Responsible business

Focus on what matters

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

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

Responsible business continued

Environment

Our FY 2024/25 environmental impact in numbers:

66%
Scope 1 and 2 emissions reduction from the FY 2019/20 baseline year

26%
Scope 3 emissions reduction from the FY 2021/22 baseline year

26%
Water usage reduced since the FY 2021/22 baseline year

94%
Waste reduction in waste to landfill since FY 2022/23

70%
Portion of waste recycled in FY 2024/25

46.5%
Reduction in total energy consumption (million kWh) since FY 2019/20

More details on GHG emissions, waste, energy usage and the TCFD report can be found from page 148.

We remain committed to improving environmental outcomes across the business, ensuring we're implementing best practice and reducing our negative impact on the environments in which we operate.

Our continued efforts were recognised with improved rating from ISS and an improved score from CDP (see page 25). We also delighted to be recognised by with an FT Climate Leader Award.

Notable achievements this year include the installation of 278 solar panels on the buildings at our Shoreham Technical Centre, helping to generate 112,920kWh of electricity each year.

90% of colleagues responded to the employee commuter survey, up from 82% from FY 2023/24 for full-time employees and achieved Reasonable Assurance from Lloyd's Register Quality Assurance.

Site environmental certification

39 Ricardo sites, including all manufacturing sites, and 95% of colleagues are certified under ISO 14001 – Environmental management systems. All remaining site and colleagues are managed with ISO 14001 processes, which monitors on-going standards and as applicable improvement of environmental performance.

Newly installed solar panels at Shoreham Technical Centre

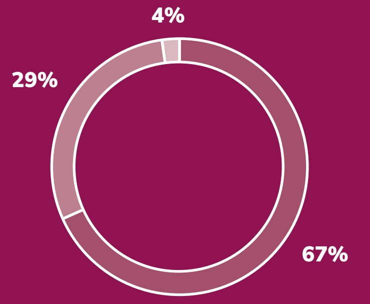
Responsible business continued

People

Who makes up Ricardo

Gender

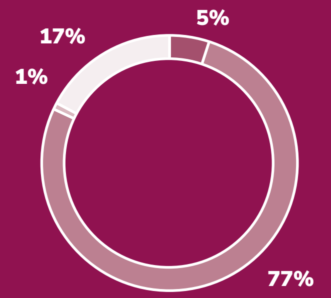
Percentage of colleagues by gender



Male	67%	Prefer not to say/unknown	4%
Female	29%		

Region

Percentage of colleagues by region



Americas	5%	Middle East	1%
Europe	77%	APAC	17%

There was renewed attention on our people this year, with focus being placed on talent, learning and development, and succession planning.

Culture – Leading Lights awards

This year, we changed our internal recognition programme to be more inclusive by introducing a 'People's Choice' nomination and voting in two categories. We received 113 nominations for the Leading Lights and CEO awards and continued the theme of inclusivity by live streaming the awards ceremony, allowing people at Ricardo sites around the world could celebrate simultaneously.

DEI

Diversity, Equity and Inclusion (DEI) continued to be a focus this year with the release of the DEI Statement and Plan. The Statement outlines the roles and responsibilities of the board, executive leadership team, affinity group leads and members, to enhance DEI activity across the business.

Two-way communication

In FY 2024/25, it was decided to forgo a full-length employee engagement survey, allowing us to focus on the Action Plan developed following the FY 2023/24 survey, which focused on three key areas: Learning, Communication and Recognition. Rather than a full survey, in February 2025 we then ran a three-question pulse survey to check in on progress against the action plans. The feedback from these surveys confirmed that we were focusing on the right areas to improve the employee experience.

Throughout H2, Q&A sessions were held to ensure feedback and sentiment was effectively gathered and responded to. Following the WSP announcement on 11 June 2025, formal Q&A sessions at 16 sites globally, plus two virtual sessions were held. From these sessions, we answered upwards of 428 separate questions. We also developed a WSP Information Hub on our Company intranet to ensure transparency of information.

Equal gender representation

Gender representation remained steady across the business at 29% female, 67% male and 4% unknown or preferring not to say. At the executive level, gender parity was achieved following the sale of the Ricardo Defense business.

Health and safety

There were two recordable incidents in FY 2024/25, neither of which resulted in life-changing injuries or fatality. We are pleased to have seen a 50% reduction in accidents of all kinds in the past two years. This follows the introduction of a heightened reporting and action plan for minor accidents and hazards and has been supported by the Executive Leadership Team conducting regular site safety walks.

Workforce planning

In January, we conducted a full talent and succession review across the Executive Leadership Team and level two below. The 2025 review followed a structured approach designed to increase objective assessment by considering performance across strategic objectives, leadership capabilities, values and indicators of potential. We have developed a standard job architecture and global reward principles which enable us to make decisions about pay and benefits in a more structured, consistent way across the business and give us greater visibility as to how we compare to market.

Learning and development

Sales development was the priority training area for us in FY 2024/25. The HR team partnered with a recognised global sales effectiveness organisation to upskill 106 key work winners across the business and develop 10 sales coaches using a proven methodology and approach.

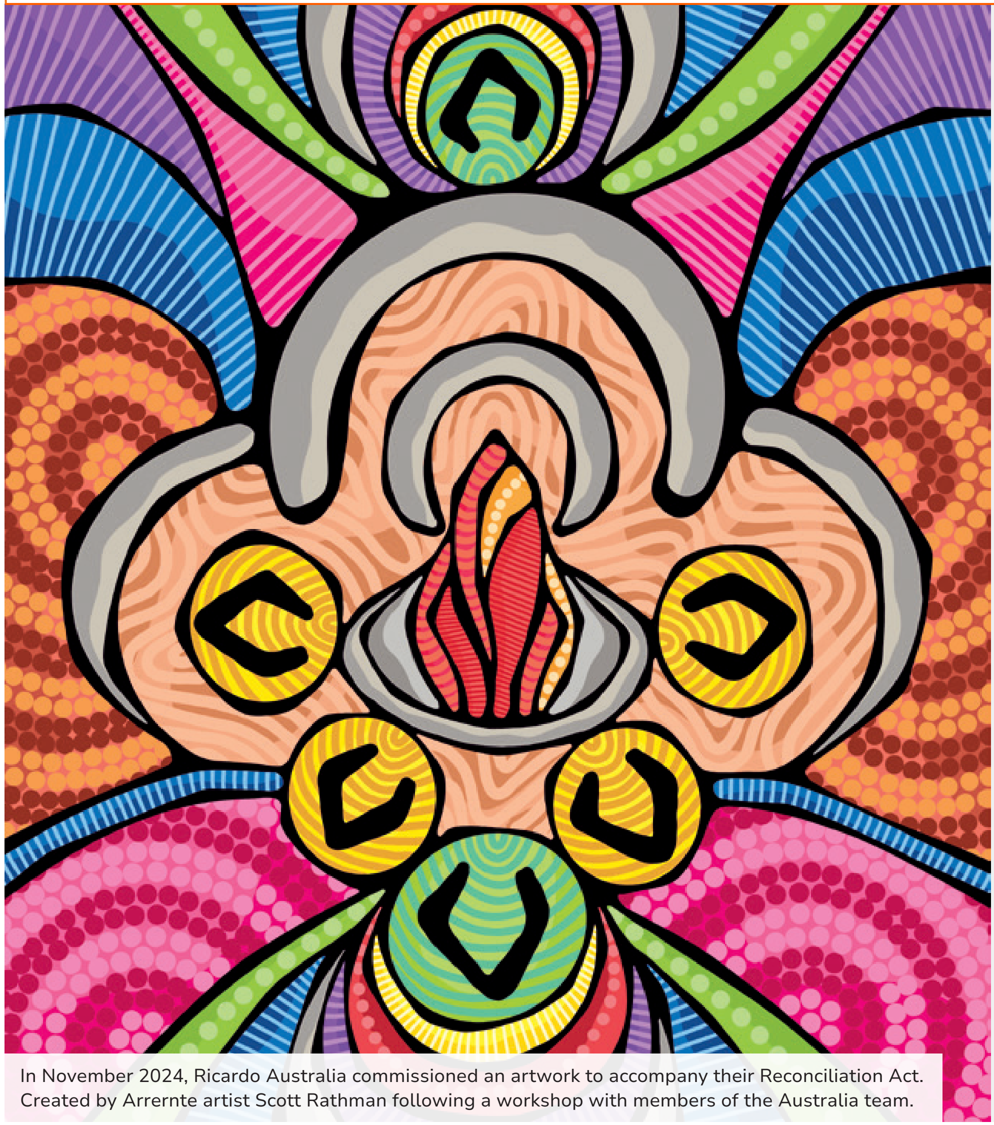
Management training was also prioritised across Ricardo this year, with the Management Development Programme launching in November 2024. There are three training streams in this programme: Pathway to Management for aspiring managers; Managing Effectively for people managers who are building their capability; and Mastering Management for managers of managers and those who are more experienced and/or in strategic roles.

Across the business, 292 employees in 13 countries enrolled in the programme: 54% in 'Managing Effectively', 22% in Pathway to Management and 23% in Mastering Management.

Beyond these programmes, we continue to see an increase in adoption and use of LinkedIn Learning, with 64% registering with the platform.

Responsible business continued

Communities



In November 2024, Ricardo Australia commissioned an artwork to accompany their Reconciliation Act. Created by Arrernte artist Scott Rathman following a workshop with members of the Australia team.

In FY 2024/25, we undertook a review of our charity partners to better focus our efforts and ensure we were aligning activity with our goal of encouraging STEM careers among young people in our communities.

Charity partners include:

- **Engineering Development Trust (EDT), UK –** providing education on STEM topics and in class building challenges for young children
- **In2scienceUK –** encouraging young people from low socioeconomic backgrounds into STEM careers
- **Society for Canadian Women in Science and Technology, Canada** – supporting young women into STEM careers
- **H2GP, Australia –** championing careers in engineering; with this year's focus was on building hydrogen fueled racing cars
- **2econd Chance, UK –** we continue to donate to 2econd Chance a not-for-profit that refurbishes unwanted IT equipment, providing opportunity for NEET (not in employment, education or training) adults and young people aged 16-25 with an Education Health Care Plan

Through our STEM charity activities, Ricardo engaged over 700 students in the UK alone.

Charitable donations this year amounted to over £60,000 in addition to providing mentoring, education sessions and event support.

In May, the Ricardo Australia team had its Reflect Reconciliation Action Plan (RAP) endorsed by Reconciliation Australia, marking a significant milestone in the Company's commitment to reconciliation with Aboriginal and Torres Strait Islander people.

The RAP represents Ricardo's commitment to embed reconciliation into its culture, business practices and relationships. It sets out practical actions the Company will take to strengthen understanding, respect and opportunities in partnership with First Nations communities.

Responsible business continued

Governance

Policy streamlining

To streamline governance, priority this year was given to aligning our policies across Ricardo. This has included the review, amalgamation and update of policies from the business units, as well as retiring duplicate or obsolete policies.

Ethics

In January, we relaunched our Code of Conduct, providing a clear and straightforward framework for everyone at Ricardo – as well as suppliers and business partners – of the expected behaviour across the business The Code creates a consistent approach to working with each other, clients and external third parties, outlining what we must do to comply with local laws and regulations, alongside meeting all relevant company standards.

In addition, Ricardo maintains its Supplier Code of Conduct, Human Rights Policy, Speak Up Policy, DEI Policy and Anti-Bribery and Corruption Policy. We adhere to security standards to safeguard sensitive information. Our Information Security Policy is instrumental in fostering trust with clients, suppliers and employees.

Sustainable procurement

In FY 2024/25, we completed a risk assessment for 100% of new suppliers onboarded in the EE, PP, A&I business units and at a Group level, with the support of LexisNexis and Dun & Bradstreet.

Data responsibility

Ricardo maintains a robust information security programme that includes mandatory training for all employees, upon hire and annually thereafter, covering essential topics such as data protection, cybersecurity best practices, and incident response.

Our information security programme is aligned with industry best practices and certified to ISO/IEC 27001 and Cyber Essentials standards. Senior leadership oversees the information security management system (ISMS) through annual reviews assessing performance, risk, operations and incidents. Key performance indicators are tracked to identify improvements. Data, information security and privacy reports are submitted to the Audit Committee every six months, with findings presented to the board annually.

Modern slavery

As part of our supplier procurement due diligence process, modern slavery risk assessments are a mandatory requirement for all suppliers, even if the threshold of the individual national obligations does not legally impact a supplier's business. Risks are prevalent in all countries, and we sometimes consider a smaller business partner more at risk than those who are large corporate businesses.

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

Whistleblowing

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

Ratings

MSCI	Sustainalytics	EcoVadis	CDP	ISS ESG	S&P Global Ratings	FTSE Russell
AA – Leader	Low risk	Silver award	B	C+ Prime status 56.74	50/100	Medium rating score 3.4 percentile rating of 51

Environmental performance

Greenhouse gas emissions

The table below and supporting methodology and assumptions summarise the Streamlined Energy and Carbon Reporting (SECR) disclosure in line with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. In support of our ambition to achieve our SBTi target, we are increasing the breadth of KPI reporting as shown below. Data below restated on the basis of sale of Ricardo Defense – ongoing operations. The inventory has been verified using ISO 14064 -3:2019 for Greenhouse Gas emissions, taking into account the requirements of The Greenhouse Protocol – A Corporate Accounting and Reporting Standard (revised edition, Jan 2015).

Metrics and targets

		FY 2024/25	FY 2023/24 (restated)[1]	FY 2022/23 (restated)[1]	FY 2019/20 baseline
Emissions – tCO_2e					
Scope 1	Gas (methane based) usage	**950**	1,251	872	*
	Diesel usage	**346**	574	502	*
	Gasoline usage	**396**	318	477	*
	Other emissions	**502**	59	303	*
	Total	**2,193**	2,201	2,154	4,343
Scope 2	Location-based	**2,357**	2,714	2,671	4,002
	Market-based	**678**	852	543	4,002
Total (Scopes 1 and 2)	Location-based	**4,550**	4,915	4,825	8,345
	Market-based	**2,871**	3,053	2,697	8,345
Scope 3	Category 1 (including Category 8) – Purchased goods and services	**43,587**	48,779	68,225	*
	Category 2 – Capital goods	**1,509**	649	4,936	*
	Category 3 – Fuel and energy related activities	**204**	192	213	*
	Category 4 – Upstream transportation and distribution	**378**	340	361	*
	Category 5 – Waste – ongoing operations	**145**	40	104	*
	Category 6 – Business travel (all modes)	**797**	2,292	2,932	*
	Category 7 – Employee commuting	**1,545**	1,731	1,402	*
	Category 9 – Downstream transportation and distribution	**61**	92	163	*
	Category 11 – Use of sold product (weight apportioned basis – GHG protocol)	**3,992**	4,925	4,894	*
	Category 11 – Use of sold product – (whole vehicle weight method – SBTi)	**29,218**	35,172	35,736	*
	Category 12 – End of life of sold products	**159**	186	215	*
	Category 13 – Downstream leased assets, location based	**57**	61	65	*
	Scope 3 total – GHG basis	**52,435**	59,288	83,509	*
	Scope 3 total – SBTi basis	**77,661**	89,536	114,352	*
	Total – Location-based (Scopes 1,2,3) GHG Protocol basis	**56,984**	64,203	88,334	13,291
	Total – Market-based (Scopes 1, 2, 3) GHG Protocol basis	**53,112**	60,140	84,053	10,326

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

(1) The prior periods have been restated for discontinued operations, being Ricardo Defense, which was sold on 31 December 2024.

Environmental performance continued

Greenhouse gas emissions continued

Metrics and targets continued

		FY 2024/25	FY 2023/24 (restated)[1]	FY 2022/23 (restated)[1]	FY 2019/20 baseline
Intensity measures – GHG basis (tCO_2e per employee)					
Total (Scopes 1 and 2)	Location-based	**1.81**	1.73	1.72	3.05
	Market-based	**1.14**	1.08	0.96	2.08
Scope 3	GHG Protocol basis	**20.90**	20.89	29.81	*
Total (Scopes 1, 2, 3)	Location-based	**22.71**	22.62	31.54	*
	Market-based	**21.17**	21.19	30.01	*
(tCO_2e per £m revenue)					
Total (Scopes 1 and 2)	Location-based	**12.90**	13.99	13.50	24.49
	Market-based	**8.14**	8.69	7.55	18.07
Scope 3	GHG Protocol basis	**148.71**	168.77	233.66	*
Total (Scopes 1, 2, 3)	Location-based	**161.61**	182.76	247.16	*
	Market-based	**150.63**	171.19	235.18	*
Electricity consumption (MWh)					
	Electricity consumed (all sources)	**7,833**	7,904	10,303	*
	Renewable electricity consumed	**6,542**	5,973	9,332	*
	Non-renewable electricity used	**1,291**	1,930	971	*
	Percentage of renewable electricity used	**84%**	76%	91%	*
SECR (UK Streamlined Energy and Carbon Reporting)					
	UK Scope 1 tCO_2e	**1,827**	1,897	1,647	2,496
	UK Scope 2 – Location-based tCO_2e	**1,628**	1,931	2,078	3,065
	UK Scope 2 – Market-based tCO_2e	**21.63**	138.12	11.81	166
	UK Scope 1 + Scope 2 tCO_2e location-based	**3,455**	3,828	3,725	5,562
	UK Scope 1 + Scope 2 tCO_2e market-based	**1,849**	2,036	1,658	2,662
	Energy consumption (million kWh)	**11.77**	13.10	15.22	17
Intensity measures (tCO_2e per UK employee)					
	Scope 1	**1.23**	1.13	1.40	1.50
	Scope 2 Location-based	**1.09**	1.15	1.25	1.84
	Scope 2 Market-based	**0.01**	0.08	0.01	0.10
	Scope 1 + Scope 2 Location-based	**2.32**	2.28	2.64	3.34
	Scope 1 + Scope 2 Market-based	**1.24**	1.21	1.41	1.60

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

(1) The prior periods have been restated for discontinued operations, being Ricardo Defense, which was sold on 31 December 2024.

Environmental performance continued

Greenhouse gas emissions continued

Carbon accounting methodology and notes

The operational control test is applied to determine if an emission is within Scope 1 or Scope 2.

The inventory has been compiled according to the GHG Protocol and internal procedures with the exception that individual gases are not reported. Our GHG emissions for FY 2024/25 have been verified by LRQA in accordance with ISO 14064–3:2019, 'Specification with guidance for validation and verification of greenhouse-gas assertions'.

In the previous year's Annual Report Scope 1 emissions were restated due to a suspected faulty gas meter at Shoreham Technical Centre; we added an additional 4,164,096kWh for the previous year to the carbon inventory. In the last financial year, this issue has been resolved and the true cause of uncertainty of gas usage was discovered to be a billing issue from the provider rather than a faulty meter. Accordingly, the additional gas consumption was removed and the previous year's figures for gas consumption were restored to their original values.

There have been acquisitions and divestments in the last financial year which included the sale of Ricardo Defense on 31 December 2024 and the acquisition of 85% of E3A on 7 January 2025. The combined effect of the acquisitions was below the 20% headcount change threshold required for a GHG emissions baseline restatement. As Ricardo Defense was a significant source of CO_2 due to the high Scope 3 emissions (44% of total emissions), restatement of prior year's results has been undertaken with a sub-table added below the main table to state the CO_2 removed from the results reflecting the rebaseline in accordance with the GHG calculation protocol.E3A emissions have been included in our emissions inventory from the date of acquisition, but no restatement was made due to the de minimis threshold not being reached for E3A GHG emissions.

Improvements have been made to our emissions calculation methodology during the FY 2024/25 reporting cycle. For Employee commuting we saw the response rate increased to 90% from 80% year-on-year for site-based employees.

In FY 2023/24, we changed the estimating method for waste in our office-only sites, where we moved from a capacity-based calculation to a more accurate occupancy-based approach. We continued to use this methodology for all sites above 10-person occupancy, which accounts for over 90% of our employees.

Emission factors used for fuels, transmission and distribution and electricity are based on the most appropriate open-source data by location. For example, BEIS/Defra conversion factors are used for the UK, US EPA for the US and the most recent confirmed IEA factors for most other locations. Electricity emissions factors used for market-based calculations where renewable electricity is procured are 0kgCO_2e/kWh. Location-based factors are applied elsewhere.

Scope 3 emissions factors for Categories 1, 2, 4, 5, 8 and 9 are based upon finance data using Defra for UK and EU-based entities, and Quantis for other entities. Scope 3, Category 7 is based on an annual employee commuting survey; Defra and US EPA emission factors are used for this. Category 11 is based on published WLTP emissions for each engine variant. Estimated vehicle use over 10 years. Category 12 emissions are estimated based on volumes of engines, transmissions and ABS kits sold until the sale of Ricardo Defense in December 2024. End-of-life emissions are estimated on material type and weight using Defra and Ecoinvent emission factors.

In FY 2024/25 a greater proportion of business travel was calculated on a spend basis rather than activity. The air travel, rail and hotel emissions are calculated by FCM (Travel Management Company) using bespoke factors that take airline and aircraft type. This methodology follows those outlined by Thrust Carbon. The remaining elements of Category 6 reported directly by FCM are calculated based on cost using the Defra and Quantis factors as above.

Other Scope 1 emissions include refrigerants used to recharge cooling and air conditioning plants, fire extinguishants such as FM200 and sulphur hexafluoride (SF_6) associated with switchgear. These vary from year to year depending on the number and type of fire events and maintenance activities.

SECR: Our UK operations are our biggest consumer of electricity, which is our only UK Scope 2 emission source, where we directly procure electricity from renewable sources for our largest sites.

We have no Scope 3 emissions in Categories 10 (processing of sold product), 14 (franchises) or 15 (investments). Category 8 emissions (upstream leased assets) are included within Category 1 reporting as applicable.

Revenue-based intensity metrics and headcount metrics are based on the financially audited information and the KPMG audit opinion.

Scopes 1, 2 and the Scope 3-Category 1- Purchase of goods and services (category 8 included in category 1 if applicable), Category 2-Capital goods, Category 3 - Fuel- and Energy-Related Activities (Not Accounted for in Scope 1 or 2), Category 6- Business Travel, Category 7 – Employee commuting and Category 13-Downstream Leased assets were verified to a reasonable level of assurance and a materiality of 5%. The following categories in Scope 3 were verified to limited assurance and materiality of the professional judgement of the verifier: Category 4-Upstream transport and distribution; Category 5-Waste generated by operations, Category 9-Downstream T&D; Category 11-Use of sold products; Category 12-End of life treatment of sold products. The inventory has been verified using ISO 14064 -3:2019 for Greenhouse Gas emissions as taking into account the requirements of The Greenhouse Protocol – A Corporate Accounting and Reporting Standard (revised edition, Jan 2015).

Environmental performance continued

Waste performance

	FY 2024/25		FY 2023/24* (restated)(1)		FY 2022/23 (restated)(1)	
	Quantity kg	**% of total**	Quantity kg	% of total	Quantity kg	% of total
Hazardous waste	**178,922**	**29%**	174,592	27%	121,304	19%
Electronic waste	**4,783**	**1%**	4,088	1%	5,215	1%
General waste to recycling	**346,136**	**55%**	310,466	48%	260,422	40%
General waste – to land fill	**3,644**	**1%**	12,238	2%	65,500	10%
Food waste to recycling (composting or anaerobic digestion)	**4,400**	**1%**	4,326	1%	17,019	3%
General waste to incineration	**87,129**	**14%**	140,592	22%	190,570	29%
Total	**625,014**		646,302		660,031*	
Waste recycled	**525,058**	**84%**	485,058	75%	381,726	58%
Waste converted to energy	**91,529**	**15%**	144,918	22%	207,589	31%

Note – Columns do not total as streams can be in multiple categories.

* Exceptional demolition item removed 612,000kg.
(1) The prior periods have been restated for discontinued operations, being Ricardo Defense, which was sold on 31 December 2024.

Task Force on Climate-related Financial Disclosures

Background and approach

Ricardo follows a structured three-year cycle for comprehensive TCFD (Task Force on Climate-related Financial Disclosures) reviews, supplemented by annual interim updates. The last full review was completed in 2023, with the next major update scheduled for May 2026. This report represents an interim update focused specifically on the strategy section, reflecting changes in operational locations, acquisitions, divestitures, and strategic developments that have influenced the rating of our material climate-related risks and opportunities. For instance, the previously identified 'Market expansion opportunity – Mergers and acquisitions' has now been listed as Transition risk for the Group based on an interim review and internal stakeholder interaction during the review cycle.

The Group Risk Register has been revised accordingly and was formally approved by the Executive Committee. In addition, a targeted reassessment of transition risks and opportunities was conducted, considering the recent geopolitical developments and evolving reporting requirements over the past year.

For the board and Audit Committee, this update draws on inputs from Ricardo's in-house experts and the prior horizon scanning exercise. These inputs supported the refinement of climate-related risk and opportunities ratings, ensuring they reflect the most current internal and external developments. In parallel, Ricardo's materiality assessment process was updated to reflect the more accurate results about financial magnitude and likelihood of climate-related risks and opportunities. This enhanced approach provides a clearer view of how climate change may impact the organisation's risk profile and strategic planning.

TCFD compliance summary

The table below provides a summary update on Ricardo's TCFD requirements, along with a preview of planned updates for the major review cycle scheduled in May 2026. Ricardo intends to review its climate-related risks and opportunities on an annual basis to ensure continued relevance and, where found appropriate, integrate them directly into the Group's principal risk register.

In FY 2025/26, this process will include a more in-depth review with a full scenario analysis refresh of material climate-related risks and opportunities.

Topic	Disclosure	Annual report reference	FY 2024/25 updates	Planned updates for FY 2025/26
Governance	Describe the board's oversight of climate-related risks and opportunities.	Page 153	• Formally held three RBC meetings • GHG and climate-related topics related to risk, locations, product and setting KPIs for GHG-related incentives for management • Reviewed climate-related risks and opportunities and their relevance to Ricardo in 2025. Integrated and aligned the TCFD risks and materiality thresholds with the Group Risk Register and reviewed them holistically with the RBC, the Audit Committee and the Executive Committee	• Hold three RBC meetings focusing on defined KPIs, progress and regulatory and reporting updates
	Describe management's role in assessing and managing climate-related risks and opportunities.	Page 154		• GHG KPI achievement and reduction plans to feature as an agenda item in each ESG forum and RBC meeting
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Page 155	• Financial materiality assessment was conducted to re-examine the CROs over the different time horizons against Ricardo's ERM criteria • Conducted formal reviews of the ~50 global Ricardo locations, identifying and prioritising the four properties with the highest risk of Business Impact Analysis (BIA) due to climate-related disruption such as floods, wildfires, hurricanes, rain or other acute events. Updated for divestment of Defense business • Impacts will vary depending upon Ricardo locations, but as the majority of revenue and profit is generated from flexible consultancy services, the impacts are considered low due to staff mobility and global capabilities	• Update risk register and evaluate any risk and opportunities revisions in the 2026 major review – reflecting any new locations or business streams • Assess feasibility of quantification of CROs to higher degree of precision
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Page 158		• In-depth review at next update (April 2026). Major workshop to ascertain impacts across all facets of the business
	Describe the potential impact of different scenarios, including a 2°C scenario, on the organisation's businesses, strategy, and financial planning.	Pages 159-161		

Task Force on Climate-related Financial Disclosures continued

Topic	Disclosure	Annual report reference	FY 2024/25 updates	Planned updates for FY 2025/26
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks.	Page 163	• Reassessed the materiality of climate-related risks using the principal risk register thresholds • Reviewed product/location/risk matrix to assess if overall climate related risk has increased or decreased using cross BU and cross Function assessment panel • Identified additional business resilience measures to adapt to the identified climate-related risks within the context of the principal risk register and the description of the climate-related risks and opportunities, reflecting the business structural changes in FY 2024/25 • Board strategy and budget planning sessions using climate risk analysis including client location, activity location and supply chain resilience	• Plan FY 2025/26 – major update with revised locations
	Describe the organisation's processes for managing climate-related risks.			• Continue to implement mitigation measures to manage risks and opportunities as needed
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.			
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 163	• Refined Scope 1 and Scope 2 measurement methodology, rebase-lining for the divestiture of RDI • Reviewed Scope 3 measurement approaches highlighting opportunities for greater accuracy of measurement and a real reduction of gross CO_2 emissions targets, reflecting the categories measured and the precision of the measurement • The targets and objectives are set using the Group Risk Register, scoring to keep climate risk in the mid-section of the GRR, i.e. well below the principal risks. The risk rating is managed by a selection of clients, locations and project work undertaken to ensure climate risk does not dominate the GRR	• Restate Scope 3 emissions due to improved data availability and to obtain reasonable assurance • Develop a plan for re-submission of SBTi 2030 short-term and long-term targets
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Page 163		• Continued target achievement of expanding categories under Scope 3 which achieve Reasonable Assurance standard
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 163		

Governance

Board's oversight of climate-related risks and opportunities

The Ricardo's board has ultimate responsibility for risk management including risks and opportunities related to climate change. The board is also responsible for reviewing and directing the strategic approach on products, capital allocation and decisions related to investment. Support and advice to the board is provided by the Executive Leadership Team (ELT), the RBC and the Audit Committee. The ELT is responsible for ensuring the Company's approach to climate-related risks and opportunities is appropriate, fit for purpose, and that metrics and targets are in place and reported annually. Progress against KPIs for the compensation-linked GHG reductions are part of the reviews, together with a feed into the Remuneration Committee.

Risk management responsibilities are conducted through the Audit Committee who review the principal risks twice a year formally and on an ongoing basis. All department and business unit risks are assessed as part of this half-year process (see page 154 for fuller description). The ESG Forum supports the risk management process by reviewing and providing detailed updates of specific aspects of the risk portfolio. The membership of both the ELT and Audit Committee are Executive Committee and Senior Leadership Team members.

Task Force on Climate-related Financial Disclosures continued

Governance continued

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

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

Each business area develops a strategy, and from this strategy, the budget is set to run projects to mitigate climate-related risks and grasp opportunities occurring over the short term (up to five + years). These are reviewed and blended with the core enabling functions' budgets and requirements (Facility Operations, QSHE, HR) and used to prepare a comprehensive five-year plan. Medium (2050) to longer-term (2100) climate-related risks and opportunities such as shifting weather patterns, and large, structural shifts in the markets in which Ricardo operates – particularly regarding fossil fuel use and the emergence of new technologies – are considered by the RBC as part of the annual TCFD refresh process and annual strategy and planning sessions set up by the board. Any substantial changes in these risks and opportunities which might impact the current five-year plan are considered by the board, including the board-directed acquisitions and divestments. Focus is given to the nature of projects, environmental exposure and choice of location for sites. Most sites are leased properties (all but two), and so as issues emerge, it is relatively easy to relocate the facility to a more suitable location, elevation or environmental risk position.

Strategy

Ricardo Group adheres to a structured three-year cycle for comprehensive review of its TCFD disclosure reporting, supported by annual interim updates. The last full review cycle was completed in 2023 and next the scheduled full review is due in May 2026 with a focus on being IFRS S2 compliant.

Ricardo's three-year TCFD review cycle and highlights that the last major update was conducted during FY 2022/23. Resulting changes were incorporated into the FY 2023/24 and FY 2024/25 reporting cycles, as part of the Company's ongoing annual review of climate-related risks and opportunities.

The FY 2024/25 review was focused on ensuring that the ranking of our material CROs is in line with expectations of risk appetite with a primary focus on qualitative approach while FY 2025/26 updates will be focused on financial materiality using scenario analysis on Ricardo Groups – Operations and Assets.

Ricardo aims to achieve full compliance with IFRS S2 as part of our major three-year updates in FY 2025/26.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Identification of climate-related risks and opportunities

In 2023, the physical (acute and chronic) and transitional (regulatory, technological, market, legal and reputational) risks and opportunities attributed to climate change were assessed. Opportunities were assessed relating to Ricardo's capability to grow environmental consulting, service ever-broader climate needs, maintain integrity of analysis and results, and develop new tools in a timely fashion.

In 2024 and 2025, as part of Ricardo's annual interim review process, our material climate-related risks and opportunities were reassessed using a Top-Down approach through a cross-functional team. This team involved representatives from core PLC functions, Business units, Property management, Supply chain, Group Risk, QSHE, and Project delivery functions, ensuring a comprehensive representation with a focus on capturing a 360-degree perspective capturing across the organisation.

A dedicated workshop was held in which a comprehensive list of climate-related risks and opportunities (CROs), including those currently material, was evaluated by the cross-functional team. This exercise involved reassessing the prioritisation of each CRO within the risk register qualitatively and identifying any changes in their classification as either risks or opportunities including addition/deletion of new CROs.

During the workshop, cross-functional team had identified several key outcomes across the business operations, regions and services. Below is a short summary of it:

1. Divestment of the Ricardo Defense Business, including five facilities all in the US located in California, Michigan (two facilities), Alabama and Maryland.
2. Acquisition of E3 Advisory in Australia – a leading Australian infrastructure advisory firm that advises both governments and private clients through the infrastructure project life cycle, with expertise in transport (road and rail), clean energy, water, and mining and resources infrastructure. E3A has offices in Perth, Brisbane, Melbourne and Sydney.

A qualitative impact score was assigned to material climate-related risks and opportunities, based on both the magnitude of their potential impact and the likelihood of occurrence ranging from 'very unlikely' to 'almost certain'. This materiality assessment was conducted using a five-year horizon, aligned with Ricardo's strategic outlook and viability statement.

As part of this year's interim update, the qualitative assessment was undertaken to evaluate the alignment between climate-related risks and opportunities and their projected impact on Ricardo's operating profit. This assessment considered both medium-term (2030) and long-term (2050) horizons, using a worst-case climate scenario (RCP 8.5), as detailed on page 158.

Transition risks

Transition risk refers to the financial, reputational, economic and strategic risks associated with the societal and environmental changes on the journey to a low-carbon economy. Transition risks include possible changes in the regulatory environment, policy, appropriateness and acceptance of technologies and shifts in consumer preferences or opinion. Transition risks may also be influenced by changes in the physical climate as impacts of global climate change are becoming apparent.

Ricardo has considered both the impact of policies/regulations that are intended to mitigate climate change, as well as the impact of demand changes for services and products and locations where policy changes/incentives accelerate revisions to planned strategies. The transition to a low-carbon economy requires legislative and regulatory changes, national or regional commitments, such as the Inflation Reduction Act (IRA) in the US, and the Paris Agreement and the European Union (EU) Green Deal. However, the rate of change of policy switches drives its own set of risks during the transition. Ricardo set out a vision and transition to sustainable mobility in the 2022 Capital Markets Day. Since the time of setting the strategy, the rate of change has both accelerated and in some regions been reversed. This uncertainty in the transition to a low-carbon economy presents a business opportunity to respond to the challenges of climate change, together with risks from the shifts in market and client requirements. By leveraging our global span and skill sets, we are working towards understanding the balance between potential risks and opportunities arising from this transition and variable regulatory and market landscape. Costs associated with the transformation of existing technology may be high for some clients and this presents both economic and product design opportunities for Ricardo. Breakthroughs in new technology, such as renewables or battery storage may assist in the transition away from fossil fuel-based transport systems; however, investment costs may require significant capital investment and hence risks increase as policy reversals can have an outsize impact on technology development.

In 2016, then Ricardo embarked upon its GHG reduction journey, the global regulatory and reporting requirements were leading away from fossil fuel towards fossil-free and low carbon technologies, mobility and energy. Policy has since pivoted away from this trajectory, creating uncertainty during this transition with unanticipated regulatory changes in the US and Europe, resulting in bifurcation or fragmentation of approaches. In the US, the movement away from electric vehicles and the different approaches even at State level has resulted in opportunities for pure consulting, assessment and economic analysis type work. Product development such as efficient internal combustion systems or less favoured EV technologies present risks in stranded IP, technology development or installed facilities. The time horizon for the design, development, implementation of the value chain and verification is longer than recent policy change periods. Fortunately, as Ricardo has moved to a more asset-light model over the past 15 years, this has had less of an impact with these significant policy and economic incentive changes.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Transition risks continued

In Europe, the reduction of some of the requirements in reporting via the Omnibus Bill and discussions of net zero vs carbon neutral have presented opportunities to remove what many considered unrealistic expectations of value chain (Scope 3) data availability and improvements. Asia has remained much more focused on air quality and moving to a majority electric vehicle fleet – which again presents opportunities for Ricardo consulting – but requires a dilution in terms of facility and asset investment split between fossil and non-fossil-fuel assets. This stratification has also presented risks and costs as a specific product and technology development is unlikely to be applicable worldwide due to consumer and client preferences as well as regulatory and policy environment.

Ricardo has been on a carbon reduction journey through conscious investment, active GHG reduction methods together with strategic changes to our portfolio to reduce fossil-fuel consumption and of non-or-low-carbon fuel products. Our Scope 1 and 2 emissions are c.80% lower than peak, and although we are pleased with the reductions, it has revealed the increasing marginal cost of carbon abatement, which from recent work is now in the region of c.£7000/tCO_2e. Clearly, the remaining 10% to get to 90% reduction cannot be considered cost effective. The other aspect that has come into focus is the number of low-quality carbon credit schemes in recent years, with unwelcome greenwashing claims that have been brought into disrepute. This, coupled with unavailability due to cost and scale of the nascent carbon capture and storage industry, has presented transitional risks to reputation and profitability in trying to reach net zero.

These transition risks have not reduced our resolve to look for every opportunity to minimise GHG – but the recognition that the journey has become much harder has been reached. Ricardo has consciously not renewed our commitment to SBTi net zero targets considering the work and the costs revealed over our GHG reduction journey to date with effectively no economic or technically viable way forwards. This presents further transition risks in consumers and investors seeing Ricardo not progressing further but also a reality that GHG reduction costs are significant and must be balanced against shareholder expectations, staff and investment/CAPEX requirements for the business. Our biggest opportunities remain in continuing the alignment to a low-emission mobility and energy economy over the longer-term horizon.

Identification of climate-related risks and opportunities

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

Table 1: Climate-related risks and opportunities

				Potential impact on Ricardo's operating profit under RCP 8.5 (world of extreme climate change) (Low: 0-3%, Medium: 3-6%, High: >6%)	
Category – Risk/Opportunity	**Issue groups**	**Definition**	**Risks or opportunities**	**2030**	**2050**
Physical risks	**Physical risks to Ricardo's operations and assets**	Physical climatic changes reducing function of Ricardo facilities, locations, supply chain and human capital. Physical risks identified include: • Flooding (related to either storm surges or sea level rise) • Extreme heat and cold, storms, drought Ricardo has the ambition to maximise growth in the UK and EU market and to grow in the Middle East and South Africa. Assessing the physical risks in these geographies will be key to Ricardo's success.	Extreme heat (Risk) – Australia, Southern Europe, Middle East.	Low	Medium
			Chronic/acute flooding (Risk) at Coastal operational locations: California, Shanghai, Shoreham, Prague (river).	Low	Low
			Storm Surge – Shoreham, Shanghai.	Low	Low

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Identification of climate-related risks and opportunities continued

Table 1: Climate-related risks and opportunities continued

Category – Risk/Opportunity	Issue groups	Definition	Risks or opportunities	Potential impact on Ricardo's operating profit under RCP 8.5 (world of extreme climate change) (Low: 0-3%, Medium: 3-6%, High: >6%)	
				2030	**2050**
Transition risks	**Human capital**	Ricardo's ability to retain, reskill and recruit the human capital required to meet opportunity growth targets.	Demand, supply, upskilling and reskilling – Worldwide operations.	Low	Medium
			Employee retention – US, Europe, Middle East.	Medium	Medium
Transition risks	**Reputational pressures from stakeholders**	Increasing pressure to act on climate change, leading to potential reputational risks.	Streamlining climate action across all business units – Worldwide operations.	Low	Medium
			Increasing awareness and expectations of investors, shareholders and financiers – UK dominant but worldwide from fund managers.	Low	Medium
Transition risks	**Portfolio prioritisation**	Market shifts, regulatory environment change, customer preferences changing driven by government policy changes.	Low/zero – carbon technologies not price competitive or low market acceptance.	High	Medium
			Market pull-back from a clean energy consulting agenda.	High	Medium
			Carbon pricing and carbon offsets fail to drive demand for clean mobility and energy transition portfolio.	High	Medium
Transition opportunities	**Portfolio prioritisation**	Growth in Ricardo's and energy transition offering e.g. safe and sustainable transport, clean energy, environmental services, and clean energy and resources.	Clean energy and resources – Europe, UK, US.	Medium	Medium
			Environmental service offerings – Middle East, Africa, US, Europe.	Medium	Medium
			Safe and sustainable transport – Developed nations and worldwide.	Medium	Medium
Transition opportunities	**Market expansion**	Ricardo's growth into new geographical and industrial markets, supported by M&As and partnerships.	Geographic expansion – US, Australia, Middle East, Europe.	Medium	High
Transition risks			Physical risks altering client needs – US, Australia, Middle East, Europe.	Medium	Medium
			Mergers and acquisitions – US, Middle East, Australia.	Medium	High
Transition risks	**Digitalisation**	Ricardo's digital solutions can support with the energy and environmental transition.	Digitalisation – Worldwide.	Low	Medium

Task Force on Climate-related Financial Disclosures continued

Strategy continued

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

Our process for climate risk and opportunity review is supported by our in-house climate risk expertise in CE&ES. Ricardo undertook a climate scenario analysis (pages 158-161) to examine business impacts over a range of time horizons to understand the materiality of the risks and opportunities identified. A range of scenarios were selected and used to assess the impact of the most material issue groups over a range of potential futures. Ricardo chose a best case (well below 2°C) scenario for transition and physical risks and opportunities (IEA Net Zero Emissions by 2050 and IPCC RCP 2.6), and a worst case/business-as-usual scenario (>4°C and 2.6°C) for each respectively (IEA Stated Policies Scenario and IPCC RCP 8.5). These scenarios were also selected because they are scientifically recognised and robust and are widely used for TCFD reporting and are regularly updated. Table 1 (page 156-157) highlights our material climate-related ricks and opportunities alongside the selected climate scenarios for which they have been assessed.

During our analysis, Ricardo considered three timeframes: 2030, 2050 and out to 2100. These timeframes are linked to Ricardo's strategic business planning – i.e. five years for the short timeframe to align with Ricardo's five-year business cycle.

Transitioning products and services towards zero carbon – portfolio prioritisation

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

People and market expansion in environmental consulting

With regard to market expansion and human capital growth in environmental consulting, headcount growth is planned to continue, reflecting interest and capabilities in these areas. Growth will be boosted by expanded presence in Australia, the US and Europe for low-carbon energy, transport or other relevant sectors. Uncertainties and headwinds are included in the transition risk section (pages 155-156) and reflect changes to government policy, incentives and development initiatives.

Climate change impact on assets and operations

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

Managing the impacts of climate-related risks to physical assets

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

Long-term asset investment and resilience planning

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

The table on page 157 presents the transition risks and opportunities under two transition scenarios, 'Net Zero by 2050 (NZE)' and 'Stated Policies (STEPS)', the potential impact to our business and our corresponding current and future business resilience measures. The business impact has been scored high, medium, and low for each risk.

To evaluate the potential financial impacts of climate-related risks and opportunities on our business and operations, we use material financial thresholds based on Ricardo's operating profit of FY 2022/23 as follows:

- Low impact: 0 to 3% on operating profit
- Medium impact: 3% to 6% on operating profit
- High impact: >6% on operating profit

The above scoring mechanism helps us to consistently assess and communicate the significance of each factor influencing the business. Alongside this approach, it allows us to prioritise actions, allocate resources effectively, and support transparent decision-making in line with our climate resilience strategies.

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

Task Force on Climate-related Financial Disclosures continued

Strategy continued

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

Table 2: Business impact of climate-related risks and opportunities on Ricardo rating

Portfolio prioritisation (Opportunity)

Scenario			Impact on Ricardo	Business resilience measures
NZE: Short **Medium**	NZE: Medium **Medium**	NZE: Long **Medium**	**Short term:** Strategy implementation and policy development support for both governments and private sector. Some implementation solutions for easy-to-mitigate sectors. **Medium term:** Opportunity may ramp up as climate change becomes noticeable and heavy industries are expected to decarbonise by 2050, pending continued support for carbon reduction. **Long term:** Opportunities tail off as targets are met. Lighter-touch ongoing strategy support, but focus continues with implementation support.	• Refocus EET strategy: Implement and evolve long-term resilience measures for the next 10-15 years • Maintain a broad portfolio of capabilities across mobility, transport, environmental and energy to reduce sensitivity to transitional policy changes • Develop a skilled workforce: Train employees to innovate and reduce costs in low/zero-carbon technologies. Remain cognisant of administration and policy changes • Engage with industry groups: Actively participate in sustainability standards bodies to stay competitive • Track competitors: Monitor competitors and allocate capital strategically to maintain skills and recruitment. Allocation of resources to world regions that are receptive to services • Plan for post-2050: Explore future offerings based on hydrogen adoption, battery electric vehicle uptake and infrastructure development
STEPS: Short **High**	STEPS: Medium **High**	STEPS: Long **High**	**Short term:** Same as current day trends in strategy implementation and policy development support for both governments and private sector. **Medium term:** Increase in opportunities compared to short term but significantly less than for long-term opportunities. **Long term:** Opportunities continue to increase due to delayed climate action. This is done under extreme time pressures and increased costs to industry, increasing financial risks and companies particularly SMEs.	

Market expansion (Opportunity)

Scenario			Impact on Ricardo	Business resilience measures
NZE: Short **High**	NZE: Medium **High**	NZE: Long **High**	**Short term:** Significant opportunities for Ricardo to support decarbonisation at a global scale in multiple emerging sectors. This will first occur in the advanced economies and receptive governments in which Ricardo sits. **Medium term:** The size of this opportunity will depend on Ricardo's service offering of implementation. There may be an opportunity to also support emerging economies with technology feasibility studies. Obsolescence/cost of fossil fuels and carbon tax will drive zero-carbon fuels, technology requirements. **Long term:** Post 2050, the size of the opportunity will reduce in scale as climate targets are met. Opportunities will be around the maintenance and efficiency of systems and technologies implemented.	• Physical risk responses – majority of growth initiatives can be remote, reducing the vulnerability to risk. Scheduling assignments outside of extreme temperature seasons • Hire locally for at-risk countries (physical risk), establish connections, ensure network resiliency to allow transferability of tasks • Financial and insurance sector access – recruitment and value propositions • Ricardo should track market and service growth rates and compare its own figures against this. Ricardo must actively engage with key industry groups and sustainability standards bodies to drive legislative standards and promote adoption rates for technologies
STEPS: Short **Medium**	STEPS: Medium **High**	STEPS: Long **High**	**Short term:** Less opportunities for Ricardo to support decarbonisation at a global scale. Opportunity will likely sit in portfolio prioritisation. **Medium term:** Opportunities for Ricardo to support emerging markets (geographically and industry) will likely increase as 2050 approaches and delayed climate action kicks in. This will likely be led by the private sector driven by consumers and investors. **Long term:** The opportunity for Ricardo will likely continue increasing after 2050 as decarbonisation is still occurring, particularly in emerging markets and economies.	

Task Force on Climate-related Financial Disclosures continued

Strategy continued

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

Table 2: Business impact of climate-related risks and opportunities on Ricardo rating continued

Digitalisation (Opportunity)

Scenario			Impact on Ricardo	Business resilience measures
NZE: Short **Medium**	NZE: Medium **High**	NZE: Long **High**	There is little direct evidence within the scenarios selected on the attribution of emission reductions to digital solutions. However, it could be assumed that global trends and the shifts to automated services will drive efficiency gains and will continue to contribute towards climate-related solutions. Ricardo already integrates some digital solutions into its current products and services. This can be expected to increase in the future to support the Company's climate-related services and is already occurring to some extent with digital prototyping in Automotive and Industrial and automation in Rail.	• Digital knowledge transfer, training and experiential growth for staff. Increased M&A activity with consideration for how acquisitions will be accretive in the digital sector • Integrate the IT systems of the Group, meeting security and isolation requirements but building resiliency and availability. Integration of different BU technical capabilities will expand efficient, low-carbon mobility digital solution possibilities • Ricardo will continue to consider how digitalisation can be integrated into the solutions it provides, as it is demonstrated in Ricardo's strategy. Partnerships will support this and fill the gap in the Company's current digital capabilities • Tracking the revenue and efficiencies from digital solutions • Increased support for digital tools, investment in tools • Risk around being able to act fast enough – competitor – loss of potential business
STEPS: Short **High**	STEPS: Medium **High**	STEPS: Long **High**	It is too premature to begin assessing in detail what Ricardo's offering in this area should look like beyond 2050. This will be very scenario dependent. Ricardo should continue monitoring global progress against climate targets to understand which direction the travel industry and governments will take – depending upon fossil versus renewable energy costs and infrastructure development for zero-carbon energy.	

Human capital (Risk)

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

Reputational pressure coming from stakeholder (Risk)

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

Task Force on Climate-related Financial Disclosures continued

Strategy continued

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

This table presents the physical risks under two climate scenarios, IPCC SSP1-RCP2.6 and IPCC SSP5-RCP8.5, the potential impact to our business, and our current and future business resilience measures. The business impact has been scored high, medium and low for each risk and opportunity (refer to table key) on page 158.

Physical risks (Risk)

<table>
<tr><th colspan="3">Scenario</th><th>Impact on Ricardo</th><th>Business resilience measures</th></tr>
<tr><td>RCP 2.6: Short
Low</td><td>RCP 2.6: Medium
Low</td><td>RCP 2.6: Long
Low</td><td>Global temperature increases but is limited to below 2°C. Physical impacts of climate change increase from current day but catastrophic impact is narrowly avoided. Mid/long term – only at-risk location is Shoreham-by-Sea, UK.</td><td rowspan="2">• Becoming a larger and more global player will enable more support for employees with adaptation (financial strength enabling investment)
• Careful consideration of the location of new technical centres and potential relocation of existing office locations
• Working with the local authority on increased flood resilience measures technical centres – Shoreham-by-Sea is protected by sea wall for 200-year flood
• Conscious assessment of climate risk versus capital allocation
• Continuous encouragement of flexible working where possible and exploration of new ways of working such as work patterns that avoid the hottest period of the year in Ricardo's most vulnerable locations
• Investment in building facilities such as efficient air conditioning and flood defence mechanisms where necessary
• Care when bidding for projects in extreme climate zones (Australia, Africa, Middle East and some regions of Europe and the US) – extreme caution and consideration for impacts of heat on human health of employees If deployed in region or in the field</td></tr>
<tr><td>RCP 8.5: Short
Low</td><td>RCP 8.5: Medium
Medium</td><td>RCP 8.5: Long
High</td><td>Global temperature rises to 5°C, leading to catastrophic impacts at a global scale. Some regions will become uninhabitable, and others will experience positive impacts e.g. growing season extensions. The overall impact is very negative, and society falls into a disruptive state.</td></tr>
</table>

Task Force on Climate-related Financial Disclosures continued

Strategy continued

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

We understand the risks, opportunities and appropriate responses. For physical risk, Ricardo demonstrates strong adaptive capabilities with minimal fixed investment, a mobile workforce, and a flexible global footprint. Business Impact Analysis showed only one site would be materially impacted by acute weather events, focusing on quantifying probabilities and adapting. The remaining sites use hybrid/remote work and cloud-based processes to minimise disruption from climate issues. This, coupled with about 25% of staff on flexible location and based on client-site arrangements, reduces risk through diversification of location.

Climate Transition Plan developments

Ricardo is committed to developing a Climate Transition Plan aligned with the recommendations of the UK Transition Plan Taskforce (TPT) and anticipated UK SRS S2 requirements, although it is important to note that UK SRS S2 does not require an entity to have a climate transition plan or to set climate targets in line with a particular climate goal. However, it does require disclosure of a proportion of the information that frameworks, such as TPT, state should feature in a transition plan.

With over 40+ years of experience at the forefront of emissions reduction, Ricardo began its transition journey nearly two decades ago investing early in zero-carbon capabilities, technologies, and infrastructure. A key milestone in this journey was the strategic acquisition of a leading environmental consultancy, which significantly expanded Ricardo's expertise in climate policy, strategy, technology, economic analysis, and sustainable product development. This has enabled the Company not only to address its own climate impact but also to support clients in their adaptation and transition efforts. Further aligning with its long-term sustainability strategy, Ricardo divested its Defense business which included both manufacturing and consulting operations and completed a major asset-light acquisition in Australia, reinforcing its focus on scalable, low-carbon solutions.

Climate Transition Plan

In FY 2025/26, Ricardo intends to pull these foundation elements together and publish a Climate Transition Plan in line with the TPT as part of the planned Sustainability Report. By expanding the space and content outside of the constraints of an annual report, we will demonstrate a robust Climate Transition Plan further integrating environmental sustainability into the core strategy of Ricardo.

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

Figure 1: Approach to developing a Climate Transition Plan

Ambition	Action		Accountability	
1. Foundations	**2. Implementation strategy**	**3. Engagement strategy**	**4. Metrics and targets**	**5. Governance**
Throughout its 100+ year history, Ricardo has focused on improving efficiency and minimising waste. Ricardo has pioneered technologies to reduce emissions, and achieved 90% adoption of renewable energy for Scope 2, significantly cutting emissions from fossil fuel testing for Scope 1 and 2 to just 3-4% of total emissions and are 80% below peak values. Ricardo has set GHG emissions targets through to 2030, with a 2025 deadline to establish 2050 long-term goals, aligned with short-term SBTi objectives.	Capital allocation decisions at Ricardo are driven in part by their GHG impact. To support this priority, Ricardo funds a dedicated Sustainability enabling function, covering staffing and operational costs. Additionally, all business units and related enabling functions contribute personnel to advance our mission of GHG reduction, efficiency improvement and waste minimisation. We have also developed advanced modelling tools to estimate the GHG impact of R&D activities and client programme onboarding, ensuring that sustainability is a key consideration in every project we undertake.	RBC working groups and the SLT/all-hands meetings are used to engage and communicate activities related to GHG and waste reduction. The Annual Report details activities together with sharing data with reporting frameworks and rating agencies, clients, prospective employees, investors and value chain, and communities.	GHG emissions are accurately measured and significantly enhanced since 2019 – our first year of collecting data. The data set continues to improve, and we are adding more Scope 3 categories to the reasonable assurance level. These results are included in the attestation table (pages 148-149) together with risks and opportunities shown in alignment with IFRS S2 – climate standard.	Ricardo exhibits good control on strategy and decision making with climate impact core to decisions on product development, capital allocation and growth initiatives. This includes the strategic decisions to move from asset-heavy fossil-fuel-based mobility to low/zero-carbon technologies or pure consulting. Governance structure from Chair and NEDs through the Executive Committee and then the SLT and working groups. Bi-directional communications are integral to this process.

Task Force on Climate-related Financial Disclosures continued

Risk management

Identification and assessment of climate-related risks

This year, we undertook an interim update of climate-related risks as detailed on page 155.

We integrate climate change risks into our Group risk management, annual budgeting and monthly ELT meetings. In 2023, we conducted a detailed review of climate-related risks, refreshed in 2024 and now 2025 with insights from our 2023 TCFD assessment (Climate scenario analysis).

Managing climate-related risks

As part of this year's interim TCFD update, Ricardo undertook a qualitative review of its business resilience measures in response to material climate-related risks and opportunities. This exercise, led by a cross-functional working group, assessed the strategic and operational impacts of identified risks to ensure continued alignment with the Group's risk management strategy. Where appropriate, new mitigating controls were implemented to address emerging exposures.

All climate-related risks are subject to continuous monitoring, with clear ownership assigned at the functional level and oversight maintained by senior leadership to reinforce accountability and governance.

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

The process for managing climate-related risks is integrated into our Group risk management process. One of the designated principal risks is climate change. This is detailed on page 30 and is managed by the board, the ELT, business units and enabling functions. Risk-taking and management occurs through the Audit Committee. Success in achievements is managed through the ESG Forum and is fed back into the RBC for main board review.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

GHG and ESG metrics reporting

Ricardo records GHG data and other ESG metrics in the FigBytes aggregation system. This includes fuel consumption for powertrain development, water, waste, utilities and HVAC discharges. These metrics are summarised on pages 148-151 with absolute and intensity measures for the past three years.

Targets have been set for management and tied to long-term compensation to reduce absolute GHG emissions at a faster rate than the trajectory for reductions committed to in our SBTi.

As a values-led organisation, we are committed to reducing emissions under our control (Scopes 1 and 2) and through our operations (Scope 3). Climate risks are included in our Group Risk Register and evaluated every six months for changes to portfolio, locations, transition risks and supply chain impacts.

Linking compensation to GHG emissions

In FY 2022/23, we studied various methodologies linking compensation to GHG emissions, which were implemented in FY 2023/24. Two programmes are operational: one linked to an intensity reduction and one to an absolute reduction across all three scopes. The scheme incorporates 10% of the Long-Term award.

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

Scope 1, 2 and relevant categories for Scope 3 are disclosed on pages 148-150. There are risks in the method of data collection and conversion from cost-based invoices using emissions factors and consideration is being given to changing methodology to reach true CO_2 footprint (mass and materials) more accurately for some categories of S3C1. The FigBytes data aggregation platform has enhanced efficiency of data collection and allowed all locations to be measured and assessed for anomalous or missing data.

Targets to manage climate-related risks and opportunities

Ricardo has set the following targets:

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

Sustainable procurement remains a core focus to ensure compliance with principles, policies and supply chain legislation. We use the Group Risk Register framework to assess and manage risks, including climate-related ones, within our risk appetite. Regular reports are provided to the Responsible Business Committee on ESG ratings, carbon emissions and capital investments. The board approved an updated risk appetite statement aligned with the new risk management framework.