Task Force on Climate-related Financial Disclosures

Aligning with TCFD recommendations

This is our first step towards aligning with the recommendations of the Task force on Climate-related Financial Disclosures (“TCFD”) and setting out our assessment of climate-related risks and opportunities.

The process has allowed us to identify potential risks and opportunities that climate change presents to our business, enabling us to better prepare for an uncertain future and ensure that our business strategy is resilient to the significant transition that will be required to achieve a net zero future.

In this report we have made climate-related financial disclosures consistent with the TCFD’s recommendations and Recommended Disclosures pursuant to Listing Rule 9.8.6R(8) The following table summarises our disclosures and refers to where further detail on climate-related financial disclosures can be found in this report or on our Company website.

In completing this report, we have used the TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets, and Transition Plans, and the TCFD Guidance for All Sectors to cover the four pillars of recommended climate-related financial disclosures.

This first step has been valuable in identifying areas to be routinely considered in business and investment decisions and we are working to further align and be more transparent on our disclosures in line with evolving guidelines and to better communicate the work that we are doing internally.

1 Governance

Disclose Ceres’ governance around climate-related risks and opportunities.

a. **Describe the Board’s oversight of climate-related risks and opportunities.**

b. **Describe management’s role in assessing and managing climate-related risks and opportunities.**

The Board is responsible for the Group’s risk framework, which includes climate-related risks and opportunities. We have taken steps to formalise the review of ESG risks and actions by the establishment of an ESG Committee of the Board. It meets at least twice a year and otherwise as required. The Chair reports formally to the Board after each meeting (twice per year) on all matters within its duties and responsibilities.

In addition to the oversight provided by the Board, the Chief Executive Officer chairs an Operational ESG Committee and is responsible for identifying, managing and mitigating ESG risks, with support from other operational Committee members from across finance, legal, operations, human resources and communications. It meets at least quarterly and the Chair of the Operational ESG Committee also reports to the Board after each meeting to ensure the Board is kept up to date with progress throughout the year.

Links:

- See Board governance, Annual Report page 47
- See ESG governance and oversight, page 22
- See Sustainability roadmap, page 4
- See Materiality matrix, page 6
- See Stakeholders and S172 Statement, Annual Report page 18
- Terms of reference for the ESG Committee can be found on our website here
- See our strategy and business model
- See Remuneration Report, Annual Report page 55

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2 Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning, where such information is material.

a. **Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.**

b. **Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.**

c. **Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

Ceres' ambition is to enable the world to transition to cleaner more sustainable forms of energy and in doing so make big savings in carbon emissions as our partners scale up from the mid-2020s. The growing demand for clean energy technologies creates a strong business opportunity for Ceres, but changing political landscapes and legislation may also create market uncertainty and Ceres is alive to the potential for higher operating costs due to the constraint on critical skills, resources, and materials.

Alongside the role its technology plays in enabling the energy system to decarbonise, Ceres seeks to act sustainably in decarbonising its own business. Failure to meet stakeholder expectations on ESG obligations is considered a principal risk for the business. This is addressed through the Company's strategic planning and ESG priorities. In 2023, Ceres aims to build a science-based carbon reduction pathway in line with SBTi guidance to achieve net zero emissions before 2050.

To align decision making and ownership, ESG metrics are included in the KPIs to be met for Executive remuneration.

In this first TCFD report, the ESG Committee has assessed the potential severity of risks and the possible benefits of the opportunities with the aim of minimising the impact and adapting to opportunities. For this initial year, we used three climate scenarios over two time periods to model the resilience of the business against our identified potential risks.

For further details on the climate-related risks and opportunities that may impact Ceres' business, please refer to the Scenario analysis on pages 29 and 30 of this report.

Links:

- Results of the scenario analysis are outlined on pages 29 and 30
- See Managing sustainability risks on page 25
- See Carbon saving calculator
- See Sustainability roadmap, page 4
- See Materiality matrix, page 6

3 Risk management

Disclose how Ceres identifies, assesses and manages climate-related risks.

a. **Describe the organisation's processes for identifying and assessing climate-related risks.**

b. **Describe the organisation's processes for managing climate-related risks.**

c. **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**

Climate change is a key risk, and a cross-disciplinary ESG risk register has been compiled by the executive and management team. The register spans areas covering ESG issues, with each focusing on a shifting landscape over various time periods. Each risk is assigned a severity, probability of occurrence, and impact on the business and Group with proposed responses and analysis of post-mitigation severity.

The risk register is reviewed by the ESG Committee and significant risks referred to the Audit Committee for inclusion in the Board-level risk register. All risks with a high impact are raised to the Board and considered in step with the business, strategic and financial planning. In addition, a materiality analysis is conducted by the ESG Committee every two years to identify and prioritise material ESG issues through engagement with various stakeholders.

Existing and emerging regulatory requirements related to climate change are considered in both our response as a business, but also with regard to opportunities for the business. For example, changing legislation on air quality and emissions is driving the move towards the adoption of greener technology solutions.

Climate adaption risks are also considered at a site level. Integrated Management Systems (IMS) cover the business' main sites, its Technology Innovation Centre in Horsham and Manufacturing Innovation Centre in Redhill, and hosts ISO9001 and ISO14001 management systems. Each site is audited externally (every three years) or internally. We have also sought to collaborate with the licensee partners and understand their mitigation and adaptation plans for their key manufacturing sites for our technology.

With regards to the supply chain, sustainability risks (including natural and climate-related hazards), are embedded into Supplier Risk Assessment. This process enables to define risk mitigation action plans with suppliers, as well as prioritise multi sourcing strategies. The Company continually monitors events and critical supplier locations to shorten reaction time when events occur and minimise business impact.

At present, the impact of climate-related matters is not material to the Ceres' financial statements.

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4 Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

a. **Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.**

b. **Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.**

c. **Describe the targets used by the organisation to manage climate-related risk and opportunities and performance against targets.**

Metrics to assess climate-related risks and opportunities include climate risk and environmental profiling data including life cycle analysis, water use, energy use and carbon emissions intensity. Each year, Ceres discloses its greenhouse gas ("GHG") emissions for Scope 1, 2 and limited Scope 3 SECR verified emissions reporting. Starting in 2022 we have provided spend base data for additional Scope 3 emissions covering our value chain.

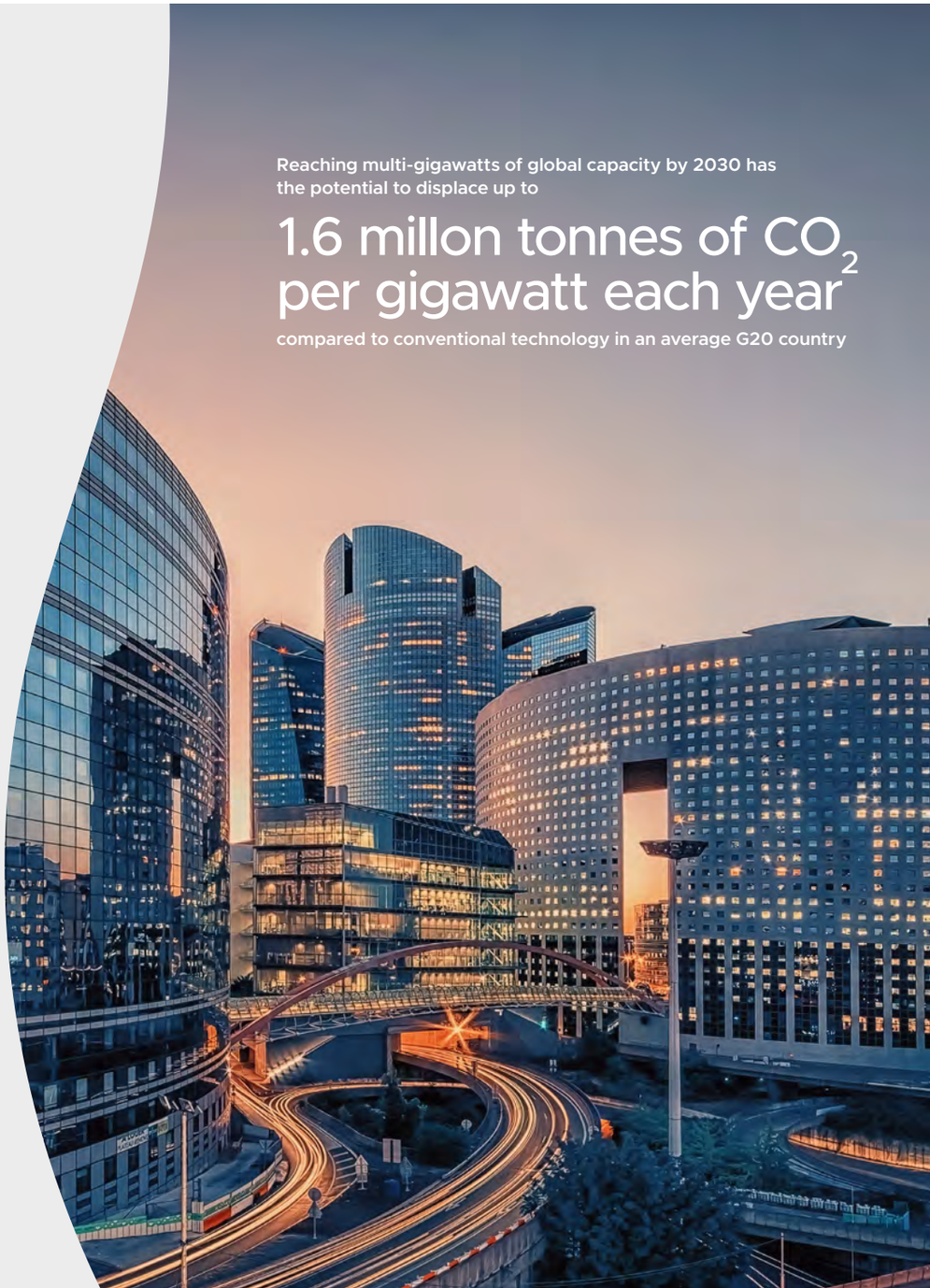
In addition, Ceres has started to consider the potential positive impact, from carbon avoided through use of its technology. For further information, see the Carbon saving calculator on the website.

Ceres is targeting net zero, and to do so we are first improving our GHG emissions data collection process and data quality. We engage with Ricardo Energy & Environment, which verifies that our Scope 1, 2 and 3 data sources and calculations are robust, where we currently use a manual process to collect, categorise and calculate our emissions using the spend-based methodology in alignment with the Greenhouse Gas Protocol Accounting and Reporting Standard and Scope 3 guidance documents and in accordance with ISO 14064-1.

To enable a successful net zero strategy, we will need to focus on high-impact hotspots of our emissions. As we improve our emissions calculation process and the granularity of our data, we can create emissions reduction pathways such as the purchasing of our steel to produce our fuel cells. Since our supply chain constitutes a large proportion of our emissions, supply chain engagement and sustainable procurement will play a key role in meeting these targets. In the future we will pair up more accurate and specific emissions calculation methods with our ongoing life cycle assessment (LCA) work, to better identify where emissions reductions can be achieved and to improve the accuracy of our emissions reporting.

Links:

See energy use and GHG emissions reporting, page 10
See Sustainability roadmap, page 4
See Carbon saving calculator - Ceres



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Scenario analysis

Ceres has analysed climate related risks and opportunities that may impact its business operations. In accordance with TCFD guidelines, the risks are differentiated as transition or physical risks, with impacts assessed across three different scenarios over two time periods, until 2030 and to 2050. This aligns with our proposed approach to developing a Net Zero Strategy with guidance from the Science Based Targets initiative.

- 1.5°C scenario - Limiting global temperature to 1.5°C would require strong policy implementation from governments to enforce emissions reductions, likely with variation across industries. This would result in swift adoption of new, clean technologies and significant penalties for non-compliance.
- 2.0°C scenario – This scenario would result in more moderate adoption of new, clean technologies, but would be supported with greater use of carbon-removal technologies. Legislation would be introduced early and become more globally consistent and binding over time.
- +3.0°C scenario – The current policies of global governments are not aggressive enough to adequately limit global temperatures and are projected to result in a global temperature increase of more than 3.0°C. This scenario is likely to result in significant physical risks, with potentially greater impacts on global operations and supply chains.

Ceres aims to embed its technology with global partners, who then design and manufacture products and systems at scale for various applications and geographies. From its base in the UK, Ceres focuses on innovation and R&D, transferring technology under licence. Hence, this first disclosure of scenario analysis reflects this business model and small asset footprint, and represents a high-level assessment of the climate risks and opportunities to Ceres as it stands today.

As partners adopt its clean energy technology and build global capacity and scale, Ceres will seek to disclose its climate-related risks and opportunities with greater detail and accuracy. Scaling technology comes with an environmental cost, likely to be reflected in our analysis of climate related risks, but any increase in the environmental impact of Ceres's own footprint is likely to be drastically outweighed by the opportunity its technology will have on the world's ability to decarbonise.

Opportunities for the energy transition		Scenario	2030	2050	Ceres' opportunity
Policy incentives and capital allocation for scaling of clean energy technologies	Increased funding from public sector and investors to accelerate scaling up of fuel cell and hydrogen technologies	1	High	High	Ceres indirectly benefits from global partners accessing government funding e.g. Bosch recently received €160m of European subsidies for its SOFC manufacturing
		2	Moderate	High	
		3	Low	Moderate	
Technology revolution to support the energy transition, requiring huge amounts of renewable energy and green hydrogen	Prosecute our licensing model to deliver clean energy technology that bridges molecules and electrons	1	High	High	Hydrogen is predicted to account for ~18% of primary energy and create a ~$2.5tn market opportunity
		2	Moderate	Low	
		3	Low	Moderate	

Scenario analysis continued

Risk			Impact on Ceres' business	Scenario	2030	2050	Ceres' actions
Transition risks	Policy and legal	Increased regulations and pricing on GHG emissions	Greater costs associated with emissions reduction, monitoring and reporting obligations	1	🟡	🟡	• Pursue carbon abatement through SBTi guided carbon reduction pathway • Set clear strategy to reduce the carbon footprint of our business • Assess carbon intensity of supply chain through Scope 3 emissions assessment
				2	🟢	🟡	
				3	🟢	🟢	
	Market	Global economic and physical disruption increasing cost and availability of resources	Higher operating costs due to increased price and reduced availability of critical skills, resources and materials	1	🟡	🟡	• Engage with supply chain on climate-related and sustainability risks • Procurement strategy to ensure multiple sources of key materials • Integrate implication of climate change into development of assets and partners • Building our skills pipeline for a green energy future
				2	🟢	🟡	
				3	🟢	🔴	
	Policy and legal	Changing geopolitical landscape and legislation	Incompatibility with our technology resulting in reduced production and royalties or limited opportunity for growth	1	🟡	🟢	• Continuing evaluation of global climate regulation and policy landscape • Monitoring of changes in global sustainability regulations • Engagement with government to understand expectations and directives
				2	🟡	🟢	
				3	🟢	🟢	
	Reputation	Enhanced emission-reporting obligations	Lack of transparency and adherence could limit access to financing while threatening a strong and sustainable stakeholder base	1	🟡	🟢	• Transparent disclosure of ESG performance • Include cost of carbon in forward financial planning • Strong governance and investor relations communication
				2	🟡	🟢	
				3	🟢	🟢	
	Technology	Uncertainty in market signals due to cost to transition to lower emissions technologies	Slower than expected take up of new technologies and decarbonisation due to macro factors, cost concerns, security of supply etc.	1	🟡	🟢	• Stay at the leading edge of innovation, with a focus on cost, life and durability • Flexible technology that meets emissions standards for multiple applications and geographies • Horizon scanning for further and future technologies beyond solid oxide
				2	🔴	🟢	
				3	🔴	🟡	

Risk			Impact on Ceres' business	Scenario	2030	2050	Ceres' actions
Physical risks	Acute	Increasing frequency of severe climate events	Impacts on production plants or their suppliers thus resulting in lost royalties Increased cost of insurance for physical assets	1	🟢	🟢	• Strong business continuity planning • Diversification of license partners • Diversification of applications and geographies
				2	🟢	🟡	
				3	🟡	🔴	
	Chronic	Increasing temperatures affecting working environment and natural resource availability	Increased capital and operations costs to maintain product quality eg. water scarcity and power supply disruptions	1	🟢	🟢	• Integrate implication of climate change into asset and site resilience • Collaboration with partners on development of manufacturing sites • Build strong and localised supply chains
				2	🟢	🟡	
				3	🟡	🔴	

Legend for the climate-related risks table:

- 🟢 Low financial risk
- 🟡 Moderate financial risk
- 🔴 High financial risks

Scenario 1: Strong policy induction limits global temperatures to 1.5°C

Scenario 2: Moderate adoption of new, clean technologies results in 2°C temperature rise

Scenario 3: Current policies of global governments are not aggressive enough, resulting in +3.0°C temperatures