GOVERNANCE REPORT

GOVERNANCE REPORT

LEADERSHIP WITH INSIGHT AND EXPERIENCE

Our Board during the year ended 30 June 2023

COMMITTEE MEMBERSHIP AS AT 1 JULY 2023

- ○ Audit and Risk Committee
- ● Responsible Business Committee
- ● Nomination Committee
- ● Remuneration Committee
- ● Disclosure Committee
- ● Executive Committee
- **C** Denotes Chair of the Committee

MARK CLARE
FCMA
CHAIR OF THE BOARD

Mark Clare was formally announced as Chairman of Ricardo plc on 17 November 2022. He brings to Ricardo substantial plc-level experience and is currently Non-Executive Chairman of Grainger plc, a UK-based residential property business, listed on the London FTSE 250 index. He is also the Senior Independent Director of Wickes Group plc and a Non-Executive Director of Premier Marinas Holdings Limited. From 2005–2016, he was the CEO of Barratt Developments plc, a FTSE 100 house builder.

GRAHAM RITCHIE
BA (ECON), ACA
GROUP CHIEF
EXECUTIVE OFFICER

Graham Ritchie was appointed Chief Executive Officer on 1 October 2021.

Since 2016, Graham was a member of the Executive Committee of Intertek Group plc, responsible for its operations in Europe, including Russia, and Central Asia. Prior to that role, Graham was Intertek's Group Financial Controller. Previously, Graham held senior financial positions at BT Group plc and other technology services organisations, having started his career with PwC. Graham is a qualified Chartered Accountant and holds a BA in Economics.

IAN GIBSON
BSC, ACA
CHIEF FINANCIAL OFFICER

Ian Gibson was appointed Chief Financial Officer on 1 July 2013. A member of the Institute of Chartered Accountants in England and Wales, Ian is a finance professional with more than 30 years of commercial experience. He was previously Chief Financial Officer of Cable & Wireless Worldwide plc, where he spent a total of 17 years in a number of senior financial management positions. Prior to this, Ian spent 12 years at Deloitte where he worked in both the London and Toronto offices. Ian will retire as CFO and from the Board on 13 September 2023.

JUDITH COTTRELL
BSC ACA
CHIEF FINANCIAL OFFICER

Judith was appointed to the Board on 1 July 2023 as Chief Financial Officer Designate and will assume the role of Chief Financial Officer when Ian Gibson retires from the Board on 13 September 2023. Judith, a former KPMG accountant, has more than 20 years' experience working in senior financial and operational roles. She was previously the Group Finance Director for RPS, and, prior to that, she held various senior roles within the company, including Chief Executive of RPS's UK & Ireland consulting business and Group Strategy Director. Before RPS, Judith worked at Ricardo as a Finance Director within its Automotive and Industrial business unit, having originally joined AEA Technology, which Ricardo acquired in 2012.

RUSSELL KING
BA (HONS)
EXECUTIVE DIRECTOR

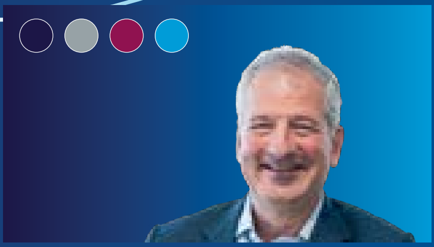
Russell King was appointed Non-Executive Director on 5 September 2019. Russell is an Independent Non-Executive of BDO LLP. Russell served as Chief Strategy Officer at Anglo American plc where he had global responsibility for strategy, business development, government relations, safety and sustainable development. He was also a member of its executive committee for eight years.

Additionally, Russell was Senior Independent Director and Remuneration Committee Chair of Spectris plc from 2010 to 2020 and Senior Independent Non-Executive Director and Remuneration Committee Chair of Aggreko plc, from 2007 to 2017.

MALIN PERSSON
MSC
NON-EXECUTIVE DIRECTOR, SENIOR INDEPENDENT DIRECTOR

Malin Persson was appointed Non-Executive Director on 4 January 2016 and Senior Independent Director on 14 November 2019.

Malin is also the nominated Non-Executive director for workforce engagement and ESG. Malin held a number of senior executive roles during her employment by the Volvo Group between 1995 and 2012. She is an elected member of the Royal Swedish Academy of Engineering Sciences and has an MSc in Industrial Engineering and Management from the Chalmers University of Technology in Gothenburg. Malin is also currently a Non-Executive Director of Peab AB, Getinge AB, Hexpol AB, OX2 AB, and Absolent Air Care Group AB. Malin is intending to retire one of her director mandates in the first half of 2024.



JACK BOYER OBE
BA (HONS), MSC, MBA
NON-EXECUTIVE DIRECTOR

Jack Boyer OBE was appointed Non-Executive Director on 5 September 2019.

Jack is a Non-Executive Director and Senior Independent Director of TT Electronics plc and member of the Audit, Remuneration and Nominations Committees. Jack is a Non-Executive Director of Bela Holdings AG, and a non-executive board member at the Department for Education. He chairs the Board of Trustees of the University of Bristol and is Chair of the Henry Royce Institute Hydrogen Accelerator. Previous appointments include Non-Executive Director of Mitie plc and Laird plc, and Senior Independent Director and Chair of Remuneration Committee of Elcogen Group plc.

LAURIE BOWEN
BSC, MBA
NON-EXECUTIVE DIRECTOR

Laurie Bowen was appointed Non-Executive Director on 1 July 2015.

She has over 30 years of international leadership experience at IBM, British Telecom, Tata Group, Telecom Italia Sparkle and Cable & Wireless Communications. She was appointed Non-Executive Director of Chemring Group plc on 1 August 2019 and a Non-Executive Director of SBA Communications Corporation on 24 May 2023. Laurie has an MBA, a BSc in Electrical Engineering and a BSc in Computer Science from Washington University in St. Louis, Missouri.

BILL SPENCER
BSC, FCMA, MCT
NON-EXECUTIVE DIRECTOR

Bill Spencer was appointed Non-Executive Director on 24 April 2017 and Chair of the Audit Committee on 8 November 2017.

For 15 years until 2010 he was the CFO of Intertek Group plc. Since then he has developed a varied non-executive career. His former NED roles where he also chaired the Audit Committee include UK Mail plc, Exova Group plc and Northgate plc. Currently Bill is the Senior Independent Director and the Audit Committee Chair at The Royal Mint. He is a Chartered Management Accountant and Corporate Treasurer and has a BSc in Management Sciences from the University of Manchester.

MARK SERFOZO
LLB (HONS)
GROUP GENERAL COUNSEL

Mark Serfozo was Group General Counsel for Ricardo plc from March 2023 to 8 September 2023. Mark was General Counsel and Company Secretary of Spectris plc from 2017 to 2022. He joined Spectris from Rolls-Royce plc where he served as Director of Risk for four years and before that he spent 18 years at BAE Systems plc where he held a number of senior legal positions including, latterly, the role of Group Chief Counsel Compliance and Regulation. Mark has considerable experience in leading behavioural change programmes, M&A, managing large-scale criminal and regulatory investigations, compliance and regulatory affairs, risk management and governance. Mark qualified as a solicitor in 1990 and is a member of the University College London Centre for Ethics and Law Advisory Board. Harpreet Sagoo joined Ricardo Plc as General Counsel and Company Secretary on 21 August 2023.

CORPORATE GOVERNANCE STATEMENT

I am pleased to present the Corporate Governance Report to shareholders for the financial year 2022/23. As outlined in my letter on pages 8 and 9, our ambitions for the company are clear and we have a well communicated strategy to deliver. For the Board, it is now about execution of the strategy.

MARK CLARE
CHAIR

CORPORATE GOVERNANCE CODE STATEMENT OF COMPLIANCE

As a UK premium listed company, Ricardo plc is expected to comply or explain any non-compliance with the 2018 UK Corporate Governance Code, published by the FRC and available on its website, www.frc.org.uk.

The Board considers that the Company complied fully with the provisions and principles as set out in the Code throughout the year ended 30 June 2023.

Chair's overview

During the year we have continued to execute our strategy to become a global leader in consultancy, delivering strategic environmental and engineering solutions that are at the intersection of transport, energy and global climate agendas.

The Board sees the delivery of the strategy as key to delivering long-term sustainable value for all its stakeholders.

Our section 172 statement on pages 56 and 59 contains examples of the areas where we have engaged and considered our stakeholders whilst making our decisions and below I highlight some of these examples.

Our people – The Company is, at its heart, a people business: we have continued to invest in our people who are our most valuable asset. The Company has continued to roll out its new values, vision and purpose and the Board is pleased with how they are being embraced by employees across the whole of the organisation. We continue to place health and safety of employees at the centre of decisions made by the Board and management. I am pleased to report that the Board has continued to make visits to colleagues in a number of the Company's UK facilities including: Shoreham, Harwell and Leamington Spa. In 2024, it intends to extend this to our important sites internationally.

Our shareholders – the Board recognises the importance of its duty to shareholders and that returns from capital invested are a key element of its investment case. It is pleasing to note that the strength of the Company's balance sheet has allowed the Company to continue its progressive approach to dividends payments. The interim dividend of 3.35p per share was paid in April 2023 and the final dividend proposed for the year ended 30 June 2023 is 8.61 pence per share. The total dividend payment represents a yield of 2.1% on a share price of £5.72 at 30 June 2023.

Our clients – the Board has continued its focus on its clients and receives regular reviews from senior management. In the FY 2022/23 the Company undertook its inaugural client satisfaction survey and the findings and follow up actions of this annual exercise have been reviewed by the Board.

Our commitment to a safe and sustainable world – The Board has continued to prioritise investment on the decarbonisation and the net zero agenda with a focus on electrification and hydrogen, whilst continuing to support the transition away from fossil fuel-based internal combustion engines. The Board plans to achieve this through a combination of organic growth and a programme of focused acquisitions. The Board believes that continuing to focus on this strategy will positively impact all of our stakeholders and the long-term health of the business.

Our communities – Ricardo has always been a strong supporter of Science, Technology, Engineering and Maths (STEM) and related activities through its community and charity work. During the pandemic and last year as the world adjusted back to normality, our STEM activity was low. To address this the Company has invested more heavily in its community activity by undertaking programmes with several STEM partners, providing charitable support, matching employee contributions, and launching an employee volunteering programme. It is planned to extend the STEM programme to the US and Australia.

We will measure the success of our partnerships, the number of people we support, our social value impact and report on this next year.

Changes to our Group – on 1 August 2022 the Company divested its software business Ricardo Simulation Limited, this divestment was in line with the Company's strategy to simplify and focus its portfolio on clean energy, environmental services and sustainable mobility. The Board was pleased to approve the acquisitions of E3 Modelling S.A. on 24 January 2023 and Aither Pty Limited on 10 March 2023. Further details of the acquisitions are set out on **page 39**.

The Board carefully considered all of its stakeholders during these transactions, further details of which can be found in our s.172 statement on pages **56** and **59**.

Board changes and succession planning – In November 2022 Sir Terry Morgan retired from the Board and I thank him for his time leading the Board and the contribution that he made to the Company. I joined the Board on 1 November 2022 and was announced as Chairman on 17 November 2022.

Ian Gibson will retire from the Board on 13 September 2023 and I thank him for his time on the Board as Chief Financial Officer and the contribution that he has made to the Company. I am pleased to welcome Judith Cottrell to the Board who will assume the role of Chief Financial Officer on 13 September 2023.

We continue to carefully consider our medium and long-term succession plans, more details of which is contained in the Nomination Committee report on pages **128** to **131**.

I welcome your comments on this Corporate Governance Report and upon the 2022/23 Annual Report and Accounts as a whole.

MARK CLARE
CHAIR
12 September 2023

REPORTING IN ACCORDANCE WITH THE 2018 UK CORPORATE GOVERNANCE CODE

The 2018 UK Corporate Governance Code (the Code) sets out the Company's approach to governance. This table shows where shareholders can evaluate how the Company has applied the principles of the Code and where key content can be found in this report.

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Board leadership and division of responsibilities

Board and Executive Committee structure

The Board and its committees oversee and manage the governance of the Company, and provide a mechanism to approve, review, challenge and monitor the strategies, policies and codes of conduct and behaviours through which the Company operates. The terms of reference of the Committees, and the Matters Reserved to the Board, can all be found at "ricardo.com/corporate governance". The structure and responsibilities of the Board and its management committees are set out below.

The Board and Committee attendance in FY 2022/23

Board and Committee attendance

	Board (scheduled)	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Responsible Business Committee	AGM
Laurie Bowen	7/7	4/4	2/2	5/5	1/1	N
Jack Boyer(3)	6/7	3/4	2/2	4/5	1/1	Y
Mark Clare(1)	5/5	n/a	1/1	3/3	1/1	n/a
Ian Gibson	7/7	n/a	n/a	n/a	n/a	Y
Russell King	7/7	4/4	2/2	5/5	1/1	Y
Sir Terry Morgan(2)	3/3	n/a	1/1	3/3	n/a	Y
Malin Persson	7/7	4/4	2/2	5/5	1/1	Y
Graham Ritchie	7/7	n/a	2/2	n/a	n/a	Y
Bill Spencer	7/7	4/4	2/2	5/5	1/1	Y

(1) Mark Clare was appointed to the Board on 1 November 2022.
(2) Sir Terry Morgan CBE resigned from the Board on 17 November 2022.
(3) Jack Boyer was unable to attend the Board and Committee meetings held in September 2022 due to a prior arranged Board meeting and the Audit Committee meeting held in January 2023 due to attending to an ill close relative in hospital.

Directors who are unable to attend meetings continue to receive papers in advance of the meeting and have the opportunity to discuss them with, and provide comments to, the relevant Chair or Company Secretary and feedback is provided on any decisions made at the meeting.

THE BOARD

Responsible for defining the Company's purpose, setting a strategy to deliver it, and monitoring values and behaviours that shape how the Company conducts its business and its culture. The Board has several matters reserved for its consideration and delegates other responsibilities to its Board and Management Committees as appropriate.

BOARD COMMITTEES

The Board has the following four committees:

Audit Committee – responsible for overseeing the financial reporting process, significant accounting judgements and estimates, the Company's ethics and compliance programme, financial and compliance controls, and risk management.

Remuneration Committee – responsible for recommending the policy for the remuneration of the Chair, Executive Directors and the Executive Committee members, in the context of considering the pay and conditions of the wider workforce.

Nomination Committee – responsible for advising on succession matters and talent management for the Board, Executive Committee and senior management.

Responsible Business Committee – during the year the Board created a new Responsible Business Committee which is responsible for promoting the long-term sustainable success of the Company with regards to environmental, social and governance matters.

MANAGEMENT COMMITTEES

The Board has the following management committees:

Executive Committee – responsible for the day-to-day management of the Company's operations.

Disclosure Committee – responsible for the identification and disclosure of inside information and for ensuring that announcements comply with applicable regulatory requirements.

Board activity

Other key areas of focus for the Board and the stakeholders that it considered in its discussions and decisions.

Topic	2022-2023 activities	Stakeholders considered
PEOPLE AND CULTURE	• Received regular updates on workforce matters including health and wellbeing, recruitment and attrition rates, gender pay gap, and employee engagement activity. Reviewed the results of the employee engagement survey • Continued to develop the role of the Workforce Engagement Director. • Succession planning for the Board, the Executive Committee and senior management including the approval of the succession of the Chief Financial Officer and the engagement of a President for the Group's new Clean Energy and Environmental Services business and a new President of the Group's Performance Products business • Supported management with the development of a Company-wide Diversity, Equity and Engagement programme	Colleagues Communities Shareholders
FINANCIAL PERFORMANCE	• Received regular updates to the Board on the Group's financial performance including its cash management and conversion, working capital, profits and costs, and the management of clients, suppliers and operations • Considered and approved the 2022-23 budget following review of progress against the prior year budget • Approved the Annual Report, interim and full/half year results presentations • Considered and approved the Group's going concern and viability statements. • Considered and approved dividend payments • Considered and assessed the efficacy of the Group's capital allocation model	Communities Clients Shareholders Suppliers and partners
STRATEGY REVIEW	• Received regular updates from the Chief Executive on progress executing the Group's strategy, to become a leading environmental and energy transition consultancy, including reviews of the market and updates on investor relations • Reviewed progress against the 2022-27 five-year plan. Carried out strategy reviews of the businesses within the Group • Oversight of M&A activity: Including updates on acquisition and divestiture activities at each scheduled Board meeting • The Board continues to prioritise investment on decarbonisation and the net zero agenda with a focus on electrification and hydrogen, whilst continuing to support the transition away from fossil fuel-based internal combustion engines. The Board plans to achieve this through a combination of organic growth and a programme of focused acquisitions • The Board considers that this renewed focus on strategy will positively impact all of our stakeholders and the long-term health of the business	Colleagues Communities Shareholders
M&A	• Received updates on the progress made to become a leading environmental and energy transition consultancy and to prioritise investment on the decarbonisation and net zero agenda and ensured that the Group's stakeholders were considered during this process • Considered and assessed each of the Group's M&A activities where Board approval was required, including the divestment of Ricardo Software and the acquisitions of Aither Pty Limited and E3 Modelling	Colleagues Clients Communities Shareholders Suppliers and partners
GOVERNANCE AND ETHICS	• Created a new Responsible Business Committee of the Board with responsibility for promoting the long-term sustainable success of the Company with regards to environmental, social and governance matters • Monitored progress against the actions from 2022 internal Board evaluation and reviewed the outcome, and agreed actions, from the 2023 internal evaluation • Reviewed and approved the terms of reference of the Board committees, Matters Reserved to the Board • Received updates on ongoing litigation matters and key legal and regulatory topics • Received updates on the ethics and compliance programme and reviewed concerns raised through the Group's confidential Speak Up line	Clients Communities Shareholders Suppliers and partners

Clients   Communities   Shareholders   Colleagues   Suppliers and partners

Overseeing the Group's culture

Purpose and culture

The Board is committed to maintaining an open and ethical culture at Ricardo and believes this is of significant importance to the success of the Group. Our Code of Conduct and our Values of – Create Together, Be Innovative, Aim High and Be Mindful – provide the framework within which we expect all of our employees to operate ethically and with integrity and provide solutions for our clients and other stakeholders.

Our Purpose is to enable our clients to solve the most complex and dynamic challenges to help achieve a safe and sustainable world. Our Values focus on the right behaviours to support our Purpose;

CREATE TOGETHER

BE INNOVATIVE

AIM HIGH

BE MINDFUL

FOR MORE ON OUR VALUES, SEE PAGE 17

The Board and culture

The Board has continued to develop the ways in which it considers the culture at Ricardo and the activities of the Board during FY 2022/23 include:

- Engaging with employees at meet the Board events and lunches at the Company's operating facilities;
- Through the activities of the workforce engagement director which are discussed at Board and Committee meetings, further details are set out at pages 125 and 126;
- Reviewing the feedback from the annual Group employee engagement survey;
- Regular reviews with the Group People Director to understand employee retention and the reasons why employees join and leave the Company;
- Regular reviews of ethics cases reported to the Company's confidential Speak Up helpline;
- Reviews of the Company's diversity and inclusion programme; and
- Reviews of feedback from clients and suppliers including through voice of the client and the feedback from the annual client engagement survey.

> "Since joining Ricardo as a Chief Engineer, the Company has actively helped me to develop as a leader: I have been recognised as both a technical expert in my field and a senior team manager. I have been able to develop my career through the senior leaders programme, and it has also been very important to me in turn to support the career development of my own team members and that of early careers colleagues in my business unit. It was important to me to take part in Passing on the Baton: Conversations for Change – our activities for this year's International Women in Engineering Day. The conversations were a significant opportunity for us not only to celebrate our female engineers, but also to highlight our commitment to talent development and succession planning by bringing together existing and potential future leaders of our business, so that we could all learn from each other and support each other on our leadership journeys."

DRAGICA KOSTIC PEROVIC
CHIEF ENGINEER, AUTOMOTIVE AND INDUSTRIAL

INTERVIEW PROFILE:

COLLEAGUE EXPERIENCE FROM OUR BOARD MEET AND GREET SESSIONS

> Before attending the Board Meet and Greet session at Shoreham Technical Centre, I really only knew of Graham Ritchie and Malin Persson, because I had attended her virtual event for International Women's Day.
>
> It was nice not only to meet the Board in person, but also to meet them in an informal setting, so that we could all connect together on a very personal level. I really liked that there was no formality, no standing on ceremony at all – it was all: come and have a chat.
>
> As a graduate, I rarely interact with senior leaders in the business, so I really enjoyed the opportunity to discuss the Company's electrification strategy and, in particular, speak to the Board members about Group strategy. Hearing from them in their own words and with their own insights in conversation was powerful, because I got to see strategy from their level, but also share what the strategy means at my level, so it felt like a real alignment of views.
>
> Everyone I met was incredibly friendly and genuinely interested in us as people and in our work at Ricardo, asking us which department we were in and about our projects. Graham Ritchie actually sought me out to speak to me because we were both about to do a charity rowing event for Hoveraid, so he was asking for my advice! I really felt that the Board cared about us, and that we could have a genuine, open conversation: it was very much a two-way street. It was refreshing to be able to see for myself that the people at the very top reflect the great culture that exists across our Company.
>
> I went away from the meet and greet feeling very inspired that Ricardo has such experienced people at the top, who are able to make very informed decisions based on their breadth and depth of experience. It was a privilege to speak with them – a great opportunity taken which helped me to feel even more connected to the Company.

GABE ROBERTSON
GRADUATE ENGINEER,
AUTOMOTIVE AND INDUSTRIAL

Board effectiveness

Informed decision making

The Chairman is supported by the General Counsel and the Company Secretary in ensuring the dissemination of accurate, timely and clear information to the Board allowing it to function effectively and efficiently. The General Counsel and the Company Secretary are responsible for compliance with appropriate laws and regulations and are available to support all of the Directors. Directors may solicit independent professional advice at the Company's expense where specific expertise may be required to effectively discharge their duties.

Access to the business

The Board undertakes a review of each business at least annually. Additionally, each year the Board meets on site at several of the businesses. Board visits include a deep dive into the business with the wider leadership team including a Board dinner, an overview of the key products and services, and opportunity to meet informally with employees.

During the 2022-23 reporting period the Board visited the Clean Energy & Environmental Services site at Harwell in Oxfordshire, The Automotive and Industrial and Performance Products sites at Shoreham by Sea, and Leamington Spa.

Training and development

New directors receive a formal, tailored and comprehensive induction programme on joining the Board and further training and development needs are reviewed and agreed with the Chairman

Board evaluation

Period of evaluation

The evaluation was conducted at the end of FY 2022/23, with feedback and review taking place at the Board meeting held on 27 July 2023.

EVALUATION PROCESS

The Board evaluation process was led by the Chairman of the Nomination Committee. The internal evaluation process used a questionnaire developed by the Company. Questions covered the performance of the Board, its committees and individual Directors. The evaluation covered a range of matters including the following:

Board

- Strategy oversight
- Market awareness and understanding
- Risk management
- Composition of the Board – skills, diversity, experience and knowledge
- Engagement with shareholders and other stakeholders
- Board focus and priorities, use of time
- Quality of papers and presentations
- Communication with management
- Succession planning for the Board and senior management

Board Committees

- Information and resources available to members
- Quality and extent of matters covered by committees
- Quality of papers and presentations

Feedback

A report on the findings of evaluation process was provided to Directors ahead of the Board meeting held on 27 July 2023. The principal findings and recommendations from the evaluation were discussed at the meeting and a number of actions were agreed (see next column). Reports were also provided to each of the committees on the findings of the evaluation as it applied to them. The Chairman will provide feedback on the evaluation to individual Directors.

Key resulting actions

- Increase engagement with external stakeholders
- Enhance Company Secretarial services to support committees and track all Board actions to completion.
- Schedule latest developments in regulatory environment and market practice into Board Planner
- Spend more time getting to know senior management and wider workforce
- Continue to actively manage Board succession and diversity

FY 2023/24 Evaluation

The evaluation for the financial year 2023/24 will be carried out externally

Workforce engagement activity

The Company activity for workforce engagement is part of a programme to establish meaningful and regular dialogue with the workforce to capture key insights and bring the employee voice into the boardroom; the programme supports the requirement of the UK Corporate Governance in this area.

Malin Persson is the Board member responsible for workforce engagement and was appointed to this role in September 2020. The Board recognises the importance of having clear lines of communication with the workforce and is pleased with how the Workforce Engagement Director continues to strengthen these links and the role that she plays in doing so. The dialogue that Malin has had with employees has provided them with the opportunity to express their opinions and have open discussions on topics that are important to our employees.

The workforce engagement activities undertaken in FY 2022/23 were varied and included the following:

- Malin met with all members of the Executive Committee, who are direct reports of the Chief Executive, to discuss the revised strategy and how they were all working with the Chief Executive
- Sir Terry Morgan and Russell King joined the Company's inaugural leadership conference and recognition awards
- Malin attended the Company's Women in Engineering Forum Affinity Group
- To support Mark Clare's induction process on becoming Chairman, Malin provided feedback on the opinions she had received from employees as part of her workforce engagement activity
- Malin held meetings with The Group People Director to obtain a detailed understanding of the feedback from the Group Employee Engagement Survey

The Board received regular feedback from those Directors who had taken part in workforce engagement activity throughout the year.

During FY 2023/24, it is planned that engagement activity will focus on face-to-face meetings at the Company's sites where employees can share their thoughts with the Board, and will include the Workforce Engagement Director receiving feedback from various listening forums that the Company is setting up across the Group. Malin will continue to provide regular feedback to the Nomination Committee and the Board to support their consideration of areas that impact our employees such as ethics and the Company's Speak Up programme, sustainability, diversity, equity and inclusion.

Board composition

As at the 30 June 2023, the Board had 8 Directors, comprised of 5 non-executive directors, in addition to the Chairman and two executive directors. The charts on page 126 and 127 provide details of each of the director, as well as some information on gender and nationality split and also on overboarding scores. There were no related party transactions involving and board member in FY 2022/23.

Board changes

Sir Terry Morgan CBE retired from the Board and the role of Chairman with effect from 17 November 2022. Mark Clare was appointed to the Board on 1 November 2022 and assumed the role of Chairman on 17 November 2022. Ian Gibson notified the Board on 3 April 2023 that he would retire from the Board at the end of September 2023, and Judith Cottrell joined the Board on 1 July 2023 as Chief Financial Officer Designate. On 13 September 2023 Ian Gibson will retire from the Board and as Chief Financial Officer

DIRECTORS' OVERBOARDING SCORES[1]

	Number of board members	Percentage of the board
1 mandate	2	25%
2 mandates	1	13%
3 mandates	3	36%
4 mandates	–	– %
5 mandates	1	13%
6 mandates	1	13%

1. Based on the 2021 ISS Guidance, which classifies any person with more than five mandates at a listed company as being overboarded. A Non-Executive Directorship counts as one mandate, a Non-Executive Chairmanship counts as two mandates and a position as an Executive Director (or comparable role) counts as three mandates.

BOARD REPRESENTATION[2]

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Sex/gender representation					
Men	6	75%	3	6	67%
Women	2	25%	1	3	33%
Ethnicity representation					
White British or other White (including minority-white groups)	8	100%	4	8	89%
Black/African/Caribbean/Black British	–	– %	–	1	11%

2. The gender and ethnicity data for the Board and other management groups, was captured through a combined process of self report where the data is not already captured in our HR systems.

and Judith will assume the position of Chief Financial Officer. The Nomination Committee Report on pages 128 to 132 sets out the processes that was followed for new appointments and succession planning.

Election and re-election of Directors

The Nomination Committee considered a number of factors in considering the election and re-election of Directors including:

- The tenure and independence of each of the Directors
- The results of the individual evaluation process
- The skills, capabilities and relevant market experience of the Directors and
- The other external appointments held by the Directors

Any potential or actual conflicts of interest were also considered which allowed the Board to assess if any circumstances are likely to, or could, impair a Non-Executive Director's independence. Following the Nomination Committees recommendation, the Board has concluded that all Non-Executive Directors being recommended for election and re-election are considered to be independent.

Time commitments and external appointments

On appointment Directors declare external directorships and any actual or potential conflicts of interest and these are reviewed annually by the Committee. Any external appointments are considered and approved by the Chairman following careful consideration of the impact on the individual Directors ability to meet the necessary time commitments. The Company reviews and records any conflicts of interest, evidence of any situational or transactional conflicts, Directors shareholdings.

Diversity

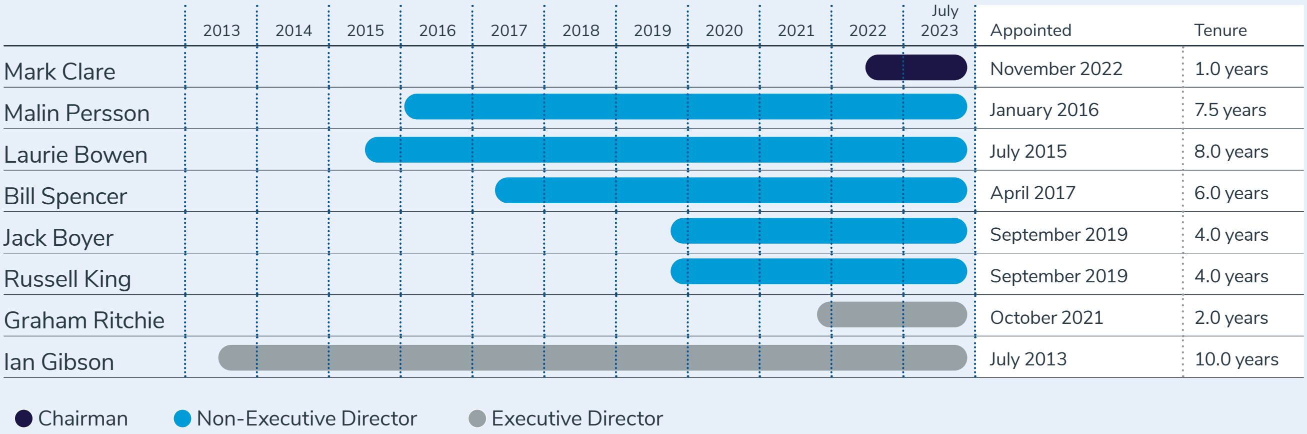
The Board continues to actively encourage the promotion of diversity in its composition as per the recommendations issued by the FTSE Women Leaders Review and the Parker Review.
The Women Leaders Reviews has sets the following targets for FTSE 350 Boards and leadership teams:-

- 40% of FTSE 350 Board and leadership positions should be held by women by the end of 2025 (and).
- FTSE 350 companies should have at least one woman appointed as chair, senior independent director (SID), CEO or CFO by the end of 2025.

The Board is proud to declare it is on target to meet, and in some cases exceed the recommendations by 2025 set by the Women Leaders Reviews. From 1 July 2023, the percentage of women on the Board increased from 25% to 33%, and as of 13 September 2023 with the appointment of the Chief Financial Officer this percentage will increase to 37.5%. From 13 September the Board will have already met the recommendations of having a female Senior Independent Director and a Chief Financial Officer.

The Board regrettably has not been able to meet the targets set by the Parker Review, for FTSE 250 companies to have at least one member of the Board from an ethnic background. This is a result of limited opportunities to drive personnel change. However, as opportunities arise the Board will seek to address this. It should be noted that the Board is to review diversity holistically throughout the organisation and has ensured Executive Sponsorship of its DE&I Committee which will be mandated to ensure that external targets on diversity are met within a given timeframe, and with the formalisation of the Board Diversity and Inclusion Policy a clear tone from the top will be set.

NON-EXECUTIVE DIRECTORS TENURE



	Appointed	Tenure
Mark Clare	November 2022	1.0 years
Malin Persson	January 2016	7.5 years
Laurie Bowen	July 2015	8.0 years
Bill Spencer	April 2017	6.0 years
Jack Boyer	September 2019	4.0 years
Russell King	September 2019	4.0 years
Graham Ritchie	October 2021	2.0 years
Ian Gibson	July 2013	10.0 years

NOMINATION COMMITTEE REPORT

Members	Meetings attended
Laurie Bowen	2/2
Jack Boyer	2/2
Mark Clare	1/1
Russell King	2/2
Sir Terry Morgan	1/1
Malin Perrson	2/2
Bill Spencer	2/2
Graham Ritchie	2/2

LAURIE BOWEN
CHAIR OF THE
NOMINATION COMMITTEE

Introduction

During FY 2022/23 the Committee held two meetings and attendance at those meetings is recorded on this page and on page 120. The Committee's work has focused on the reorganisation of Executive management and succession planning for the Board. Significant time was spent on the recruitment and engagement of Mark Clare as Chairman and Judith Cottrell as Chief Financial Officer. The Committee's effectiveness was assessed as part of the internally conducted annual effectiveness review and is considered to be operating effectively. Further details on the evaluation process is set out on page 125. The Committee's terms of reference can be found at www.ricardo.com.

Composition of the Committee and Attendance

In accordance with the UK Corporate Governance Code, the Nomination Committee comprises a majority of independent Non-Executive Directors. During the year under review the Committee comprised the independent Non-Executive Directors Mark Clare, Sir Terry Morgan, Laurie Bowen, Russell King, Malin Persson, Bill Spencer and Jack Boyer, together with the Chief Executive Officer. The biographies of the Committee members can be seen on pages 114 to 117. Throughout FY 2022/23, all Non-Executive Directors (whilst in office) and the Chief Executive were members of the Committee and attendance in meetings are set out on page 120. The Group People, Team and Organisation Director regularly attends meetings of the Committee.

Role of the Committee

The Nomination Committee is responsible for corporate governance and succession planning, including leading the process for Board appointments and reviewing the appropriateness of the size, structure and composition of the Board. The Committee is also responsible for succession planning for senior executives of the Company. In fulfilling its responsibilities, the Committee evaluates the balance of skills, experience, independence and knowledge of the members of the Board. The Board values diversity in all of its forms and takes this into account when recruiting new Board members. The gender balance of the Board can be found on page 126 and the gender balance of those in senior executive roles can be found on page 127. The wider work being carried out by the Company on diversity can be found on page 127. In FY 2023/24, the Committee will oversee the extension of the Company's diversity and gender metrics to all other levels within the Group where this is legally permissible.

The key responsibilities of the Committee are:

- Reviewing the structure, size, and composition of the Board
- Undertaking succession planning for Directors and Senior Executives
- Evaluating the balance of skills, knowledge and experience on the Board
- Leading the process for Board appointments and nominating for the approval of the Board candidates for appointment as Directors
- Reviewing and refreshing membership of Board Committees
- Undertaking the annual review of Directors' independence
- Assessing whether Directors are able to commit enough time to discharge their responsibilities; and
- Reviewing the induction and training needs of Directors.

The Committee's performance was assessed as part of the Board's internal evaluation further details of which can be found on **page 125**. Following the review, the Committee is considered to be operating effectively.

The Committee's full terms of reference can be found at **www.ricardo.com**.

Diversity

We take diversity and inclusion seriously within Ricardo and look at the external set targets as a guideline to ensure we can have the right representation for our workforce and the wider community we serve. Details of the targets achieved are listed under **page 127** which will not be replicated here. As a Board it is important to note that though there is emphasis on the Women Leaders Report and the Parker Review, we strive to have diversity of thought and representation across a wider spectrum to facilitate the growth of our company. The Board is cognisant that the process of driving change will take time but will seize the opportunities as they arise.

Activities of the Committee

During FY 2022/23, the Committee's key activities included:

- A detailed review of executive management talent and succession planning
- A detailed review with the Group People, Team and Organisation Director of the Group's organisational design and the progress being made for the recruitment of key senior executives
- Considering the independence of each of the Non-Executive Directors and their time commitments
- A review of the right mix of skills and capabilities on the Board and the right size of the Board to optimise its effectiveness
- Succession planning for the Board
- Regular updates from the Workforce Engagement Director
- A detailed review with the Group People, Team and Organisation Director on the results from the Group-wide employee engagement survey
- Board effectiveness

Succession planning

The Committee devoted a considerable period of time on succession and in particular focused on the induction process for Mark Clare when he assumed the role of Chairman, and also on the role of Chief Financial Officer. In preparing for the Board change of Chief Financial Officer, the Committee evaluated the balance of skills and experience required for the role and also value of diversity in all of its forms and this formed the basis for a brief to Inzito to assist in the search for a pool of suitable candidates which was as diverse as possible. Following a thorough search and assessment process the Committee identified and recommended Judith Cottrell for appointment to the Board as Chief Financial Officer. Having served over 10 years on the Board, on 13 September 2023 Ian Gibson will retire as Chief Financial Officer and from the Board and Judith Cottrell will take on the position of Chief Financial Officer.

In line with the requirements of the UK Corporate Governance Code, the Committee can confirm that Inzito was the external search consultancy engaged for the appointment referred to above and that there is no further connection between the consultancy and the Company or individual Directors. The Committee is clear that any external search consultancy engaged should ensure that the selection process used promotes diversity in all of its forms, together with personal strengths, merit and other objective criteria.

On joining the Board, Judith Cottrell undertook a tailored induction process and planning is underway for a tailored development and education programme for all Directors.

I will have served nine years on the Board prior to the 2024 AGM and therefore will not stand for re-election at that meeting. The Committee has started the process of considering my succession as part of its usual process which considers the skills and capabilities of the Board and the Board's commitment to promoting diversity in all of its forms including meeting external targets on gender and ethnicity. In support of this succession process, Mark Clare became Chair of the Committee on 1 July 2023.

Laurie Bowen

LAURIE BOWEN
CHAIR OF THE NOMINATION COMMITTEE
12 September 2023

SUCCESSION PLANNING:

JUDITH COTTRELL
RICARDO'S NEW CHIEF FINANCIAL OFFICER

Judith Cottrell will be appointed Chief Financial Officer (CFO) at Ricardo with effect from 13 September 2023. Judith joined the Company and the Board on 1 July 2023. Here, she shares details of her induction and the structured, thorough handover process she has experienced with the retiring CFO, Ian Gibson.

JUDITH COTTRELL
CHIEF FINANCIAL OFFICER

You previously worked at Ricardo, what drew you back to the Company?

"I really enjoyed my time working at Ricardo and always kept an eye on the Company after I left. I could see so many similarities between the achievements of my most recent company, RPS, and Ricardo, and so I knew that I have useful experience to offer. Ricardo has a great opportunity to create value for stakeholders: our clients, our people, our suppliers and our investors, through operating in dynamic, burgeoning markets where there are significant opportunities for growth. I am really passionate about what Ricardo does at the forefront of the environmental, energy and mobility sectors. Being known as the go-to company to solve complex challenges in these sectors, we can drive value for investors and our people, through more investment in R&D and our teams, creating a virtuous circle."

Can you tell us about your tailored induction programme as a new Executive Committee and Board member?

"During the interview process, I spent time with and talked extensively to Mary Moore and Graham Ritchie – it was so important to know that he and I could feel we could work together effectively. I met with Mark Clare and most of the Board members, then subsequently with Russell King. Having been introduced to the Executive Committee members on a Teams call, I subsequently met them all in person the following week as part of the sales conference at which I met many of the senior commercial leaders of the business. On my first official day in the business, I had a speaker slot during Graham's global town hall call, and then subsequently took part in in-person town halls at Shoreham, Prague and the Midlands Technical Centres and in our London Paddington office. I was really struck by the energy, enthusiasm and deep engagement with the business that I witnessed."

"As part of my induction programme, I also have the luxury of a three-month hand-over period with Ian Gibson who has been very generous in sharing his knowledge, bringing me up to speed and enabling me to tap into his insights. Investors can feel slightly nervous when a new CFO comes in, but Ricardo in arranging this very structured induction programme for me, has shown that community that it understands the importance of business continuity and is serious about making the transition very managed and smooth."

Given your recent C-Suite experience and expertise, what are you hoping to bring to Ricardo to help transform and deliver growth?

"In my last role with RPS, the company went on a very similar journey and transformation to the one that Ricardo is currently on. From that experience, I know what the pitfalls are, how to manage people through change successfully, how we enable our functions to support growth, and how to implement better systems and set informative KPIs. I understand that I have a significant role to play with Graham to drive a culture of delivery and top line growth, and working closely with our investor community to continue to cut through complexity in our story for them and demonstrate our value."

Q&A WITH

MALIN PERSSON WORKFORCE ENGAGEMENT DIRECTOR

Malin has been a non-executive director on Ricardo's Board for seven years. She has also taken on the Board remit for workforce engagement.

The workforce engagement director briefed the Committee and the Board throughout the year on the workforce engagement activities undertaken including feedback from the Group employee opinion survey, discussions with the Chief Executive's direct reports on strategy and experience of working with the Chief Executive, engagement with employees at the Company's leadership conference and recognition awards and the Women in Engineering forum.

Describe your experience of being on the Board
"I love Ricardo – I really do. Ricardo is a fantastic company with talented and committed people."

How has your experience helped Ricardo develop diversity and business growth?
"Laurie Bowen and I were the first female members of the board at Ricardo, and it is clear that there is an appreciation of our experience as the company is looking to increase diversity – not necessarily from a gender perspective but by having someone on the board who had led international businesses and who is not based in the UK. In Ricardo, we are a global business which is a strength and opportunity for us to embrace and benefit from cultural differences."

You have identified that there is a really important link between the Board and the global Ricardo workforce. Tell us more
"My role was specially created because the Board realised that due to Ricardo's size and global presence, alongside the employee engagement survey results, we wanted to build a stronger link to the day-to-day business. The role is our way of saying: 'let's reach out and communicate with the wider workforce, and let's have more two-way conversations.' The remit for workforce engagement is something I've really enjoyed and learnt a lot from."

What engagements have you undertaken so far?
"We were very ambitious in the first year. I had conversations with 5% of the Ricardo global workforce. We didn't have an agenda but wanted people to be open in discussing the culture of the business. It was very interesting and valid and helped us come to some sort of conclusion about how we progress. We work on a one-to-two-year cycle for employee engagement, and we obviously must be very linked with HR, to ensure that everything is joined up."

"A specific example during 2023 was the virtual conversation with global colleagues as part of International Women's Day. We have so much to offer our workforce in Ricardo and it is good to share diversity examples. Subsequently, the Board met with Ricardo teams in Shoreham, Leamington Spa and Harwell, as part of our meet and greet the Board programme. In my role, I am extremely privileged to learn about the facts and the figures of a business, and different business cultures, and meet really interesting people."

AUDIT COMMITTEE REPORT

Members	Meetings attended
Bill Spencer	4/4
Malin Persson	4/4
Laurie Bowen	4/4
Russell King	4/4
Jack Boyer	3/4

BILL SPENCER
CHAIR OF THE AUDIT COMMITTEE

Composition

I chair the Audit Committee. In line with the requirements of the UK Corporate Governance Code, during the year the Committee also comprised the independent Non-Executive Directors, Laurie Bowen, Malin Persson, Jack Boyer and Russell King. There was no change in membership during the year.

As the Committee's Chair and as is considered desirable by the Financial Reporting Council's Guidance on Audit Committees, I have recent and relevant financial experience and a professional accountancy qualification.

As set out on **page 125**, the performance of the Audit Committee has been evaluated and continues to be considered effective.

The Committee convenes four scheduled meetings each year and other ad hoc meetings, as required. Details of attendance at meetings held during the financial year are set out on **page 120**. The Chair, Executive Directors, the Group's Head of Internal Audit, PwC – the Group's internal audit co-source partners – and the Company's external auditors all have standing invitations to attend all Committee meetings. These meetings were held via a mixture of video conference and in-person.

Responsibilities and key areas of focus

The Committee is established by, and is responsible to, the Board. As authorised by the Board, the Committee has obtained all necessary documentation and information it required from officers or employees of the Company, as well as external professional advice. In order to carry out its responsibilities during the year, the Committee undertook the following activities:

Accounting, tax and financial reporting

- Considered separate reports prepared by the Chief Financial Officer and external auditors on financial reporting and internal control matters as part of the interim review and annual audit processes
- Assessed the results, on behalf of the Board, of the application of agreed assumptions to re-confirm the continued operational and financial viability of the Group for a period of five years from the date of this report

- Reviewed the significant financial reporting matters, judgements and estimates, and changes in accounting policies applicable in the preparation of both the Group's interim and year-end consolidated financial statements, prior to submission to the Board for approval; and
- Evaluated the content of the Annual Report and Accounts as a whole and assessed the processes in place to assure its integrity, to advise the Board on whether the information presented is fair, balanced and understandable, and whether it contains the information necessary for shareholders to assess the Group's position and performance, business model and strategy

Risk management

- Monitored the Group's risk management processes and internal control systems as part of its role on behalf of the Board to oversee the Group's approach to risk management and with due consideration to the principal risks and uncertainties facing the Group
- Assessed the Group's risk profile, as well as its appetite for risk on behalf of the Board, and evaluated the effectiveness of the Group's risk management and internal control systems, together with the policies and procedures in relation to ethics, speaking up (whistleblowing), fraud and bribery prevention
- Monitored the key risks to the Group in respect of data and cyber security and evaluated the effectiveness of its control environment; and
- Reviewed the approach to ESG assurance

Internal controls

- Considered significant matters arising from internal audits performed during the year, evaluated the effectiveness of the internal audit function, and reviewed the scope and available resource for the internal audit plan in the following year to ensure that it is appropriate

External audit

- Reviewed the scope and planning of the external audit, and evaluated the external auditors' remuneration, effectiveness, independence and objectivity, including consideration of the provision of non-audit services

Significant financial reporting matters

The Committee considered the following significant financial reporting matters, judgements and estimates in approving the Group financial statements for the year ended 30 June 2023. Following discussions with senior management and the external auditors, the Committee approved the disclosure as set out in **Note 1(d)** to the Group financial statements.

Carrying value of intangible assets

The issue: Intangible Assets receive careful attention from the Board and Committee who need to be satisfied that their carrying value is appropriate. Goodwill impairment testing is normally undertaken as at 30 June of each financial year, with additional assessments also undertaken at the half year if there are indicators of possible impairment.

In the first half of the financial year the performance of the Established A&I mobility segment was impacted by economic uncertainty and the continuing technological change in the automotive sector giving rise to indicators of possible impairment. Impairment testing was therefore undertaken at that time with the future projections and discounted cash flows for the operating segment being re-assessed.

The role of the Committee: The Board and the Committee considered the appropriateness of the CGUs for goodwill testing. In addition, they reviewed and challenged the assumptions made by management, at both the half year and the full year, which underpinned the impairment testing, including the FY 2022/23 forecast, the FY 2023/24 budget and the five-year plan.

Comments and conclusions: Given the performance of the A&I Established mobility segment and the accelerating technological changes facing the business, the Board and the Committee approved the recognition of a non-cash impairment charge at the half year and the full year in respect of goodwill, intangible assets, and property, plant and equipment.

Overall, at 30 June 2023 these A&I Established mobility assets were fully impaired in the amount of £18.7m as the asset recoverable amounts were less than their carrying value. No other CGUs were impaired.

Revenue recognition on fixed-price contracts

The issue: The Group recognises a significant proportion of its consulting revenue from the supply of services under fixed-price contracts, which may span a number of reporting periods. Changes in these estimates may impact revenue recognition and the actual outcome may differ to the estimate made at the reporting date. The identification and separate accounting of distinct performance obligations within the context of a contract is a critical judgement in recognising revenue, as set out in more detail in **Note 1(d)** to the Group financial statements.

The role of the Committee: A summary of the judgements and estimates taken by management to assess the extent to which these contract assets are recoverable was reviewed by the Committee at the February and September meetings.

Comments and conclusions: The Committee is satisfied that the Group's policies and procedures have been followed to reflect management's best estimate of revenue recognised at the reporting date and that no individual judgement or estimate is expected to have a materially different outcome.

Specific adjusting items

The issue: The Group presents specific adjusting items in the income statement which include the amortisation of acquired intangibles, costs relating to major restructuring programmes, acquisition-related expenditure and other items which are deemed to be significant or non-recurring in nature. The treatment and disclosure of such items is critical to allow stakeholders to fully understand the performance of the Group.

The role of the Committee: The committee reviewed the papers presented to the Board detailing the nature and composition of the specific adjusting items. The Committee challenged the nature and the amount of the items and evaluated the disclosures made in respect of the items.

Comments and conclusions: The Committee is satisfied that the items have been presented consistently and are in accordance with the Group's policy. The Committee is comfortable that the enhancements made to the disclosure of such items presents the Group's results in a transparent manner. After reviewing the Annual Report and Accounts, the Committee is satisfied that the reported and underlying results are given equal prominence throughout the document.

Defined benefit pension obligation

The issue: The Company operates the defined benefit Ricardo Group Pension Fund (RGPF). The accounting basis of the RGPF is exposed to changes in the value of its assets and liabilities. Economic uncertainty has continued to drive volatility in markets and the value of the scheme's assets and liabilities. The liabilities of the RGPF are also sensitive to changes in actuarial assumptions, on which management takes professional advice. Further detail is set out in the financial statements in **Note 34** to the Group financial statements.

The role of the Committee: The Committee reviewed the papers presented to the Board at the February and September meetings and considered the impact of the changes in assumptions on the pension obligation.

Comments and conclusions: The Committee is satisfied that the assumptions were reviewed by senior management and that the value of the RGPF's liabilities reflects the best estimate at the reporting date.

Internal audit

The internal audit function is accountable to the Committee and is considered to be an effective function as part of the Group's approach to risk management.

During the year, we have continued our co-source internal audit arrangement with PwC whilst expanding our in-house capabilities. Business unit audits are now typically performed by the in-house team, with geographic support from PwC, where required. PwC was also engaged to carry out Group-wide audits of key functional areas. The co-source arrangement with PwC has given the Group access to specialist internal audit staff for deployment on higher risk, more complex audits and independent subject matter expertise. Responsibility for the internal audit process and setting the internal audit plan has remained with the Group's Head of Internal Audit, who has independently reviewed and scrutinised the work performed by PwC. The approach ensures independence in the internal audit process and combines external experience with the sharing of best practice around the Group.

All internal audit reports submitted during the year were reviewed by the Committee, and the status of each remedial action is tracked to completion to ensure appropriate resolution. The Audit Committee meets with the Group's Head of Internal Audit without the presence of management. The Committee also monitored the effectiveness of the Group's internal audit function including the approval of the scope and resources required to carry out work to be performed, and received an external perspective on internal audit development from PwC.

External audit

KPMG LLP were reappointed for the audit of the Group's results to 30 June 2023 at the Group's AGM on 17 November 2022.

The Committee were advised that the Financial Reporting Council's (FRC) Audit Quality Review team had undertaken a review of certain aspects of KPMG LLP's audit of Ricardo plc's financial statements for the year ended 30 June 2022. The FRC noted that only limited improvements were required. We have discussed the review and its findings with KPMG and are satisfied with the responses to be implemented by KPMG.

Non-audit services

The Board's policy is that the provision of permissible non-audit services may only be undertaken by KPMG in limited circumstances and is subject to a cumulative cap (which prohibits non-audit fees exceeding more than 70 percent of the average audit fees for the preceding three-year period). In order to remove the possibility of a perceived conflict of auditor objectivity and independence, KPMG has agreed with the Committee that no permissible non-audit services will be provided to Ricardo other than those closely related to the audit of the Group, such as the interim review.

Fees for non-audit services paid to the external auditors during the year were 7.8% of KPMG's audit fee (FY 2021/22: 5.0%). The ratio of audit and non-audit fees and the nature of non-audit fees are disclosed in Note 11 to the Group financial statements. Given the nature and scale of the services provided by KPMG, the Committee concluded that these services did not cause any concerns regarding KPMG's objectivity or independence.

There are limited instances where Ricardo enters into business relationships or joint arrangements with KPMG to pursue commercial opportunities, either as a prime contractor, sub-contractor or as part of a consortium, with either party or a third party being the project manager. These business relationships are considered acceptable to the extent that they remain immaterial to both organisations and do not compromise the auditors' independence.

Independence and effectiveness

Both the Board and KPMG have safeguards in place to ensure the auditor's objectivity and independence cannot be compromised. The Committee supports KPMG in having the necessary professional scepticism in its role. KPMG also provides the Committee with information about policies and processes for maintaining its independence.

The Committee confirms that during the year it has maintained formal and transparent arrangements for considering corporate reporting, risk management and internal control and for maintaining an appropriate relationship with KPMG.

During the year, the Committee carried out its annual effectiveness review of the external auditor, which primarily focused on the 2023 audit. This assessment was completed at the end of the 2023 audit and was based upon KPMG's audit findings and responses to questions from the Committee, together with input from senior management and finance personnel. The Committee also met with the audit partner without management being present. There were no significant findings following the review and it was concluded that the audit process was effective. The Committee recommended to the Board that their reappointment be proposed to shareholders at the 2023 AGM.

Bill Spencer

BILL SPENCER
CHAIR OF THE AUDIT COMMITTEE

DIRECTORS' REMUNERATION REPORT

Members	Meetings attended
Laurie Bowen	5/5
Jack Boyer	4/5
Mark Clare	3/3
Russell King	5/5
Sir Terry Morgan	3/3
Malin Persson	5/5
Bill Spencer	5/5

See notes on page 120

RUSSELL KING
CHAIR OF THE REMUNERATION COMMITTEE

PART 1 – REMUNERATION COMMITTEE CHAIR'S OVERVIEW AND ANNUAL STATEMENT

Dear Shareholder,

The Ricardo Group portfolio has performed in line with the Board's expectations in FY 2022/23, and our target to more than double underlying operating profit over the five years to FY 2026/27 remains central to the Group's activities.

The new Directors' Remuneration Policy and our approach to long-term performance-related pay

With this in mind, we have designed, and will be submitting for approval by our shareholders, a new Directors' Remuneration Policy. The review of the current Directors' Remuneration Policy has been carried out during FY 2022/23 in tandem with a review of Ricardo's approach to variable pay for the top 60 leaders.

The Remuneration Committee (the Committee) concluded that changes to the policy and, in particular, to the approach to long-term variable pay are required to align remuneration with Ricardo's growth strategy and the five-year plan. As part of the process, we consulted with our largest shareholders. I would like to thank all the shareholders who participated for their constructive feedback and guidance and, although we received a range of views, I am happy to say that the responses were generally positive. We listened carefully to shareholder feedback and the original proposal has been modified in the light of the input we received.

At the heart of Ricardo's corporate strategy is the doubling of operating profit, and the sustainable growth of profit margins, over the four years to FY 2026/27. This plan underpins the annual budget-setting process to 2027. To achieve our ambition, we are changing the mix of our portfolio by prioritising solutions above services and expanding our international footprint through targeted and complementary acquisitions.

Provided the execution of the strategy is successful, significant shareholder value will be created. To ensure the alignment of reward and shareholder value creation throughout the organisation, we are proposing the following changes to the Directors' Remuneration Policy. The principal modifications relate to the long-term incentive arrangements.

The Committee is proposing that the Executive Directors should be awarded, in 2023 only and in addition to usual (or 'Core') annual awards under the Company's Long Term Incentive Plan (LTIP), a one-off 'Accelerator' LTIP award. This will enhance the award to the CEO and the CFO by 100% of salary over three years i.e. 33.3% of salary on an annualised basis over the three-year performance period. To be clear, the enhanced award is very much a one-off specifically targeted at doubling operating profit.

Under the current Directors' Remuneration Policy, the face value of the 'Core' awards for the CEO and the CFO is 150% of salary and 130% of salary respectively on grant. No change to the 'Core' award levels is proposed but we are proposing changes to the performance measures and the weightings for the 2023 'Core' awards with the incorporation of a third measure linked to our Science-Based carbon emissions reduction targets to 2030. As a reminder, the Science Based Targets initiative (SBTi) is a collaboration between the CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) Our carbon emissions reduction targets will be audited by Lloyds.

The shares under the one-off 'Accelerator' LTIP award will vest subject to the achievement of stretching Earnings per Share (EPS) performance over three years from FY 2023/24 in excess of that required to trigger maximum vesting of the 'Core' award. The performance targets of the 'Accelerator' award have been set so that the shares start to vest only if Ricardo hits EPS targets that are consistent with our strategic growth target of doubling operating profit. The shares will vest in full only if we achieve a superior level of EPS performance or 'stretch' which will be a further 12% above this strategic growth target.

To summarise, the approach to the long-term incentive arrangements from FY 2023/24 to FY 2025/26 will be as follows:

- The CEO and the CFO will receive each year a 'Core' award of shares under the LTIP of up to 150% of salary and 130% of salary respectively on grant.
- In FY 2023/24 only, the CEO and the CFO will receive a one-off additional 'Accelerator' LTIP award of 100% of salary.
- For awards in FY 2023/24, the vesting of the 'Core' award will be based on the achievement of targets set for three performance measures: EPS (with a weighting of 60%); relative Total Shareholder Return (TSR) v FTSE Small Cap (with a weighting of 30%); and carbon emissions reduction targets (with a weighting of 10%).
- The vesting of the 'Accelerator' award will wholly be based on EPS performance.
- The targets are being set to align with the strategic growth target of doubling operating profit and the 'Accelerator' award will vest in full only if we achieve a superior level of EPS performance or 'stretch' which is 12% ahead of this strategic growth target.
- The EPS range for the 'Core' and 'Accelerator' awards to be granted are as follows:

Element	Threshold	FY 2025/26 EPS	CAGR from FY 2022/23
Core	Minimum Threshold (25% vesting)	38.3p	c.5% p.a.
	Maximum (100% vesting)	50.1p	c.15% p.a.
Accelerator	Maximum (100% vesting)	56.2p	c.20% p.a.

- The emissions reduction target range for the 'Core' award will be based on the reduction in Scope 1, 2 and 3 emissions relative to the number of employees and production units. The vesting range at threshold is a 1 percentage point reduction resulting in 25% vesting rising to full vesting for a 2.5 percentage point reduction, averaged over the three financial years in the performance period compared with the outturn from FY 2022/23. Further details are included on page 171. The targets are based on Ricardo's 2030 Science-Based Targets.
- The Committee will continue to have the ability to modify the vesting outcome if the quality of the performance is not adequate and/or we have doubts about its sustainability. This will be reviewed annually.
- In-post share ownership policy will be increased to 250% of base salary for the CEO with the net value of 50% of vested shares under the LTIP and the Deferred Bonus Plan (DBP) to be retained until the shareholding requirement is met.

In the light of what we heard from our shareholders we adapted the original proposals as follows:

- We increased the EPS performance hurdle for maximum vesting of the Accelerator awards to 12% (up from 10%) above the EPS performance required for full vesting under the 'Core' awards;
- The Committee will, each year, assess the sustainability of the performance outcomes;
- Before awards vest at the end of the three-year performance period, the Committee will apply a supplementary test of the quality of Ricardo's performance and assess the underlying performance based on the Board's expectations in respect of, for example, efficient capital management and the ratio of net debt to EBITDA in light of the Company's strategy for growth; and
- The shareholding requirement for the Chief Executive Officer will be increased from the current 200% of salary to 250% of salary.

It is fair to say that a variety of views on remuneration policy and design were expressed. The Committee recommends the new Policy to shareholders on the basis that it directly reinforces the five-year plan and also aligns with the Chief Executive Officer's approach to leading the Company as well as Ricardo's ethos and values.

Chief Financial Officer and succession

As announced on 3 April 2023, Ian Gibson steps down as Chief Financial Officer on 13 September 2023 having served for over 10 years in the role. During his notice period, which will end by 1 April 2024, Ian will receive his salary, pension entitlement and contractual benefits as normal. As he remained in service for the full financial year, Ian's annual bonus for FY 2022/23 will be paid in October 2023 and one third of the annual bonus will be deferred into shares. Ian will not be entitled to a bonus in respect of FY 2023/24. The Committee has determined that Ian will be treated as a good leaver for the purposes of his awards under the DBP and LTIP, the latter of which will be pro rated for time. The Committee, in exercising its discretion on this, took into account: Ian's contribution to Ricardo over many years, his commitment to a smooth handover to his successor whose appointment was also announced on 3 April 2023 and his performance. Furthermore, Ian Gibson is not resigning from Ricardo to take up a new executive appointment. His remuneration will be paid in the usual way until the date of the cessation of employment. He will be subject to Ricardo's usual approach to mitigation and Ricardo's clawback and malus provisions remain in force for two years after the end of the applicable performance period or, in the case of his existing deferred awards, three years following the date of grant.

Judith Cottrell joined Ricardo as its Chief Financial Officer-designate on 1 July 2023 and takes over from Ian when he steps down on 13 September 2023. Judith will receive a base salary of £365,000 per annum (in line with her predecessor) and will be eligible for an annual bonus of up to 100% of her base salary, and a 'Core' long-term incentive award of 130% of salary and a one-off 'Accelerator' LTIP award of 100% of salary to be made under the new Directors' Remuneration Policy. Her pension allowance will be 7% of salary which is in line with our practice in the UK for all employees. No buyout of any foregone incentive awards was necessary.

Ricardo's people and incentives below the Board

In order to execute the Group's strategy successfully we have to continue to ensure that we are able to recruit and retain the best talent available.

Our Group People, Team & Organisation Director has continued to work with the Chief Executive Officer in reviewing the design and operation of Ricardo's incentive schemes – both cash and share-based – below the Board. A new incentive arrangement to complement the 'Accelerator' LTIP award has been introduced from FY 2023/24. A new profit sharing scheme has been launched for the wider leadership team linked to Ricardo's ambitious operating profit targets and the five-year plan. In addition, share awards were made during the year to executives with key skills and the Chief Executive Officer also has the discretion, within parameters agreed by the Committee, to nominate key colleagues for share awards on a non-hierarchical basis. The number of participants in the LTIP and Ricardo's other share-based pay arrangements is constantly under review but at the moment 122 employees hold shares awarded to them on a discretionary basis. This is an increase from 54 in FY 2020/21, reflecting the desire to increase share ownership of senior leaders across the Group and incentivise longer term planning and delivery. Every aspect of our incentives continues to be aligned to the delivery of our five year-plan.

Malin Persson is the designated Non-Executive Director responsible for overseeing Workforce Engagement and has during the year shared with the Committee what she has heard from colleagues – see **page 125**.

We regard the Directors' Remuneration Report as a key element of our communication both with shareholders and our people as we explain how the Committee ensures that executive pay is aligned to the strategy and performance of the Company and with the remuneration of colleagues across the Group.

Our performance during the year

Ricardo's results for FY 2022/23 are in line with the Board's expectations and are underpinned by strong growth in order intake and increased profitability. This is the direct consequence not only of the leadership of Graham Ritchie and the senior team, but also the skills and hard work of every single one of Ricardo's 2,914 people around the world. Underlying PBT for the year was £27.9m on a continuing operations basis, an increase of 15% over the prior year. Order intake was £521.5m, up 23% on the previous year. Net debt was £62.1m.

The Group's underlying cash conversion was 75% and, when adjusted by £1.8m to remove pension deficit payments, in line with the Group's bonus principles, the resulting adjusted underlying cash conversion was 79%. This is below the threshold set for the year and for bonus purposes.

Our Energy and Environment and Defense businesses, which both separately accounted for 20% of the Group's total revenue in FY 2022/23, continued to deliver good revenue and underlying operating profit growth in the year. Performance Products (19% of total revenue) also saw growth in revenue and modest growth in underlying operating profit. Rail (16% of total revenue) saw a decrease in revenue and underlying operating profit. The Emerging Automotive and Industrial business (18% of total revenue) had an increase in both revenue and underlying operating profit, while the Established Automotive and Industrial business (6% of revenue) saw a decline in both measures.

Pay outcomes and performance for FY 2022/23

Salaries

The salary of the Chief Executive Officer and Chief Financial Officer was increased by 3% which was in line with increases for employees across the Group with effect from 1 January 2023.

Annual bonus

Underlying Group PBT on a continuing operations basis was £27.9 million for the year. Adjusting this for bonus purposes by reference to the budget exchange rates for FY 2022/23 resulted in underlying Group PBT of £26.6m. The target for underlying Group PBT was therefore met and the consequential bonus payments are 20% of the maximum for this element. The threshold set in respect of value added turnover was not met and the consequential bonus payments are zero for this element. Adjusted cash conversion was 80% which was below the threshold set and this resulted in a bonus pay-out of zero for this element.

The Committee's assessment of performance against the strategic objectives set at the start of the financial year for the Executive Directors – see **page 163** – resulted in an overall score of 77% and 56% for the Chief Executive Officer and the Chief Financial Officer respectively. The overall outcome resulted in bonus payments of 23% and 19% as a percentage of maximum for the Chief Executive Officer and the Chief Financial Officer respectively. One third of these bonus payments will be deferred into shares to be retained for three years.

The Committee took the view that these outcomes were in line with overall Group performance and took the view that no discretion to reduce the bonus outcome was required. Shareholders will be asked to approve a final dividend of 8.61 pence per share, which in addition to the interim dividend paid in April 2023 of 3.35 pence, brings the total dividends in respect of the financial year to 11.96 pence.

Pension

The pension allowance of both the Chief Executive Officer and the Chief Financial Officer is 7% of salary in line with the level for other UK-based colleagues.

Long-term incentives lapsing in 2022

In October 2022, awards under the LTIP and bonus-linked share awards under the DBP that were granted in October 2019 lapsed on the basis of underlying EPS and TSR performance over the relevant performance periods.

Long Term Incentive Plan awards granted in 2022

Awards were granted under the LTIP in October 2022.

The target range for EPS, which determines the vesting of two thirds of the shares under award, was disclosed in the 2022 Directors' Remuneration Report as follows:

- No part of the EPS portion will vest if the Company's underlying EPS for the final year in the performance period is below 36.8p;
- 20% of this portion (increased from 15% for awards made in FY 2021/22) will vest where the final year underlying EPS is 36.8p;
- 100% of this portion will vest where the final year underlying EPS is greater than or equal to 51p; and
- Vesting will take place on a straight-line basis between 36.8p and 51p.

The remaining one third of the shares under awards are subject to a relative TSR measure which is consistent with the prior year's grants.

Operation of the Directors' Remuneration Policy

The Committee is satisfied that the current Directors' Remuneration Policy has operated as intended during FY 2022/23 and, in light of the performance outcomes described above and on page **163** and **164**, decided that incentive outcomes are in line with corporate performance.

Overview of exercise of other discretions

Save for those already described in this statement, the Committee did not exercise any other discretions afforded to it under Ricardo's share plans and/or its Directors' Remuneration Policy.

Conclusion

I hope our shareholders will support the Policy and approach we have taken on remuneration this year. If you have any questions or comments on the Directors' Remuneration Report please do contact me through Harpreet Sagoo, Ricardo's Group Legal Counsel and Company Secretary, at Harpreet.Sagoo@ricardo.com.

RUSSELL KING
CHAIR OF THE REMUNERATION COMMITTEE
12 September 2023

SUMMARY OF THE KEY ELEMENTS OF EXECUTIVE DIRECTORS’ PAY IN FY 2022/23

The following table provides a summary of the key elements of Graham Ritchie’s (CEO) and Ian Gibson’s (CFO) pay in FY 2022/23.

Base salary (From 1 January 2023)	• CEO: £484,100 • CFO: £365,815
Other benefits	• Company car allowance: £12,000 • Private fuel; • Private medical insurance; and • Life assurance.
Pension	• 7% of salary (over Lower Earnings Limit)
Annual bonus with deferral of one-third of any bonus earned	• Maximum opportunity of 125% of salary (CEO) and 100% of salary (CFO). • Based on PBT (40%), value added turnover (20%) cash conversion (20%), and personal targets (20%). • One-third of any bonus to be deferred into shares for three years.
Long-term Incentive Plan shares(1)	• CEO: 150% of salary • CFO: 130% of salary
Share ownership and retention policy	• In-post: a minimum of 200% of base salary; • Post-cessation of employment: a minimum of 200% of salary (or holding if lower) for first 12 months and half of this for second 12-month period;(2) • Net value of 50% of vested shares under LTIP/DBP to be retained until holding requirement met; • Year-end holding for Graham Ritchie is 32% of base salary;(3) and • Year-end holding for Ian Gibson is 119% of base salary.(3)

(1) Face value of award of long-term incentive plan shares granted in October 2022 was 150% and 130% of salary for the CEO and CFO respectively:
  a. Subject to three-year performance conditions: two-thirds underlying EPS growth, one-third TSR vs. FTSE Small Cap Index (excluding financial services companies and investment trusts);
  b. Once vested, the awards will be subject to a holding period of two years; and
  c. 50% of vested shares (net of tax) to be retained until share ownership requirement met.

(2) Only share plan awards made following the shareholder approval of the revised Directors’ Remuneration Policy in 2020 will be subject to these post-cessation restrictions.

(3) Calculated by reference to the number of beneficially owned shares, a share price of 572.0p per share (2022: 361.5p) and salaries as at 30 June 2023, including unvested shares not subject to performance conditions and any vested shares subject to a holding period, both on a net-of-tax basis.

PART 2 – DIRECTORS' REMUNERATION POLICY

Introduction

This part of the Directors' Remuneration Report provides an overview of the Company's policy on Directors' pay that is designed to align with and support Ricardo's strategic plan and will operate over the three years from the AGM to be held on 16 November 2023 (the 2023 AGM) until the AGM to be held in 2026 (the 2023 Policy). The previous policy that was approved by shareholders at the AGM held on 12 November 2020 (the 2020 Policy) will continue to operate until the 2023 AGM and indeed the 2023 Policy permits the execution of remuneration arrangements that were agreed when the 2020 Policy was in effect. The 2020 Policy was most recently reproduced in the *Annual Report and Accounts 2022* with the originally approved text being included in the *Annual Report and Accounts 2020*, both of which are available on our website at **www.ricardo.com**.

In accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the Regulations), the 2023 Policy will be subject to a binding vote at the 2023 AGM and will take effect immediately upon receipt of such approval from shareholders.

The Remuneration Committee – what we do

The Committee's primary purpose is to make recommendations to the Board on the Group's framework or broad policy for executive remuneration. The Board has also delegated responsibility to the Committee for determining the remuneration, benefits and contractual arrangements of the Chair and the Executive Directors. No individual is involved in deciding their own remuneration.

The Committee has written terms of reference, which are available at **www.ricardo.com**, and its responsibilities include:

- Determining and agreeing with the Board the policy for executive remuneration and monitoring and considering the policy for, and structure of, senior management remuneration, taking into account that the ultimate decision-making responsibility for the remuneration of the senior management team (other than the Executive Directors) lies with the Chief Executive Officer;
- Agreeing the terms and conditions of employment for Executive Directors, including their individual annual remuneration and pension arrangements, and reviewing such provisions for senior management;
- Agreeing the measures and targets for any performance-related bonus and share plans;
- Agreeing the remuneration of the Board Chair;
- Ensuring that, on termination, contractual terms and payments made are fair, both to the Company and the individual, so that failure is not rewarded and the duty to mitigate loss is recognised wherever possible; and
- Agreeing the terms of reference of any remuneration advisors it appoints.

Taking shareholders' views into account

When considering Ricardo's Remuneration Policy and its implementation, the Committee is always keen to ensure that it takes into account the views and opinions of all the relevant stakeholders in the business. In particular, when preparing its policy for approval at the 2023 AGM, the Committee undertook a programme of engagement with the Company's largest institutional investors and their representative bodies in order to better understand their perspective on our previous pay practices and the then proposed policy for 2023–2026. Through the consultation process, we received valuable feedback and insights from all those we spoke to which directly influenced the final proposals that are being submitted for approval. For example, as a result of the feedback received, changes were made to the structure of the performance ranges and enhancements were made to the share ownership guidelines.

In the spirit of continuous improvement and in order to ensure that our Directors' Remuneration Policy continues fully to support achievement of business objectives and delivery of value to shareholders, the Committee will continue to review our policy periodically in the context of the changing business environment. Any material future changes to the policy will be discussed with shareholders in advance.

Consideration of employment conditions elsewhere in the Company

Ricardo does not consult directly with employees on the subject of Directors' remuneration. The remuneration packages for each Executive Director and their fixed and variable elements are reviewed annually. This process (and the setting of the revised Remuneration Policy as a whole) takes into account a number of factors, including the following:

- Individual and business performance;
- Pay arrangements for similar roles in other companies and consultancy organisations of Ricardo's size, complexity and international reach;
- Risk management; and
- Pay and employment conditions of employees of the Group.

The Committee also looks at the differential between the Chief Executive Officer's pay and Ricardo average employee earnings over time.

Overview of Ricardo's Directors' Remuneration Policy for 2023–2026

The objective of Ricardo's Directors' Remuneration Policy is to support the business strategy and timescales of an international consultancy business by not only rewarding the standard of performance and the outcomes that our shareholders require, but also encouraging share ownership and fostering alignment of interest between the Executive Directors and shareholders. We do this by setting base levels of salaries that are competitive, compared with companies of similar size and complexity to Ricardo, and providing other remuneration package elements, namely the short-term annual bonus plan and long-term incentive arrangement, that only pay for performance. Taken together, our two variable pay platforms focus on growing the profitability of the business, its resilience, the achievement of discrete non-financial targets and linking executive outcomes with the shareholder experience both by delivering rewards in the form of Ricardo shares and also by using a relative total shareholder return performance measure over the longer term.

Changes to the 2020 Directors' Remuneration Policy

The changes to the 2020 Policy are as follows:

- The maximum opportunity under the long-term incentives has been amended to incorporate the granting on a one-off basis in FY 2023/24, of an 'Accelerator' LTIP award equal to 100% of salary to each Executive Director.
- The share ownership requirement for the Chief Executive Director is being increased to 250% of salary.
- The cash in lieu of pension policy has been simplified by the removal of references to legacy pension arrangements.

Overview of the decision making process that was followed for the determination of the new policy

As explained in the Chair's introduction on **page 137** of the *Annual Report & Accounts* 2023, the new 2023 Policy, which shareholders will be invited to approve at the 2023 AGM, was developed by the Remuneration Committee following a thorough review of the pre-existing executive remuneration arrangements. This also involved the Committee undertaking a consultation exercise with our major shareholders and the Chief Executive Officer and Chief Financial Officer.

In its deliberations, the Committee received support and advice from FIT Remuneration Consultants and Shepherd and Wedderburn, its independent external advisors (see **page 155** for details).

Although the Executive Directors provided the Committee with a level of input in relation to the formulation of the new policy, the final decisions around its structure were taken by the Committee alone in order to avoid any conflicts of interest arising.

Corporate Governance

When determining the 2023 Policy, the Committee was mindful of its obligations under Provision 40 of the Corporate Governance Code to ensure that the policy and other remuneration practices were clear, simple, predictable, proportionate, safeguarded the reputation of the Company and were aligned to Company culture and strategy. Set out below are examples of how the Committee addressed these factors:

Clarity

- Remuneration Policy and arrangements are clearly disclosed each year in the Annual Report.
- The Company invited its principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. Changes were made to the proposals following input from this process.
- The Committee is regularly updated on workforce pay and benefits across the Group during the course of its activity.

Simplicity

- Our remuneration structure is comprised of fixed and variable remuneration, with the performance conditions for variable elements clearly communicated to, and understood by, participants in order to ensure they are effective.
- The proposed 2023 Policy has received positive feedback from stakeholders for its simplicity.

Risk

- The Committee has the power to modify the outcomes under the incentive plans.
- Ricardo's variable pay is subject to malus and clawback provisions.
- When setting total pay of the Executive Directors the Committee considers pay ratios with the wider workforce and shareholder returns.

Predictability

- The range of possible rewards for the Executive Directors is considered in the scenario charts on **page 151**.
- The Committee has a range of discretions in relation to variable pay awards, new joiners and leavers, which are identified and explained in the Remuneration Policy section.

Proportionality

- As shown in the scenario charts on **page 151**, variable performance-related elements represent a significant proportion of the total remuneration opportunity for our Executive Directors.
- The Committee considers the appropriate financial and personal performance measures each year to ensure that there is a clear link to strategy. For example, for FY 2022/23 the value-added turnover measure was introduced under the annual bonus.
- Discretions are available to the Committee to reduce awards if necessary to ensure that outcomes do not reward poor performance.
- The potential payments under the new Policy were tested as a proportion of value created for shareholders and deemed to be good value.

Alignment to culture

- The Committee is confident that the incentive schemes, including the one-off changes in FY 2023/24 are aligned with the Company's purpose, values and strategy.
- The use of metrics in both the annual bonus and LTIP measure how we perform against our financial and non-financial KPIs.

THE STRUCTURE OF OUR DIRECTORS' REMUNERATION PACKAGE – THE 2023 POLICY TABLE

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Base salary To provide a core level of remuneration to enable the Company to attract and retain skilled, high-calibre executives to deliver its strategy.	Base salary increases will not ordinarily be more than 10% p.a. with exceptional increases over the normal maximum limit capped at 25% p.a. However, generally speaking, increases will be no higher than salary increases for employees across the Group.	Salary levels are normally reviewed annually in January each year. Pay is set by considering: • Market levels of total pay for comparable roles in companies of similar size, complexity and sector; • Each individual Executive Director's experience, scope of responsibilities and performance; and • The salary increases for employees across the Group. Ricardo places a strong emphasis on internal succession planning. This emphasis may mean that talented individuals are promoted rapidly. In such circumstances, the Committee's policy is to set a relatively low base salary initially and then increase this to a market competitive level for the role over time. This may mean relatively high annual salary increases as the individual gains experience in the new role. We will notify shareholders where this is the case.	None
Other benefits To provide market-competitive benefits.	The total value of benefits will not exceed 10% of base salary p.a., save in the case of relocation.	The Company provides other cash benefits and benefits in kind to Executive Directors in line with market practice. These include a company car or cash alternative, private fuel, private medical insurance, life assurance and permanent health and disability insurance. The benefits arrangements are reviewed on an annual basis. The Committee reserves the right to provide further benefits where this is appropriate in the individual's particular circumstances (for example, costs associated with relocation as a result of the Executive Director's role with the Company). Certain other employees are eligible for the same or similar benefits described above depending on their role, seniority and geographical location.	None

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Pension To offer market-competitive retirement benefits.	Workforce aligned (currently 7% of salary)	The Company operates a defined contribution scheme (the 'Pension Scheme'). All UK employees are entitled to receive Company pension contributions. For Executive Directors, the Company's pension contributions are at a level that is capped at the maximum amount payable to the wider UK workforce population (currently 7% of basic salary). Executive Directors may only choose to opt out of the Pension Scheme where they are close to or have exceeded the pension lifetime allowance and have applied for fixed protection from HMRC. Under such circumstances, Executive Directors will receive a cash payment in lieu of pension. On death in service, all Executive Directors, subject to the medical requirements of the insurance company, are entitled to a lump sum of four times annual salary at date of death. Early retirement is available with the consent of the Company and the pension scheme trustees if the individual is over 55 or retiring due to ill health.	None

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Pay for performance: Annual bonus To reward the annual delivery of financial and operational targets.	Maximum opportunity of 125% of base salary for the Chief Executive Officer and 100% of base salary for other Executive Directors.	**Bonuses are awarded by reference to performance against specific targets measured over a single financial year** Two-thirds of any bonus paid to an Executive Director will be paid out in cash shortly after the assessment of the performance targets has been completed. The remaining one third of the bonus will be compulsorily deferred into ordinary shares, the vesting of which is normally subject to continued employment for a three-year period from the award date. The cash element of the bonus is not payable unless the individual remains in employment at the payment date. The principal purpose of this bonus deferral mechanism is to: • Provide for further alignment of executives' and shareholders' interests; • Provide an additional retention element; and • Encourage Executive Directors to build up a shareholding in accordance with our share retention policy. Dividends and dividend equivalents for each deferral period may also be paid in respect of shares under award to the extent that shares have vested in the relevant participants. Bonus arrangements exist for certain other employees throughout the Group on terms that are applicable to their role, seniority and geographical location, although typically at lower levels of maximum opportunity to reflect that a greater proportion of Executive Directors' remuneration is performance-based. **Malus and clawback** Annual bonuses (including any element deferred into shares) may be subject to malus and clawback provisions if certain events occur in the period of three years from the end of the financial year to which they relate. These events include the Committee becoming aware of: • A material misstatement of the Company's financial results; • An error in the calculation of performance conditions; or • An act committed by the relevant participant that could have resulted in summary dismissal by reason of gross misconduct or which has caused significant reputational damage to the Group. The mechanism through which malus and clawback can be implemented enables the Committee to take various actions including: • Reducing outstanding incentive awards; and • Requiring a cash payment to be made by participants.	The measures and targets applicable to the annual bonus scheme (and the different weightings ascribed to them) are set annually by the Committee in order to ensure they are relevant to participants and take account of the most up-to-date business plan and strategy. A significant majority (at least 50%) of the bonus opportunity will normally be determined by reference to performance against Group KPIs such as: • Underlying Profit Before Tax; • Cash conversion; and • Value added turnover. Any remaining part of an Executive Director's bonus will normally be based on the achievement of personal objectives which relate to delivery of the business strategy. See page 163 for examples. A payment scale for different levels of achievement against each performance target is specified by the Committee at the outset of each year – this ranges from zero for below-threshold performance up to 100% for full satisfaction of the relevant target. Bonus payments will also be subject to the Committee considering whether the proposed awards, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the bonus outturn accordingly.

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Pay for performance: Long-term incentives Performance shares under the Long-Term Incentive Plan ('LTIP') To focus motivation on the long-term performance of the Group and reward shareholder value creation. To encourage share ownership and alignment with shareholders.	Maximum opportunity of 250% of base salary for the Chief Executive Officer and 230% for other Executive Directors for awards in FY 2023/24. Maximum opportunity drops to 150% of base salary for the Chief Executive Officer and 130% for other Executive Directors for awards in future years.	**LTIP – performance measured over a three-year period** Performance share awards under the LTIP are made on an annual basis to the Executive Directors and a small group of other senior managers. Each year, the Company intends to grant 'Core' LTIP awards equal to 150% and 130% of base salary for the Chief Executive Officer and Chief Financial Officer respectively. In addition, a further one-off 'Accelerator' LTIP award equal to 100% of salary is intended to be granted in FY 2023/24 to each Executive Director. From time to time a number of employees below board level are granted non-performance based share awards to reflect exceptional performance. **Holding Period** Vesting of awards will generally take place on the third anniversary of grant or, if later, the date on which the performance conditions are assessed by the Committee. Executive Directors' awards that vest will normally be subject to a holding period in terms of which the relevant shares will only be released after a further period of at least two years has expired from the vesting date. **Dividends and equivalents** Dividends and dividend equivalents for each performance / holding period may also be paid in respect of shares under award to the extent that shares have vested in the relevant participants. **Malus and clawback** Long-term incentive awards may be subject to malus and/or clawback provisions if certain events occur after their grant but before the expiry of the period of two years from the end of the relevant performance period. These events include the Committee becoming aware of: • A material misstatement of the Company's financial results; • An error in the calculation of performance conditions; or • An act committed by the relevant participant that has (or could have) resulted in summary dismissal by reason of gross misconduct or which has caused significant reputational damage to the Group. The mechanism through which malus and clawback can be implemented enables the Committee to take various actions including: • Reducing outstanding incentive awards; and • Requiring a cash payment to be made by participants.	The vesting of long-term incentive awards is subject to both continued employment and the extent to which performance conditions measured over a specified three-year period are met. The measures and targets applicable to the long-term incentive awards will consist of challenging shareholder return, financial and/or strategic / ESG measures. The particular measures and targets to apply (and the different weightings ascribed to them) will be set annually prior to each grant by the Committee in order to ensure they are relevant to participants, challenging to achieve and take account of the most up-to-date business plan and strategy. Our policy is simply for financial and shareholder return targets to make up at least 50% of awards. A maximum of 25% of each element of an award will vest for achieving the threshold performance target with 100% of the awards being earned for maximum performance (with straight-line vesting between these points). Further details of the performance conditions applicable to awards to be made in FY 2023/24 are set out on pages 171 and 172. Formulaic outcome of all LTIP performance measures will also be subject to the Committee considering whether the proposed vesting levels, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the LTIP outturn accordingly.

Pay element and link to strategy	Maximum	Operation	Framework for assessing performance
Chair and other Non-Executive Directors Helps recruit and retain high-quality experienced individuals. Reflects time commitment and role.	The aggregate fees of Chair and other Non-Executive Directors will not exceed the limit from time to time prescribed in the Company's Articles of Association.	The fees for the Chair and other Non-Executive Directors are set in line with prevailing market conditions and at a level that will attract individuals with the necessary experience and ability to make a significant contribution to the Group's affairs. Non-Executive Directors receive an annual basic fee plus an additional fee for acting as the Chair of the Audit or Remuneration Committee or the Senior Independent Director. The Chair of the Board receives an annual fee payable monthly with no additional fees for chairing Board committees. They also receive reimbursement for travel and incidental costs (including any associated personal tax charges) incurred in furtherance of Company business.	None

Notes to the 2023 Policy table:

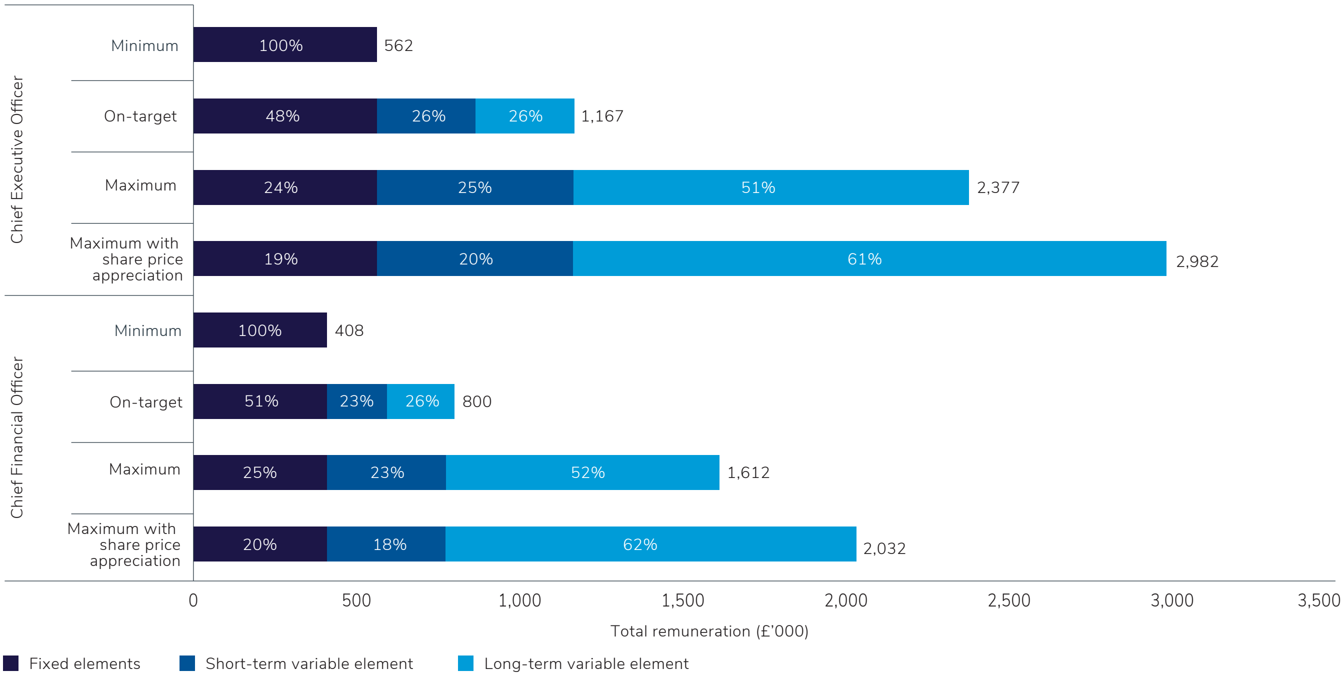
1. Where maximum amounts for elements of remuneration have been set within the 2023 Policy, these will operate simply as caps and are not indicative of any aspiration.
2. A description of how the Company intends to implement the 2023 Policy set out in the tables on pages **146** to **150** during the financial year to 30 June 2024 is provided on pages **171** and **172**.
3. A general overview of how each remuneration element applies to other employees of the Group is included under the relevant section of the policy table.
4. The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the 2023 Policy (as set out on pages **146** and **150**) where the terms of the payment were agreed:
   (i) before 29 October 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect);
   (ii) before the 2023 Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or
   (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.
   For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
5. The 'framework for assessing performance' column of the tables on pages **146** to **150** provide information on choosing the particular performance measures and target setting in relation to them.
6. Ricardo's variable pay may have any performance conditions applicable to the relevant element amended or substituted by the Committee if an event occurs which causes the Committee to determine that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy. The Committee may make adjustments, where these are fair and reasonable, to measures or targets to take account of, for example, the implications of acquisitions and disposals.
7. Long-term incentive awards can be granted in a variety of forms such as performance shares, nil-cost options or forfeitable shares, and the Committee reserves the right to grant long-term incentive awards with the same economic effect but in any of these different contractual forms (including in cash). Long-term incentive awards can also be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.
8. Under the terms of long-term incentive award performance conditions, where any company becomes unsuitable as a member of the comparator group as a result of, for example, a change of control or delisting, the Committee has the discretion to treat that company in such manner as it deems appropriate (including replacing it with another organisation).
9. In the event of a change of control, long-term incentive awards will normally vest at that time, taking into account, amongst other things, the extent to which any performance criteria have been met (over the shortened performance periods) and the time elapsed since grant.

All-employee share plans

For its UK employees the Company has historically operated tax-advantaged share plans such as a Share Incentive Plan ('SIP') and a Save As You Earn share option plan. Where operated, these are intended to encourage share ownership and wider interest in the performance of the Company's shares. A SIP, for example, may involve the award of free shares or free matching shares, the purchase or partnership shares and/or the award of dividend shares. Executive Directors are eligible to participate in these arrangements when offered up to the applicable statutory limits in the same way as any UK employee of Ricardo. Equivalent arrangements operate from time to time for non-UK employees.

Illustrative remuneration outcomes at different performance levels

Ricardo's pay policy seeks to ensure that the long-term interests of Executive Directors are aligned with those of shareholders. The remuneration packages for each Executive Director and their fixed and variable elements are reviewed annually. The scenario chart below presents remuneration outcomes for the 2023 Policy under minimum, on-target, maximum and maximum with share price appreciation scenarios.



The on-target scenario broadly illustrates the remuneration level when budgeted performance is achieved. A further column has also been included which illustrates the impact on the figures contained in the maximum scenario of an assumed share price appreciation for the LTIP award of 50% over the relevant performance period. The disclosures in the chart above reflect FY 2022/23 data on the basis of the assumptions set out below:

- Fixed elements comprise current base salary, pension and other benefits. For example, for the Chief Executive Officer, fixed elements comprise base salary of £484,100, pension (cash in lieu) of 7% of base salary above the Lower Earnings Limit and benefits equal to those received in FY 2022/23;
- Long-term variable element performance includes the maximum policy level of grant (e.g. 250% of annual base salary for the Chief Executive Officer) but grants at this level will only occur in FY 2023/24 to reflect the one-off accelerator LTIP award. The levels of award will return to 150% and 130% for the Chief Executive Officer and Chief Financial Officer, respectively, from FY 2024/25 onwards.
- For minimum performance, Executive Directors receive only the fixed elements of pay;
- For on-target performance, an assumption of 50% of bonus pay-out and threshold vesting (25%) in respect of long-term incentives has been applied;
- For maximum performance, an assumption of maximum bonus pay-out and maximum vesting in respect of long-term incentives has been applied;
- Save for the 'maximum with share price appreciation' column, no share price increase has been assumed for the above and this means that the single total figure in any year may be higher than the maximum shown above; and
- For maximum with share price growth performance, share price appreciation of 50% over the relevant performance period has been assumed for the LTIP awards.

Recruitment remuneration policy

New Executive Directors will be appointed on remuneration packages with the same structure and elements as described in the policy table starting on **page 146**. Annual bonus and long-term incentive awards will be within the limits described in the policy table for the particular role. The limits for any new Executive Director roles will be set by the Committee taking into account the particular responsibilities of the role, but will not exceed those that apply to the current Chief Executive Officer. Pension contribution levels will be aligned to those applicable to the wider workforce.

For external appointments, although we have no plans to offer additional benefits on recruitment (and indeed did not do so for our last Executive Director appointment), the Committee reserves the right to offer such benefits when it considers this to be in the best interests of the Company and shareholders, and in order to protect a new Director against additional costs. The Committee may agree that the Company will meet certain relocation expenses as appropriate.

The Company may make an award to compensate a new recruit for the value of any remuneration relinquished when leaving a former employer. Any such award would reflect the nature, timescales and performance requirements attaching to that relinquished remuneration. The Listing Rules exemption 9.4.2 may be used for the purpose of such an award. Shareholders will be informed of any such payments as soon as practicable following the appointment.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue and will be disclosed to shareholders at the earliest opportunity.

On the appointment of a new Chair or Non-Executive Director, fees will be set taking into account the experience and calibre of the individual. Where specific cash or share arrangements are delivered to Non-Executive Directors, these will not include share options or other performance-related elements.

The Board's policy on setting notice periods for Directors is that these should not exceed one year. It recognises, however, that it may be necessary in the case of new executive appointments to offer an initial longer notice period, which would subsequently reduce to one year after the expiry of that period. All future appointments to the Board will comply with this requirement.

Termination remuneration policy

The contractual termination provision is payment in lieu of notice or, if termination is part way through the notice period, the amount of base salary relating to any unexpired notice to the date of termination. There is an obligation on Directors to mitigate any loss which they may suffer if the Company terminates their service contract. The Committee will take such mitigation obligation into account when determining the amount and timing of any compensation payable to any departing Director. No compensation is paid for summary dismissal, save for any statutory entitlements.

The cash element of any bonus is not payable unless the individual remains in employment at the payment date.

Unvested share-based awards will lapse unless the individual concerned leaves for one of a number of specified 'good leaver' reasons which are: death; injury, illness or disability; redundancy; or retirement. The Committee retains the discretion to prevent such awards from lapsing depending on the circumstances of the departure and the best interests of the Company.

Awards which do not lapse on cessation of employment will vest on their originally anticipated vesting date with any holding period also continuing to apply (although the Committee retains the discretion to allow vesting and/or release from the holding period at cessation, depending on the circumstances under the applicable rules). These awards will also usually be subject to a time pro-rating reduction to reflect the unexpired portion of the performance or deferral period concerned, although the Committee will retain the discretion to disapply this pro-rating. Awards that are subject to performance conditions will usually only vest to the extent that these conditions are satisfied.

Executive Directors will also be entitled to a payment in respect of any accrued but untaken holiday and statutory entitlements on termination.

In the event that any payment is made in relation to termination for an Executive Director, this will be fully disclosed.

Executive Directors’ service contracts

The service contracts of Executive Directors in post during the financial year contain the key terms shown in the table below:

Provision	Detailed terms
Remuneration	• Salary, pension and benefits; • Company car or cash allowance; • Private health insurance for Director and dependants; • Life assurance and death in-service benefits; • Permanent health and disability insurance; • Director’s liability insurance; • Up to 30 days’ paid annual leave; • Participation in annual bonus plan, subject to plan rules and at the discretion of the Committee; and • Eligible to participate in share plans, subject to plan rules and at the discretion of the Committee.
Duration	• Indefinite subject to termination by either party in certain circumstances including serving notice as set out below.
Notice period	• 12 months’ notice by the Director and 12 months’ notice by the Company.(1)
Termination payment	• See separate general disclosure on page 152.
Restrictive covenants	• During employment and for 12 months after leaving.

(1) Except for Ian Gibson, who may give 6 months’ notice.

The Executive Directors’ service contracts are available for inspection, on request, at the Company’s registered office.

The Chair and other Non-Executive Directors – fees and letters of appointment

The Committee determines the Chair's fees. The Chair and the Executive Directors determine the fees payable to other Non-Executive Directors. No Director is present for any discussion or decision about their own remuneration. The fees are reviewed each January.

The Chair and other Non-Executive Directors do not participate in any of the Company's employee share plans, pension schemes or bonus arrangements, nor do they have service agreements.

The Chair and other Non-Executive Directors are appointed for a period of three years by letter of appointment and are entitled to one month's notice of early termination for which no compensation is payable. The unexpired terms of the Non-Executive Directors' appointments, as at 30 June 2023, are:

Non-Executive Director	Unexpired terms of appointment (months)
Mark Clare	28
Russell King	26
Laurie Bowen	12
Malin Persson	18
Bill Spencer	4
Jack Boyer	26

PART 3 – ANNUAL REPORT ON REMUNERATION

This section of the report explains how Ricardo's Directors' Remuneration Policy, which was approved in November 2020, has been implemented during the financial year ended 30 June 2023. The paragraphs that have been audited in this Annual Report on Remuneration are indicated.

The Remuneration Committee

During the year under review, the Remuneration Committee (Committee) was chaired by Russell King. The Committee also comprised Sir Terry Morgan (until he retired from the Board on 17 November 2022), Mark Clare (from 17 November 2022), Laurie Bowen, Malin Persson, Bill Spencer and Jack Boyer.

The Non-Executive Directors serving on the Committee have no personal financial interest (other than as shareholders) in matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. Biographical details of the members of the Committee are shown on pages **114** to **117**; details of attendance at the meetings of the Committee during the year ended 30 June 2023 are shown on **page 137**.

Advisors to the Remuneration Committee

During the year, FIT Remuneration Consultants and Shepherd and Wedderburn (who have been jointly appointed by the Committee following a competitive tender process) provided independent advice on matters under consideration by the Committee and updates on legislative requirements and market practice.

FIT Remuneration Consultants' fees for this work amounted to £89,945 (calculated based on a mixture of fixed fees and time spent). Shepherd and Wedderburn's fees for advising the Committee amounted to £57,792 (also calculated based on a mixture of fixed fees and time spent). Shepherd and Wedderburn also advises Ricardo on the design, implementation and operation of its various share incentive plans. FIT Remuneration Consultants are members of the Remuneration Consultants Group and their work is governed by its Code of Conduct. Shepherd and Wedderburn is a law firm and is regulated accordingly. Having carefully considered all relevant factors and using its judgement, the Committee is satisfied that the advice provided on executive remuneration is objective and independent and that no conflict of interest arises.

The Committee also seeks internal support from Group Human Resources and the Group General Counsel & Company Secretary, as appropriate. The Chief Executive Officer attends the Committee's meetings by invitation and is consulted in respect of certain proposals. The Chief Financial Officer may also be invited to attend meetings to address specific matters. Neither the Chief Executive Officer nor the Chief Financial Officer is consulted or involved in any discussions in respect of their own remuneration.

Voting outcome at AGM

The AGM for the financial year ended 30 June 2022 was held on 17 November 2022. The Directors' Remuneration Policy in operation during the year was approved by shareholders at the 2020 AGM. The results of the votes on the remuneration report and remuneration policy are set out below.

	Annual Report on Remuneration approved at 2022 AGM		Directors' Remuneration Policy approved at 2020 AGM	
Votes[(1)]	%	Number	%	Number
For, including discretion	98.43	46,779,635	94.79	37,176,754
Against	1.57	745,375	5.21	2,043,567
Total votes cast	100.00	47,525,010	100.00	39,220,321
Withheld		4,093		2,148

(1) Excludes withheld votes. A vote withheld is not a vote in law and so is not counted for the purposes of the calculation of the proportion of votes 'for' and 'against' a resolution.

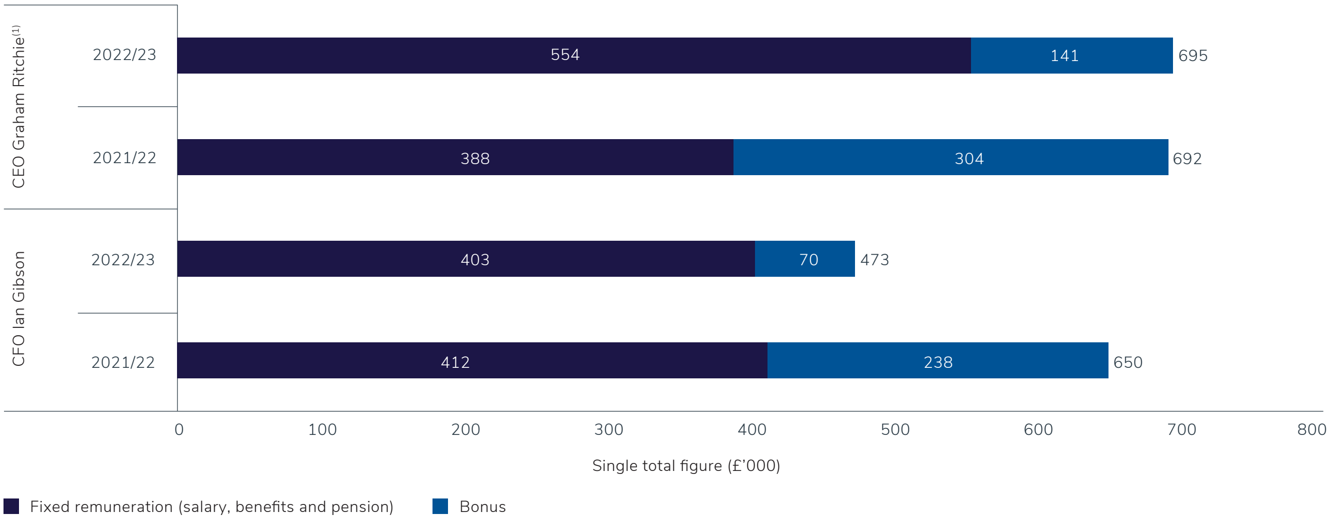
Performance at a glance in FY 2022/23 compared with FY 2021/22

Bonus performance outcomes			Long-term incentive performance outcomes in respect of awards vesting in FY 2022/23	
Underlying PBT (adjusted)	Cash conversion (adjusted)	Value Added Turnover	Underlying EPS (adjusted)	3-year TSR growth
£26.6m (FY 2022/23)	**80%** (FY 2022/23)	**£291.1m** (FY 2022/23)	**31.5p** for year to 30 June 2022 (below threshold vesting level)	**(25.8)%** (below median to October 2022)
£26.0m(1) (FY 2021/22)	118% (FY 2021/22)	Not part of bonus plans	22.4p for year to 30 June 2021 (below threshold vesting level)	(45.5)% (below median to October 2021)

(1) Adjusted for £0.3m of amortisation on Ricardo Software which was not charged during the held for sale period.

The closing mid-market price of the Company's shares on 30 June 2023 was 572.0p per share (2022: 361.5p). The highest closing price during the year was 600.0p per share and the lowest closing price during the year was 360.0p per share.

Pay at a glance in FY 2022/23



(1) Graham Ritchie commenced employment with the Group on 1 October 2021

(2) The long-term incentive awards granted in October 2018 and October 2019 lapsed in full in FY 2021/22 and FY 2022/23 respectively. As a result, the face value at grant of these awards and any share price appreciation has not been shown in the above table.

Single total figure of remuneration table (audited)

The table below sets out the remuneration received by the Executive Directors and Non-Executive Directors during the year.

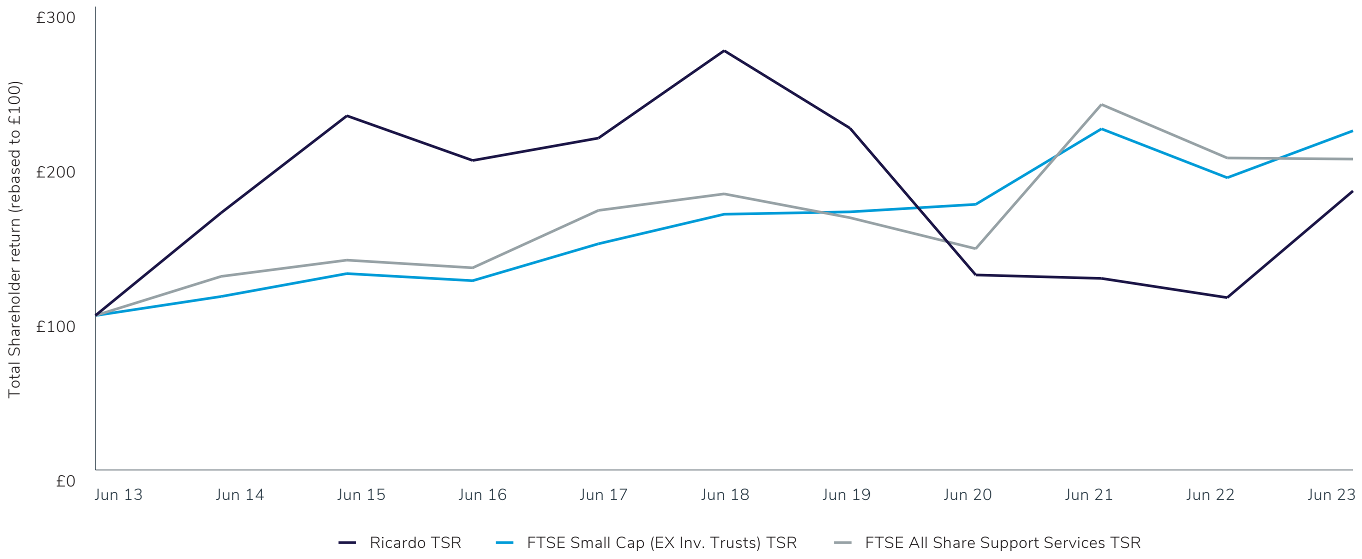
		Fixed remuneration			Short-term variable remuneration			Long-term variable remuneration: 3-year performance periods			Totals		
	Financial year	Base salary and fees £'000	Benefits(1) £'000	Pension £'000	Bonus (cash element)(2) £'000)	Bonus (deferred element) £'000	Total £'000	Bonus-linked shares(3) £'000	LTIP(4) £'000	Total £'000	Total £'000	Total Fixed Remuneration £'000	Total Variable Remuneration £'000
EXECUTIVE DIRECTORS													
Graham Ritchie(5)	**2022/23**	**477**	**44**	**33**	**94**	**47**	**141**	**–**	**–**	**–**	**695**	**554**	**141**
	2021/22	353	11	24	203	101	304	–	–	–	692	388	304
Ian Gibson	**2022/23**	**360**	**18**	**25**	**47**	**23**	**70**	**–**	**–**	**–**	**473**	**403**	**70**
	2021/22	350	16	46	159	79	238	–	–	–	650	412	238
NON-EXECUTIVE DIRECTORS													
Sir Terry Morgan CBE(6)	**2022/23**	**63**	**1**		**–**	**–**	**–**	**–**	**–**	**–**	**64**	**64**	–
	2021/22	162	–	–	–	–	–	–	–	–	162	162	–
Mark Clare(7)	**2022/23**	**113**	**1**		**–**	**–**	**–**	**–**	**–**	**–**	**114**	**114**	–
	2021/22	–	–	–	–	–	–	–	–	–	–	–	–
Russell King	**2022/23**	**60**	**1**		**–**	**–**	**–**	**–**	**–**	**–**	**61**	**61**	–
	2021/22	60	–	–	–	–	–	–	–	–	60	60	–
Laurie Bowen(8)	**2022/23**	**52**	**65**		**–**	**–**	**–**	**–**	**–**	**–**	**117**	**117**	–
	2021/22	51	37	–	–	–	–	–	–	–	88	88	–
Malin Persson(9)	**2022/23**	**60**	**10**		**–**	**–**	**–**	**–**	**–**	**–**	**70**	**70**	–
	2021/22	59	6	–	–	–	–	–	–	–	65	65	–
Bill Spencer	**2022/23**	**60**	**1**		**–**	**–**	**–**	**–**	**–**	**–**	**61**	**61**	–
	2021/22	60	–	–	–	–	–	–	–	–	60	60	–
Jack Boyer	**2022/23**	**52**	**1**		**–**	**–**	**–**	**–**	**–**	**–**	**53**	**53**	–
	2021/22	51	–	–	–	–	–	–	–	–	51	51	–
Total	**2022/23**	**1,297**	**142**	**58**	**141**	**70**	**211**	**–**	**–**	**–**	**1,708**	**1,497**	211
	2021/22(10)	1,146	70	70	362	180	542	–	–	–	1,828	1,286	542

(1) Further information on benefits for the Executive Directors can be found on page 161. The benefits include reimbursement of expenses incurred (including any associated personal tax charges) while travelling for business and Committee meetings.
(2) Further details of the annual bonus can be found from **page 162**.
(3) Further details of the lapse in FY 2022/23 of the bonus-linked shares historically granted under the Deferred Bonus Plan can be found on **page 164**. As no bonus-linked shares vested in the year, share price appreciation had no impact on the relevant figure included in the above table.
(4) Further details of the lapse of the LTIP awards in FY 2022/23 can be found on **page 164**. As no LTIP shares vested in the year, share price appreciation had no impact on the relevant figure included in the above table.
(5) Graham Ritchie commenced employment with the Group on 1 October 2021.
(6) Sir Terry Morgan retired as a Director on 17 November 2022.
(7) Mark Clare was appointed as a Director and the Chair of the Company on 17 November 2022.
(8) Laurie Bowen's benefits consisted of travel expenditure.
(9) Malin Persson's benefits consisted of travel expenditure and accountancy fees.
(10) Dave Shemmans has been excluded from the table as he was not a Director of the Company in FY 2022/23 therefore the total figure for FY 2021/22 will differ to the total figure disclosed in last year's Director's Remuneration Report. Payments made to Dave Shemmans during FY 2022/23 in respect of loss of office are described on **page 165**.

Following the year-end, the Committee considered whether there were any circumstances that could or should result in the recovery or withholding of any sums pursuant to the Company's clawback arrangements. The conclusion reached by the Committee was that it was not aware of any such circumstances.

Pay for performance – TSR performance graph and CEO pay history

TSR from the year ended 30 June 2013 to 30 June 2023



Source: Datastream (a Refinitiv product)

The chart above shows Ricardo's TSR performance for the past ten years against the FTSE Small Cap index (excluding investment trusts). In the Committee's opinion, the FTSE Small Cap index (excluding investment trusts) represents an appropriate index against which the Company should be compared when considering the Company's size. The FTSE All Share Support Services index is also shown for information. The remuneration of the Chief Executive Officer for the same period is shown in the table below.

Financial year	Group CEO	Single figure of CEO's total remuneration £'000	Annual variable element award rates against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2022/23	Graham Ritchie(1)	695	23	N/A
2021/22	Graham Ritchie(1)	692	52	N/A
2021/22	Dave Shemmans(2)	350	18	–
2020/21	Dave Shemmans	813	23	–
2019/20	Dave Shemmans	656	–	–
2018/19	Dave Shemmans	998	25	40
2017/18	Dave Shemmans	1,411	43	74
2016/17	Dave Shemmans	1,612	–	100
2015/16	Dave Shemmans	2,291	63	100
2014/15	Dave Shemmans	1,367	59	67
2013/14	Dave Shemmans	760	38	N/A(3)

(1) Graham Ritchie commenced employment with the Group on 1 October 2021 and as a result did not hold any long-term incentive awards that vested during the year.

(2) Dave Shemmans ceased to be a Director on 30 September 2021.

(3) The performance period for awards made in November 2011 ended in October 2014 and so their vesting rate is included in the 2014/15 row of the table above. The vesting rate is 'N/A' for the 2013/14 row because the performance period for awards made in October 2010 ended in June 2013 and so the applicable vesting rate for those grants is included in the 2012/13 row of the table on page 117 of the *Annual Report & Accounts 2021/22*.

Directors’ remuneration compared to employees

The table below shows the percentage change in the Directors’ salary / fees, taxable benefits and annual bonus each financial year between the year ended 30 June 2018 and the year ended 30 June 2023 compared with the percentage change in each of those components of pay for all employees of the Group on a full-time equivalent basis.

	Percentage change in FY 2022/23 compared with FY 2021/22			Percentage change in FY 2021/22 compared with FY 2020/21			Percentage change in FY 2020/21 compared with FY 2019/20			Percentage change in FY 2019/20 compared with FY 2018/19		
	Base salary/ fees	Taxable benefits	Annual bonus(1)	Base salary/ fees	Taxable benefits(2)	Annual bonus(1)	Base salary/ fees	Taxable benefits(2)	Annual bonus	Base salary/ fees	Taxable benefits(2)	Annual bonus
All Employees	3	-	(62)	3	–	556	–	–	N/A	3	–	(100)
EXECUTIVE DIRECTORS												
Graham Ritchie(3)	35	301	(54)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Gibson(4)	3	12	(71)	1	3	403	1	(9)	N/A	3	–	(100)
Dave Shemmans (former CEO)(5)	N/A	N/A	N/A	(75)	236	(23)	1	(4)	N/A	3	–	(100)
NON-EXECUTIVE DIRECTORS												
Sir Terry Morgan CBE(6)(7)	(61)	N/A	N/A	1	–	N/A	1	(100)	N/A	3	–	(100)
Mark Clare(8)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Russell King (7)	2	N/A	N/A	–	–	N/A	28	(100)	N/A	N/A	N/A	N/A
Laurie Bowen(9)	2	75	N/A	–	See note (10) below	N/A	1	(100)	N/A	3	(39)	N/A
Malin Persson(11)	2	78	N/A	–	232	N/A	7	(57)	N/A	14	(52)	N/A
Bill Spencer (7)	2	N/A	N/A	–	–	N/A	1	(100)	N/A	3	–	N/A
Jack Boyer (7)	2	N/A	N/A	–	–	N/A	21	(100)	N/A	N/A	N/A	N/A

(1) The Non-Executive Directors are not eligible to participate in the bonus scheme. The large % change in annual bonus between FY 2020/21 and FY 2021/22 reflects the business recovering from the COVID-19 pandemic and returning to normal levels of bonus payments.
(2) The reduction in taxable benefits for the Non-Executive Directors reflects a lower level of travel and associated costs compared to the prior year.
(3) Graham Ritchie commenced employment with the Group on 1 October 2021.
(4) The large % change in annual bonus for Ian Gibson between FY 2020/21 and FY 2021/22 reflects that a bonus of only 13.7% of annual salary was paid in respect of FY 2020/21. While not included in the table above, as explained on **page 112** of the Annual Report & Accounts 2021/22, Ian Gibson’s cash in lieu of pension contributions reduced with effect from 1 January 2022 from 20% of salary (above the lower earnings limit) to 7% of salary (above the lower earnings limit).
(5) The % change in base salary and fees figure for Dave Shemmans between FY 2020/21 and FY 2021/22 reflects that he stepped down as CEO on 30 September 2021. The % change in taxable benefits figure for Dave Shemmans is based on the actual figure due to the mix of benefits received. The increase in taxable benefits is due to the payment of accrued but untaken holidays on cessation of employment.
(6) Sir Terry Morgan retired as Director of the Company on 17 November 2022.
(7) The year-on-year change in taxable benefits for Sir Terry Morgan, Bill Spencer, Jack Boyer and Russell King between FY 2021/22 and FY 2022/23 cannot be shown as no taxable benefits were received in respect of the 2021/22 financial year.
(8) Mark Clare was appointed as Director of the company on 17 November 2022.
(9) The increase in taxable benefits for Laurie Bowen between FY 2021/22 and FY 2022/23 largely reflects an increase in travel and associated costs since the prior financial year.
(10) The year-on-year change in Laurie Bowen’s taxable benefits between FY 2020/21 and FY 2021/22 cannot be shown as no taxable benefits were received in respect of the 2020/21 financial year.
(11) The increase in taxable benefits for Malin Persson between FY 2020/21 and FY 2021/22 largely reflects an increase in travel and associated costs since the prior financial year.

Pay ratio information in relation to Chief Executive Officer’s remuneration

Financial year	Method of calculation adopted	25th percentile pay ratio (CEO : UK employees)	Median pay ratio (CEO : UK employees)	75th percentile pay ratio (CEO : UK employees)
2022/23	Option A	20 : 1	15 :1	10 : 1
2021/22	Option A	32 : 1	24 : 1	16 : 1
2020/21	Option A	25 : 1	18 : 1	12 : 1
2019/20	Option A	19 : 1	14 : 1	10 : 1

The median, 25th percentile and 75th percentile figures used to determine the above ratios were calculated by reference to the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK based employees of the Group as at 30 June 2023 (i.e. “Option A” under the applicable regulations). The Committee selected this calculation methodology as it was felt to produce the most statistically accurate result available to it.

The median pay ratio for FY 2022/23 appears to have narrowed this year. The ratios shown for the FY 2020/21 and FY 2021/22 years should, however, be treated with particular caution as the data is based on the combined totals of the remuneration of Dave Shemmans who left the Board in FY 2021/22 and of Graham Ritchie who joined during the same year so Graham’s total pay relates to a portion of the year only.

The table below shows the pay ratio data for FY 2021/22 using Graham Ritchie’s annualised total pay data for the part year in which he served.

Financial year	Method of calculation adopted	25th percentile pay ratio (CEO : UK employees)	Median pay ratio (CEO : UK employees)	75th percentile pay ratio (CEO : UK employees)
2021/22	Option A	21 : 1	16: 1	10 : 1

In FY 2022/23 Graham Ritchie’s total remuneration was 0.43% higher than the year before (the year in which he joined Ricardo) and Ricardo’s upper and median total pay has increased by 4.5% and the lower quartile has increased by 5.8%. Graham Ritchie’s first LTIP award was made in 2021 and has yet to vest and hence, assuming continued strong performance and that the LTIP share awards vest, we expect the ratio of the Chief Executive Officer’s total pay to Ricardo’s median total pay to widen significantly given that variable pay (both long-term and short-term) account for a significant proportion of pay. By contrast, fixed pay accounts for a much higher proportion of total pay for the majority of Ricardo’s employees. The ratios are volatile and will also widen further as Ricardo’s share price increases. The ratios shown for all the quartiles have been calculated on the same basis. We take the view that the median pay ratio which results from Ricardo’s desire to pay for performance, to pay competitively and to pay fairly is consistent with the pay, reward and progression policies for the Company’s UK employees taken as a whole. The Committee reviews the pay of all Ricardo’s employees to ensure the alignment of the Executive Directors’ pay with pay across the Group.

Pay details (on a full-time equivalent annualised basis where appropriate) for the individuals whose FY 2022/23 remuneration is at the median, 25th percentile and 75th percentile amongst UK based employees are as follows:

FY 2022/23	25th percentile	Median	75th percentile
Salary	£27,132	£46,000	£55,466
Total pay and benefits	£34,407	£46,084	£69,919

Relative importance of pay spend

The following table sets out the total amounts spent on remuneration for all employees, the dividends declared and other significant distributions to shareholders in FY 2021/22 and FY 2022/23.

	FY 2022/23	FY 2021/22	% change
Total remuneration spend (£m)	**206.8**	195.4	6
Key management remuneration as a percentage of total remuneration spend(1) (%)	**3.2**	3.5	(0.3)
R&D expenditure(2) (£m)	**14.6**	13.3	10
Distributions to shareholders(3) (£m)	**6.9**	6.5	6

(1) The key management personnel are the Board of Directors, together with the Managing Directors who have the authority and responsibility for planning, directing and controlling the Group's activities and resources within the market sectors in which the Group operates. Further details on key management remuneration can be found in **Note 33** to the Group Financial Statements. This measure was chosen in order to give greater context for the scale of key management remuneration within Ricardo.

(2) Further details on R&D expenditure can be found on **page 37**. This measure was chosen because of the importance to Ricardo's business of developing its R&D portfolio.

(3) The only distributions made by the Company over these years were in the form of dividends.

Detailed breakdown of pay in FY 2022/23

Base salary

As described in the policy section on **page 146**, a number of factors are taken into account when salaries are reviewed, principally: market levels of total pay for comparable roles in companies of a similar size, complexity and sector; the individual's experience, scope of responsibilities and performance; and the salary increases for colleagues across the Group. The current salary levels for the Executive Directors, which reflect a 3.0% increase from the previous year, are set out in the table below. The Group-wide average increase approved in FY 2022/23 was 3.0%.

Executive Director	Salary (from 1 January 2023)
Graham Ritchie	£484,100
Ian Gibson	£365,815

Other benefits (audited)

The Company provides other cash benefits and benefits in kind to its Executive Directors. These include a company car or cash alternative, private fuel, private medical insurance, life assurance and permanent health or disability insurance. The car allowance levels are set at £12,000 p.a. for both Graham Ritchie and Ian Gibson.

Non-Executive Directors can recover travel and accommodation expenses for carrying out their duties and do not receive any other benefits. If tax is payable by a Non-Executive Director on expenses received, these may be paid gross of tax.

Pension (audited)

(a) The defined benefit scheme is closed and there are no active members.

(b) With respect to defined contribution pension schemes, each of the Directors received cash in lieu of such contributions as set out below:

	Cash in lieu £'000
Graham Ritchie	33
Ian Gibson	25

Annual performance-related bonus (audited)

Introduction

For the year ended 30 June 2023, the maximum annual performance-related bonus opportunity was 125% of salary for the current and former Chief Executive Officer and 100% of salary for any other Executive Director. To determine the amount of bonus payable for the year, the Committee assessed the level of achievement against the financial measures and targets set in respect of:

- Group underlying profit before tax (40%);
- Value added turnover (20%) (a measure that focuses on profitable revenue growth);
- Cash conversion (20%); and
- The achievement of specified individual objectives (20%).

The choice of these measures, and their respective weightings for each individual, reflected the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

Cash conversion is defined as underlying cash generated from operations (excluding defined benefit pension scheme payments) divided by underlying EBITDA. The definition of "*underlying*" EBITDA excludes specific adjusting items comprising amortisation of acquired intangible assets, acquisition-related expenditure and reorganisation costs.

On-target performance (50% pay-out) is set at the budgeted cash conversion, i.e. budgeted underlying cash from operations ÷ budgeted underlying EBITDA. Threshold and maximum cash conversion targets are calculated based on performance below and above budget respectively.

Value added turnover is defined as revenue (net of pass-through) less external material costs. On-target performance (50% pay-out) is set at budgeted Group value added turnover. Threshold (20% of maximum bonus opportunity) and maximum value added turnover targets are calculated at £15.9m above and below the budget.

Details of financial targets

The financial targets for FY 2022/23 (details of which are provided in the following table along with confirmation of their respective weightings) were set by the Committee after taking into account several factors such as the business plan, management's expectations and brokers' forecasts. Underlying profit before tax performance was achieved at 'on target' and both the cash conversion performance and the value added turnover performance were below the thresholds of the applicable performance ranges set.

	Weighting (% of maximum opportunity)		Performance required			Actual performance outturn	Pay-out (as % of maximum opportunity)
Measure	**CEO**	**CFO**	**Threshold**	**On-target**	**Maximum**		
Underlying profit before tax	40	40	£26.6m	£29.6m	£32.6m	£26.6m	8
Value added turnover	20	20	£301.3m	£317.2	£333.1m	£291.9m	–
Cash conversion	20	20	88%	93%	98%	80%	–

A sliding scale of targets for each financial measure of the Group was also set at the start of FY 2022/23:

Performance achieved	Element payable
Threshold	20%
On-target	50%
Maximum	100%
Between any two performance levels	Sliding scale between the above percentages

Details of personal objectives

The Committee, supported by the Chair of the Board in the case of the Chief Executive Officer, and supported by the Chief Executive Officer in the case of Chief Financial Officer and members of the leadership team, set the personal objectives at the start of the year. The Committee usually identifies 'strategic areas' which each Executive Director is asked to focus on and seeks to ensure that all personal objectives are specific, measurable and are indirect drivers of financial performance and value creation. They usually set five to six objectives and weight them in accordance with their relative importance, however for FY 2022/23 the Committee determined that only one of these objectives should be linked to a bonus payout for achieving personal objectives. The remainder continue to be assessed as part of the regular performance review programme run by the nomination committee. At the end of the year, based on a formal and qualitative assessment of performance against the bonus objective, the Committee decides how well each individual has performed overall.

The objective set by the Committee for purposes of the bonus plan for the Executive Directors was to continue to transform the group service portfolio in line with the Board approved strategy delivering the transition from Established Mobility to Environmental and Energy transition; continue to drive improvements in cash management; and ensure completion of material acquisitions in target markets.

	Examples of performance outcomes against personal objectives	Overall achievement (%)	Pay-out (% of maximum opportunity)
Graham Ritchie	• Continued momentum in transformation to environmental and energy transition. • Within organic growth and portfolio prioritisation Ricardo has established the growth solutions across the business units, initiated separate reporting and planning for environmental & energy transition and established mobility, and prioritised investment of R&D and capital, including the development of repeatable digital solutions. • Within A&I, clear steps have been taken to restructure the business to support the Company's growth for the future. • Within market expansion, clear target industries have been defined and more proactive sales planning have been established. • M&A has been used to accelerate Ricardo's transition within the sale of its software business and reinvestment in E3 Modelling and Aither.	77%	15%
Ian Gibson	• Ricardo has increasing transparency of reporting and planning of its environmental and energy transition enabling its focus on a high revenue growth, margin accretion and low capital intensity portfolio of services. • M&A has been used to accelerate Ricardo's transition with the sale of its software business and reinvestment in E3 Modelling and Aither.	56%	11%

Committee's assessment of achievement levels and determination of bonuses payable

The performance of the Group over the year included a 15% increase in underlying profit before tax to £27.9m (2022: £24.2m) on a continuing operations basis. The underlying profit before tax used for bonus purposes has been calculated at FY 2022/23 budget exchange rates, consistent with the rates used when setting the targets, resulting in underlying PBT for FY 2022/23 of £26.6m. This is in line with the threshold underlying PBT set and therefore the resulting bonus outturn is 20% of the maximum payable for this element of bonus or 8% of the overall bonus maximum opportunity.

The Group underlying cash conversion for the year was 75%. The Group cash from operations was adjusted by £1.8m to remove pension deficit payments, in line with the Group's bonus principles, resulting in an adjusted underlying cash conversion of 80%. This was below the threshold set and so no bonus was achieved for this element.

The Group value added turnover for the year was £291.9m, on a continuing operations basis and calculated using FY 2022/23 budget exchange rates, consistent with the rates used when setting the targets. This was below the threshold set and so no bonus was achieved in full for this element.

The Committee carried out a detailed and rigorous review of the achievement of personal objectives and determined that these had been achieved at a level of 77% and 56% for Graham Ritchie and Ian Gibson respectively.

The following table summarises the bonus outcomes for FY 2022/23.

	Pay-out	
Measure	Graham Ritchie	Ian Gibson
Underlying profit before tax (payout as % of maximum bonus opportunity)	8	8
Value added turnover (payout as a % of maximum bonus opportunity)	–	–
Cash conversion (payout as % of maximum bonus opportunity)	–	–
Personal objectives (payout as % of maximum bonus opportunity)	15	11
Total pay-out (as a % of maximum) = (a)	23	19
Maximum (% of base salary) = (b)	125	100
Total pay-out (% of base salary) = (a) x (b)	29	19

One third (approximately 33%) of any bonus paid to an Executive Director, including former Executive Directors, is subject to a policy of compulsory deferral into ordinary shares, via the DBP.

Long-term incentive awards vesting during the financial year (audited)

Awards under the LTIP and bonus-linked awards under the DBP made in October 2019 lapsed in October 2022 on the basis of underlying EPS and TSR performance measured over specified periods, the last of which ended in October 2022. For the avoidance of doubt, the Committee did not exercise any discretion in relation to these awards.

The performance conditions applicable to these awards are summarised below:

Relative TSR portion (one-third)	
Relative TSR performance against the FTSE Small Cap (excl. financial services companies and investment trusts)	Vesting level (% of maximum)
Below median	–
Median	25
Upper quartile (or above)	100
Between median and upper quartile	Sliding scale between the above percentages

Underlying EPS (two-thirds)	
Underlying EPS (adjusted)	Vesting level (% of maximum)
Less than 60.1p	–
60.1p	25
Equal to or greater than 69.1p	100
Between 60.1p and 69.1p	Sliding scale between the above percentages

Over the three-year performance period, Ricardo was ranked below the median of the TSR comparator group, giving a zero vesting level for this portion of the award. Ricardo's TSR over the period was (25.8)% against a median of (19.7)%. The adjusted EPS for the year was 31.5p with the result that the adjusted EPS target was not achieved. Therefore, the overall vesting level for this award was zero and the shares under the awards lapsed in full.

The number of shares which lapsed in October 2022 in respect of awards granted to each of the Executive Directors in October 2019 are set out on pages 167 and 168 of this report.

The Chair of the Board's and the other Non-Executive Directors' fees

The Chair's fees as of 1 January 2023 and Non-Executive Directors' are as follows:

	£'000
Chair's fee	170
Non-Executive Directors' fees:	
Basic fee	52
Additional fee for Audit and Remuneration Committee Chairs	9
Additional fee for the Senior Independent Director	9

Payments to past directors and in respect of loss of office (audited)

As disclosed in the Directors' Remuneration Reports for the past two financial years, Dave Shemmans ceased employment on 30 September 2021. In accordance with Dave's Service Agreement, Ricardo exercised its right to make a payment in lieu of the 12 months' notice (the PILON) that Dave was entitled to receive. Further details of the PILON and its calculation can be found on page 124 of the *Annual Report & Accounts 2021/22*. Part of the PILON was paid during FY 2021/22 with the balance of £170,619 being paid in 3 equal instalments from July to September 2022 (inclusive).

Dave was treated as a good leaver in respect of awards granted under the DBP and LTIP. The treatment of such awards is described in more detail on **page 124** of the *Annual Report & Accounts 2021/22*. Dave's October 2019 LTIP award and DBP bonus-linked share award that were due to vest in October 2022 both lapsed in full because the performance conditions set out on **page 164** were not satisfied. Dave's October 2019 DBP deferred award vested in full in respect of 13,802 shares with a value at the date of vesting of £61,281 (based on a market price per share of 444.0p on 24 October 2022).

Long-term incentive awards granted during the financial year (audited)

LTIP awards were granted on 6 October 2022 under the rules of the Ricardo plc 2020 Long Term Incentive Plan to the Executive Directors on the basis set out below.

	Type of award	Basis of award (% of salary)	Number of shares	Face value of award (£)(1)	Threshold level of vesting (% of maximum)	End of performance period
Graham Ritchie	Performance shares(2)	150	157,788	£704,997	20% for EPS portion of awards and 25% for TSR portion of awards	15 days after release of preliminary results announcement for FY 2024/25 (expected to be October 2025)
Ian Gibson		130	103,336	£461,705		

(1) The face value of the award is based on the average of the share prices over the five days up to and including 5 October 2022 (446.8p).

(2) As the LTIP awards are granted in the form of performance share awards, no 'exercise price' is payable in order to receive any vested shares. This position has not changed since the awards were granted.

The vesting of these awards will be based on Ricardo's underlying EPS growth (two-thirds) and three-year relative TSR (one-third) performance summarised in the table below. The relative TSR measure was chosen by the Committee to link the remuneration of Executive Directors to the performance experienced by shareholders and to further align their interests. The underlying EPS measure was chosen to reward sustained profit growth and align with one of our key performance indicators.

In addition, no part of an award will vest unless the Committee is satisfied that the achievement against the TSR and underlying EPS performance conditions is a genuine reflection of the underlying performance of the Group over the performance period. The Committee will consider all relevant factors when the awards vest in October 2025 and may reduce vesting levels where appropriate. These factors will include the timing and extent of the recovery of the share price of the Company, the indices on which it is listed, the overall performance of the Company during the period 2022 – 2025 and any other considerations that the Committee deems relevant.

The Committee chose the weighting between TSR and underlying EPS growth to signal the importance of increasing Ricardo's profitability as measured by underlying EPS and to give the management team a stronger incentive to drive profitable performance which should in turn lead to increased shareholder value.

Relative TSR portion (one-third) Relative TSR performance against the FTSE Small Cap (excl. financial services companies and investment trusts)	Vesting level (%)
Below median	–
Median	25
Upper quartile (or above)	100
Between median and upper quartile	Sliding scale between the above percentages

Adjusted EPS portion (two-thirds) Adjusted underlying EPS for the final year in the performance period (FY 2024/25)	Vesting level (%)
Less than 36.8p	–
36.8p	20
Equal to or greater than 51p	100
Between 36.8p and 51p	Sliding scale between the above percentages

Performance target setting and those applying to awards outstanding during FY 2022/23

As shown in previous Directors' Remuneration Reports, the Committee has a track record of setting stretching underlying EPS targets which are carefully calibrated in light of Ricardo's business plan and market expectations. Full vesting of the shares linked to relative TSR performance only occurs where Ricardo's performance is in the upper quartile of the FTSE Small Cap Index (excluding financial services companies and investment trusts).

The EPS performance targets applicable to LTIP and the bonus-linked share awards under the DBP outstanding during the year are as follows:

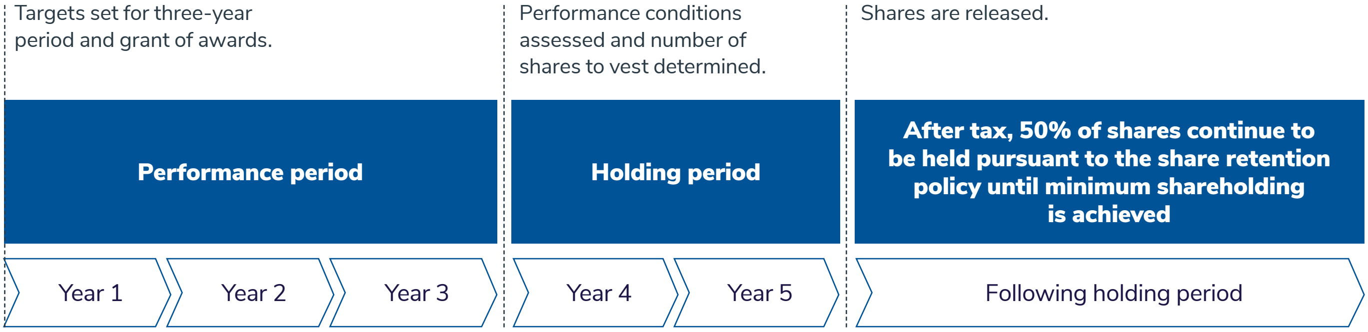
	FY 2019/20	FY 2020/21	FY 2021/22
Threshold vesting(1)	60.1p	28.5p	29.7p
Maximum vesting	69.1p	40.7p	50.2p

(1) 25% for FY 2019/20 and 15% for FY 2020/21 and FY 2021/22.

The performance condition applicable to the TSR portion of awards has remained constant through this period and is the same as set out on page 164 for awards granted in the year ended 30 June 2023. The number and value of shares which were awarded to each of the Executive Directors in the year ended 30 June 2023 are set out in the table on page 167.

Directors' interests in shares provisionally awarded under the LTIP (audited)

The following chart sets out in graphical form how the Company's LTIP was operated in FY 2022/23:



FOR DETAILS OF THE SHARE RETENTION POLICY, SEE PAGE 168.

Awards granted prior to November 2020 under the rules of the previous Ricardo plc 2014 Long Term Incentive Plan are not subject to the two-year holding period.

As at 30 June 2023, the Directors' interests in shares provisionally awarded under the LTIP were as follows:

Number of provisional shares									
	Award date[1]	Share price at award date in pence	At 1 July 2022	Awarded[2]	Lapsed	Vested	At 30 June 2023[3]	Vesting date	Holding period ends
Graham Ritchie	Oct 21	420.00	167,857	–	–	–	167,857	27/10/2024	27/10/2026
	Oct 22	446.80	–	157,788	–	–	157,788	06/10/2025	06/10/2027
Ian Gibson	Oct 19	623.60	29,526	–	29,526	–	–	24/10/2022	–
	Nov 20	354.80	126,341	–	–	–	126,341	27/11/2023	27/11/2025
	Oct 21	420.00	106,728	–	–	–	106,728	27/10/2024	27/10/2026
	Oct 22	446.80	–	103,336	–	–	103,336	06/10/2025	06/10/2027

(1) Awards granted in 2019 were made under the rules of the Ricardo plc 2014 Long Term Incentive Plan. The awards granted in November 2020 and thereafter were made under the rules of the Ricardo plc 2020 Long Term Incentive Plan. Performance conditions applicable to all awards are as outlined on pages 164 to 166.

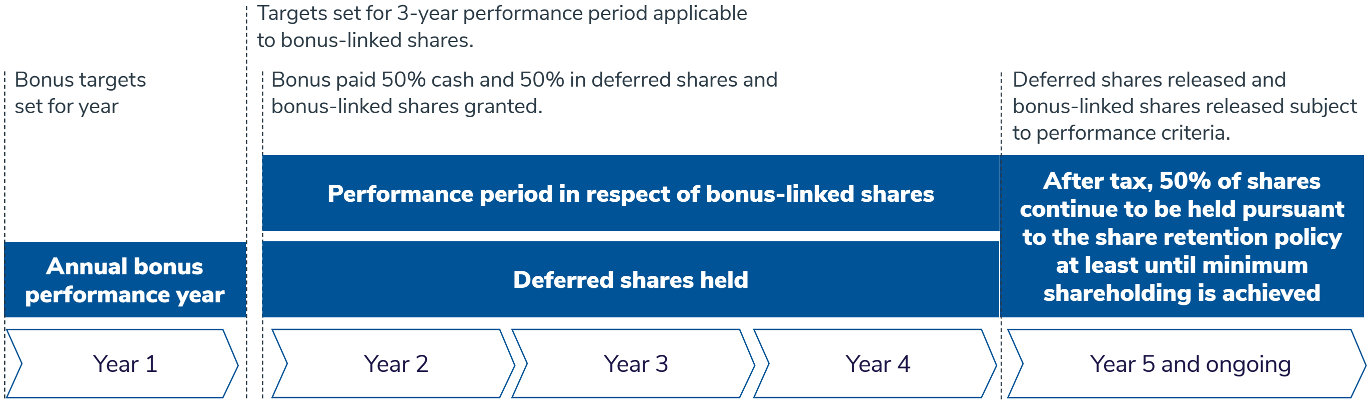
(2) The face value at the date of grant of the awards made in October 2022 was £704,997 for Graham Ritchie and £461,705 for Ian Gibson.

(3) The mid-market closing price of the Company's shares on 30 June 2023 was 572.0p per share (2022: 361.5p).

The October 2019 awards that were due to vest in October 2022 lapsed in full because the performance conditions as set out on page 164 were not satisfied.

Directors' interests in shares provisionally awarded under the DBP (audited)

The following chart sets out in graphical form how the DBP was operated in earlier years and continues to operate in respect of outstanding DBP awards granted prior to the adoption of the new Directors' Remuneration Policy in November 2020 (set out in the table below):



FOR DETAILS OF THE SHARE RETENTION POLICY, SEE PAGE 168.

Following the adoption of the Directors' Remuneration Policy in November 2020, Executive Directors are no longer entitled to future bonus-linked share awards and a third (rather than half) of any bonus payable is deferred in shares.

As at 30 June 2023, the Directors' interests in shares provisionally awarded under the DBP were as follows:

					Number of provisional shares					
	Type of Award[1]	Award date	Deferral / performance period	Share price at award date in pence	At 1 July 2022	Awarded[2]	Dividend shares[3]	Lapsed	Vested	At 30 June 2023[4]
Graham Ritchie	Deferred	Oct 22	3 years	446.80	–	22,682	523	–	–	23,205
Ian Gibson	Deferred	Oct 19	3 years	623.60	7,283	–	–	–	7,283	–
	Bonus-linked shares(5)	Oct 19	3 years	623.60	6,844	–	–	6,844	–	–
	Deferred	Nov 21	3 years	426.80	3,764	–	86	–	–	3,850
	Deferred	Oct 22	3 years	446.80	–	17,752	409	–	–	18,161

(1) Awards granted in 2019 were made under the rules of the Ricardo plc 2011 Deferred Bonus Plan. The awards granted in November 2021 and October 2022 were made under the rules of the Ricardo plc 2021 Deferred Bonus Plan.
(2) The face value at the date of grant of the awards made in October 2022 was £79,316 for Ian Gibson and £101,343 for Graham Ritchie.
(3) Amounts allocated include shares equivalent to dividends on provisional deferred award shares.
(4) The mid-market closing price of the Company's shares on 30 June 2023 was 572.0p (2022: 361.5p).
(5) Bonus-linked shares awarded under the rules of the Ricardo plc 2011 Deferred Bonus Plan: performance conditions as outlined on **page 164**.

Share retention policy

Current policy

In order to foster greater alignment of interest between our Executive Directors and our shareholders, the Board has operated a share retention policy with the intention that each Executive Director will own shares in the Company with a value equal to at least two times annual base salary with the requirement that 50% of any vested LTIP / DBP shares (net of tax) are held until this is met. In line with the Investment Association's Principles of Remuneration, vested shares subject to a holding period (i.e. vested LTIP awards under the new 2020 LTIP) and unvested shares that are not subject to performance conditions (i.e. DBP deferred awards) will count towards this shareholding requirement on a net-of-tax basis.

The retention requirement will continue post-cessation of employment with shares worth two times annual base salary (or, if lower, the shareholding as at the date of cessation) to be held for the initial 12 month period, and half of this amount required to be held for the second 12 month period. This will apply to share plan awards granted after the 2020 Directors' Remuneration Policy was approved by shareholders.

In order to facilitate the post-cessation retention requirements, vested shares that are released will be held in a nominee structure.

Future policy

As part of the package of changes to the Directors' Remuneration Policy proposed for adoption by shareholders at the 2023 AGM, the Committee has reviewed the share retention policy and proposes to revise this as soon as the new policy comes into force. The holding requirement (in post and post cessation of employment) for the Chief Executive Officer will be increased from 200% of annual base salary to 250% of annual base salary with the other elements of the current policy continuing to apply.

Directors' shareholdings (audited)

The interests of Directors and their connected persons in ordinary shares as at 30 June 2023, including any shares provisionally awarded under the LTIP and DBP, are presented in the table below. At 12 September 2023, the interests in shares of the Directors who were still in office were unchanged from those at 30 June 2023.

	No. of shares held	Share awards not subject to performance conditions(1)	Share awards subject to a holding period	Shareholding for purposes of share retention policy(2)	Shareholding (% of base salary)(3)	Share awards subject to performance conditions(4)
EXECUTIVE DIRECTORS						
Graham Ritchie	14,880	23,205	–	27,178	32	325,645
Ian Gibson	64,713	22,011	–	76,378	119	336,405
NON-EXECUTIVE DIRECTORS						
Sir Terry Morgan CBE(5)	26,111	–	–	–	–	–
Mark Clare	–	–	–	–	–	–
Russell King	5,105	–	–	–	–	–
Laurie Bowen	6,000	–	–	–	–	–
Malin Persson	1,500	–	–	–	–	–
Bill Spencer	10,402	–	–	–	–	–
Jack Boyer	–	–	–	–	–	–

(1) Deferred awards granted pursuant to the rules of the Ricardo plc 2011 Deferred Bonus Plan and the Ricardo plc 2021 Deferred Bonus Plan.

(2) This includes the number of beneficially owned shares, unvested shares not subject to performance conditions and any vested shares subject to a holding period, on a net-of-tax basis (i.e. 53% of the shares shown in the adjacent "share awards not subject to performance conditions" and "share awards subject to a holding period" columns).

(3) For Executive Directors only (i.e. those who are subject to the share retention policy). Calculated by reference to the number of shares shown in the adjacent "shareholding for purposes of share retention policy" column, a share price of 572.0p per share (2022: 361.5p) and salaries as at 30 June 2023.

(4) Bonus-linked awards granted pursuant to the rules of the Ricardo plc 2011 Deferred Bonus Plan and LTIP awards granted pursuant to the rules of the Ricardo plc 2014 Long Term Incentive Plan and the Ricardo plc 2020 Long Term Incentive Plan.

(5) Shareholding as at 17 November 2022, being the date Sir Terry Morgan retired as Director of the Company.

Dilution limits

The number of shares that may be issued in any ten-year rolling period will be restricted to:

- 10% of the issued ordinary share capital of the Company in respect of all Ricardo share plans; and
- (included within the above limit) 5% of the issued ordinary share capital of the Company for Ricardo's discretionary share plans.

At the end of the year under review, the Company's overall share plan dilution was 2.57% all of which all related to discretionary share plans. The Company operates an employee benefit trust which has principally been used to facilitate the operation of the LTIP and DBP arrangements. Any new shares issued to the trust are, however, included in the dilution limits noted above.

Executive Directors and their Board positions with other companies during FY 2022/23

Executive Directors may, with the prior consent of the Board, hold a non-executive directorship with another company. Neither the Chief Executive Officer, nor the Chief Financial Officer, held a non-executive directorship with another company during the period from 1 July 2022 to 30 June 2023 (inclusive).

Departure of Ian Gibson

Ian Gibson steps down as Chief Financial Officer and from the Board with effect from 13 September 2023. Thereafter, he will remain with the Company to allow for a smooth transition of responsibilities following a thorough handover process. During this notice period, Ian will receive his salary, pension entitlement and contractual benefits as usual. This notice period will end by 1 April 2024 or earlier where the Company exercises its right to make a payment in lieu of notice (PILON). Any such PILON would be calculated in accordance with Ian's service agreement, based on the unexpired notice period at that time, and include amounts in respect of basic salary, car allowance and pension cash allowance. It has been agreed with Ian that he will remain eligible to receive a bonus in respect of FY 2022/23 (as described on page 164 and which will partly be delivered in a deferred award of shares in the normal course), but no bonus will be paid in respect of FY 2023/24. The Committee has determined that Ian will be treated as a good leaver for the purposes of his awards under the DBP and LTIP based on his committed service to Ricardo, his commitment to a smooth transition and his performance. He is not resigning to seek employment with a new employer. His outstanding awards will continue and vest on the original timescales with the LTIP awards remaining subject to the original performance conditions and being pro rated for time. Malus, clawback, post-vesting holding periods and share retention provisions will continue to apply.

Appointment of Judith Cottrell

Following the announcement of her appointment on 3 April 2023, Judith Cottrell joined Ricardo as its Chief Financial Officer-designate on 1 July 2023 and will take over from Ian Gibson when he steps down as Chief Financial Officer on 13 September 2023. Judith's base salary is £365,000 and she will be eligible for an annual bonus of up to 100% of salary. Judith will also be eligible to receive a 'Core' LTIP award of 130% of salary and a one-off 'Accelerator' LTIP award of 100% of salary to be made under the new Directors' Remuneration Policy as part of the FY 2023/24 award cycle (further details on pages **171** and **172**. All other arrangements are in accordance with the Directors' Remuneration Policy.

Implementation of Directors' Remuneration Policy in FY 2023/24

It is anticipated that the implementation of the 2023 Directors Remuneration Policy (the 2023 Policy) in FY 2023/24 will be broadly similar to that of the implementation of the former policy in FY 2022/23.

The Committee will:
- Review base salary levels for the Executive Directors with effect from 1 January 2024;
- Set and review the performance targets for the FY 2023/24 annual bonus and the LTIP awards to be made in 2023 to ensure continued alignment to strategy;
- Make awards under the Ricardo plc 2020 Long Term Incentive Plan (the 2020 LTIP); and
- Make awards under the Ricardo plc 2021 Deferred Bonus Plan (the 2021 DBP).

To determine the amount of bonus payable for FY 2023/24, the Committee will assess the level of achievement against the financial measures and targets set in respect of:
- Group underlying profit before tax (40%);
- Value Added Turnover (20%);
- Cash conversion (20%); and
- The achievement of specified individual objectives (20%).

Owing to concerns about commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, provided disclosure of targets is not then deemed to be commercially sensitive, make appropriate and relevant levels of disclosure of bonus targets and performance against these targets for the FY 2023/24.

2023 LTIP Awards

Subject to receipt of the necessary shareholder approvals, it is anticipated that awards under the Company's 2020 LTIP will be granted shortly after the conclusion of the 2023 AGM. This year the Committee has approved the grant of 'Core' LTIP awards of 150% and 130% of salary respectively for the Chief Executive Officer and Chief Financial Officer and a further award of 100% of salary to each Executive Director, known as 'Accelerator' awards.

The 'Accelerator' awards will be a one-off arrangement for FY 2023/24 designed to pay out in full only if the new strategic commitment to double operated profit by 2027 is on track to being exceeded. This award is aligned with creating a growth mindset well above budget and guidance. The 'Core' and 'Accelerator' awards would both be subject to the two-year holding period following the performance period in accordance with the 2023 Policy.

As with the 2020 Directors' Remuneration Policy, the 2023 Policy provides that the measures and targets of the LTIP awards and the different weightings ascribed to them may be set annually by the Committee in order to ensure they are relevant to participants, challenging to achieve and take account of the most up-to-date business plan and strategy. The targets for the awards to be granted in FY 2023/24 are set out in detail below.

'Core' LTIP Awards

In FY 2022/23, as part of the review of executive remuneration, the Committee considered how Ricardo could enhance the link between its ESG strategy, the climate-related targets it sets and remuneration. The Committee concluded that, in addition to TSR and underlying EPS, which it believes continue to be appropriate measures for the Company's long term incentive arrangements, a portion of the awards would be subject to the satisfaction of certain targets relating to the reduction of the Company's carbon emissions.

The peer group applicable to the TSR portion (30%) of these awards will be the same as those which applied to awards granted last year. Threshold performance (i.e. median ranking in the comparator group, for which 25% of this portion will vest) is generally intended to align with the anticipated performance of the relevant market and our competitors. If the maximum performance is achieved (i.e. upper quartile ranking in the comparator group), we would expect to have significantly outperformed the relevant market and our competitors.

In order to ensure that the target range for the EPS portion (60%) of the awards remains challenging in light of market expectations of the Company's underlying EPS performance to the year ending 30 June 2026, the Committee has determined that:

- No part of the underlying EPS portion of these awards will vest if the Company's underlying EPS for the final year in the performance period is lower than 38.3p;
- 25% of this portion will vest where the final year underlying EPS is 38.3p;
- 100% of this portion will vest where the final year underlying EPS is greater than or equal to 50.1p; and
- Vesting will take place on a straight-line basis between 38.3p and 50.1p.

Where the underlying EPS performance period ends before 30 June 2026 (the final year of the performance period), the Committee retains the discretion to amend these targets and the corresponding vesting levels accordingly.

The ESG portion of these awards (10%) will relate to the Company's reduction in carbon emissions (Scopes 1, 2 and 3) intensity during each of the next 3 financial years ending 30 June 2026. This is measured by emissions per employee / contractor and per units of production (engines, transmission & ABS). The Committee has determined that:

- No part of the ESG portion of these awards will vest if the average reduction is less than 1 percentage point;
- 25% will vest if the average reduction is 1 percentage point;
- 100% will vest if the average reduction is greater than or equal to 2.5 percentage points; and
- Vesting will take place on a straight-line basis between 1 percentage point and 2.5 percentage points.

'Accelerator' LTIP Awards
The Committee has confirmed that the 'Accelerator' awards will vest subject to a stretching EPS performance requirement over the 3 years to 30 June 2026. The targets for these awards are based on delivering an additional 12% above the core award maximum EPS target with vesting for performance above 50.1p (from 0% on a straight-line basis) and 100% vesting where the final year underlying EPS is 56.2p.

Under the terms of the 2023 Directors' Remuneration Policy, the Committee will have the ability to adjust the vesting outcomes from performance conditions where appropriate and the Committee will ensure that outcomes reflect Company and executive performance as well as the experience of shareholders and other stakeholders. In particular, before the awards vest at the end of the three-year performance period, the Committee will apply a supplementary test of the quality of Ricardo's performance and assess the underlying performance based on the Board's expectations in respect of, for example, efficient capital management and the ratio of net debt to EBITDA in light of the Company's strategy for growth. The Committee will also use its discretion to reduce vesting outcomes where it determines that windfall gains have been received.

The Directors' Remuneration Report, comprising the Chair's Overview and Annual Statement in Part 1, the Directors' Remuneration Policy in Part 2 and the Annual Report on Remuneration in Part 3 was approved by the Board on 12 September 2023 and signed on its behalf by:

RUSSELL KING
CHAIR OF THE REMUNERATION COMMITTEE
12 September 2023

DIRECTORS' REPORT

This section sets out the information required to be disclosed by the Company in the Directors' Report in compliance with the Companies Act 2006 (the Act), the Listing Rules of the UK Listing Authority (Listing Rules) and the Disclosure Guidance and Transparency Rules (DTR).

Overview of information required to be disclosed

Certain matters that would otherwise be disclosed in this Directors' Report have been reported elsewhere in this Annual Report. This report should therefore be read in conjunction with the Strategic Report on pages 1 to 111 and the Governance section on pages 112 to 172 which are incorporated by reference into this Directors' Report. The Strategic Report and this Directors' Report, together with other sections of this Annual Report and Accounts including the Governance section on pages 114 to are incorporated by reference, and when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTR.

Disclosure	Reported in	Page reference
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Annual General Meeting	Directors' Report	Page 176
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Rights and obligations attaching to shares including restrictions on transfer of shares and voting rights	Directors' Report	Page 175
Section 172 statement	Strategic Report	Page 56
Share capital	Directors' Report	Page 175
Stakeholder engagement	Governance	Page 56
Streamlined Energy and Carbon disclosures	Strategic Report	Page 84
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Treasury shares	Directors' Report	Page 176
Viability statement	Strategic Report	Page 108

Dividends

On 11 April 2023 an interim dividend of 3.35p (HY 2021/22: 2.91p) was paid to shareholders. The Directors recommend the payment of a final dividend of 8.61 pence per ordinary share on 24 November 2023 to shareholders who are on the register of members at the close of business on 3 November 2023, which together with the interim dividend paid on 11 April 2023 makes a total of 11.96 pence (FY 2021/22: 10.40 pence) per ordinary share for the year. The payment of the final dividend is subject to the approval of shareholders at the 2023 AGM. Dividend details are given in Note 9 to the Consolidated Financial Statements.

Articles of Association

The Company's Articles of Association are available on the Company's website **www.ricardo.com/en**

Acquisitions and disposals

On 1 August 2022, Ricardo completed the sale of its Software business, comprising of shares in the UK, US and Czechia companies of Ricardo Software together with related assets (Ricardo Software) to FOG Software Group, a division of Constellation Software Inc (CSI).

On 24 January 2023, the Group acquired E3-Modelling S.A, a consultancy which specialises in delivering advanced empirical modelling of the energy-economy-environment nexus, based in Greece.

On 12 March 2023, the Group acquired Aither Pty Ltd, a water and natural resources consultancy based in Australia.

Events after the reporting date

There are no post balance sheet events to report after the reporting date.

Research and development

The Group continues to devote effort and resources to the research and development of new technologies. Costs of £14.5m have been incurred, of which £5.4m has been capitalised and £2.3m has been charged to the income statement, excluding amortisation of any capitalised costs and net of £6.8m of government grant income, during the year.

Board of Directors

Details of the Directors who served during the year are set out on pages **114** and **117**. Sir Terry Morgan retired as a Director and left the Board at the close of the Company's General Meeting on the 17 November 2022. Mark Clare was appointed as Non-Executive Director and Deputy Chair on 1 November 2022 and was appointed as Chair at the close of the Company's General Meeting on 17 November 2022.

Directors' Remuneration and interests in shares

Details of Directors' remuneration and their interest in the Company's shares are set out on pages **137** to **172** of the Directors' Remuneration Report.

Directors' indemnities

The Company maintains liability insurance for its Directors and officers. The Company has entered into deeds of indemnity in favour of each of its Directors, under which the Company agrees to indemnify each Director against liabilities incurred by that Director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office.

At the date of this report, these indemnities are therefore in force for the benefit of all the current Directors of the Company.

On 30 June 2014, Ricardo UK Limited and Ricardo-AEA Limited, subsidiaries of the Group, entered into qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006 in favour of their Directors, under which each Director is indemnified against liabilities incurred by that Director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office and such provisions remain in force as at the date of this report.

Directors' powers

The business of the Company is managed by the Board, which may exercise all of the powers of the Company subject to the Company's Articles of Association and the Act.

Employee share plans

Details of employee share plans are set out in Note 35 to the Consolidated Financial Statement.

Employee information and equal opportunities

The Company provides colleagues with various opportunities to obtain information on matters of concern to them and to improve awareness of the financial and economic factors that affect the performance of the Company.

These include bi-annual presentations to all members of staff, department and team briefings and meetings with employee representatives that take place throughout the year.

All companies within the Group strive to operate fairly at all times and this includes not permitting discrimination against any employee or applicant for employment on the basis of race, religion or belief, colour, gender, disability, national origin, age, military service, veteran status, sexual orientation or marital status. This includes giving full and fair consideration to suitable applications for employment from disabled persons and making appropriate accommodations so that if existing team members become disabled they can continue to be employed, wherever practicable, in the same job or, if this is not practicable, making every effort to find suitable alternative employment and to provide relevant training.

Change of control provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts, bank facility agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole.

Financial instruments

Details of the Company's financial risk management in relation to its financial instruments are given in Note 28 to the Consolidated Financial Statements.

Share capital, shareholders rights and obligations, and purchase of own shares

As at 12 September 2023, the Company's share capital is divided solely into 62,218,280 ordinary shares of 25 pence each, all of which are fully paid. The ordinary shares are listed on the London Stock Exchange. All ordinary shares rank equally for all dividends and distributions that may be declared on such shares. At General Meetings of the Company, each member who is present (in person, by proxy or by representative) is entitled to one vote on a show of hands and, on a poll, to one vote per share. With respect to shares held on behalf of participants in the all-employee Share Incentive Plan, the trustees are required to vote as the participants direct them to do so in respect of their plan shares. There are no restrictions on voting rights and no securities carry special voting rights with regard to the control of the Company.

Awards granted under the Company's share plans are satisfied either by shares held in the employee benefit trust or by the issue of new shares when awards vest. The Remuneration Committee monitors the number of awards made under the various share plans and their potential impact on the relevant dilution limits recommended by the Investment Association.

Based on the Company's issued share capital as at 30 June 2023, the overall dilution was 2.57% (i.e. below the 10% limit for all plans in any rolling 10- year period) and 2.57% for discretionary employee share plans (i.e. below the 5% limit for discretionary employee share plans in any rolling 10-year period).

The Company was given authority to purchase up to 10% of its existing ordinary share capital at the 2022 AGM; that authority will expire at the conclusion of the 2023 AGM unless renewed. Accordingly, a special resolution to renew the authority will be proposed at the forthcoming AGM.

The existing authority for Directors to allot ordinary shares will expire at the conclusion of the 2023 AGM unless renewed; accordingly, an ordinary resolution to renew this authority will be proposed at the forthcoming AGM. In addition, it will be proposed to give the Directors further authority for a period of one year to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders. This is in accordance with guidance issued by the Association of British Insurers.

Details of these resolutions are included with the Notice of AGM.

Treasury shares

Shares held by the Company in treasury do not have voting rights and are not eligible to receive dividends. Currently, the Company does not hold any shares in treasury.

Related party transactions

Details of related party transactions are set out in Note 38 to the Consolidated Financial Statements.

Resolutions at the Annual General Meeting

It is intended that the Company's AGM will be held on 16 November 2023 at Liberum Capital Limited, Ropemaker Place, Level 12, 25 Ropemaker Street, London EC2Y 9LY. The Notice of AGM sets out the resolutions to be considered and approved at the meeting, together with some explanatory notes. The resolutions cover such routine matters as the renewal of authority to allot shares, to disapply pre-emption rights and to purchase own shares. The Notice of AGM accompanies this Annual Report and is available at **www.ricardo.com/en**

Substantial shareholdings

As at 18 August 2023, the Company has been notified of the following material interests in the voting rights of the Company under the provisions of the Disclosure and Transparency Rules.

Rank	Shareholder	Shares	% IC
1	Gresham House	7,396,038	11.89
2	Aberforth Partners	4,668,464	7.50
3	JO Hambro Capital Mgt	4,431,344	7.12
4	Invesco	3,117,008	5.01
5	Schroder Investment Mgt	3,015,190	4.85
6	abrdn (Standard Life)	2,637,322	4.24
7	Royal London Asset Mgt	2,479,880	3.99
8	Canaccord Genuity Wealth Mgt	2,146,500	3.45
9	Aviva Investors	2,087,263	3.35
10	Janus Henderson Investors	1,856,178	2.98
11	Montanaro Asset Mgt	1,846,965	2.97

Charitable and Political Donations

During the year the Group made various charitable donations, which are summarised in the Environmental, Social and Governance Report on page 80. The Group made no political donations nor incurred any political expenditure during the year to 30 June 2023.

Auditor's re-appointment and remuneration

Resolutions for the appointment of KPMG LLP as the Company's auditor and to authorise the Directors, acting through the Audit Committee, to agree the remuneration of the auditor, are to be proposed at the 2023 AGM.

Going concern and Viability Statement

Having reviewed the Company's plans and available financial facilities, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months following the signing of the accounts. For this reason, it continues to adopt the going concern basis in preparing the Company's accounts. The Company's Viability Statement can be found on page 108.

Branches outside the UK

The Company has no overseas branches outside the UK. A number of the Group's subsidiaries have overseas branches outside the UK, which are disclosed in their local statutory financial statements, where required.

Disclosures required under UK Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 other than in respect of long term incentive schemes.

Disclosure of Information to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that:

- So far as they are each aware, there is no relevant audit information, which would be needed by the Company's auditor in connection with preparing its audit report, of which the Company's auditor is unaware; and
- Each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' Report was approved by order of the Board on 12 September 2023 and signed on its behalf by:

HARPREET SAGOO
GROUP GENERAL COUNSEL & COMPANY SECRETARY
Registered office Ricardo plc
Shoreham Technical Centre Shoreham-by-Sea,
West Sussex, BN43 5FG

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant, reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

GRAHAM RITCHIE
CHIEF EXECUTIVE OFFICER

IAN GIBSON
CHIEF FINANCIAL OFFICER
12 September 2023