ceres

Sustainability Report

October 2022

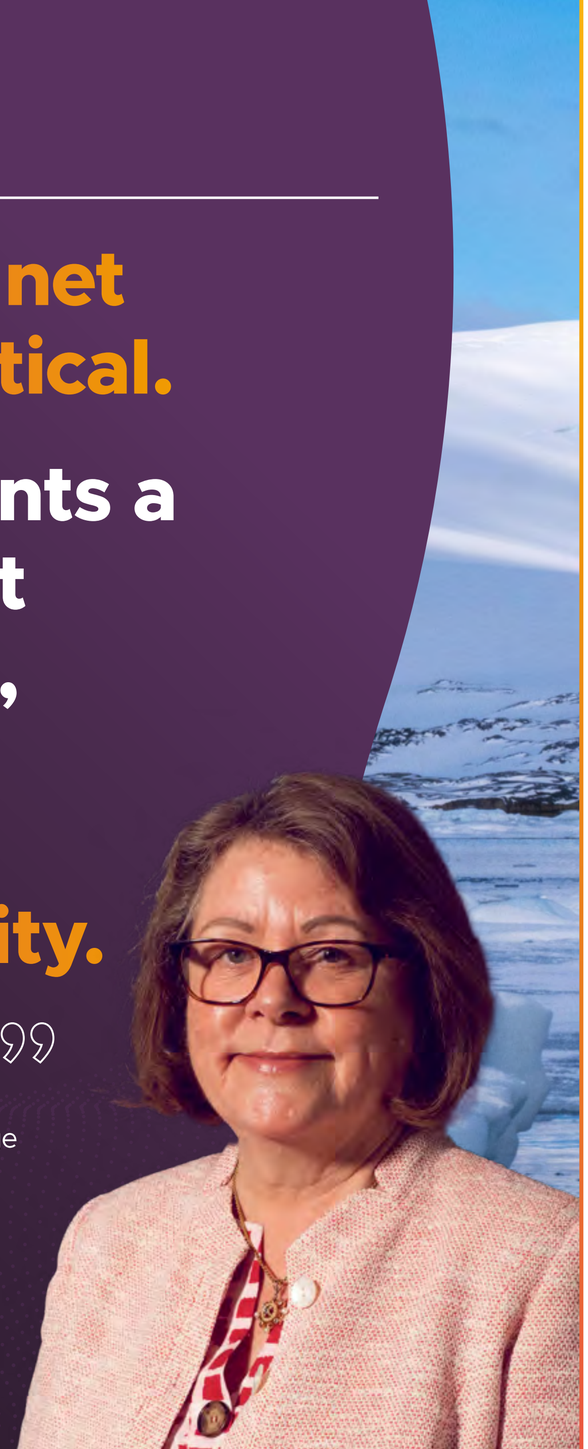
“

Reaching net zero is critical.

It represents a significant challenge, but also a huge opportunity.

”

Professor Dame Julia King
Baroness Brown of Cambridge
Non-executive Director



Introduction

This summer saw the highest ever temperature recorded in the UK, touching 40.3°C in Coningsby, Lincolnshire in July and globally we have seen devastating events including flooding leaving almost one third of Pakistan under water. Climate change is here, and it is affecting us all. Even if we reach net zero and uphold the Paris Agreement, limiting global temperatures to well below 2°C, preferably 1.5°C compared to pre-industrial levels, we will see very significant changes in our climate over the next 30 years.

Reaching net zero is critical. It represents a significant challenge, but also a huge opportunity. The UK Climate Change Act 2008 was the world's first legislated target to reduce our emissions by 80% from 1990 levels by 2050. In 2019, the UK went further and made a legal commitment to reduce emissions by 100% by 2050. It might seem like a small increment, but the last 20% is the hardest as it derives from hard-to-abate areas such as heating, industry, heavy transport, shipping, and agriculture, which cannot be solved by electrification alone.

Across our global energy systems, we are likely to benefit from big gains in efficiency over time, but in parallel we will need to reinforce power grids that are coming under increased demand from electrification. As we seek to reach 100% removal of emissions, it turns out we will need another energy vector. Hydrogen has a significant role to play in many of these harder-to-decarbonise sectors.

Ceres' technology aligns well with this objective; our fuel cells generate electricity highly efficiently, supporting greater electrification and the need for scale, flexibility, storage, and resilience in national grid systems. Run in reverse as an electrolyser, they generate green hydrogen at high efficiencies—using commonly found materials that can be mass produced at low cost with a limited carbon footprint.

Ceres aims to embed its technology with global partners to enable big investment, manufacturing at scale, and decarbonisation in multiple sectors and geographies. As the Company grows, Ceres has taken the first steps to evaluate its own emissions. Over the next five to ten years, continued growth will lead to our emissions inevitably increasing even as we reduce our emissions intensity, and as a Board we will be challenging Ceres to set a credible sustainability strategy and a pathway to reducing our emissions. However, growth in short-term emissions will also be a sign of business success, and if Ceres can reach the target of having multi-gigawatts of its technology deployed by 2030, our fuel cells will significantly reduce global energy emissions for years to come.

Ceres already has 3MW of manufacturing capacity at its pilot plant, which would displace over 4,500 tonnes of CO_2 a year if run continuously[1]. Reaching multi-gigawatts of global capacity through our partners by 2030 has the potential to displace up to 1.6m tonnes of CO_2 per gigawatt each year, compared to conventional technology in an average G20 country. That is equivalent to nearly half a million people today, and is both a huge opportunity for addressing climate change globally as well as for UK economic growth.

The onus on each and every business to ensure proper oversight of climate-related risks and opportunities has never been higher. Over the coming year, Ceres will be formally integrating the recommendations of the Task force on Climate-related Financial Disclosures into our governance and reporting regime as we seek to transition from our AIM listing to a Premium listing on the Main Market of the London Stock Exchange.

Beyond climate change—and as reflected in this inaugural Sustainability Report—we believe that an effective approach to sustainability should also be underpinned by an analysis of the wider social and governance considerations that are most relevant in the context of our business. Signing up to the UN Global Compact is our latest and most significant commitment to building a long-term sustainable business, inextricably linked to doing the right thing for our people, our communities, and the planet.

I look forward to working with my colleagues on the Board, as well as with Phil and Ceres' management team, to further progress the Company's sustainability journey over the coming years.

Professor Dame Julia King
Baroness Brown of Cambridge
Non-executive Director

1. Ceres in-house model of carbon intensity per kWh of Ceres fuel cells in combined heat and power mode, compared to the carbon emissions produced by consuming electricity from the centralised grid in an average G20 country according to The Climate Transparency Report 2020. Available at: www.climate-transparency.org/g20-climate-performance/the-climate-transparency-report-2020.

About this report

This is Ceres' first standalone Sustainability Report reflecting our journey in progressing our environmental, social and governance (ESG) initiatives and standards. All data cover the calendar year January to December 2021, unless otherwise specified.

Ceres is managing its most material sustainability risks as well as how it intends to protect the planet for future generations through deploying its technology and thus decarbonising hard-to-abate sectors.

Through widely used ESG frameworks and standards, we aim to be transparent in the risks and opportunities we face, and communicate the current management of our impacts on all organisational stakeholders. We are laying out the beginnings of our sustainability strategy and will look to use this analysis of our current operations as a base for future metrics and key performance indicators (KPIs) to which we will hold ourselves accountable.

Introduction

For questions about the report, please contact our investor relations team on investors@cerespower.com

Environmental

Social

Governance

“Ceres’ clean energy technology will enable the reduction of carbon emissions globally.”

Phil Caldwell
Chief Executive Officer

A message from the CEO

The recent global volatility has only served to highlight the urgency for energy security around the world, with governments under increasing pressure to decarbonise their economies and hydrogen now widely acknowledged as an essential part of the route to net zero. We need a different energy landscape and Ceres’ purpose to deliver technology that enables a clean and efficient energy future is absolutely aligned with that goal.

Climate change poses both risks and opportunities for businesses, now and in the future. As the global temperatures rise, increasingly common climate-related disasters are disrupting ecosystems and human health, causing unanticipated business losses and threatening assets and infrastructure. In response, governments and private sector entities are considering a range of options for reducing global emissions, which could result in disruptive changes across economic sectors and regions in the near term.

Our own technology is essential for that clean energy future, both as a means of converting fuels into electricity highly efficiently, where and when it is needed, but also as a means of producing green hydrogen through electrolysis that can help decarbonise industry or as a precursor to other sustainable fuels.

We are already working with some of the world’s largest engineering and technology companies, such as Bosch, Doosan, Shell and Weichai, to deploy our technology in systems and products that address climate change and decarbonise some of the most energy-intensive sectors including for transportation, industry, data centres and everyday living.

Alongside the role our technology plays in enabling the energy system to decarbonise, we are focused on decarbonising our own business. As a growth company, Ceres expects that its short-term emissions will increase as it succeeds in its mission to embed its technology with global partners.

This year we began reporting on our full Scope 3 emissions alongside Scopes 1 and 2 and are now working through a full science-based carbon reduction pathway in line with SBTi guidance to achieve net zero emissions before 2050. We intend to make real and tangible progress by working with our supply chain to achieve interim goals that will expedite our route to net zero. We will continue to provide updates on our progress in 2023 and beyond.

To enable our sustainable growth we have been expanding and investing in our workforce, continuing to nurture and develop our people to meet the challenges and opportunities of scaling up our technology. Our operational and cultural behaviour is fully aligned with our purpose, ensuring we have a positive impact on the world and we are responsible in doing so.

As our partners adopt our technology and build global capacity and scale, Ceres’ clean energy technology will enable the reduction of carbon emissions globally. We can’t ignore that scaling technology comes with an environmental cost, but any increase in the environmental impact of Ceres will be drastically outweighed by the influence our technology will have on the world’s ability to decarbonise. We have a dedicated team of scientists and engineers, alongside world-leading industrial partners and investors focused on creating a cleaner energy future for all.

Phil Caldwell
Chief Executive Officer
Chair of the ESG Committee

Sustainability key performance indicators

	2019	2020	2021
Economic	**12 months to 31 December**	**12 months to 31 December**	**12 months to 31 December**
Revenue and other income (£ million)	19.1	21.9	31.7
Gross profit (£ million)	11.6	14.6	20.3
Gross margin (%)	67	67	66
Environmental			
Carbon emissions (tonnes CO_2e)	953	21,950[1]	29,675[1]
Emissions intensity (tonnes CO_2e)/£100k REV	5	100	94
Emissions intensity (tonnes CO_2e)/headcount	5	68	61
Energy consumption (MWh)	2,122.0	6,949.3	7,699.7
Water use (m^3)	2,934	2,000	5,793
Electricity from renewable sources (%)	-	-	100%
Social			
Employee share option scheme (participation levels as %)	-	57%	74%
Women in the workforce	16%	18%	20%
Training and development investment	£62,000 (£325 per employee)	£108,000 (£332 per employee)	£329,000 (£673 per employee)
Employee retention rate	88%	91%	94%

1. Increase in figures due to addition of Scope 3 emissions reporting.

Clean energy for a clean world

OUR PURPOSE

Our ultimate purpose is to help sustain a clean, green planet by ensuring there is clean energy everywhere in the world.

OUR POSITIONING

Ceres is a leading developer of clean energy technology; fuel cells for power generation and electrolysers for green hydrogen. Our licensing model has seen us establish partnerships with some of the world's most progressive companies, such as Bosch, Doosan, Shell and Weichai to develop clean energy systems and products at the scale and pace needed to address climate change for power generation, transportation, industry, and everyday living.

WE COMMIT WHOLEHEARTEDLY

We care deeply about our purpose, our people, our partners and our planet.

WE PIONEER WITH PRECISION

We are innovative but with purpose.

We define problems as accurately as possible to create practical solutions.

We like the constraints of big challenges so we can develop ground-breaking ideas that work.

We take measured risks in areas where risk is well rewarded.

WE ARE CREATIVE COLLABORATORS

We believe in partnership.

We work with each other, our partners and other suppliers to solve problems faster, develop smart ideas and ensure superior results.

We adapt, respond quickly and are prepared to move fast.

Platform technology to address decarbonisation

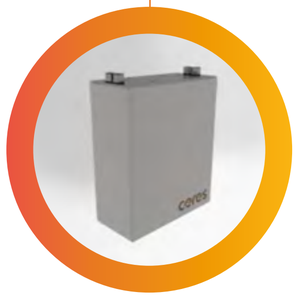
Our scalable technology

Solid oxide cell

Solid oxide cell is based on low-cost materials: a ceria electrolyte and a stainless-steel substrate and interconnect.

Solid oxide stack

Highly differentiated stack technology platform with strong and growing IP and distinct advantages of robustness, efficiency and cost.



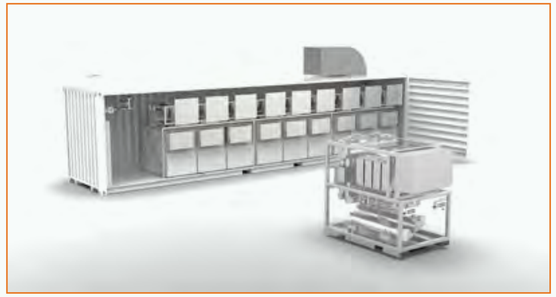
ceres POWER

Leading technology position in solid oxide fuel cells, being demonstrated in multiple applications and geographies.

BOSCH DOOSAN WEICHAI

ceres HYDROGEN

Now addressing the potentially even greater market for electrolysis through a differentiated offering for green hydrogen.



Sustainability at Ceres

Ceres is a world-leading developer of clean energy technology enabling the world's most progressive companies to decarbonise at scale and pace. Tackling climate change is what drives us, both as a business, and for employees across our business —we are committed to enabling a net zero world.

Operating sustainably is not simply about preserving and improving the environment in which we live, but it is also about ensuring that we make a positive societal contribution and maintain strong governance standards—for the benefit of all our stakeholders. We strive to create a positive work environment for our people and work closely with trusted partners to support them in their ambitions to help build a better world. When these ambitions come together the value created benefits us all.

Environmental, social and governance (ESG) considerations are a priority for the Ceres Board, and this is our inaugural sustainability report covering the ESG matters that impact our business. Here are some of the key components of our sustainability reporting and direction over the coming months.

Streamlined Energy & Carbon Reporting (SECR)	Taskforce for Climate-related Financial Disclosures (TCFD)	Sustainability Accounting Standards Board (SASB) Report
We have been reporting against SECR disclosures on carbon emissions in the past two annual reports. This report sets out our first picture of Scopes 1, 2 plus our Scope 3 emissions.	Ceres has disclosed the intention to transition from its UK AIM listing to a Premium Listing on the Main Market of the London Stock Exchange, falling under the FRC requirements for TCFD. We are reviewing our practices against TCFD recommendations and will report on our progress in future reports.	Ceres is using SASB guidance on the disclosure of financially material sustainability measures, refining and adapting the metrics to align with our business. The SASB Index can be found at the back of this report and our SASB Report will be published following our Sustainability Report.
ISO9001 certification	**Materiality matrix**	**Science Based Target-led initiative (SBTi)**
Ceres' Quality Management System is certified to ISO 9001:2015. Certificate number FS 738105. ISO 14001 (Environmental Management) will follow later this year.	Ceres conducted a materiality analysis in the summer of 2021 to support, appraise and align the economic, social and environmental issues that are most important to our business and our stakeholders. It is included below.	To establish a Science-based Target (SBT) pathway to reduce greenhouse gas (GHG) emissions in line with SBTi guidelines Ceres engaged Ricardo Energy & Environment in 2021.

Sustainability ambitions

Ceres is a world-leading developer of clean energy technology for power and green hydrogen. We are committed to enabling clean energy for a net zero world and our aim is to ensure our sustainability strategy keeps pace with this ambition and with best practice across our industry and listed company peer group.

Our technologies enable the world to transition to cleaner and more sustainable forms of energy, through our partners scaling our technology from the mid 2020s we will produce huge reductions in carbon emissions globally. Ceres aspires to have sustainability considerations embedded within our operations; from our own research and development, engagement with the supply chain, and supporting partners to scale the technology, through to ownership and end-of-life of products and systems utilising our technology—helping us to maintain a sustainable business and make a positive impact on those we work with both directly and indirectly.

As we grow over the next few years our own emissions will inevitably increase through the investment in extra manufacturing and testing capacity. Nevertheless, we plan to reduce our carbon intensity—and it is within the ESG Committee's remit to examine our approach and set appropriate metrics to measure our progress. Our Sustainability and ESG Policy sets out Ceres' approach to the management of ESG issues within our business operations.

> ***As a technology licensing business, we achieve the greatest environmental benefit through partners adopting and deploying our technology at scale and pace.***

As the design authority, Ceres will evaluate the environmental footprint of our technology and embed life-cycle considerations into our designs and the technology transfer to our partners, promoting responsible practices and influencing behaviours in the manufacturing, scale up and longer-term disposal of our technology.

We will set out the principles that the Company aspires to, the procedures that Ceres will implement to meet our ESG goals and standards, and we will ensure that we can demonstrate and promote ESG considerations across our activities whilst providing robust and transparent reporting.

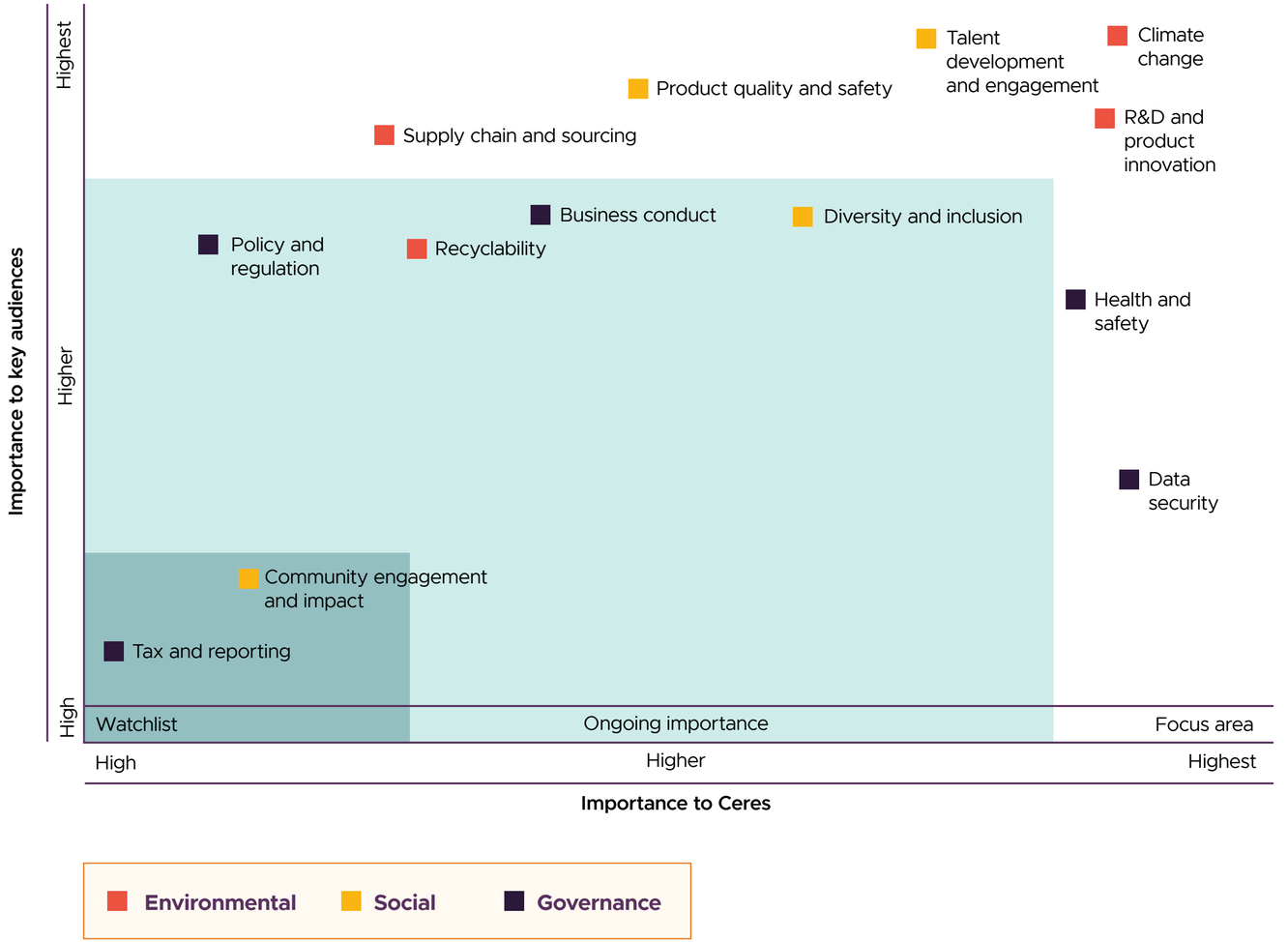
Materiality: What matters most to Ceres

We know that the world is ever changing, and that Ceres' purpose sits right at the centre of the low carbon transition, however we must continue to ensure that our activities are meeting the expectations of our stakeholders, partners and communities in which we work. To support this, we undertook a materiality assessment in 2021 with our senior management team and ESG Committee working in partnership with an independent third party to ensure integrity, a robust process and impartiality in the verification process.

This analysis has supported the management team to identify key issues to be addressed in our ESG strategy, as well as the verification of our business strategy to ensure wider sustainability issues were incorporated into the risks and opportunities under consideration across the Ceres business. This materiality assessment will be used to prioritise activities to ensure the areas on which we focus are most material to our business and to our stakeholders as we work towards tangibly contributing to a healthy and more sustainable planet and a number of the United Nations Sustainable Development Goals.

The first Ceres materiality matrix is included here, with the top 13 business issues included and ranked against their importance to both Ceres and to our aggregated stakeholders. We will continue to review, manage and reflect changing stakeholder attitudes towards our business through our management team and ESG Committee. In June 2022 we presented at the Berenberg Sustainability and SDG investor conference, using the opportunity to discuss our strategy and progress including our materiality assessment. As part of the development of this inaugural Sustainability Report, Ceres sought feedback from a mix of existing investors, potential investors and commercial partners on an unattributed basis.

We commit to updating our materiality analysis at regular intervals to ensure we are continuing to deliver best value in our business activities, for shareholders, partners, communities and the planet.



The UN Sustainable Development Goals

Ceres supports the United Nations (UN) Sustainable Development Goals (SDGs) to *"end poverty, protect the planet and ensure prosperity for all."* This year we have submitted an application to become a signatory of the UN Global Compact, as a critical part of our guidance comes from the UN SDGs, which encompass poverty, inequality, climate, environmental degradation, prosperity, peace and justice.

Ceres believes there are five of the 17 goals where we can really make a positive difference and have the biggest impact. Set out below, they frame our thinking on how we can play our part in creating a better and fairer world by the UN's target date of 2030.

	Ceres activities	Learn more
Goal 7: Affordable and clean energy	Ceres aims to play a central role in the global energy transition to affordable clean power. We are passionate about our ground-breaking technology and ensuring it is available to all. Ceres has now signed agreements with leading global partners seeking to scale up to 100s of megawatts of annual SOFC power generation capability and we are now building partnerships to utilise SOEC technology to deliver high-efficiency, low-cost green hydrogen.	For more on our role in the energy transition, see ***Page 14***.
Goal 9: Industry, innovation and infrastructure	Ceres' hydrogen ready technology provides electrical efficiency of 60% with zero air pollutants. Even when running on today's natural gas infrastructure, the system emits no SOx, NOx or particulates and delivers power at a 30% carbon reduction when compared to the combustion engine, Its ability to run on natural gas, hydrogen or blends, make it a no-regrets technology choice for a clean air future.	Read more on our technology ***HERE***.
Goal 11: Sustainable cities and communities	Our vision is to help to provide secure, clean, affordable energy to the next generation of cities within transportation, commercial and data centre requirements. Ceres' partner Bosch is now scaling this technology, aiming for a production capacity of 200MW per year in Germany from 2024, enough to supply around 400,000 people with household electricity. Our partner Doosan is scaling to 50MW by 2024, aiming to develop utility scale power systems to provide clean power to cities.	See more on Ceres' collaboration with Bosch ***HERE***
Goal 12: Responsible production and consumption	By harnessing the considerable efficiency gains of our technology, we are able to cut the energy consumption across multiple applications such as data centres, EV recharging, distributed power and heavy transportation, and so reduce GHG emissions with high levels of recyclability inherent in the core Ceres SOFC architecture. Ceres aims to produce hydrogen at efficiencies around 20% greater than other technologies, in the range of mid-80s to 90% efficiency where it is possible to make use of waste heat in industrial processes to drive high efficiency. We are working across our supply chain to ensure sustainable sourcing and operating practices are employed.	For more on our supply chain, see ***Page 26***.
Goal 13: Climate action	We are monitoring our own energy consumption as well as carbon emissions of our upstream and downstream activities, while continually ensuring our newest innovations minimise the impact of energy generation.	For more detail on our emissions reporting, see ***Page 15***.

Environment

“**Our solid oxide technologies can bring significant benefits to the world’s energy systems, reducing reliance on fossil fuels.**”

Mark Garrett
Chief Operating Officer

Environment

“Ceres’ commitment to acting and developing sustainably lies deep in our DNA. We believe our solid oxide technologies can bring significant benefits to the world’s energy systems, reducing reliance on fossil fuels. The technology provides highly efficient electricity generation with near zero air pollutants when running on natural gas, hydrogen or a blend of these, providing a power transition pathway through to the fuels of tomorrow.

As well as enabling our partners to start this transition now, we are also exploring ways we can help produce future fuels through electrolysis and we’re iterating the next generation of our technologies, embedding sustainability considerations into the very heart of our development and promoting responsible practices with our partners as they adopt our technology and manufacture at scale.”

Mark Garrett
Chief Operating Officer

Our role through the energy transition

Ceres has a platform technology that is truly reversible. Running in one direction as a fuel cell it can use multiple fuels to generate low to zero carbon power highly efficiently when and where it is needed. Run in reverse as an electrolyser, it generates green hydrogen at high efficiencies and low cost. Unlike other electrochemical technologies, which typically use a greater amount of rare earth material and exotic metals, Ceres' stack has recyclability at its heart. Its construction comprises over 95% automotive grade steel by weight, the most widely recycled material globally, and ceria based materials within the active elements of the fuel cell, which is abundant and has multiple sources from multiple countries.

The technology converts fuel into power at a very high efficiency and it does so without combustion, producing near—or even zero—carbon emissions as well as zero nitrogen oxides, sulphur oxides or particulate air pollutants, whilst using natural gas today or hydrogen and biofuels in the future. We have established a leading technology position in solid oxide fuel cells (SOFCs), being demonstrated in multiple applications and geographies through global partnerships. There is growing demand for higher-power systems and applications in hard-to-abate sectors such as grid reinforcement, data centres and maritime.

Now, we are addressing the potentially even greater market for electrolysis through a differentiated offering for hydrogen, with distinct advantages of efficiency, coupling with industrial processes that are high emitters of carbon dioxide today. The International Energy Agency (IEA) estimates that the world will need 3,585GW of electrolyser capacity to meet the demand for green hydrogen in 2050, an increase from 1GW of installed capacity today. It is no longer an issue of credibility around technology but a question of credibility around scale.

In the last 18 months our core technology has been incorporated into the future manufacturing plans of three major industrial organisations as they seek to offer sustainable energy solutions to the market. Using conventional high-volume manufacturing equipment from the solar PV industry and commonly sourced material sets, Ceres' technology will provide communities across the globe with access to a readily available, secure, and decentralised source of clean power.

Ceres technology in practice

Our unique solid oxide fuel cell (SOFC) can generate electricity at much higher efficiencies than traditional methods. The technology works with a variety of fuels including natural gas, hydrogen and biofuels. Using natural gas as a fuel enables a 45% reduction in CO_2 emissions compared to consuming electricity from the centralised grid in an average G20 country.

The gold standard for any commercial products is that they work for ten years or more in operation. As innovators of our technology, we cannot afford to wait around for ten years to get full validation before we roll out new and upgraded technologies so we develop trusted digital twins, or models, to give us faster insights into our performance, allowing us to predict with reliable accuracy how it will perform under a wide range of operating conditions.

To do this well, we are integrating our infrastructure to capture data across every aspect of the development, manufacturing and running of our technology, so that we can continuously update and improve our digital twins and drive innovation faster and across wider applications of the technology.

Maturing our streamlined energy and carbon reporting (SECR)

As part of our purpose to provide clean energy for a clean planet we are also playing our part as a company to reduce carbon emission intensity from our own operations. In addition to our main headquarters in Horsham UK which is home to our R&D, commercial, administrative and finance functions we also operate a 3MW, moving to 5MW, pilot production plant in nearby Redhill, which is manufacturing field trial, demonstration and test products for our partners as well as finished stacks for a low volume of commercial systems.

The ESG Committee implemented the first phase of our streamlined energy and carbon reporting (SECR) disclosures on carbon emissions in 2020 covering Scope 1, 2 and limited Scope 3; and this year we have been working with Ricardo Energy & Environment to establish a more detailed picture of our Scope 3 emissions based on spend, this is highlighted in the table to the right.

Ceres is expanding its operations enabling us to deploy our decarbonising technology at scale and pace, yet this inevitably increases our emissions in the short-term despite prioritising and reducing our emissions intensity. We are looking to establish an emissions reduction pathway, for more see our science-based targets on page 16.

Streamlined energy and carbon reporting (SECR) for the 12 months to December

Disclosure	Description	2020		2021	
		Energy (kWh)	Location-based emissions[5] (tCO_2e)	Energy (kWh)	Location-based emissions[5] (tCO_2e)
Scope 1: Direct emissions	Fuel used in transport and consumption of natural gas[1]	1,997,664[8]	368	2,168,437	398[8]
Scope 2: Indirect emissions	Electricity purchased and used for operations[2]	4,901,240	861	5,481,294	Nil[6]
Scope 3: Other indirect emissions	Fuel used in personal vehicles for business travel[3]	55,404[8]	14	50,014	12
Scope 3: Other indirect emissions	Upstream and downstream indirect emissions that occur in the value chain[4]	-	20,707	-	29,265
Total	**Total carbon emissions**		**21,950**		**29,675[8]**
Carbon intensity Revenue	Total carbon emissions per £100k revenue		100		94
Carbon intensity Headcount	Total carbon emissions per employee		68		61

KEY

Emissions reporting SECR verified

Addition of full Scope 3 analysis SECR unverified[7]

Boundary condition explanation:

1. Other gas use and emissions from test stands and international travel excluded.
2. From October 2020, 100% of our electricity has been sourced from zero-carbon sources.
3. Upstream supply chain and downstream in-use emissions excluded.
4. Production of purchased products, transportation of purchased products, or use of sold products see SBT for 2021 breakdown.
5. CO2e calculated from fuel used in company vehicles, electricity purchased for ongoing operations and natural gas consumed for buildings and testing, converted to tCO2e using government-approved conversion factors.
6. Emissions calculated using the market-based method (per note 3. above). For comparison, had electricity not been sourced from zero-carbon sources, and the location-based method applied, the equivalent value would have been 1,164 tonnes CO_2e.
7. Scope 1, 2 and limited Scope 3 emissions data for 2020 were SECR verified in 2021. Scope 1, 2 and limited scope 3 emissions data for 2021 were SECR verified during H1 2022. The remainder of 2021 Scope 3 emissions have been analysed and will be SECR verified during H2 2022.
8. Values updated from 2020 and 2021 Annual Report data as SECR reporting refined.

Science-based targets

Whilst our SECR disclosures cover our current emissions, our science-based sargets (SBT) will guide our future emission reduction targets.

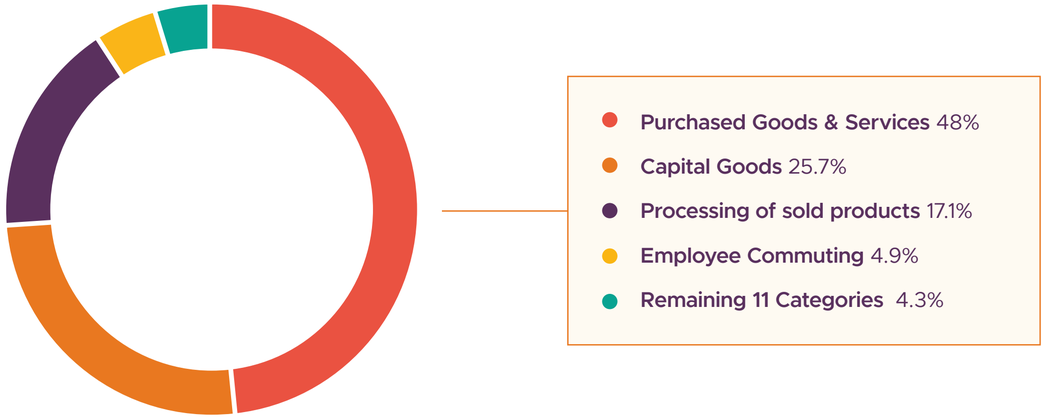
To establish a SBT pathway to reduce GHG emissions in line with SBT initiative (SBTi) guidelines, Ceres engaged with Ricardo Energy & Environment in 2021. Ricardo carried out a gap analysis of our calculated emissions (Scope 1 and 2 above) against the SBTi criteria and produced a high-level estimate of Ceres' full Scope 3 emissions in line with the GHG Protocol Corporate Value Chain Standard (Scope 3).

Analysis of our Scope 3 carbon emissions has demonstrated that 95.7% of our Scope 3 carbon emissions fall into four of the categories defined under the 'Greenhouse Gas Protocol: Technical Guidance for Calculating Scope 3 Emissions' as published by the World Resources Institute & World Business Council for Sustainable Development, 2013: Purchased Goods and Services (48%), Capital Goods (25.7%), Processing of Sold Products (17.1%) and Employee Commuting (4.9%), the last of which is reported in more detail under our Streamlined Energy and Carbon Reporting for the 12 months to December 2021. The remaining 4.3% of our upstream and downstream Scope 3 carbon emissions falls into the other 11 categories defined under the aforementioned guidance.

This analysis has informed our efforts since the start of 2022 as we seek to better understand the impact of our activities now and how we can respond positively to this. As a next step we will be reviewing and refining the analysis and methodology and evidencing against an SBTi framework to build a net zero strategy against, in line with 1.5°C, to which we can hold ourselves accountable.

It should be noted that Ceres is a growth company and intends to continue to invest in both core R&D and pilot scale manufacture, which constitute the two largest emission categories and will therefore increase absolute carbon emissions in the short-term. Ceres intends to implement carbon intensity emissions reduction targets, which will mitigate the inevitable emissions increase due to organisational growth for the next few years, whilst still allowing the growth that will lead to global cumulative benefits over time.

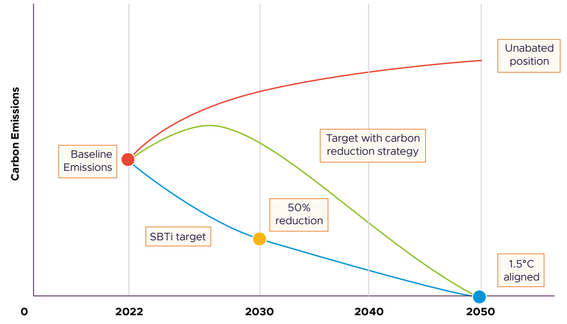
Scope 3 Carbon Emissions

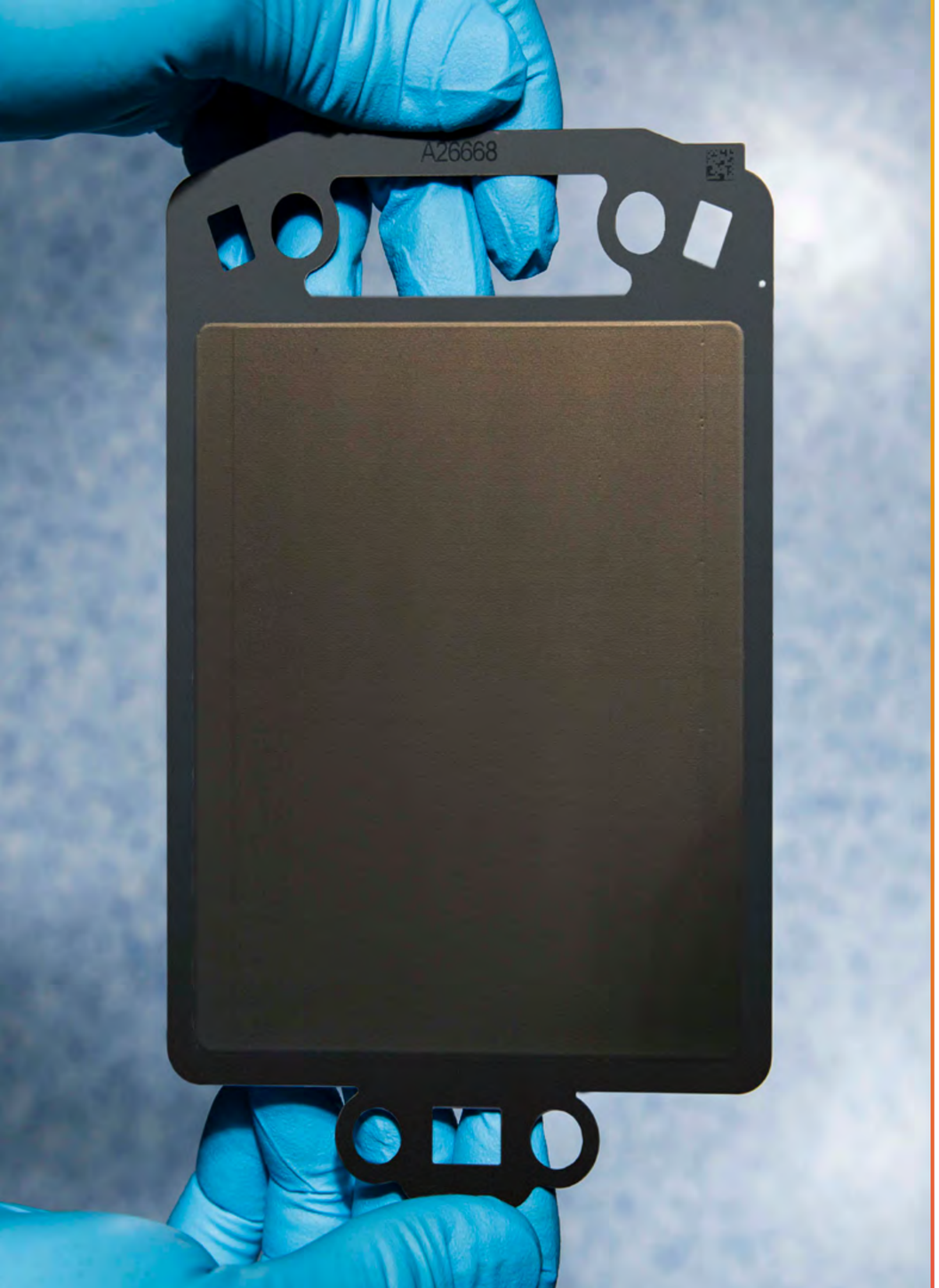


Short-term growth in emissions will lead to cumulative benefits over time

Ceres is at the beginning of evaluating its carbon emission pathway in line with SBTi guidance to achieving net zero emissions before 2050. As a growth company, Ceres expects that its short-term emissions will increase as it succeeds in its mission to embed its technology with global partners. Nonetheless, we intend to establish an SBT pathway to reduce emissions intensity whilst our absolute emissions increase in the short-term. We aim to ensure our emissions are in line with 1.5°C and SBTi guidelines leading to cumulative benefits over time.

The diagram here is for illustrative purposes only.





Cradle-to-gate analysis

As well as taking important steps forward in understanding our carbon emissions and exploring targets for their reduction, we have also worked with Ricardo to undertake a life cycle assessment (LCA) of the environmental impact of our fuel cell stacks; a 1kW and a 5kW stack.

As the stacks go on to be used in numerous different applications, this study covered the cradle-to-gate stage of the stacks' life cycle, quantifying the potential carbon impacts associated with raw material extraction and processing, transport of materials to the Ceres manufacturing site, manufacturing of the unit by Ceres, and packaging of the unit, ready for distribution. The results of this study quantify the potential climate impact of producing our cells in terms of Global Warming Potential (GWP), a standard comparison of all product cycle gases to the equivalent carbon dioxide global warming impact and measured here in kilograms of carbon dioxide equivalent (kg CO_2e), for each stack as follows:

Substage	1kW stack (kg CO_2e)	5kW stack (kg CO_2e)
Raw materials	297	1,148
Manufacturing	261	929
Transport	14	48
Total	572	2124
Total/kW	572	425

Ceres now has a modelling tool provided as part of the study with which we can model various supply and material choice scenarios for carbon impact which will now form part of our concept design and R&D decision making process. With this, we have an intention to set targets to reduce the impact of our stacks, both with ourselves and our suppliers.

In 2021, Ceres increased its own manufacturing capacity to produce 3MW of stack technology, which if run continuously would displace over 4,500 tonnes of CO_2 a year. Ceres has signed agreements with partners aiming to scale up to 250MW of annual production of technology by 2024, with the potential to displace c.400,000 tonnes of CO_2 per annum compared to conventional technology in an average G20 country. We have a clear line of sight to the potential positive global impact of our technology. Closer to home the electricity generated from fuel cells and stacks in development at Ceres is used to reduce our own grid demand where there is net positive electricity generation from the stacks on test.

We recognise the importance of looking beyond carbon impact to consider the circular economy for raw materials. As a next step we will undertake a full evaluation of the end-of-life recyclability or reuse of our technology, cradle-to-grave, and will seek to lead the industry for our technology, embedding sustainability considerations into the very heart of our development and the transfer of IP under licence to our partners.

Waste and recycling

Beyond carbon impact, Ceres is also focused on the reuse and recyclability of raw materials. The automotive steel we use, that contributes to over 95% by weight, is the most widely recycled material globally. Recycled steel makes up around 85% of the supply we receive from one source. These parts account for between 40-50% of the total steel content used. We will continue to work with suppliers to improve this position.

Currently, 96.8% of waste materials are recycled at our Horsham site and 77.6% at our Redhill site, with the remainder sorted further by waste providers with very little ultimately going to landfill. At this time post-test fuel cell stacks are not recycled but we will shortly commence a project with a key commercial partner and a consulting engineer to undertake a full evaluation of the end-of-life recyclability of our technology. This will allow us to initiate a recycling strategy—with an established recycling organisation—to maximise recycling rates from the stacks we produce and provide guidance to our licence partners as they plan for high volume production.

As we work towards our full net zero strategy, we have introduced environmental initiatives across our business, including the provision of facilities that encourage energy efficiency, waste prevention and sustainable water consumption. Ceres is preparing for accreditation to ISO 14001 which will include a waste management system where appropriate materials from both manufacturing operations and the wider organisation are recycled. Office materials including glass and cardboard are widely recycled. Manufacturing scrap and excess materials are recycled where appropriate with metals and precious metals prioritised by value.

Ceres does not scale manufacturing. We have two sites in the UK, an R&D centre, and a prototype manufacturing plant. Our impact on water and biodiversity is small but we understand that it is an important area. We are familiar with the launch of the Taskforce on Nature-related Financial Disclosures and will be monitoring its progress closely to understand its intersection with other frameworks and standards and ensure our reporting is as relevant and comprehensive as possible.

Case study: **Community wood recycling and promoting community reuse**

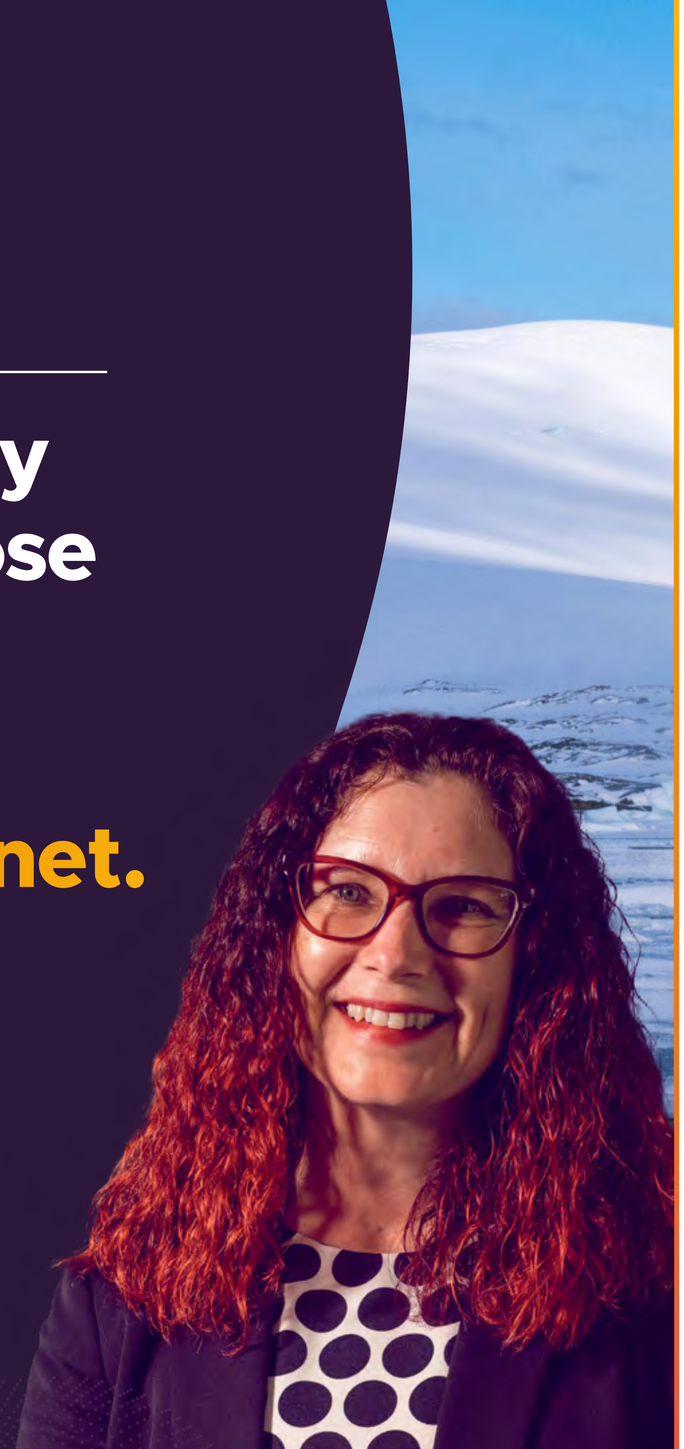
Ceres recycles all its wood with Community Wood Recycling, a network of social enterprises collecting and reusing waste wood in the most environmentally beneficial way while creating jobs and training for disadvantaged people. Its service is based on the principles of the circular economy, saving wood, promoting its reuse in the community and building a more sustainable society in the process. A labour-intensive activity, it provides a wide range of disadvantaged people—including those recovering from substance abuse or from mental health issues, people with learning difficulties and ex-offenders—with a way to build their confidence and self-esteem. They learn new skills, helping them to overcome barriers and to find employment.

Social

“**Ceres** is a company with a clear purpose at its heart,

to help sustain a clean, green planet.”

Michelle Traynor
People Director



Social

“Ceres is a company with a clear purpose at its heart—to help sustain a clean, green planet by ensuring there is clean energy everywhere in the world. This purpose not only defines the Company’s technology and business model but governs its behaviour as a good corporate citizen and reflects the culture of our people.

Ceres aims to conduct its business in a socially responsible manner, to contribute to the communities in which it operates and to respect the needs of employees and stakeholders. Ceres ensures a high-quality working environment and provides employee opportunities to undertake further training and professional development.”

Michelle Traynor
People Director

> Over the last two years, the health, safety and welfare of all employees has remained our priority.

Health and safety

Ceres is committed to ensuring the health and safety of everyone who works for the Company, and also of everyone who may come in contact with its activities including visitors, clients, contractors, and the general public.

The Total Recordable Incident Rate (TRIR) for the Group was **0.36 in 2021**, **down from 0.38** the previous year and importantly, Ceres has achieved **zero Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDORs) year-on-year.**

The Ceres health and safety team is present and visible across both UK sites and is instrumental in guiding the process of completing and reviewing Risk Assessments and COSHH assessments on an ongoing basis. All employees receive detailed health and safety inductions and annual refresher courses. Health and safety is everyone's responsibility and we encourage a culture of transparency and improvement. Accidents, incidents, near misses and safety improvements are recorded electronically through our Health, Safety and Environment (HSE) issue reporting system.

Weekly safety reports are provided to the Executive management for review and both UK sites are subject to monthly safety audits. Health and safety is a standing agenda item at weekly delivery meetings, every All Hands—our monthly all Company meeting, and for meetings of the Board of Directors.

The Company seeks to maintain effective systems, plans and training for managing the health, safety and welfare of all employees and, in addition, for managing the environmental impact of our operations. It is part of Ceres' Health and Safety policy to consult with employees, partners, suppliers and contractors on health, safety and environmental issues, and to record and investigate all accidents and ensure appropriate corrective actions are taken to prevent recurrence and to continually improve the accident record.

It is hard to think of the ways that the pandemic has not affected our lives over the last two years. The health, safety and welfare of all employees has remained our priority throughout this period and effective systems, plans and training have ensured that all risks are properly assessed and controlled, so far as is reasonably practicable.

Community impact

DONATIONS FOR UKRAINE

The war in Ukraine has put many things into perspective and at Ceres we are proud to have such a talented and multi-cultural workforce including team members from Ukraine. In February 2022, Daniel Messmer from the Ceres In-service Support team stepped forward to coordinate urgently needed supplies of food, clothing, bedding and hygiene items. Donations were collected at both Ceres sites, carefully sorted, stored and packed to ensure only the most urgent items were shipped via containers into Poland and onto Ukraine via lorry. We continue to work with the Balham White Eagle Club to collect and send urgently needed items on a monthly basis.

FACE SHIELDS FOR COVID-19

At the outbreak of Covid19, members of the Ceres team signed up to an initiative led by SolidPrint3D to 3D print face shields for front line and emergency workers and address the urgent need for personal protective equipment. The initiative plugged a vital shortfall in the first few weeks of the pandemic, until supply chains and injection moulding machines ramped up production, and involved numerous community participants and companies, ultimately shipping over 20,000 face shields to schools, hospitals and vital service workers. We are incredibly proud of our team members who worked nights and weekends to help stop the spread of the virus and protect peoples' lives.

2041 | CLIMATEFORCE ANTARTICA EXPEDITION

Ceres was proud to sponsor Piers Mulvey in early 2022, as he joined the 2041 ClimateForce Antarctic Expedition along with 170 people from 37 nations to witness first-hand the effect of climate change in Antarctica.

You can read more about the expedition and Piers' thoughts on leadership, climate science and sustainability via the Ceres Insights page on our website: www.ceres.tech/insights

Case study: **REIMAGINE**

In collaboration with STEM Learning UK, Ceres hosts a science animation competition for secondary schools in the southeast of England with the aim to inspire the next generation of innovators and creatives to think about the global climate challenge and to bring their own creativity to tackling the mission for net zero. For the inaugural year, we were delighted to have five incredible women from across science and engineering as our judging panel, who reviewed entries from 20 schools and selected three teams to join the final awards at the Science Museum in London.

Now in its second year, the competition seeks to encourage a greater diversity of students into science, technology, engineering and maths and maybe just find some new ways for STEM and arts to collide and collaborate.

You can find out more information on the Competition website:
www.ceres.tech/reimagine

Diversity, equity, belonging and inclusion

We call it DEBI and it encompasses our belief that talent and ingenuity stem from a variety of perspectives and experiences. As an organisation and a group of people, we have an open and inclusive culture and believe all kinds of diversity, including age, gender and cultural background makes for a stronger organisation.

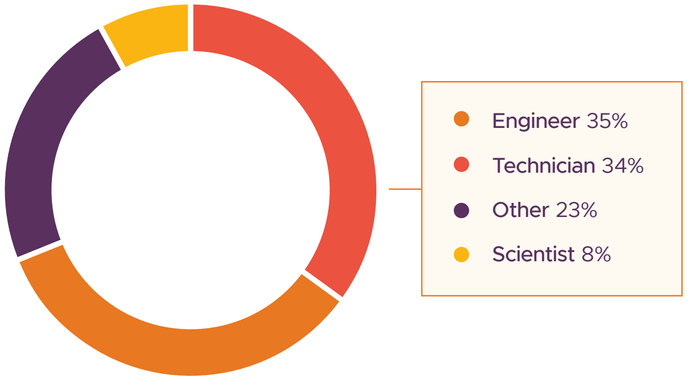
We are pleased to report that we have continued to improve our gender diversity, with 20% of Ceres roles being held by women as at 31 December 2021, compared to 18% the previous year. Women represent just 13% of our engineers and scientists. Gender diversity in engineering and energy is not a challenge that is unique to Ceres we continually seek to improve our diversity, with 22% of new recruits in 2021 being women against our near term target of 25%.

Ceres is not only a high-growth Company, but a vanguard of climate technology at the forefront of clean energy with a modern, international workforce. We are pleased to have 42 different nationalities represented within the team and the importance of creating a strong sense of belonging, where people are seen and heard, is widely acknowledged.

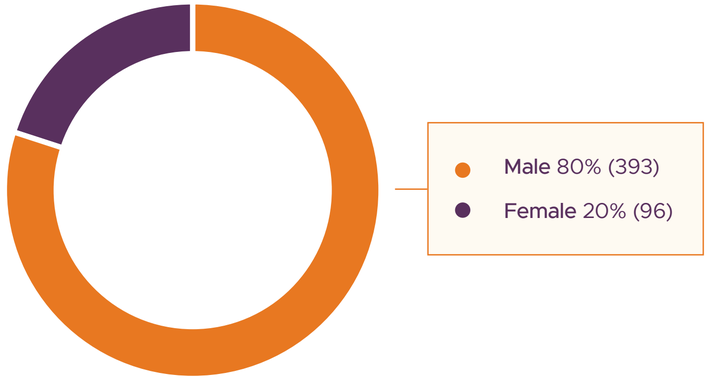
We aim to encourage a diverse group of employees to have a voice through our Connect forum and to ensure there is widespread Company understanding of the need to continually review and improve diversity.

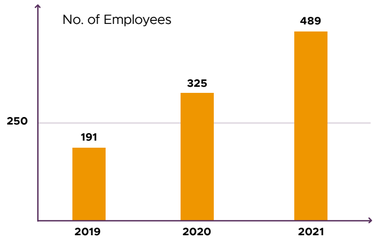
We have adapted over the past two years, recruiting to grow the workforce to over 500 and recognising that remote working is here to stay. These things can act as a barrier to cohesion and belonging, but we are focused on activities that celebrate everyone from Pride Week, Black History Month to mental health awareness and cultural food swaps. Through mentoring schemes and investment in our training and development, we aim to celebrate and support individuals and ensure that growth opportunities are linked to strong and inclusive culture that is more attractive to current and future staff.

Workforce: split by roles



Workforce: gender split





“We continually seek to improve our diversity, with 22% of new recruits in 2021 being women against our near-term target of 25%.

Copies of our Gender Pay Report and Diversity & Inclusion Policy can be found on the Company website *HERE*.

Connect

Our Connect employee forum is representative of our collaboration across the business, with around 25 employees sitting on the committee representative of the various Company departments.

Connect seeks to drive inclusion and support our employee communities in fulfilling their missions and getting the very best from their contribution to Ceres. It has three working hubs under its remit:

Being environmentally conscious through Eco & Workplace; supporting and safeguarding our people in Social & Wellbeing; and giving back through the Charity & Community hub. The Company's approach to diversity, equity, inclusion and belonging is the foundation of all Connect initiatives.

Everyone is encouraged to get involved either as participants or in the wide variety of events organised or championed by Connect and its members.

The Chair is elected on an annual basis and has a seat on the ESG Committee.

Attracting and retaining talent

Ceres is an inspiring place to work, and our people are as dynamic, flexible and innovative as our technology. They need to be to collaborate with some of the world's most progressive and demanding companies. In 2021 our employee retention rate improved from 91% in 2020 to 94%.

Ceres' people are lifelong learners, and the company embraces equal development and employee engagement opportunities for all. In order to nurture and develop its talent, the Company has created the Ceres Academy. Designed and tailored around its core purpose, values and strategy, the Ceres Academy offers three bespoke development programmes (Leading Self; Leading Others; and a Senior Leadership programme).

> These programmes are aimed at different levels of experience within the business and are sponsored by the Board. In addition to this, all employees have access to a range of bite-size e-learning topics.

We have also continued to expand our early careers programmes, offering opportunities at different levels of education or careers including work experience, paid internships, a 42-month apprenticeship scheme, and a two-year graduate rotation programme. Through our 'REIMAGINE' competition we also seek to engage and enthuse young people into our industry through regular engagement and activities with our STEM ambassadors. To find out more, view our Early Careers video *HERE*.

Share options are used as part of long-term incentivisation to retain employees most critical to the business. In addition, we also have a Sharesave share plan which allows employees to buy Ceres shares at a discount to the market. In 2021, 74% of our workforce participated and the scheme was recognised as Winners of a Stars Award at the ESOP Awards and as the 2021 ProShare Award winner for 'Most Effective Communication of an Employee Share Plan'.

A VOICE TO ALL EMPLOYEES

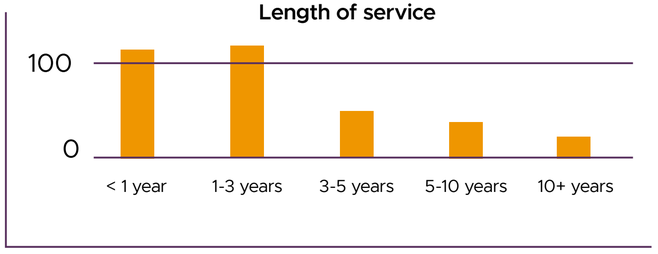
We went into lockdown in 2020 with around 200 people and have emerged with over 500 operating across two sites in the UK and also many now remotely, both in the UK and internationally.

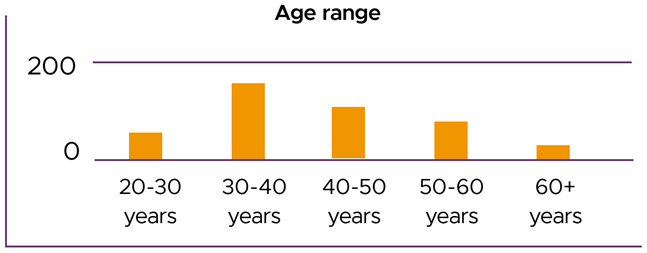
To date Ceres has used dip surveys, to provide feedback and guidance on certain aspects of our Company and approach. In June 2022 we undertook the first the Group-wide employee survey a Gallup 12 Engagement Survey to examine more closely our Group purpose and alignment with our values of Committing Wholeheartedly, Pioneering with Precision and Creative Collaboration.

> In our first Gallup 12 groupwide survey, we achieved a good score of 76% overall engagement, from a 66% completion rate, and 280 suggestions for improvement.

What came across strongly was the belief in and contribution to the company's shared purpose to help sustain a clean, green planet. Working with the people around the Company, viewing colleagues as being committed to doing quality work, and having deep respect for people's passions and talents all ranked very highly.

We have identified areas for improvement, particularly around continued development, recognition and taking time to celebrate the successes all long overdue after the challenges of growth and Covid-19. We look forward to marking Ceres' 21st Birthday later in the year with a celebration of the significant achievements and dedication of our people.

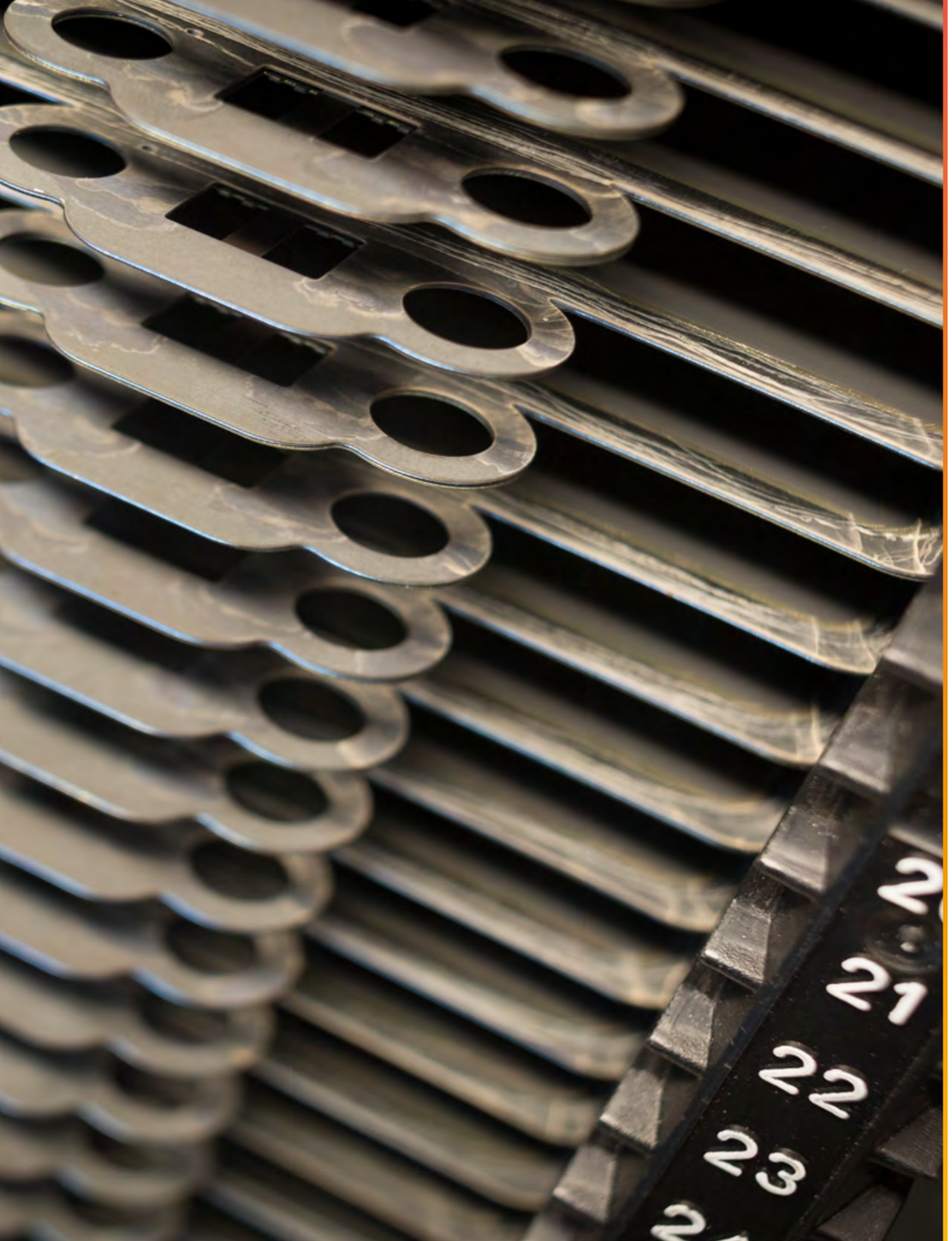




The benefits of working with Ceres

- Flexibility and time off including holidays, birthdays and sabbaticals. Family support includes enhanced maternity, paternity and adoption leave as well as hybrid and flexible working
- Health and well-being including medical cash plan, virtual GP service, mental health support, a ride-to-work scheme, and gym discounts
- Remuneration benchmarking, pension scheme, life assurance insurance, save-as-you-earn and loan schemes
- Other benefits include electric vehicle charging, recruitment referral scheme, the Ceres Champion Awards and retail discounts

94%
Retention rate



Supply chain

Over the past year, we have focused our work on developing a more efficient, ethical and sustainable supply chain. We have reinforced our engineering and supply chain teams and are establishing improved processes to support our growth, alongside working across our supply chain to ensure sustainable sourcing and operating practices are employed.

With the outbreak of war in Ukraine, we have considered possible risks from the conflict, including potential disruption to our supply chain—and following internal evaluation and investigation do not believe it creates any new principal risks.

As Ceres approaches commercialisation, there is increasing risk as we disclose more of our technology under licence to our partners and the supply chain, reinforcing the requirement more than ever to have strong partners and a diversified and trusted supply chain.

We ensure product quality and assurance by using approved suppliers which are audited by Ceres. All Internal processes go through an initial validation and once approved, we have continuous monitoring throughout each stage of manufacture to defined quality control plans which also include a final performance test before delivery. Ceres' quality management system is certified to ISO 9001:2015.

Ceres is in the process of developing a Supplier Code of Conduct, Supply Chain Sustainability Policy and Selection Process in accordance with ISO 20400 and the UN Global Compact, and in preparation for achieving ISO 14001 (Environmental Management) this year. These cover Human Rights & Labour, Environment and Anti-corruption.

This year Ceres has engaged Achilles as a provider of supply chain verification and tools to support the development of sustainable supply chain management. Our goal is to create an ecosystem which will aid the achievement of our goals reducing supply chain risk, increasing ESG standards, and a supply chain that is aligned to the achievement of the Company's strategy, ensuring all parties understand and benefit.

> **“We have reinforced our engineering and supply chain teams...to ensure sustainable sourcing and operating practices are employed.**

Governance

“

Ceres conducts its business activities in an honest, ethical and socially responsible manner.

”

Deborah Grimason
General Counsel and Company Secretary

Governance

“Ceres conducts its business activities in an honest, ethical and socially responsible manner. These values underpin the Company’s vision and strategy as led from the top by our Board of Directors and its three sub-committees. As we seek to graduate this year from the AIM to the Main Market of the London Stock Exchange, we will continually evolve and improve our procedures to comply with the UK Corporate Governance code and TCFD requirements.

This year we have registered our intent to become a participant in the United Nations global corporate citizenship initiative, supporting the Ten Principles of the Global Compact on Human Rights, Labour, Environment and Anti-corruption. It is our most significant commitment to date to building a long-term sustainable business, which is inextricably linked to doing the right thing for our workforce, our communities, and the planet”.

Deborah Grimason
General Counsel and Company Secretary

Board oversight of ESG

Ceres is focused on and committed to upholding sound corporate governance practices, providing stakeholders with accurate disclosure and appropriate levels of transparency across all aspects of our business. Our business, operations and sustainability practices are overseen by the Board of Directors, which is responsible for establishing the purpose and values and setting the vision and strategy for the Company to deliver value for our stakeholders. The Board recognises that this includes ensuring that necessary resources are in place, performance against key indicators is monitored, planning for Board and senior management succession, overseeing risk management, and helping to embed the Group's purpose, culture and values.

For more information, please refer to the Corporate Governance report included in the Ceres 2021 Annual Report.

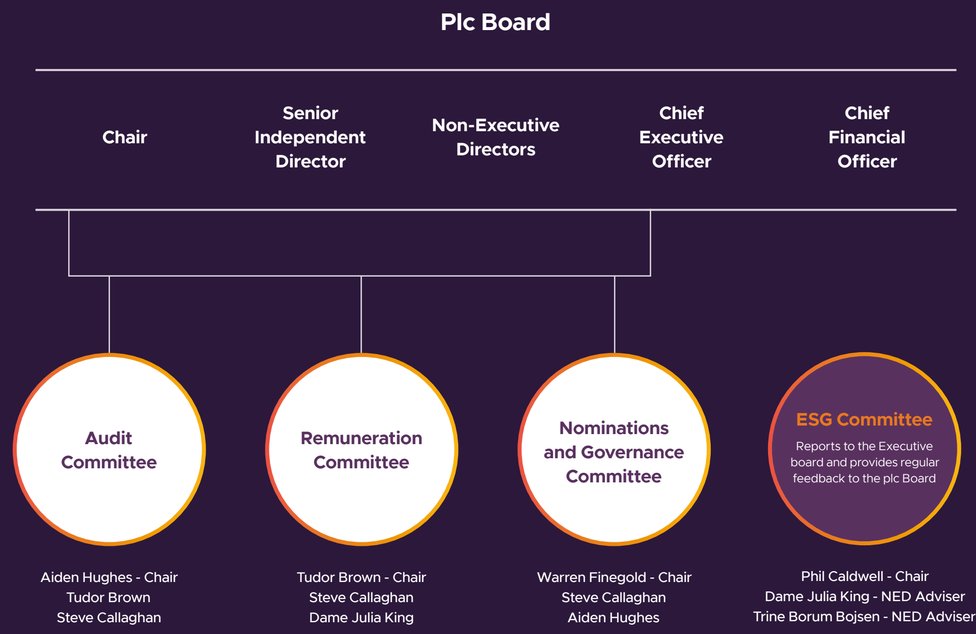
The Ceres ESG Committee is chaired by the Chief Executive and its members include the Chief Operating Officer, General Counsel, People Director, Director of Investor and Corporate Communications and the Chair of the employee group, Connect. It meets at least quarterly and ensures adherence with the standards and commitments established by the ESG & Sustainability Policy. Specific ESG related KPIs, established by the ESG Committee, are owned and monitored by the Executive Board and are regularly reported to the Board. The ESG Committee also benefits from the attendance and guidance of Non-Executive Board Directors at two of its annual meetings.

A copy of the ESG & Sustainability Policy can be found on the Sustainability section of the Ceres website at: www.ceres.tech/sustainability

The development of the Board and the Executive team over the past year broadens our expertise and improves gender diversity, bringing an ongoing and positive impact on corporate culture. In September 2021, Caroline Hargrove stepped down from the Board on being appointed Chief Technology Officer and joined the Executive team. Caroline was replaced by Trine Borum Bojsen, who brings 25 years of experience from across the renewables space. As we look to migrate from the AIM market to the Main Market of the London Stock Exchange, and taking into consideration shareholder feedback, we will continue to conduct Board and Committee evaluation to ensure it is the most efficient and appropriate leadership structure for our business and includes a broad range of skills, experience and diversity.

20%
Female representation on the Board of Directors

40%
Female representation on the Executive Team



Managing sustainability risks

The Audit Committee plays a central role in the review of the Group's financial reporting, risk review and internal control processes. Commencing this year, ESG including climate-related risks will be included in Ceres' corporate risk reporting process. The Chief Executive, as Chair of the ESG Committee, is responsible for identifying, managing, and mitigating these risks, with support from other Committee members from across legal, operations, human resources and communications.

These feed into the Group's quarterly review process, which is reviewed by the Audit Committee twice a year, with the Board ultimately responsible for risk review and setting risk appetite along with proposed mitigation.

In line with the highest risk categories in our Materiality process, and as part of our recent investor engagement and feedback, we have highlighted potential risk factors below that are specific to Ceres and which shareholders are keen to better understand.

CONFLICT OF INTEREST

Under the Company's Articles of Association, the Board has the authority to manage and approve any conflicts or potential conflicts of interest of Directors. Bosch and Weichai are commercial partners as well as strategic shareholders in Ceres —holding 33,790,880 (17.6%) and 37,965,262 (19.8%) ordinary shares in the Company respectively, as of 31 July 2022.

As part of their investment, each has a representative director on the Ceres Board of Directors. The full biographies of the current Directors, Uwe Glock and Qinggui Hao, can be found on the Ceres website. The Board views it as positive that the success of our major commercial partners is closely aligned with the success of our business.

During the period, on the recommendation of the Nominations and Governance Committee, certain Board meetings were only attended by independent Non-Executive Directors and Executive Directors to deal with matters concerning potential conflicts of interest relating to non-independent members of the Board, as is the common approach and considered best practice. Subcommittees are chaired and attended by Independent Directors only.

TRANSFER OF INTELLECTUAL PROPERTY (IP) UNDER LICENCE

Our strategy is to embed our solid oxide technology in the power products of world-class partners and develop our technology for efficient electrolysis stacks that produce future fuels cost-effectively. We transfer IP under licence and our technology is scaled through partners, so it is imperative that we partner with companies whose approach to governance and ambition for scale is aligned with ours.

We have internal procedures and controls in place to capture and exploit all IP as well as to protect, limit and control disclosure to third parties and partners. Contractual provisions with partners and IP insurance provide additional protection to the Group for agreement, pursuit and defence of IP. We perform freedom-to-operate searches to minimise this risk.

INFORMATION AND DATA SECURITY

Due to Ceres' licensing business model, protecting our IP and knowledge is of paramount importance to our employees, shareholders and our partners. Information security protects our business case, ensures we comply with regulations, and deepens our partners and the public's trust in our mission by reducing the adverse impact of the loss of confidentiality, integrity and availability of our information and information systems.

The Information Security Management System (ISMS) allows information sharing with acceptable information related risk, and is a collection of policies, procedures, processes, management tools and roles which has led to zero recorded breaches to date.

Information security is a key part of new employees' inductions and mandatory retraining for all employees is compulsory each year such that they understand their responsibility, the ISMS framework, and the many tools they have at their disposal to achieve a culture in which legal requirements and information security risks are considered whenever Ceres information is handled by any employee or third party. We have been adapting to a new hybrid work environment and have been educating on best practices for both personal and corporate data at home and in the office.

QUALITY MANAGEMENT

Ceres is committed to quality using agreed standards, targets and best practices in line with our values, policies and processes. We recognise the important role we play in enabling our partners to scale clean energy products for power generation, transportation, industry and everyday living.

Our Quality Management System is made available to all employees giving instructions on how to capture partners' requirements and how to communicate and interact both internally and externally, ensuring our products and services are fit for purpose. The responsibility for compliance rests with the Chief Operating Officer supported by the Quality Manager and their team.

The system has been developed, and is maintained, in alignment with the requirements of BS EN ISO 9001. Our Quality Policy can be viewed on the Ceres website *HERE*.

Governance at a glance

Ceres conducts all business activities in an honest, ethical and socially responsible manner, aiming to align with best practice, business priorities and to be a responsible employer. It is committed to acting professionally, fairly and with integrity in all business dealings, with consideration for the needs of all stakeholders. Ceres also endeavours to adopt values and standards designed to help guide employees in their conduct and business relationships. The Company is therefore committed to:

- *Complying with all relevant legislation, regulations and codes of practice which apply to the Company, including requirements related to environmental and social impacts;*
- *The implementation and enforcement of effective policies and procedures to reflect a zero-tolerance approach to bribery and corruption;*
- *Measuring performance and promoting continual improvement through setting annual objectives and targets;*
- *Operating an ESG Committee. Chaired by the Group's CEO, the Ceres ESG Committee's core remit is to monitor the Company's ESG policy and approve initiatives aimed at enhancing sustainability.*

The Ceres Code of Ethics and Business Practice sets out our behaviours as a good corporate citizen. This behaviour applies not only to interactions with, and between, our employees, but also towards broader stakeholders, including the partners, suppliers, shareholders and wider society. In addition to the contents of the Code, we have separate policies listed here, which are available on request from the Company or published on the website. All employees of the Company receive inductions and mandatory training on these important areas through the online training and development portal, Ceres Academy.

Governance policies

Policies

- Code of ethics and business practice
- Data security and privacy charter
- Diversity and inclusion
- Health and safety
- Modern slavery statement
- Quality
- Supply chain
- Speak up
- Sustainability and ESG

Ceres reviews its policies in line with its material risks and aims to continuously update them as it evolves its strategy to ensure they maintain alignment with the needs of the business and stakeholders.

Stakeholder engagement

Interest in the sector remains strong and the level of stakeholder engagement to understand the Group's progress and wider strategy is significant. Active relations and communications with our stakeholders, and understanding their views, needs, expectations and feedback, is vital to us—as is gaining our shareholders' understanding of the Company's circumstances, plans and constraints.

We regularly communicate through a variety of public channels including our website and social media accounts, as well as updating our internal intranet site and development platform Ceres Academy, channels that are available to all our employees. The Board is responsible for creating long-term sustainable value for the Company's shareholders. It acknowledges the importance of engaging with and considering the interests of the Company's wider stakeholders when making decisions, as the Company's success is linked closely with the wellbeing and success of all stakeholders.

We welcome contact from our stakeholders to raise any concern or question—and offer several routes to do so openly, in private, or confidentially. We have a Speak Up policy which encourages employees to flag up anything of concern.

Stakeholder	Key importance	Approach to engagement	Related
Shareholders	To ensure shareholders understand and have confidence in the Company's strategy and performance, purpose and culture. To build strong relationships with our shareholders and understand the issues that are important to them.	• Annual General Meeting • Meetings and calls • Capital Markets days • Our website • Annual Report • Meetings with analysts and brokers • RNS and press announcements	Strategy and business performance Financial statements Corporate governance The energy transition Remuneration
Suppliers and partners	To ensure the Company, its partners and our supply chain are aligned to the achievement of the Company's strategy, ensuring all parties understand and benefit. To create an ecosystem which will aid the achievement of our goals.	• Regular engagement across the Company, including our commercial operations and technical programmes • Company representatives in all countries where our key partners are located • Independent surveys or discussions to solicit feedback from partners	Compliance with all laws, policies, standards and regulations Industry reputation Requirements for tendering Transparency with suppliers and partners Ethical business that deals fairly with partners and suppliers
Employees	To attract, develop, incentivise and retain the best people to help us achieve our strategy and vision, and create a strong and supportive culture.	• Monthly All Hands meetings • All-employee off-site events • New-joiner lunch with the CEO • Employee share options • Employee surveys and feedback	Strong alignment with Company strategy and culture Collaboration across teams Remuneration and benefits Employment opportunities
Wider society	To generate social and environmental impact, which is part of the Company's core purpose.	• Community initiatives, such as REIMAGINE • Through our website and public reporting • By improving ESG reporting and accountability	Best industry practices Media engagement Ceres' role in the energy transition Social benefits

Climate related risks and opportunities

Alongside the role our technology plays in enabling the energy system to respond to the climate crisis, we recognise that our business is exposed to many of those same risks. As we seek to transition from AIM to the Main Market of the London Stock Exchange, we are assessing our readiness and preparing our response to TCFD recommendations.

Included here is a snapshot of the climate-related risks and opportunities, and our management's response and approach to these key areas. This does not replace the need to evaluate and formalise responses to ESG risks as they are captured and escalated as part of our Corporate Risk Review, more details on which can be found in the Governance report.

Climate-related risks		Management approach to risk and opportunity
Reputation (near-term)	Fail to meet stakeholder and investor perceptions and expectations during the energy transition	• ESG investor engagement • Publication of sustainability report • Robust management of policies to changing conditions • Transparent disclosure of ESG performance including ESG metrics as KPIs, strong balance sheet and low-debt level • Set clear strategy to reduce the carbon footprint of our own business
Regulation and legal (medium to long-term)	International and regional changes to climate and carbon abatement legislation	• Continuing evaluation of global climate regulation landscape • Include TCFD reporting into Ceres' 2022 AR • Pursue carbon abatement through SBTi carbon reduction pathway • Engagement with government and civil servants to understand expectations and directives • Monitoring of changes in global sustainability regulations • Review of global climate policies and disclosure requirements
Market and technology (near to medium-term)	Changing energy landscape and availability of financing for new and decarbonising energy technologies	• Seek renewable energy options for own energy requirements • Stay at the leading edge of innovation, both in our core technology and beyond through Ceres Radar, our new accelerator platform • Pursue deployment of technology at scale and pace, driving cost reduction • Meet emission standards and embed sustainability as part of tech transfer • Include cost of carbon in forward financial planning
Physical risks (medium to long-term)	Interaction with suppliers and contractors, assets and strategy development	• Assess carbon intensity of supply chain through Scope 3 emissions assessment • Engage with supply chain on climate-related and sustainability risks • Integrate implication of climate change into asset or site development

Measuring our progress

Ceres engaged a number of parties in the development of its inaugural Sustainability Report from across the business as well as advisers, the Board of Directors and a mix of existing investors, potential investors and commercial partners.

We commit to continue rigorous engagement with stakeholders to ensure that the sustainability strategy remains aligned with external expectations and listed here are some of our priorities over the next 12 months and beyond.

Progress achieved

- Announced Achilles supply chain risk management
- Gender Pay Gap reporting
- Publication of diversity and inclusion policy
- Dips surveys, Ceres Academy and CONNECT activity
- Corporate governance improvements
- Internal data controls, improvements to policies and systems, ISO 9001
- Information security policy and training roll-out
- Executive participation in the Berenberg
- Sustainability and SDG Conference

Near-term actions

- Completion 2021 emissions analysis with Ricardo and SBTi accreditation
- Gallup employee survey
- Publication of scope 1, 2 and scope 3 emissions
- Publication of SASB framework
- Survey of existing and potential investors and partners
- Publication of the ESG Report

Long-term targets

- Completion of science-based carbon reduction pathway in line with SBTi guidance to achieving net zero emissions before 2050
- TCFD select provider and commence
- Seek ISO 14001 accreditation
- Set public targets and monitor progress related to emissions
- ESG Capital Markets Day
- Achieve CDP Rating

SASB index

Ceres operates a technology licensing business model, we do not intend to mass manufacture technology or products at scale. Ceres has elected to remove references to batteries, which are not within the scope of its business. Our SASB Report will be published following our Sustainability Report.

Code	Metric	Reference
Energy management		
RR-FC-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	See sustainability key performance indicators, page 5
Workforce health and safety		
RR-FC-320a.1	(1) Total recordable incident rate, (2) fatality rate	See health and safety, page 21
RR-FC-320a.2	Description of efforts to assess, monitor, and reduce exposure of workforce to human health hazards	See health and safety, page 21
Product efficiency		
RR-FC-410a.2	Average energy efficiency of fuel cells as (1) electrical efficiency and (2) thermal efficiency, by product application and technology type	See UN SDGs, page 11
RR-FC-410a.4	Average operating lifetime of fuel cells, by product application and technology type	See our role through the energy transition, page 14
Product end-of-life management		
RR-FC-410b.1	Percentage of products sold that are recyclable or reusable	Not included at this time, more information on future planned product analysis on to of cradle-to-gate on page 17
RR-FC-410b.2	Weight of end-of-life material recovered, percentage recycled	See waste and recycling, page 18
RR-FC-410b.3	Description of approach to manage use, reclamation, and disposal of hazardous materials	See waste and recycling, page 18
Materials sourcing		
RR-FC-440a.1	Description of the management of risks associated with the use of critical materials	See supply chain, page 26
Activity metrics		
RR-FC-000.A	Number of units sold	Target of 3MW annually
RR-FC-000.C	Total energy production capacity of fuel cells sold	For our capacity see introduction, page 2 and for partners capacity see UN SDGs, page 11

Glossary of terms

Achilles	Supports the development of ethical and sustainable supply chains. (**www.achilles.com**)
AGM	Annual General Meeting
CDP	CDP is a not-for-profit organisation that runs a global disclosure system for investors, companies, cities, states and regions to report and benchmark their environmental impacts.
COSHH	Control of substances hazardous to health (COSHH) is the law that requires employers to control substances that are hazardous to health.
DEBI	Diversity, Equity, Belonging and Inclusion. Ceres' diversity and inclusion programme
ESG	Environmental Social Governance
EU Taxonomy	Classification system established by the European Commission to clarify which investments are environmentally sustainable
GHG	Greenhouse Gases
HSE	Health, Safety and Environment
IEA	International Energy Agency
Intellectual Property (IP)	An asset that is created by the innovative activities of people and businesses. IP can be in the form of inventions, literary and artistic works, designs and symbols, or names and images used in commerce. In business, unique IP is often the basis of competitive advantage and is therefore closely protected, for example by calling out a copyright, registering a trade mark, or filing a patent. Intellectual property rights are protected by law and allow the holder to assert control over how they are used through contracts and licences.
ISO	International Organization for Standardization
kg CO_2e	Kilograms of carbon dioxide equivalent
PGMs	Platinum group metals
Ricardo	Global engineering services company Ceres has engaged to establish a science-based pathway to reduce greenhouse gas emissions in line with SBTi initiative.

RIDDOR	The statutory obligation in the UK to report deaths, injuries, diseases and dangerous occurrences, including near misses, that take place at work or in connection with work.
SASB	Sustainability Accounting Standards Board founded in 2011 as a non-profit organisation focused on independent standards setting (**www.sasb.org**)
SBTi	The Science Based Targets initiative (SBTi) is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. SBTi defines and promotes best practice in emissions reductions and net zero targets in line with climate science to meet the goals of the Paris Agreement limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.
Scope 1	Direct GHG emissions from operations that are owned and or controlled by the organisation (source: Greenhouse gas protocol)
Scope 2	Indirect GHG emissions from energy imported from third parties, heating, cooling and steam consumed with the organisation.
Scope 3	All GHG emissions that occur as a consequence of the operations of the organisation but are not directly controlled or owned by the Company, such as the use of sold products.
SDG	The United Nations' Sustainable Development Goals
TCFD	Task Force on Climate-Related Financial Disclosures | TCFD (**fsb-tcfd.org**) is a new reporting requirement for UK Premium Listed companies publishing results from 2022.
The Paris Agreement	A legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably 1.5 degrees Celsius, compared to preindustrial levels.
TNFD	Recently launched TNFD Taskforce on Nature-related Financial Disclosures, details the approach for Corporates to locate their interface with nature
TRIR	Total Recordable Incident Rate: the percentage of incidents per 100 employees (Number of Incidents x 200,000 / total number of hours worked in a year); Source: Occupational Safety and Health Administration (OSHA). Recordable Incident: All work-related deaths and illnesses, and those work-related injuries which result in: death, loss of consciousness, restriction of work or motion, transfer to another job, or require medical treatment beyond first aid.

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