

# SUSTAINABILITY – ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Sustainability is at the heart of our DNA: from the solutions we deliver to the actions we take in our own ESG commitments.

We continually strive to be climate leaders: demonstrating responsible business operations, results and data transparency to our internal stakeholders. In doing this, our goal is to be trusted and credible guides to help our clients solve their most complex ESG challenges.

## ACHIEVEMENTS IN FY 2022/23

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## 2024 OBJECTIVES

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## ENVIRONMENTAL

Our key focus is on enabling our clients to solve complex challenges towards reducing the greenhouse gas emissions that will support the global energy transition.

### Focus areas

- How we are helping clients to combat climate change
- Our journey to net zero
- Making resource efficiencies: energy, water and waste
- Air pollution reduction, elimination or mitigation

- Reduced greenhouse gas emissions
- Deployment of global greenhouse gas data capture tool
- Meeting or beating our Science Based Targets initiative (SBTi) trajectory
- Maximising renewable energy percentage while reducing overall consumption

- Plan ESG related targets for senior employees/Directors linked to incentives
- Achieve Scope 3 CO<sub>2</sub> reductions through a focus on our production supply chain
- Achieve increased compliance on sustainable procurement

## SOCIAL

We focus on our people, the social value we contribute to our communities, our clients and ensure we make responsible decisions through our wider supply chain.

### Focus areas

- Culture and values
- Safety and wellbeing
- Employment and engagement
- Diversity, equity and inclusion
- Talent development and attraction
- Employees in the community

- Deploy the charitable activity plan across all locations worldwide
- Embedding of the values through engagement campaigns and in recognition programmes
- Across the Ricardo Group in the last 12 months 35% of our new joiners have been female

- Target charities in each global location (USA, UK, Europe, Australia, Asia) that are focused on science, technology, engineering and maths (STEM) related activities to partner with and support distribution of £250,000 funding through voluntary hours, charitable funds raised matching or direct sponsorship

## GOVERNANCE

Our governance structure starts with the Board and touches every level through every location – both for deployment of strategy and intent and to receive feedback and input.

### Focus areas

- Governance structure
- Sustainable procurement
- Modern slavery
- Policies
- Quality, health, safety and environment

- Modern slavery and sustainable procurement assessments completed

- Target of two Responsible Business Committee meetings with full Board engagement and target 10 ESG Forum meetings with executive Management
- Achievement of ISO 50001 for transparency in energy efficiency planning

## ENVIRONMENTAL

We have achieved much on our environmental agenda and we are on track to deliver our FY 2030/31 SBTi targets. Increase in Scope 3 emissions directly related to increased production activity and related revenues, which will reduce in later years. We are now able to target reduction in waste to landfill and hazardous waste reduction. A new software platform increases the quality of measures.

### HIGHLIGHTS

Increasing amount of revenue related to climate change, environmental benefit, and safety – now 77%

91% of electricity used is renewable

Water usage reduced by 13%

Scope 1 + Scope 2 less than 2% of greenhouse gas emissions

## HOW WE ARE HELPING CLIENTS TO COMBAT CLIMATE CHANGE

Ricardo is in a unique position of offering solutions to carbon reduction and technical expertise, as well as being at the intersection of science, technology, regulation and safe implementation. Through our extensive product and project work, we have helped many public and private sector clients, and earned accolades in the process. Ricardo delivers many positive environmental outcomes because of the work we undertake. These include:

- Ricardo and client-funded engineering projects to develop low-emission and high-efficiency technologies for incorporation into global product lines
- Digitalisation of products and services: to drive technical innovation, and enable Ricardo and its stakeholders to reduce overall emissions during design, development and deployment
- Decarbonising transportation: Advising clients on decarbonisation of operations or products; electrification and propulsion systems to make their consumer products more efficient; and developing mobility solutions with reduced life cycle greenhouse gas (GHG) emissions, are at the heart of Ricardo's strategy
- Environmental consultancy which includes:
  - Excellence in thought leadership around economic, societal and environmental interactions
  - Extensive understanding of the climate change challenges facing organisations, including scarcity of natural resources, strategic sustainability and energy management
  - Deep understanding of policy drivers, environmental strategy and economics – providing insight and project delivery for business and industry
  - Modelling and data management to identify and realise value for organisations

These products and services will have an impact on future levels of emissions, waste, energy usage, water consumption and noise across many of the markets we serve. The cumulative benefits of the projects we complete each year save many multiples of our operational carbon footprint over the service life of the products we engineer and the services we provide to our clients.

**UN Sustainable Development Goal**

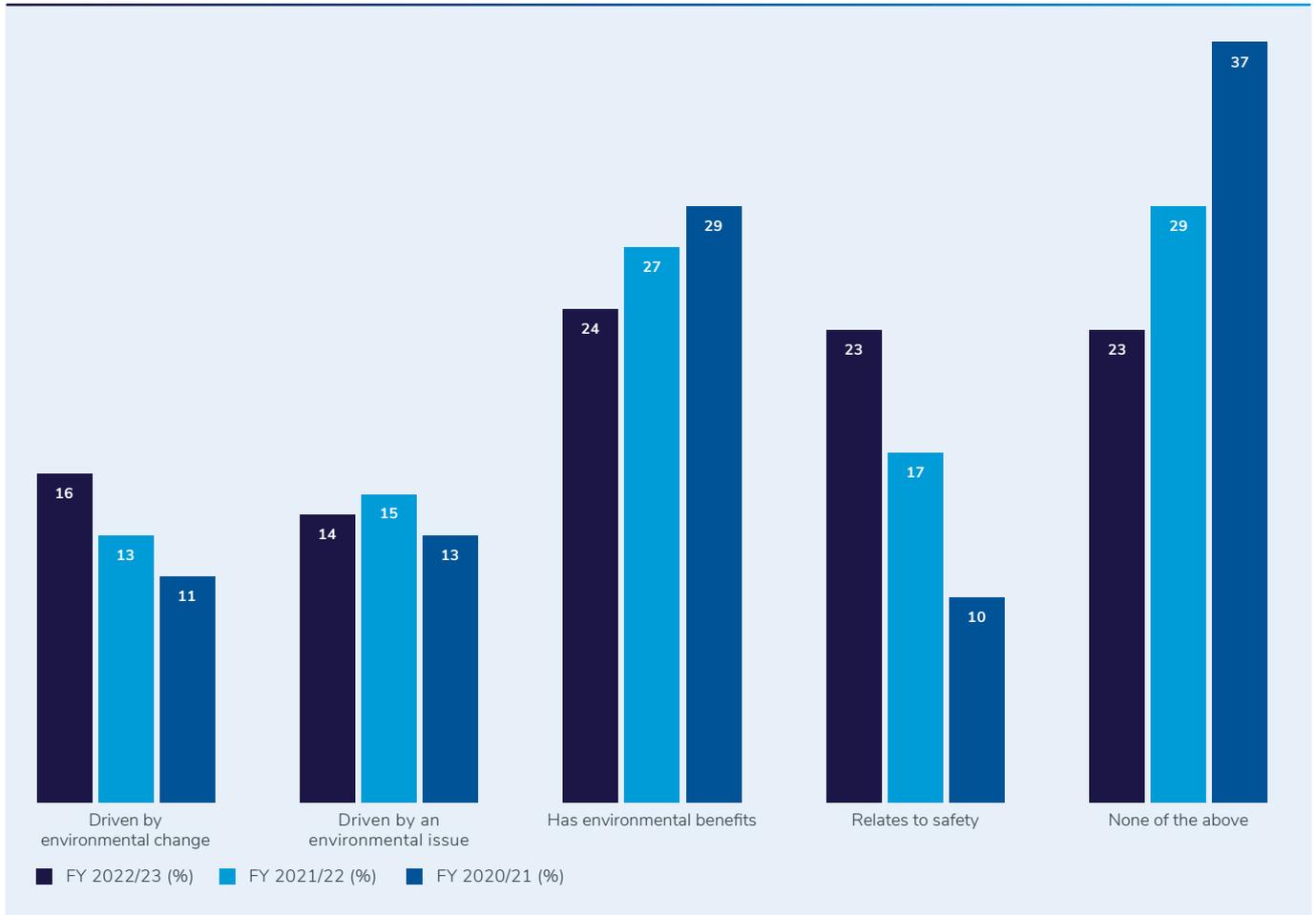
**Progress on the goals**

	<p>Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> <li>• Promotion of monthly global wellbeing themes</li> <li>• Introduction of global Employee Assistance Programme service to every country or business unit</li> <li>• Creation of a global wellbeing strategy</li> <li>• KPIs/tracker based on CIPD best practice to audit our current wellbeing offerings</li> </ul>
	<p>Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> <li>• The impacts of climate change and growth in population continue to put pressure on water resources. We have been gathering ecological data and conducting environmental assessments to help identify options that will meet the needs of the population.</li> </ul>
	<p>Ensure access to affordable, reliable, sustainable, and modern energy for all</p>	<ul style="list-style-type: none"> <li>• Ricardo is supporting the Regulatory Authority of Bermuda in its ambition to facilitate the deployment of offshore wind</li> <li>• Ricardo is currently installing a carbon negative combined heat and power demonstrator plant in the south of England. It will showcase climate repairing technology to reduce greenhouse gas emissions and demonstrate effective community-scale clean energy generation</li> </ul>
	<p>Make cities and human settlements inclusive, safe, resilient, and sustainable</p>	<ul style="list-style-type: none"> <li>• Ricardo is the Independent Safety Assessor to bring experience of constructing climate systems in Dubai, Doha, Abu Dhabi. We perform audits of safety plans, processes, documentation including design, manufacture, installation, testing and trial operations</li> <li>• In 2018, 36 out of 50 most polluted cities in the European Union (EU) were in Poland. The country's capital, Warsaw, is one of the most polluted cities – with exposure to air pollution having a health-related cost to society of an estimated 4.2bn euros every year. Ricardo is applying its world-leading expertise in air quality modelling to advise the City of Warsaw in its ambition to introduce a Low Emission Zone, funded through the Clean Air Fund's Breathe Warsaw programme</li> </ul>
	<p>Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>• Building on its seminal vehicle life cycle assessment study for the European Commission, Ricardo is now working with consortium partners on a European Union-funded project to develop the definitive European standard for life cycle assessment for zero emission vehicles and batteries</li> <li>• Ricardo has developed a bespoke life cycle assessment (LCA) tool developed by us for chemical manufacturer Croda to understand the environmental impact of its products</li> </ul>
	<p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> <li>• Helping the European Commission with its 2050 objectives – European Green Deal – to achieve 90% reduction in emissions from transport and aviation</li> <li>• Building on its international expertise in climate adaptation, Ricardo is delivering adaptation planning and resilience support to Europe's regions and local authorities. Ricardo is leading the EU Mission Implementation Platform for Adaptation to Climate Change (MIP4Adapt), providing support to the European Commission and everyone delivering the EU Mission on Adaptation to Climate Change</li> <li>• ICOMIA commissioned us to identify suitable propulsion technologies for marine leisure with the aim to reduce and or neutralise the footprint from fossil fuel</li> </ul>
	<p>Conserve and sustainably use the oceans, seas, and marine resources for sustainable development</p>	<ul style="list-style-type: none"> <li>• The release of nutrients into the aquatic environment can have a negative effect on the ecology of our rivers and the marine environment. We have worked with Natural England to develop tools that will help local planning authorities ensure we mitigate the nutrient inputs of future developments and protect designated areas.</li> </ul>
	<p>Protect, restore, promote sustainable use of ecosystems, forests, combat desertification, halt, reverse land degradation, and bio-diversity loss.</p>	<ul style="list-style-type: none"> <li>• We have been working with England's water resources conducting environmental assessments to establish ways to protect the aquatic and terrestrial environment.</li> </ul>

SUSTAINABILITY CONTINUED  
ENVIRONMENTAL CONTINUED

**Climate change and environmental revenue**

Ricardo's revenue streams have been analysed to assess how strongly they are driven by climate change and the environment. In addition to the climate change/environmental impact, we also categorise the revenue relating to safety as this has societal benefits.



Our strategy is to focus on high revenue, high margin and low capital intensity services underpinned by the environmental and energy transition megatrends as shown on [page 18](#). Part of this strategy is also to ensure disciplined execution across the Group, and we have established eight workstreams to support this delivery, one of which is capital allocation. Within this capital allocation workstream we are prioritising investment in R&D and capital expenditure to support further growth in services with a strong connection to climate change. The trends in data show we are following the strategy, with the growth in safety driven by the increase in ABS kit volumes in RDI. In 2023, 57% of our R&D spend (39% in 2022), net of government grants, was on areas with a strong connection to climate change or the environment.

In addition, we have a clear focus to use M&A as an accelerator to support our portfolio transition to environmental and energy transition solutions.

An example of this is the acquisition of Aither that establishes greater environmental capability in Australia, particularly in the water sector. As a result of the clear strategy to prioritise capital allocation and M&A to environmental and energy transition solutions, we expect the revenue strongly driven by climate change to increase over the coming few years. This outcome is reflected in the risk/opportunity analysis discussed in the TCFD section analysis on pages [84–97](#) indicating environmental and climate change provides substantial upside opportunity for Ricardo.

## CASE STUDY

## SUPPORTING CLIENTS TO ACHIEVE THEIR CLIMATE GOALS

Ricardo's sustainability experts have been working with a leading home improvements retail company to reduce its supply chain carbon emissions and help it achieve its ambition of being emissions net positive by 2050.

The retail organisation has set ambitious climate goals, aiming to reduce carbon emissions in their upstream and downstream supply chain both from the goods and services they purchase and in the use of their products once sold.

As part of the project, Ricardo's experts have delivered a product emissions inventory to identify emissions 'hotspots' which will become priority areas for action as well as life cycle analysis of products to inform the best ways to reduce carbon through product design, identifying both quick wins and longer-term strategies.



## MANAGING OUR ENVIRONMENTAL FOOTPRINT

We are committed to managing our environmental footprint and reducing it to a minimum, as well as ensuring that our services have a positive impact on society and the communities where we are based. The Board's commitment to this is embodied in our environmental policy (available internally and via our website) which covers:

- Relevant UN Sustainable Development Goals
- Delivering services that enable strategic improvements for our clients and the end-users of their products and services
- The desire to be responsible members of the local communities in which Ricardo operates

The impact of our operations, particularly testing and manufacturing, are the largest contributors to our operational carbon footprint and greenhouse gas (GHG) emissions (Scope 1 and 2). Our testing, for client- and research-funded programmes, primarily uses fuel and electrical energy; in addition, there is energy required for heating some of our sites. Our manufacturing energy use is predominantly power for machine tools and assembly facilities and gas used in our heat treatment plant. Our Scope 2 use is mainly electricity.

We comply with the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013 on GHG emissions and have stated our comparative history in our strategic performance on pages [99–101](#). We comply with Streamlined Energy and Carbon Reporting via our disclosures under the Greenhouse Gas Protocol and commenting on all elements of our net zero strategy. As this requires the inclusion of fuels used in engine and vehicle testing, year-on-year variability can be expected due to the mix in types of tests and engine size.

## SUSTAINABILITY CONTINUED

### ENVIRONMENTAL CONTINUED

Many of Ricardo's clients require certification for their key suppliers in respect of the environmental management system standard, ISO 14001. Our certification directly covers 39 sites and 95% of our site-based employees. Our remaining colleagues and sites are managed via the ISO 14001 processes. The achievement of the standard is defined by appropriate policies, processes and procedures as part of the management system in each business unit. Many of these are closely linked to both quality and health and safety procedures.

Other environmental impacts arise from waste streams, which are monitored to identify potential improvement opportunities and to ensure legislative compliance. Higher-risk areas of our facilities, such as fuel storage and distribution systems, have containment and inspection regimes that meet local legislative requirements. We target zero pollution incidents and have had none this year.

The suite of ISO certifications and the supporting internal and external audit programmes are used to check policy effectiveness, share best practice, identify improvement opportunities and ensure compliance. Staff training in health and safety and environmental matters is a priority and is reviewed annually as part of normal appraisal processes. We have not had any enforcement action, fines or penalties this year.

## OUR JOURNEY TO NET ZERO

Ricardo already measures and discloses elements of its impact on the environment, by greenhouse gas emissions inventory reporting, and we are into our second year including Scope 3 for FY 2022/23. We have refined some of the methodologies for data collection and verification and have invested in a GHG and other ESG measurement platform – FigBytes [www.FigBytes.com](http://www.FigBytes.com). This platform has allowed Ricardo to collect data across distributed global sites more frequently and convert the data into metrics, comparisons and a call to action for our worldwide staff. The transparency that comes with the system has provided an easy route to verify the data, and provided direct visibility of opportunities for action or data that requires review.

### SBTi Targets

We have stated our commitment and remain committed to achieving the following SBTi targets:

- Reduce Scope 1 and 2 emissions 46.2% by FY 2030/31. Target aligned to 1.5°C average global temperature rise
- Increase annual sourcing of renewable electricity from 74% in FY 2019/20 to 90% by FY 2025/26
- Reduce absolute Scope 3 emissions 27.5% by FY 2030/31. Target aligned to well below 2°C temperature rise
- Sustainable procurement continues to be a core focus area both from compliance with our principles, and policies and to ensure compliance with the current and emerging legislation related to supply chain due diligence (further details on page 82)

Ricardo has adopted the SBTi net zero standard to set both near- and long-term science-based targets across all scopes. Near-term targets cover immediate emissions reductions for the next five to ten years, while long-term science-based targets determine the total level of decarbonisation by 2050 or before.

Our current SBTi target is set on the baseline year of FY 2019/2020. However, due to the advancements made in GHG reporting for FY 2023/24, and business developments during this period, we are reviewing an update to this baseline year, and setting a net zero SBTi target. As relevant, any updates will be communicated during FY 2023/24.

Through the standard, the SBTi clarifies that science-based net zero requires Ricardo to achieve deep decarbonisation of 90–95% before 2050. After which time, Ricardo will neutralise any limited residual emissions that are not yet possible to eliminate, through carbon removals, which will not exceed 5–10% of Ricardo's baseline emissions.

### Setting out our carbon reduction plan

The specific progress and achievements towards our carbon reduction plan are set out below and embedded in our business planning processes:

**Net zero objective:**

Maximising use of renewable energy sourcing

**Achievements in FY 2022/23**

- 91% across the Group – this is an improvement from 74% in FY 2019/20
- There was no planned reduction in percentage of green energy supplied to sites, some small UK based sites moved to renewable tariffs during the year

**Net zero objective:**

Reducing the size of our properties as more flexible office working is implemented

**Achievements in FY 2022/23**

- Continued office space consolidation and downsizing in all regions
- Rolling programme details properties acquired from acquisitions, break points in leases and hybrid working in some business units

**Overall status****Achieved**

- We have set an interim target of 90% for FY 2025/26
- Progress on remaining sites requires renewable energy to be available in particular countries where we operate or agreement from specific property landlords where renewable energy is not currently used

**Overall status****On track**

- Delivering space reduction in Troy and subletting space to our former Software colleagues in Shoreham and Prague
- Where possible office moves are linked to moving to fully renewable electricity tariffs
- At our Shoreham Technical Centre we are planning to reduce the number of test facilities in active use

**SUSTAINABILITY** CONTINUED  
ENVIRONMENTAL CONTINUED

**Net zero objective:**

Maximising 'digital-first' to optimise our travel needs and ways of working

**Achievements in FY 2022/23**

We have balanced the need to travel, as we engage with new and existing clients with the digital-first approach, for example:

- Using virtual reality and augmented reality to design factory plant equipment and vehicles

**Overall status**

**On track**



- We saw an increase in travel, but not to pre-COVID-19 levels
- We encourage digital communications or rail instead of air travel where door-to-door times are better or similar
- Where long-haul travel is required we encourage the use of the most modern fuel-efficient aircraft wherever they are available on a route

**Net zero objective:**

Implementing energy efficiency improvements focusing on our high energy-use sites

**Achievements in FY 2022/23**

- 35% reduction in Scope 1 emissions due to the change in demand for engine testing
- 16% reduction in Scope 2 location-based emissions due to more efficient use of properties and reduction in number of test facilities in active use
- Increasing the use of submetering at our Shoreham and Midlands Technical Centres to provide greater insight into energy use
- Introducing a central focus on investment planning for FY 2023/24 onwards via the capital allocation workstream

**Overall status**

**On track**



- Focus on energy reduction with good financial return to complement the maximisation of renewable energy procurement
- The ESG forum will be the focus for driving and monitoring change
- Implementation of ISO 50001 has commenced

## CASE STUDY

## WORKING WITH CHARITIES TO IMPROVE PUBLIC HEALTH

Over the past 12 months, Ricardo has collaborated with Impact on Urban Health and the Clean Air Fund. Impact on Urban Health is a charity committed to achieving health equity by focusing on a few complex health issues that disproportionately impact people living in cities: children's health and food, multiple long-term conditions, the health effects of air pollution, and children's mental health.

The Clean Air Fund is a global philanthropic organisation working with governments, funders, business and campaigners to create a future where everyone breathes clean air. They fund and partner with organisations that promote air quality data, build public demand for clean air and drive policy change.



## UNDERSTANDING OUR OWN AIR POLLUTION FOOTPRINT

### Air pollution

Our Clean Energy and Environmental Solutions business unit initiated The Air Pollution Footprint Partnership, which is a scheme that helps organisations to understand and reduce their air pollution emissions. Participation can improve business efficiency, improve corporate ESG and appeal to environmentally conscious investors and consumers. Our partners are the Clean Air Fund and Impact on Urban Health. On Thursday 15 June 2023, Clean Air Day, the scheme launched a reporting toolkit that allows organisations to estimate their air pollution emissions, look at ways to reduce their emissions, and share their experience with like-minded businesses.

Ricardo itself was one of a number of organisations from different sectors which participated in the Air Pollution Footprint pilot scheme to user test the air pollution emission reporting tools, guidance and developed materials in a working environment, and provide feedback and suggestions for improvements. This was to help organisations with key information needed to estimate and report on their corporate air pollutant emissions, alongside standard greenhouse gas emissions. Ricardo plans to use the tools developed by the scheme to report on its own emissions at its largest site in the next financial year.

## SUSTAINABILITY CONTINUED

### ENVIRONMENTAL CONTINUED

## MAKING RESOURCE EFFICIENCIES: ENERGY, WATER AND WASTE

### Resource efficiency

As the business has recovered manufacturing volumes in Performance Products after COVID-19 and our ABS volumes increased, we have seen our Scope 3 categories 1, 11 and 12 increase significantly.

As a result of this our Scope 1 and Scope 2 emissions are now less than 2% of our emissions on an SBTi basis.

### Energy reduction

We continue to implement energy efficiency improvements, focusing on our high energy-use sites. We major on energy reduction with good financial return to complement the maximisation of renewable energy procurement.

The largest reduction in electricity use came from Shoreham Technical Centre through change in demand for testing and mothballing some buildings.

We have commenced the process to achieve ISO 50001 energy management for the Group towards the end of 2023; this will cover all but the smallest sites. It will also provide the evidence for Energy Savings Ops Scheme (ESOS) compliance in the UK.

	Renewable electricity- percentage used per financial year	Non-renewable electricity percentage used per financial year	Electricity used per employee for the financial year kWh
<b>2022/23</b>	<b>91%</b>	<b>9%</b>	<b>4,922</b>
2021/22	89%	11%	4,923
2020/21	91%	9%	5,412
2019/20	74%	26%	5,721

### Water management

We have focused on water use reduction in our industrial processes, test facilities and consumption in site bathrooms and kitchens for maximum efficiency.

### Water usage

Water usage on large sites m <sup>3</sup>	FY 2022/23	FY 2021/22	FY 2020/21	FY 2019/20 Baseline
Volume	<b>34,167</b>	39,265	41,276	55,506
Volume/employee	<b>12.2</b>	14.2	14.2	18.2

### Waste management

We are seeking to understand our waste, and the carbon dioxide output from the waste – which links to our water use – and how we can reduce both. We have full transparency of where waste goes: disposed of safely, reuse, avoiding landfill, hazardous substances removed and disposed of as per environmental legislations.

We have also enhanced our metal recycling. All test product transmissions, engines where possible, plus machine scrap is 100% recycled. By segregating scrap by different metals, pure scrap is taken by specialist metal brokers – all to maximise value back to Ricardo and maximise the value of the waste stream by this careful segregation.

Waste stream	Sum of quantity kg	Percentage of total waste	kg per employee
Electronic waste	5,215	1%	2
Food waste to recycling (composting or anaerobic digestion)	17,086	2%	6
General waste – to a mix of recycling and land fill	529,483	57%	189
Hazardous waste	381,005	41%	136
<b>Grand Total</b>	<b>932,789</b>		<b>333</b>
Amount of waste recycled	555,714	60%	198
Amount of waste converted to energy (EfW)	204,570	22%	73

Hazardous waste largely comes from our engine and vehicle testing and UK-based manufacturing activities. It included waste streams such as sludge and waste oil sent to recycling.

It is assumed that 18% (the remainder) of waste goes to landfill and we will seek to reduce that in time, where we are able to influence landlords on smaller sites and improve processes on our larger sites.

# SOCIAL

## Culture and values

- Embedding of the values through inaugural Values Week and making values a major theme at pan-Ricardo Growing Together Leadership Conference and Leading Lights Awards ceremony, plus via formal and informal recognition programmes and processes

## Employment and engagement

- Our annual engagement score was: 3.9/5, tracking consistently with last year's figures

## Diversity, equity and inclusion

- Across the Ricardo Group in the last 12 months 35% of our new joiners have been female
- In our current workforce, we have 28% females
- In our executive management team we will have a female Chief Financial Officer, and a female General Counsel joining in FY 2023/24, making the overall gender mix at 40%

## Talent development

- Creating greater line of sight and alignment in total reward structures including extending our population eligible for the long-term incentive scheme; deployment of another long-term incentive scheme, even deeper into the organisation

## CULTURE AND VALUES

### Growing together

Throughout the financial year, we have continued to focus on, and successfully achieve, greater and closer alignment across the business, feeling the benefit of improved collaboration and more efficient, effective ways of working. This can be evidenced by the amalgamation of our Rail and Energy and Environment business units into the newly formed Clean Energy and Environmental Solutions team, and the removal of traditional regional divisions to form the Global Automotive and Industrial team. Perhaps the tangible embodiment of our growing together was our inaugural Group global leadership conference, which brought together all the principal members of our leadership community from across the business to forge connections, build communities and identify opportunities to collaborate to win work, share knowledge and drive more efficient ways of working.

## OUR VALUES

In 2022, we launched the new Ricardo values of: Create Together, Be Innovative, Aim High and Be Mindful.

To us, our values are not just words but how we fulfill our day-to-day working lives. To reflect this and to celebrate our culture and the achievements of our colleagues who truly live the values day in and day out, we evolved our existing formal awards programme and introduced a new and informal employee recognition platform. In the summer of 2022, an information nomination platform on our intranet was created to enable anyone in the Company to spotlight a colleague who is living the values and offer their thanks to them.

The CEO Monthly Awards had previously formally recognised the achievements of colleagues who were delivering exceptional and outstanding results against four key growth pillars. In the autumn of 2022, the criteria for the awards nominations were expanded to include behaviour reflecting one or more corporate values. Each of the monthly winners, together with individuals nominated specifically for living the values, were the stars of the inaugural Leading Lights awards ceremony in October 2022.



SEE OUR FULL VALUES ON PAGES 16–17



I was delighted to win Young Scientist/Engineer of the Year at the Leading Lights Awards 2022. I am honoured to represent the excellent work done not only by my water sector colleagues in Australia but by Ricardo colleagues all around the world. Since Inside Infrastructure was acquired by Ricardo, I have welcomed the opportunity to meet and work with new colleagues across the Group: growing my technical network, ensuring the expertise of the Australian team can be applied more widely to support clients globally, but also expanding on Ricardo's capabilities within the Australian market, particularly around knowledge sharing activities and grow sustainability, ESG, net zero capabilities (and hopefully more)."

**DR ADAM TOMLINSON**

STRATEGIC PROGRAMME MANAGER  
CLEAN ENERGY AND ENVIRONMENTAL  
SOLUTIONS



## SAFETY AND WELLBEING

The health, safety and welfare of employees and stakeholders is central to everything we do at Ricardo. Our culture strives for zero harm. We support training in health and safety internal audits and inspections, and we are certified to ISO 45001 in our technical centres and larger offices in the US, the UK, the Netherlands, Italy, the Czech Republic and China. Our certification directly covers 39 sites and 95% of our site-based employees. Our remaining colleagues and sites are managed via the ISO 45001 process. Our health and safety policies are available through our intranet and to the public through our website. Risk assessment is an integral part of our processes, both on a project basis for specific hazard management and more generally in the way we manage risk on our sites and in travel.

### Reportable accidents

We recognise the level of reportable accidents as a measure of performance in health and safety. The overall level is low and shows the continued success of our health and safety. We continue to target reducing accidents. All accidents are investigated and reported to business unit management and employee consultation forums.

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

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

Each accident was reviewed and no patterns between accidents were identified. None were classified as a major injury. We have not had any enforcement fines or penalties this year.

# 39 sites

Our certification directly covers 39 sites and 95% of our site-based employees

### Promoting employee wellbeing

Our focus throughout the financial year has been on proactively promoting and enabling employee wellbeing. We have created a pan-Ricardo approach to wellbeing, with monthly wellbeing promotions to all of our teams. This includes a dedicated themed week of wellbeing activities. As a company, we are advocates of the benefits of medical health first aiders, and we intend to extend the rollout of this provision across our workplaces globally. Additionally, our Employee Assistance Programme is now in place for every employee across the Ricardo Group, so all team members have access to employee assistance wherever they are located in our global organisation.

## EMPLOYEE ENGAGEMENT

As a purpose-led organisation, we have continued to make progress in enabling better knowledge sharing and collaboration through the expansion and development of more structured and planned internal communications and engagement activities at all levels of the business – such as consistent use of central communications platforms, monthly senior leadership team virtual meetings and a CEO all-employee email, and regular town hall meetings.

Our overall employee engagement has continued to track consistently with the previous financial year.

### Our employee engagement in numbers at a glance:

- Overall response rate: 63%
- Overall score: 3.9/5
- Top three areas where we are performing well:
  - We feel we have a colleague who cares about us as a person SCORE: 4.25/5
  - Our colleagues are committed to doing quality work SCORE: 4.23/5
  - Our teams know what is expected of them at work SCORE: 4.18/5

Pan-Ricardo actions were communicated to our teams via global town hall meetings, and then local feedback was given and local action plans developed. Regular feedback on progress against the plans – both Group and local – will be shared throughout FY 2023/24.

## DIVERSITY, EQUITY AND INCLUSION

### Addressing gender diversity

We are continuously shifting the balance and changing the gender profile of the organisation. Overall across the Ricardo Group in the last 12 months 35% of our new joiners have been female whereas in our current workforce overall, we have 28% females. This trend is further amplified in our Executive Management Team where we will have a female Chief Financial Officer, and a female General Counsel joining our organisation in FY 2023/24. This adds to the three existing females on our Executive Management Team, making our overall gender mix at 40% going forwards. Within our senior leadership team, 31% of the constituents are female.

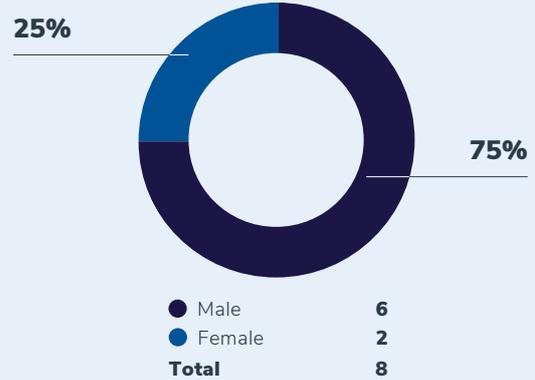
### Reducing our gender pay gap

For those areas of our business about which we have been reporting on for the last six reporting cycles, we see positive trends in the form of a generally declining gender pay gap at both the median and the mean, with the median gap for each Group company required to report reducing between 5% and 20% year on year. The median is the more statistically reliable of the two measures, and our preferred way of reviewing our progress as it is less susceptible to outliers. Our figures either sit well beneath or on par with the national median of 14.9% in favour of males, according to the Office for National Statistics in 2022.

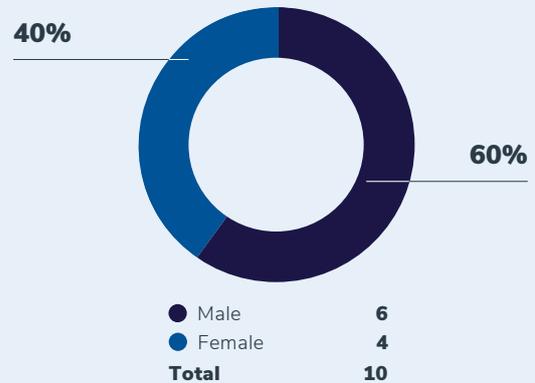
### DIVERSITY METRICS

#### Board members

Excludes Company Secretary

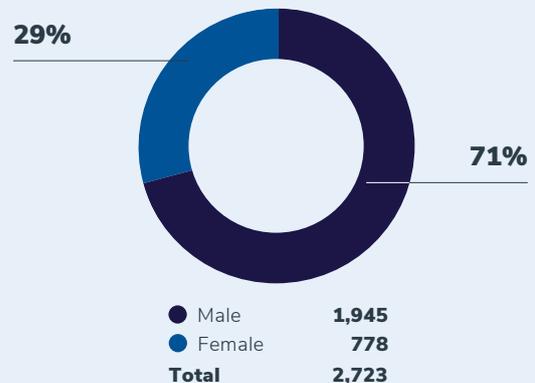


#### Executive Committee, including Company Secretary and excluding Board members



#### All employees

Excludes contractors



# OUR LONDON SOCIAL COMMITTEE: CASE STUDY OF PEOPLE ENGAGEMENT IN ACTION

Fostering a thriving community and inclusive culture: the London social committee

The Ricardo London office's social committee started out informally in 2021 in response to the lived experiences of working during the pandemic. The overwhelming majority of people based in the London and Madrid offices are early careers professionals and during periods of lockdown, individuals were often living and working in one room in their shared house, away from family and friends, and experiencing feelings of isolation and separation from work colleagues. Once lockdown restrictions were lifted, there was a real need to bring people together and build a strong working culture, and a desire to focus that strong culture on improving lives in local communities through volunteering.

Supported with funding by the senior leadership team in 2022, dependent on consistent attendance at events in both offices, each month the social committee organises one to two events determined by the outcomes of regular surveys among the office teams. The committee will be supportive of any activities, so long as they are inclusive, and to date, the teams have taken part in bowling, sports, cinema-going and even creative arts – a recent art evening was attended by a least a third of people who do not usually attend office social gatherings.

Ella Wingard, Chair of the social committee said: "So many of our colleagues move to London or Madrid for their roles with Ricardo, and consequently, they do not have a solid support network of family and friends to sustain them through good times and bad. As a consequence, we work hard to make the offices inclusive. Every new office member is added to the London Office Lunch Chat so that they can start to make friends and share their hobbies and interests in a safe and supportive environment."

As well as supporting each other, the social committee is actively reaching out to improve lives in the wider community. During the past year, London office team members have undertaken litter picking along the banks of the River Thames, as part of a wider initiative led by the Port of London Authority to pick up, document and then use the insight to prevent similar litter being left in the future. The team in London also makes monthly donations to the North Paddington food bank and regularly goes into local schools and youth groups to talk about science, technology, engineering and maths careers, and even re-enact a COP event.

The social committee has grown and grown, now hosting events for as many as 50 people each month, with a thriving culture defined by highly engaged and supportive team members. Emma Gresswell, Deputy Chair of the social committee said: "Our activities help to break down barriers and give each one of us confidence that our voice can be heard in our community."

**SUSTAINABILITY** CONTINUED  
SOCIAL CONTINUED

## TALENT DEVELOPMENT AND ATTRACTION

Ricardo is seen as an employer of choice and has a strong employer brand. The new Ricardo corporate website, which was launched at the end of January 2023, has provided an invaluable global platform to share the Ricardo story in order to attract new talent – with analytics showing that the careers section consistently is the most visited area of the site. The conversion rate of people responding to proactive outreach from Ricardo regarding job opportunities is currently running at close to 30% which benchmarks us well against many other organisations.

We understand the value that our technical communities place on learning and development. We seek to match our people's technical interests and technical development areas with opportunities to provide work-based learning primarily through the delivery of our consulting programmes. We continue to recruit science, technology, engineering and maths (STEM) graduates into the business, who are attracted to the opportunities of delivering meaningful work, learning from like-minded, capable technical professionals, and developing their career at Ricardo.

### TESTIMONIALS



I joined Ricardo as an automotive engineering graduate in 2021. Ricardo has supported and enabled my next graduate scheme rotation into the energy and environment team so I can achieve my long-term desire to combine engineering and my passion for environmental issues, sustainability and renewable energy.”

**ARWYN MUNDAY**  
GRADUATE ENGINEER



I am doing a level 3 apprenticeship in business administration, working in the site services team. I hope to further pursue my career at Ricardo and do a higher-level apprenticeship. Ricardo really values apprentices like me – I feel very supported here.”

**NEILA AYDARUS**  
BUSINESS ADMINISTRATION APPRENTICE



Having spent over a decade at Ricardo specialising in the internal combustion engine, I have now switched to hydrogen fuel cell technology and development. This transition was enabled by the ever-present can-do attitude within Ricardo, and opportunities to work on a range of pioneering projects with a great team.”

**ROSCOE SELLERS**  
CHIEF ENGINEER



From the Netherlands to Canada, my journey started in June. I got the opportunity to develop myself, learn new skills, try another field of work and see how I adapt myself in a new country and new working environment. I have some time to go, but I have already learned a lot, am enjoying myself and am really looking forward to the coming 10 months.”

**INGMAR WESTERHOF**  
CONSULTANT/ASSESSOR

## EMPLOYEES IN THE COMMUNITY

Our commitment to social value is embedded through a centrally funded social value strategy launched in 2022, action plan and a dedicated social value management core team, supported by champions currently just in UK offices, but with plans to expand globally. Our social value strategy consists of three priority areas which enable us to deliver clear goals and outcomes across the organisation: skills and opportunities – to inspire the next generation; social enterprise – to share our professional expertise; and community wellbeing – to contribute to the environment and tackle deprivation or inequality.

Intervention areas under this strategy include sharing our professional expertise through skills-based volunteering to not-for-profit groups; and encouraging wellbeing of workforces and local communities through improving natural environments and green spaces for example through litter picking along the River Thames in London, planting nearly 3,000 trees in Glasgow and Reading, and creating a community garden in Manchester.

### Focusing on STEM

As a company of engineers, scientists and technologists, Ricardo has always been a strong supporter of STEM and related activities within community and charity work. We actively managed our Ricardo Group charity and volunteering programme which provides all Ricardo employees with voluntary hours per year to support selected STEM partner organisations. For the initial phase of the programme, we are focusing on the UK and have partnered with The British Science Association (BSA), Women’s Engineering Society (WES), Engineering Development Trust (EDT) and In2ScienceUK. We intend to extend the programme into the US and other regions during FY 2023/24. We have refreshed our charities and community engagement policy:

[www.ricardo.com/media/qvdnohqu/engaging-and-supporting-local-communities.pdf](http://www.ricardo.com/media/qvdnohqu/engaging-and-supporting-local-communities.pdf)



## SUSTAINABILITY CONTINUED

### SOCIAL CONTINUED

A key element of our community engagement is inspiring the future green workforce and encouraging social mobility to overcome disparity in the STEM sector. We are setting out to inspire the next generation of problem-solvers from all backgrounds into careers in the clean energy, environment and sustainability sector and support young people's knowledge of topical issues in the sector. In the last financial year, we have engaged with more than 20 schools and colleges through careers events, talks, workshops and work experience placements.

We have developed a number of interactive workshops within our sustainable transport and climate action planning and transparency teams, to connect topics learned in the classroom with real-time projects being delivered to clients. Our air quality team developed its existing links with the University of the West of England, to host MSc placements.

In Manchester, we are working with State Talking to connect Manchester state schools with relatable role models. We are looking at other ways to support social mobility in the UK through virtual mentorship from our people. This mentoring opportunity will enable undergraduates to receive one-to-one mentoring to help prepare for the transition from being a student into the world of work.

#### Charitable donations

Financial contributions to charities in the financial year were £16,069 (FY 2021/22: £10,469). There was no dominant donation.

We will measure the success of our partnerships, the number of people we support, our social value impact and report on this next year. The Ricardo Board has set aside a charity budget to match funds raised by employees for outstanding achievements, and we will celebrate these individual successes across the Ricardo Group, both informally and formally, through the introduction of awards for volunteers.

#### CASE STUDY

## SUPPORTING THE GREEN SCHOOLS PROJECT

We have shared our professional expertise through skills-based volunteering to the Green Schools Project to improve its carbon calculator tool which estimates the total greenhouse gas emissions arising from schools. This tool is used to benchmark schools against comparable counterparts, and acts as the starting point for the Green Schools Project's Zero Carbon Schools programme, that educates pupils on sustainability and helps them to make change at school and at home.

Henry Greenwood, the CEO of the Green Schools Project, commented: "Ricardo's help could be a 'game changer' considering that our hope that our carbon calculator will be the first such tool to reach the wider UK market and become the Department for Education's chosen platform for schools to assess their greenhouse gas emissions. Ricardo's expertise was welcome in giving us the confidence to distribute our programme more widely, while the move to online data collection can allow us to scale faster and increase the uptake of our programme nationwide."



# GOVERNANCE

## Governance framework enhanced

- Regular executive and non-executive engagement
- New Board committee established
- Policies reviewed, refreshed where appropriate and put on regular review cycle

## Responsible Business Committee

- Terms of reference agreed and introduced, mandate defined and will be on the Board agenda two times a year
- Responsible Business Committee membership includes executive and non-executive Board members

## Sustainable procurement:

- Process enhanced
- Supplier code of conduct refreshed
- Review of the emerging EU legislation: the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive – which reflect all elements of human rights – in all the territories where we operate

## GOVERNANCE STRUCTURE

### Growing together

The key elements of our ESG agenda are reviewed on a regular basis from the PLC Board level through the working teams and business units managing implementation and data collection and reporting every day. Wider aspects of corporate governance, including how we comply with the provisions of the UK Corporate Governance Code 2018, are described on page [118](#).

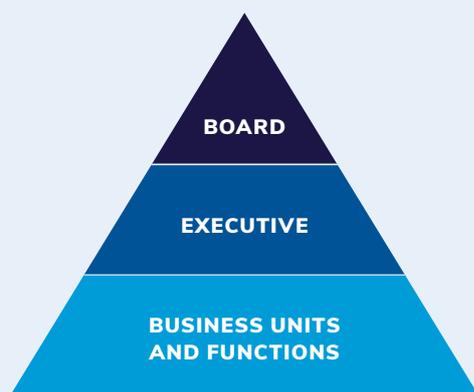
Our policies are reviewed on a regular basis or sooner if legislation dictates change. The key policies are in the public domain via our website and are referenced in this report.

Regular reviews of pending, developing and international regulations are undertaken to provide a three to five-year view on impending changes to reporting, disclosure or risk decision. This gives our stakeholders increased transparency regarding our risk decisions by early adoption of reporting standards, and we get opportunity to report our involvement publicly. We understand it, we know how to implement it and we are ideally placed to assist our clients. It reinforces the accountability and responsibility we all share, to ensure the highest standards are maintained across all Group activities.

## SUSTAINABILITY CONTINUED

### GOVERNANCE CONTINUED

The governance of ESG at Ricardo is through a three-layer system starting with the Board and progresses through the Company with broad deployment to capture the sites and locations that are occupied and managed by the business units. The hierarchy is described below:



Governance role	Remit
<b>BOARD</b>  <b>Responsible Business Committee</b>	<b>Promoting the long-term ESG matters</b> <ul style="list-style-type: none"> <li>• Environmental: Climate transition, strategy and impact</li> <li>• Social: Employees, communities and clients</li> <li>• Governance: Ethics, health and safety</li> </ul>
<b>EXECUTIVE COMMITTEE</b>  <b>ESG Forum</b>	<b>Promoting the long-term ESG matters</b> <ul style="list-style-type: none"> <li>• Directs and steers activities including approval for investments</li> <li>• Directs activities and resources</li> <li>• Reviews and directs progress against metrics</li> <li>• Prepares report for RBC</li> </ul>
<b>BUSINESS UNITS</b>  <b>ESG Transformation Workstream</b>	<b>Promoting the long-term ESG matters</b> <ul style="list-style-type: none"> <li>• Collects and measures energy, waste, water and utilities</li> <li>• Implements CAPEX expenditure</li> <li>• Drives quality, health safety and environmental (QHSE) activities</li> <li>• Drives charity and volunteering activities</li> </ul>

### Setting and aligning targets

As a values-led organisation, we truly believe in reducing those emissions under our control – Scopes 1 and 2 – and those through our operations: Scope 3. During FY 2022/23 a number of greenhouse gas related methodologies for linking compensation to GHG emissions were studied for implementation in FY 2023/24. The senior management of the Company will have an element of variable compensation, as part of a long-term incentive scheme, based on reducing GHG emissions. We have engaged with Scope 1 and 2 emissions where they are now less than 2% of our emissions, and now we are on the journey to reducing our Scope 3 emissions. In light of this, we have elected to embrace Scope 1, 2 and 3 so as to capture all elements of our business.

GHG intensity for incentive KPI will be derived using the numerator (sum of) Scopes 1, 2 and 3, (SBTi basis & Location Based) and denominator of employee headcount + production units (engines, transmissions & ABS kits) embracing consulting and manufacturing business streams.

For FY 2022/23, the baseline is 14.4 tCO<sub>2</sub>e, (FY 2021/22: 15.7 tCO<sub>2</sub>e). Target trajectory is declining intensity of 2.5% per annum.

## SUSTAINABLE PROCUREMENT

Our supplier partnerships are built on integrity, transparency and being equally accountable and responsible for all activities throughout our operations. Maintaining our business relationships with our suppliers is imperative in supporting our objectives and delivery of quality performance and services. In 2020 we published our procurement policy, and this is reviewed annually with all other Group policies. During 2022 we launched our new supplier approval and due diligence process for both new and existing suppliers. As part of this process, we have increased monitoring and key performance indicators (KPI) measurements, with ongoing dialogue with our suppliers on performance and remediation within reasonable, agreed timescales. Where required, we cascade through the supply chain the Corporate Sustainability Reporting Directive (CSRD) requirements.

We achieved over 90% of supplier assessments by value. As a global consultancy a large percentage of our suppliers do not manufacture products, they provide business services. They are required to adhere to our business code of conduct as well as our supplier code of conduct, as applicable to their operations.

We expect all our employees and external stakeholders to respect individuals with dignity and to not breach this per our terms of business and code of conduct.

We have a range of related publicly-available policies, which can be viewed on our corporate website: [www.ricardo.com/en/corporate-governance/policies](http://www.ricardo.com/en/corporate-governance/policies)

Examples include:

- Sustainable procurement policy
- Human rights policy
- Supplier code of conduct

These are linked to our internal policies and processes, including our: sustainable procurement process, supplier evaluation questionnaire, modern slavery risk review procedure, and sustainable procurement KPIs.

We require all new suppliers to complete a supplier questionnaire and to provide supporting evidence. We require information and details related to all core sustainable activities. Topics include, but are not limited to, waste and pollution, climate risks, carbon reduction targets, energy saving and renewables, working conditions, supply chain transparency, modern slavery due diligence. We also review supplier accreditation to relevant standards. It is an in-depth due diligence procedure for both new suppliers and existing suppliers to be approved and or remain a supplier providing they meet satisfactory standards. The finance and procurement teams conduct commercial checks for all suppliers, which include checks for any negative activity such as corruption, illegal business activities, ownership, structure, and finances.

### Keeping our team up to date with supplier practices

Our business unit procurement teams receive training on the procedures, including modern slavery global legislation. This training has also been conducted for other team members and is ongoing. In addition to these sessions, training on ESG is also delivered to ensure everyone across the Group is aware of our objectives, goals, and delivery of positive performance, why it is important, what it means to Ricardo, and how we are perceived publicly. These sessions are led by our Group Head of Procurement and Group Head of Sustainability. We will start to conduct workshops for suppliers with a focus on those who manufacture as a priority, and deliver training on specific topics, where more support and guidance is needed.

## OUR RATINGS AND ENGAGEMENTS

We proactively engage with investor rating agencies such as, but not limited to: ISS, CDP, Sustainalytics, and FTSE Russell. From Ecovadis, our Rail operating segment in the Netherlands received a platinum award, and Automotive and Industrial in the UK received a silver award in 2022. We await this year's updates.

Our GRI appendix can be found here: [www.ricardo.com/en/sustainability](http://www.ricardo.com/en/sustainability) We have set our appendix using the GRI Context Index with Reference. We have referenced the relevant disclosures to our business including those which are mandatory to GRI.

We continue to be a signatory of the United Nations Global Compact (UNGC), the world's largest corporate responsibility initiative, for companies committed to integrating 10 corporate responsibility principles in their business operations and strategies. Our Communication on Progress (COP) report will be submitted to the UNGC in October.

## MODERN SLAVERY

We consider the risks of all forms of modern slavery throughout our global operations. Modern slavery legislation exists in Australia and the US which are two of the large operational regions for the Group.

Therefore, as part of our supplier procurement due diligence process, modern slavery risk assessments are a mandatory requirement for all suppliers, even if the threshold of the obligations do 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.

Data from our KPIs gives us a good understanding of our suppliers' knowledge and experience. We can identify those who need additional training and support to help assess and mitigate their own risks: we will be conducting training sessions for our suppliers to continue to partner with us on this ongoing journey of complex due diligence. During this financial year we have conducted further materiality assessments, in particular our cleaning operative service providers, security staff and catering provider. We continue to engage with organisations such as the UNGC, third parties and NGO – Stop the Traffik to keep aware of wider issues and legislation that may impact Ricardo.