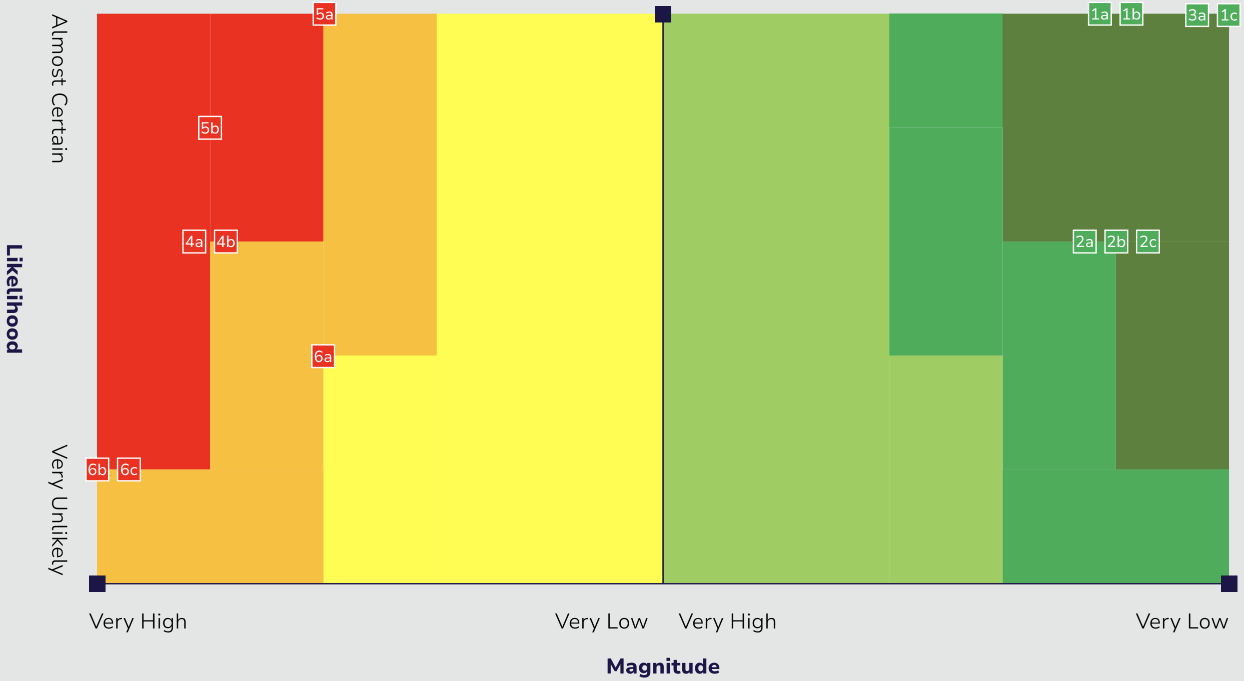
Figure 1: TCFD review cycle

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Assessing the materiality of risks and opportunities

Figure 2: Materiality assessment



Portfolio Prioritisation (PP)

- 1a Safe and sustainable transport
- 1b Clean energy and resources
- 1c Environmental services

Market Expansion (ME)

- 2a Geographic expansion
- 2b Physical risks altering client needs
- 2c Mergers and acquisitions

Digitalisation (D)

- 3a Digitalisation

Human Capital (HC)

- 4a Demand, supply, upskilling and reskilling
- 4b Employee retention

Reputational Pressure (RP)

- 5a Streamlining climate action across all business units
- 5b Increasing awareness and expectations of investors, shareholders and financiers

Physical Risks (PR)

- 6a Extreme heat
- 6b Chronic/acute flooding
- 6c Storm surge (Shoreham)

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Identification of climate-related risks and opportunities continued

The definitions of the issue groups, the associated individual risks and opportunities and the potential impact on Ricardo's operating profit term are detailed below:

Table 1: Climate-related risks and opportunities

			Climate/risk issue group potential impact on Ricardo's operating profit under RCP 8.5 (world of extreme climate change) (low: 0-3%, medium: 3-6%, high: >6%)	
Issue groups	**Definition**	**Risks or opportunities**	**2030**	**2050**
Physical risks to Ricardo's operations and assets	Physical climatic changes reducing function of Ricardo facilities, locations, supply chain and human capital. Physical risks identified include: flooding (related to either storm surges or sea level rise), extreme heat and cold, storms, drought. Ricardo has the ambition to maximise growth in the UK and EU market and to grow in the Middle East and South Africa. Assessing the physical risks in these geographies will be key to Ricardo's success.	Extreme heat (Risk) – Australia, southern Europe, Middle East.	Low	Medium
		Chronic/acute flooding (Risk) – Coastal locations – California, Shanghai, Shoreham, Prague (river).	Low	Low
		Storm surge (Risk) – Shoreham, Shanghai.	Low	Low
Human capital	Ricardo's ability to retain, reskill and recruit the human capital required to meet opportunity growth targets.	Demand, supply, upskilling and reskilling (Risk) – Worldwide.	Low	Medium
		Employee retention (Risk) – USA, Europe, Middle East.	Low	Low
Reputational pressures from stakeholders	Increasing pressure to act on climate change, leading to potential reputational risks.	Streamlining climate action across all business units (Risk) – Worldwide.	Medium	High
		Increasing awareness and expectations of investors, shareholders and financiers (Risk) – UK dominant but worldwide from fund managers.	Medium	High
Portfolio prioritisation	Growth in Ricardo's and energy transition offering e.g. safe and sustainable transport, clean energy, environmental services, and clean energy and resources.	Clean energy and resources (Opportunity) – Europe, UK, USA.	High	High
		Environmental services offering (Opportunity) – Middle East, Africa, USA, Europe.	High	High
		Safe and sustainable transport (Opportunity) – Developed nations, worldwide.	High	High
Market expansion	Ricardo's growth into new geographical and industrial markets, supported by M&As and partnerships.	Geographic expansion (Opportunity) – USA, Australia, Middle East.	Medium	High
		Physical risks altering client needs (Opportunity) – USA, Australia, Middle East, Europe.	High	High
		Mergers and acquisitions (Opportunity) – USA, Middle East, Australia.	Medium	High
Digitalisation	Ricardo's digital solutions can support with the energy and environmental transition.	Digitalisation (Opportunity) – Worldwide.	Medium	High

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Supported by our in-house climate risk expertise in CE&ES, Ricardo undertook a climate scenario analysis (pages 70-72) to examine business impacts over a range of time horizons to understand the materiality of the risks and opportunities identified. To allow for an assessment of the impact of the most material issue groups over a range of potential futures, Ricardo chose a best case (well below 2°C) scenario for transition and physical risks and opportunities (IEA Net Zero Emissions by 2050 and IPCC RCP 2.6), and a worst case/business-as-usual scenario (>4°C and 2.6°C) for each respectively (IEA Stated Policies Scenario and IPCC RCP 8.5). These scenarios were also selected because they are scientifically recognised and robust and are widely used for TCFD reporting and are regularly updated. The locations in the table 1 on page 68 analysis and the associated business units were considered during our analysis.

During our analysis Ricardo considered three time frames: 2030, 2050 and out to 2100 as detailed in the table below. These time frames are linked to Ricardo's strategic business planning – i.e. five-years for the short time frame to align with Ricardo's five-year business cycle.

Table 2: Time frames considered

Time frame	Short	Medium	Long
	2024-2030	2030-2050	2050+

Climate change impact on assets and operations

With the extensive global footprint of Ricardo, we need to be aware of the impacts of climate change, both at a macro level causing shifts in supply chain robustness, employee location of work and opportunity location, including emerging geographies with market opportunities, and also at local level for extreme climatic events (flood, hurricane, heatwave, wildfires).

Managing the impacts of climate-related risks to physical assets

To ensure we are a resilient organisation fit for the future, several aspects are considered when locating or expanding business to manage our climate-related risks and opportunities. As most leases are of a three-to-ten-year horizon, this span is considered when siting premises or investing in assets in a location.

Long-term asset investment and resilience planning

For more permanent assets – such as dedicated test facilities or installed machining/assembly capability – the three-to-ten-year time horizon is supplemented by a review of the extended time horizon aligned with typical amortisation periods of buildings and test equipment. This process guides our assessment of emerging risks and opportunities together with identifying the appropriate actions to strengthen business resilience.

Transitioning products and services towards zero carbon

Our strategy of fossil-free fuels used for transport at point of use is well established. This has been reflected in the phase down of facilities related to traditional fossil fuels through age-out, assigning capital to zero carbon facilities and products. The established sector (fossil fuel) facilities have a planned age-out and retirement to minimise these risks. Ricardo's main risks are now concentrated in managing the expansion and growth, rather than acute and transitional impacts on the historical business practices and product range. All recent test facility capital investments have been focused on zero carbon transport – such as the electric drive research facility and hydrogen test capability for fuel cells and internal combustion engines. The transition that has already happened is demonstrated in the revenue attributed to climate change, environmental and safety revenue (page 47). Portfolio prioritisation and physical risks to operations and assets: ICE test-bed infrastructure at the Shoreham Technical Centre only.

People and market expansion in environmental consulting

With regard to market expansion and human capital growth in environmental consulting, headcount is planned to continue, reflecting interest and capabilities in these areas. Growth will be boosted by expanded presence in Australia, the US and Europe for low carbon mass transit. Continued environmental acquisitions of premium consulting practices. As a consultancy, most facilities are leased (apart from two sites) and the minimal capital investment needed allows Ricardo to remain highly responsive in terms of product offerings and locations served.

The table on the following page details the issue groups, the scenario impact rating (high, medium and low) over the time horizons identified above and the potential risk and opportunity mitigation/adaption and resiliency measures.

This table on page 70 presents the transition risks and opportunities under two transition scenarios, 'Net Zero by 2050 (NZE)' and 'Stated Policies (STEPS)', the potential impact to our business, and our corresponding current and future business resiliency measures. The business impact has been scored high, medium, and low for each risk and opportunity (refer to the table key).

Business Impact Score

Key

-3	-2	-1	N/A
High-moderate potential risk		Slight potential risk	No potential risk

1	2	3	4	5	6
Slight potential opportunity		Moderate potential opportunity		High potential opportunity	

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

Table 3: Business impact of climate-related risks and opportunities on Ricardo rating

Portfolio prioritisation (Opportunity)

NZE			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	**Short term:** Strategy implementation and policy development support for both governments and private sector. Some implementation solutions for easy-to-mitigate sectors. **Medium term:** Opportunity ramps up as heavy industries are expected to decarbonise by 2050, and the desire for ongoing implementation support is required. **Long term:** Opportunities tail off as targets are met. Lighter-touch ongoing strategy support, but focus continues with implementation support.	• Refocus EET strategy: Implement and evolve long-term resiliency measures for the next 10-15 years • Develop skilled workforce: Train employees to innovate and reduce costs in low/zero carbon technologies • Engage with industry groups: Actively participate in sustainability standards bodies to stay competitive • Track competitors: Monitor competitors and allocate capital strategically to maintain skills and recruitment • Plan for post-2050: Explore future offerings based on hydrogen adoption, BEV uptake and infrastructure development • Adapt to geopolitical changes: Prepare for challenges in resource access by diversifying supply chains and technologies
6	6	6		
STEPS				
Short	Medium	Long	**Short term:** Same as current day trends in strategy implementation and policy development support for both governments and private sector. **Medium term:** Increase in opportunities compared to short term but significantly less than under NZE. **Long term:** Opportunities continue to increase due to delayed climate action. This is done under extreme time pressure and increased costs to industry, increasing financial risks of companies, particularly SMEs.	
6	6	6		

Market expansion (Opportunity)

NZE			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	**Short term:** Significant opportunities for Ricardo to support decarbonisation at a global scale in multiple emerging sectors. This will first occur in the advanced economies in which Ricardo sits. **Medium term:** The size of this opportunity will depend on Ricardo's service offering of implementation. There may be an opportunity to also support emerging economies with technology feasibility studies. **Long term:** Post 2050, the size of the opportunity will reduce in scale as climate targets are met. Opportunities will be around the maintenance and efficiency of systems and technologies implemented.	• Physical risk responses – majority of growth initiatives can be remote, reducing the vulnerability to risk. Key is continued investment in digital tool set development • Hire locally for at-risk countries (physical risk), establish connections, ensure network resiliency to allow transferability of tasks • Financial and insurance sector access – recruitment and value propositions • Ricardo should track market and service growth rates and compare its own figures against this. Ricardo must actively engage with key industry groups and sustainability standards bodies to drive legislative standards and promote adoption rates for technologies • It is too premature to begin assessing in detail what Ricardo's offering in this area should look like beyond 2050. This will be very scenario dependent. Ricardo should continue monitoring global progress against climate targets to understand which direction of travel industry and governments will take – depending upon fossil versus renewable energy costs and infrastructure development for zero carbon energy
6	6	6		
STEPS				
Short	Medium	Long	**Short term:** Less opportunities for Ricardo to support decarbonisation at a global scale. Opportunity will likely sit in portfolio prioritisation. **Medium term:** Opportunities for Ricardo to support emerging markets (geographically and industry) will likely increase as 2050 approaches and delayed climate action kicks in. This will likely be led by the private sector driven by consumers and investors. **Long term:** The opportunity for Ricardo will likely continue increasing after 2050 as decarbonisation is still occurring, particularly in emerging markets and economies.	
4	6	6		

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

Digitalisation (Opportunity)

NZE			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	There is little direct evidence within the scenarios selected on the attribution of emission reductions to digital solutions. However, it could be assumed that global trends and the shifts to automated services will drive efficiency gains and will continue to contribute towards climate-related solutions. Ricardo already integrates some digital solutions into its current products and services. This can be expected to increase in the future to support the Company's climate-related services and is already occurring to some extent with digital prototyping in Automotive and Industrial and automation in Rail.	• Digital knowledge transfer, training and experiential growth for staff. Increased M&A activity with consideration for how acquisitions will be accretive in the digital sector • Integrate the IT systems of the Group, meeting security and isolation requirements but building resiliency and availability • Ricardo will continue to consider how digitalisation can be integrated into the solutions it provides, as it is demonstrated in Ricardo's strategy. Partnerships will support this and fill the gap in the Company's current digital capabilities • Tracking the revenue and efficiencies from digital solutions • Increased support for digital tools, investment in tools • Risk around being able to act fast enough – competitor – loss of potential business
6	6	6		
STEPS				
Short	Medium	Long		
6	6	6		

Human capital (Risk)

NZE			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	The opportunities for Ricardo under this scenario are high in scale and level of impact. Therefore, the growth rates and development necessary to take advantage of these are large. Ricardo will be operating in a competing market and therefore scaling for growth will be difficult.	• Ensure Ricardo's compensations are competitive with other rivals in the sector • Continued investment in training, recruitment and providing growth opportunities • Increase investment in the career development and retention of junior employees. The market is currently under-saturated in the skills and expertise required for the climate transition • Ensure HR and team leaders are consistently engaging with employees on career and life satisfaction. Policies such as flexible working, volunteering, personal development and socials all encourage employee wellbeing • Better IT infrastructure, resiliency and security-conscious global availability
-3	-2	-1		
STEPS			Ricardo will still face challenges in scaling for growth, however the scale of the associated opportunities is lower and therefore this challenge will be less than under the NZE. This will become a more 'business as usual' challenge.	
Short	Medium	Long		
-3	-1	-1		

Reputational pressure coming from stakeholder (Risk)

NZE			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	Political and regulatory pressures will increase in the short to medium term as decarbonisation progress must be made.	• Competitor awareness – to ensure Ricardo remains appropriately positioned • Carry out current growth strategy, prioritising the energy and environment transition, implement corporate strategy with majority of growth and capital allocation in the appropriate segments • Ricardo should continue impairing elements of declining business units to reduce the risk, and remain vigilant in the transition to zero carbon fuels • Ricardo should continue to prioritise the performance of the energy and environment transition, in both the quality of work delivered to clients also in the quality of reporting and climate action of Ricardo itself
-3	-2	-2		
STEPS			Pressures are likely to still increase from current day and so the impact may not be dissimilar to under the NZE. Over the past few years, Ricardo has made significant progress around prioritising its portfolio to be focused on the future around the energy and environment transition. This consists of having targets to increase the proportion of revenue in this area, compared to the established mobility side of the business which is associated with more reputational risk.	
Short	Medium	Long		
-3	-2	-2		

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

This table presents the physical risks under two climate scenarios, IPCC SSP1-RCP2.6 and IPCC SSP5-RCP8.5, the potential impact to our business, and our current and future business resiliency measures. The business impact has been scored high, medium and low for each risk and opportunity (refer to table key) on page 69.

Physical risks (Risk)

RCP 2.6			Impact on Ricardo	Business resiliency measures
Short	Medium	Long	Global temperature increases but is limited to below 2°C. Physical impacts of climate change increase from current day but catastrophic impact is narrowly avoided.	• Becoming a larger and more global player will enable more support for employees with adaptation (financial strength enabling investment) • Careful consideration of the location of new technical centres and potential relocation of existing technical centres. Conscious assessment of climate risk versus capital allocation • Continuous encouragement of flexible working where possible and exploration of new ways of working such as work patterns that avoid the hottest period of the year in Ricardo's most vulnerable locations • Investment in building facilities such as efficient air conditioning and flood defence mechanisms where necessary • HR policies, business continuity plan, flood analysis at Shoreham to be conducted • Care when bidding for projects in extreme climate zones (Australia, Africa, Middle East and some regions of Europe and the USA) – extreme caution and consideration for impacts of heat on human health of employees
-1	-1	-1		
RCP 8.5			Global temperature rises to 5°C, leading to catastrophic impacts at a global scale. Some regions will become uninhabitable, and others will experience positive impacts e.g. growing season extensions. The overall impact is very negative, and society falls into a disruptive state.	
Short	Medium	Long		
-1	-2	-3		

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Resilience of the strategy, considering different climate-related scenarios, including a 2°C or lower scenario

We understand the risks, opportunities and appropriate responses. For physical risk, Ricardo demonstrates strong adaptive capabilities with minimal fixed investment, a mobile workforce, and a flexible global footprint. Business Impact Analysis showed only two sites would be materially impacted by acute weather events, focusing on quantifying probabilities and adapting. The remaining sites use hybrid/remote work and cloud-based processes to minimise disruption from climate issues.

Climate Transition Plan developments

Our plan to develop a Climate Transition Plan in line with the TPT (Transition Plan Taskforce) as detailed below. Ricardo has operated at the forefront of emissions reduction for 40 years. This vantage point has allowed transition starting close to 20 years ago with investment in zero-carbon skills, products and facilities. As part of the journey, Ricardo acquired a major environmental consultancy, allowing the growth in policy, strategy, technology, economic analysis and product development to both address climate change and to assist clients in adaption.

Climate Transition Plan

By 2026, Ricardo intends to pull these foundation elements together and publish a Climate Transition Plan in line with the TPT as part of the planned Sustainability Report. By expanding the space and content outside of the constraints of an annual report, we will demonstrate a robust Climate Transition Plan further integrating environmental sustainability into the core strategy of Ricardo.

Ricardo has several elements for a Climate Transition Plan developed and in place in line with the TPT. These include:

Figure 3: Approach to developing a Climate Transition Plan

Ambition	Action		Accountability	
1. Foundations	**2. Implementation strategy**	**3. Engagement strategy**	**4. Metrics and targets**	**5. Governance**
Throughout its 100+ year history, Ricardo has focused on improving efficiency and minimising waste. The Company has pioneered technologies to reduce emissions and achieved 90% adoption of renewable energy for Scope 2, significantly cutting emissions from fossil fuel testing for Scope 1 and 2 to just 3-4% of total emissions. Ricardo has set GHG emissions targets through to 2030, with a 2025 deadline to establish 2050 long-term goals, aligned with short-term SBTi objectives. As part of the TCFD update and three-year review cycle, Ricardo collaborates with CE&ES for regulatory reviews to ensure compliance with current and upcoming regulations.	Capital allocation decisions at Ricardo are driven in part by their GHG impact. To support this priority, Ricardo funds a dedicated Sustainability enabling function, covering staffing and operational costs. Additionally, all business units and related enabling functions contribute personnel to advance our mission of GHG reduction, efficiency improvement and waste minimisation. We have also developed advanced modelling tools to estimate the GHG impact of R&D activities and client programme onboarding, ensuring that sustainability is a key consideration in every project we undertake.	RBC working groups and the SLT/all-hands meetings are used to engage and communicate activities related to GHG and waste reduction. The Annual Report details activities together with sharing data with reporting frameworks and rating agencies, clients, prospective employees, investors and value chain, and communities.	GHG emissions are accurately measured and significantly enhanced since 2019 – our first year of collecting data. The data set continues to improve, and we are adding more Scope 3 categories to the reasonable assurance level. These results are included in the attestation table (pages 61-62) together with risks and opportunities shown in alignment with IFRS S2 – climate standard.	Ricardo exhibits good control on strategy and decision making with climate impact core to decisions on product development, capital allocation and growth initiatives. Governance structure from Chair and NEDs through the Executive Committee and then the SLT and working groups. Bi-directional communications are integral to this process.

Responsible business continued

Task Force on Climate-related Financial Disclosures continued

Risk management

Identification and assessment of climate-related risks

This year, Ricardo reassessed the materiality of climate-related risks as detailed on page 67. We integrate climate change risks into our Group risk management, annual budgeting and monthly ESG Forum meetings. In 2023, we conducted a detailed review of climate-related risks, refreshed in 2024 with insights from our 2023 TCFD assessment. A panel of climate specialists, ESG leaders and the Executive Committee provided comprehensive input. The summary is detailed on page 77. In July 2024, we formally re-rated our principal risks, including climate-related risks.

Managing climate-related risks

As part of this year's annual TCFD update, Ricardo identified additional business resiliency measures to adapt to the identified climate-related risks. Business units and functions evaluated the impact of climate issues on their strategy and operations. Mitigating controls will be implemented as needed. Risks are reviewed continuously, with each climate-related risk having a designated owner and leadership oversight.

Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

The process for managing climate-related risks is integrated into our Group risk management process. One of the designated principal risks is climate change. This is detailed on page 75 of this report and is managed by the board, the ESG Forum, business units and enabling functions. Risk-taking and management occurs through the Audit Committee. Success in achievements is managed through the ESG Forum and is fed back into the RBC for main board review.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

GHG and ESG metrics reporting

Ricardo records GHG data and other ESG metrics in the FigBytes aggregation system. This includes fuel consumption for powertrain development, water, waste, utilities and HVAC discharges. These metrics are summarised on pages 61-62 with absolute and intensity measures for the past three years.

Commitment to emissions reductions

As a values-led organisation, we are committed to reducing emissions under our control (Scopes 1 and 2) and through our operations (Scope 3).

Linking compensation to GHG emissions

In FY 2022/23, we studied various methodologies linking compensation to GHG emissions, which were implemented in FY 2023/24. Senior management now has variable compensation based on GHG reduction as part of a long-term incentive scheme (page 103).

Focus on Scope 3 emissions

Scope 1 and 2 emissions are now less than 2% of our total, and we are focused on reducing Scope 3 emissions.

GHG intensity KPI

Ricardo is committed to and has enacted a KPI related to long term incentives for senior management. Details are disclosed on page 49.

Scope 1, 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks

Scope 1, 2 and relevant categories for Scope 3 are disclosed on pages 61-62 along with restatements and methodology notes. Scope 1, 2 and 3 (category 1, 2, 3 and 13) have been verified to 'Reasonable assurance' and Scope 3 (categories 4, 5, 6, 7, 8, 9, 11 and 12 have been verified by LRQA to 'Limited Assurance'. There are risks in the method of data collection and conversion from cost-based invoices using emissions factors and consideration is being given to changing methodology to reach true CO_2 footprint (mass and materials) more accurately for some categories of S3C1. The FigBytes data aggregation platform has enhanced efficiency of data collection and allowed all locations to be measured and assessed for anomalous or missing data.

Targets to manage climate-related risks and opportunities

Ricardo has set the following targets:

- Reduce Scope 1 and 2 emissions by 46.2% by FY 2030/31, aligned with a 1.5°C global temperature rise
- Increase renewable electricity sourcing from 74% in FY 2019/20 to 90% by FY 2025/26
- Reduce absolute Scope 3 emissions by 27.5% by FY 2030/31, aligned with well below a 2°C temperature rise

Sustainable procurement remains a core focus to ensure compliance with principles, policies and supply chain legislation. We use the Group Risk Register framework to assess and manage risks, including climate-related ones, within our risk appetite. Regular reports are provided to the Responsible Business Committee on ESG ratings, carbon emissions and capital investments. The board approved an updated risk appetite statement aligned with the new risk management framework. By FY 2025/26, all non-financial GHG and ESG metrics will be captured in FigBytes. We use comprehensive reporting dashboards for real-time progress and data tracking.