Sustainability continued

Building resilience for the future

Using the Task Force on Climate-related Financial Disclosures ("TCFD") as a framework, Ceres reports against the climate-related risks and opportunities that face our business.

As a technology company at the forefront of the energy transition, the climate transition represents a strong business opportunity for Ceres; however, climate-related risks are inherently global and will affect businesses across their value chains and operations. Therefore it is essential to thoroughly evaluate climate risks to ensure resilience to a changing environment. Ceres' technology has an opportunity to have a global impact, but we must continue to align our operations and technology designs with our sustainability values.

In this report we have made climate-related financial disclosures consistent with the TCFD's recommendations and Recommended Disclosures pursuant to UK Listing Rule 6.6.6R(8). The following tables summarise our disclosures and reference 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, the 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.

The ESG Committee believes that we have reported in compliance with seven of the eleven recommendations, with 2(b), 4(a), 4(b) and 4(c) being partially. We are currently analysing the financial impact of climate-related risks and opportunities and full Scope 3 GHG analysis. Ceres has established near-term emissions reduction targets, but will require time to measure progress against these targets. As each of these recommendations is under development, Ceres intends to be fully compliant with its reporting requirements in 2026.

Governance	Strategy	Risk management	Metrics and targets
Recommended disclosures			
a) Board's oversight	a) Identify climate-related risks and opportunities	a) Risk identification and assessment process	a) Climate-related metrics to assess climate-related risks and opportunities
b) Management's role	b) Impact on the organisation's businesses, strategy and financial planning	b) Risk management process	b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks
	c) Resilience of the organisation's strategy	c) Integration into the organisation's overall risk management	c) Climate-related targets and performance against targets

Compliant Partially compliant Non-compliant

1 Governance

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

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

The Board is responsible for the Company's risk framework, which includes climate-related risks and opportunities. In 2023, Ceres formalised the review of ESG risks and actions by the establishment of an ESG Committee of the Board ("ESG Committee"). The ESG Committee oversees the development and execution of sustainability targets and key performance indicators ("KPI"). The Committee is crucial in shaping and monitoring our sustainability vision and strategy to address future skills and operational and governance needs. Such considerations not only guide current decision-making processes, but also facilitate developments that are robust enough for an uncertain future and to enable a better one. It meets at least three times a year and otherwise as required. The Chair reports formally to the Board after each meeting on all matters within its duties and responsibilities. For more information on the duties and responsibilities of the ESG Committee of the Board, please see the ESG Committee Report on page 88. The Company's Non-financial and sustainability information statement as required by Section 414CA and Section 414CB of the Companies Act 2006 can be found on page 91 of the Directors' Report.

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

The Company's Chief Operating Officer Mark Garrett chairs an Operational ESG Committee, tasked with identifying, managing and executing against sustainability objectives. This Committee includes members from finance, legal, operations, human resources and communications, ensuring a holistic approach to sustainability. Meeting at least quarterly, the Operational ESG Committee facilitates a regular review and alignment of ESG initiatives across the organisation. The COO reports the Committee's progress to the ESG Committee after each meeting, ensuring transparency and accountability. ESG metrics are incorporated into KPIs for Executive remuneration, better reflecting our Company culture by aligning Executive interests with those of other stakeholders, and increasing ESG performance and ESG risk management. Though the responsibility falls to management, the operations function of the business, from procurement and the supply chain, to manufacturing and test, to health and safety and facilities, are all deeply involved in evaluating, monitoring and improving our sustainable behaviours and actions.

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.

Given the challenging global backdrop, Ceres' strategy is designed to be resilient amidst uncertainty whilst fostering a more sustainable future. We integrate this strategy within our operations and product designs, aiming to support industry decarbonisation with sustainability-centric technology. The level of risk varies with factors such as the temperature increase and the time horizon. To manage and mitigate such climate-related risks, we have conducted a scenario analysis, evaluating the impact of climate-related risks and opportunities at three temperatures and three time horizons: 1.5°C, 2.0°C and 3.0°C temperature increases compared to pre-industrial times over the short term (until 2030), medium term (to 2040) and long term (to 2050). Ceres has identified six climate-related risks, four transition and two physical risks; and two climate-related opportunities, as outlined on page 25.

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

Climate-related risks are inherently global, affecting businesses across their value chains and operations. Climate change can disrupt global markets, leading to the scarcity of critical skills, resources and materials, each of which could increase Ceres' operational costs and detrimentally affect our partners' supply chains and disrupt production. Following TCFD guidance on evaluating risks and opportunities, we have categorised the risks and opportunities and taken into consideration the impact across Ceres' operations in the UK, the production of our technology by our partners and the impact on Ceres' potential royalty revenue in the future, our supply chain and potential supply chains of our partners. Consideration of impact was quantified as direct impact on Ceres' business strategy and operations.

Ceres is in the process of evaluating the financial impact of climate-related risks and opportunities. We anticipate this being complete within the next 12 months.

Ceres embeds its technology with global partners, who design and manufacture products and systems at scale for various applications. Operating from our UK base, Ceres focuses on innovation and R&D, transferring technology under licence. This positioning presents both risks and opportunities, especially as a clean energy company. Our current disclosure reflects our business model and small asset footprint while considering the direct impact on Ceres through our manufacturing partners. Through sustainability initiatives across our operations and technology development, these innovations are significantly amplified when scaled up through our partners' production capacities, driving substantial reductions in overall emissions, maximising our positive impact on creating a cleaner world.

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

Ceres has completed its second iteration of climate-related scenario analysis, available on page 25. We have improved our reporting by standardising our analysis using independent climate scenarios, defined by the Network for Greening the Financial System ("NGFS") to provide credible data to support environmental and climate risk management across industries. For a full description of our climate-related risks and opportunities and Ceres' resiliency to them, see our Scenario analysis on page 25.

* Not yet compliant in reporting for these metrics.

Sustainability continued

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.
Climate change is a significant risk, prompting the Executive Committee to compile a cross-disciplinary ESG risk register. This register encompasses various ESG issues, each evaluated over different time periods. Each risk is assigned a severity rating, probability of occurrence and potential impact on the business. Once risks are identified, proposed responses and post-mitigation severity analyses are conducted.

The ESG Committee regularly reviews the risk register, escalating significant risks to the Audit and Risk Committee for inclusion in the Board-level risk register. High-impact risks are presented to the Board and integrated into business, strategic and financial planning, following the same escalation procedure for high-impact short-term risks identified through scenario analysis. Additionally, the ESG Committee conducts a materiality analysis every two years to identify and prioritise key ESG issues through stakeholder engagement.

b. Describe the organisation's processes for managing climate-related risks.
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 adaptation risks are also considered at a site level. Integrated Management Systems ("IMS") cover the business' main sites, our Technology Innovation Centre in Horsham and Manufacturing Innovation Centre in Redhill, and host ISO 9001 and ISO 14001 management systems. Each site is audited externally or internally (every three years). We have also sought to collaborate with the licence partners and understand their mitigation and adaptation plans for their key manufacturing sites for our technology.

With regard to the supply chain, sustainability risks, including natural and climate-related hazards, are embedded into supplier risk assessments. This process enables the definition of risk mitigation action plans with suppliers, as well as prioritising multi-sourcing strategies. The Company continually monitors events and critical supplier locations to shorten reaction time and minimise business impact.

c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.
On top of the climate-related risks Ceres may face as a business, we are also conscious of the impact of climate-related risks on our partners. As a licensing business, once our partners reach commercial scale, climate-related risks may influence our partner's productivity, thereby resulting in a financial impact on Ceres due to disruption in royalties. Assessment of these risks is encompassed in our scenario analysis, available on page 25. High-impact short-term risks are escalated to the Audit and Risk Committee for review. Risks are assessed as either a new principal risk, falling within a current principal risk or requiring ongoing monitoring. Actions are taken as needed in accordance with our corporate governance procedures. Ceres is currently assessing the most appropriate methodology to quantify the financial impact of climate-related risks. We intend to publish this within 12 months.

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.*
Metrics to assess climate-related risks and opportunities include climate risk and environmental profiling data, including life cycle analysis, energy use and carbon emissions intensity. ESG targets are incorporated into KPIs for Executive remuneration, better reflecting our Company culture by aligning Executive interests with those of other stakeholders, and increasing ESG performance and ESG risk management. Though the responsibility falls to management, the operations function of the business, from procurement and the supply chain, to manufacturing and test, to health and safety and facilities, are all deeply involved in evaluating, monitoring and improving our sustainable behaviours and actions.

As part of our continuous efforts to enhance energy efficiency, Ceres achieved compliance with the Energy Savings Opportunity Scheme ("ESOS") for energy management. In 2023, we hosted an Energy Savings Challenge, bringing together scientists and engineers from across the business to brainstorm over 40 initiatives to reduce energy consumption in our operations. Eight of these initiatives have been implemented, with the remainder recorded for potential future action.

Ceres recognises the importance of water conservation in the light of the growing global water strain. Our technology, which generates green hydrogen from green electricity, involves the hydrolysis of water into hydrogen and oxygen. Despite our modest water consumption of 5,330m^3 last year, as our partners expand to multi-gigawatt capacities globally by 2030, our deployed technology will result in significant water usage. Therefore, it is imperative to understand the impact of our technology on water use. To address this, we have included an evaluation of the water impacts of our electrolyser technology at scale in our sustainability roadmap as a future action.

b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.*
Each year, Ceres discloses our greenhouse gas ("GHG") emissions for Scope 1, 2 and limited Scope 3 SECR emissions reporting. Starting in 2022, we have provided spend-based data for additional Scope 3 emissions covering our full value chain. A full disclosure of Scope 3 emissions for 2023 is available in our Sustainability Report and our full Scope 3 emissions for 2024 will be published later this year in our Sustainability Report. By onboarding the emissions management system Sweep, Ceres will standardise our emissions reporting and be able to use the more rapid data collection to further mitigate emissions and their associated risks.

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.*
In 2023, Ceres completed a rigorous analysis of our emissions, assessing in detail our Scope 1, 2 and Scope 3 emissions, forecasting our future emissions in a business-as-usual scenario and a net zero scenario. In consultation with Ricardo Energy and Environment, we produced a comprehensive assessment of the investment and actions required to implement a net zero strategy aligned with SBTi standards. This has provided greater depth of understanding of the emissions of Ceres' operations and our supply chain, the latter representing 97% of our total emissions. Ceres Power Limited has committed to reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2022 base year. We have also committed to reduce Scope 3 GHG emissions 53% per million GBP gross profit by 2030 from a 2022 base year.

As a pre-profit company, we have developed a net zero implementation strategy that balances affordability with impact.

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. We are also onboarding a life cycle analysis tool in-house to provide ongoing insight into where emissions reductions can be achieved.

* Not yet compliant in reporting for these metrics.

Scenario analysis

Ceres has assessed the climate-related risks and opportunities impacting our operations. Scenario analysis helps us to understand and to quantify potential risks and uncertainties under different plausible climate futures. As per TCFD guidelines, our risks and opportunities are categorised into transition or physical risks and assessed across three scenarios: Net Zero 2050, Delayed Transition and Current Policies, covering the short (to 2030), medium (to 2040) and long (to 2050) term. These three scenarios, defined by the Network for Greening the Financial System ("NGFS"), provide credible data to support environmental and climate risk management across industries.

Each scenario incorporates assumptions regarding policy reactions, technology adoption and physical climate that will impact forecasts, such as investment in hydrogen projects or the frequency and intensity of heatwaves. These assumptions provide the data from which the impact on Ceres can be determined. The three temperature scenarios included in our analysis are as follows:

1. Net Zero 2050: Limits global warming to 1.5°C through stringent climate policies and innovation, achieving global net zero CO_2 emissions around 2050.
2. Delayed Transition: Assumes annual emissions do not decrease until 2030, with strong policies required to limit warming to below 2°C, peaking at a 1.8°C increase by the end of the century.
3. Current Policies: Maintains only currently implemented policies, resulting in high physical risks and a final estimated temperature increase of 2.9°C by the end of the century.

As we mature our reporting, we will provide more detailed disclosures of climate-related risks and opportunities. Scaling technology has an environmental cost, but any increase in our footprint will be significantly outweighed by the positive impact our technology will have on global decarbonisation efforts.

Ceres' resilience under different, potential future climates

Process to date

Re-evaluate the likelihood and relevance of the identified climate-related risks and opportunities that may impact Ceres, in alignment with TCFD guidance.

Using NGFS benchmarking climate scenarios and data, assess the potential likelihood and impact of each risk and opportunity under three possible warming scenarios, with insight from the Operational ESG Committee providing perspective from across operations.

Validate the potential impact with the ESG Committee and update as needed. Flag with the Audit and Risk Committee any risks or opportunities that are high impact in the short term. Risks will be assessed for integration into the principal risks.

Next steps

Quantify the financial impact of these risks and opportunities on Ceres.

Sustainability continued

Ceres' resilience under different, potential future climates

Risk			Financial impact on Ceres' business	Scenario	Short (to 2030)	Medium (to 2040)	Long (to 2050)	Ceres' actions and opportunities
Transition	Policy and legal risk	Increasing regulation, legislation and carbon pricing on GHG emissions.	Greater costs associated with emissions reduction and monitoring.	1	🟡	🟢	🟢	Ceres pursues carbon abatement through SBTi guided carbon planning. We set a clear strategy to reduce the carbon footprint of our business, assessing and engaging with our supply chain to reduce the carbon intensity of our Scope 3 emissions. Ceres continues to evaluate the global climate regulation and emissions policy landscape.
				2	🟢	🟢	🟢	
				3	🟢	🟢	🟡	
	Policy and legal 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	High	Governments around the world continue to mobilise funds to support the energy transition, such as Japan's commitment to mobilise ¥15 trillion in the next 15 years. Ceres will continue to evaluate funding opportunities and explore partnership to progress our SOEC programme.
				2	Mod	High	High	
				3	Low	Mod	Mod	
	Market risk	Global economic, political and physical disruption increases the cost and availability of resources.	Higher operating costs due to increased price and reduced availability of critical skills, resources and materials.	1	🟡	🟡	🟢	Ceres will engage with our supply chain on climate-related and sustainability risks. We will build a robust procurement strategy to ensure multiple sources of key materials and monitor changes in global sustainability regulations influencing resource availability and cost. Ceres will integrate the implication of climate change into the development of assets and partners while building our skills pipeline for a green energy future.
				2	🟢	🟡	🟡	
				3	🟢	🟡	🔴	
	Reputation risk	Evolving stakeholder perceptions and expectations around climate footprint and business performance.	Lack of transparency and adherence could limit commercial opportunities and threaten access to capital.	1	🟡	🟢	🟢	Ceres will continue to exhibit strong governance and transparent disclosure of ESG performance. Ceres will integrate circular economy principles into design of technology. We will maintain a strong and sustainable shareholder base through our Investor Relations programme.
				2	🟢	🟢	🟢	
				3	🟢	🟡	🟡	
	Technology risk	Uncertainty in market signals due to reliance on incumbent technologies and perceived cost to transition to lower-emission alternatives.	Slower than expected uptake of new technologies due to deprioritisation of decarbonisation, resulting in reduced production and royalties. or limited opportunity for growth due to increased risk aversion supporting competitive electrolyser technologies (e.g. alkaline).	1	🟡	🟢	🟢	Ceres will stay at the leading edge of innovation, with a focus on cost, life and durability, building a flexible technology that meets emissions standards for multiple applications and geographies. Ceres will engage with government to understand expectations and directives surrounding net zero commitments and funding while horizon scanning for future technologies beyond solid oxide.
				2	🔴	🟡	🟢	
				3	🔴	🔴	🟡	
	Technology opportunity	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	High	Green hydrogen is predicted to require a minimum of 3,769GW capacity to meet green hydrogen consumption in 2050[1], valued to be a $1.4 trillion market[2]. The sectors most likely to adopt this technology are steel, ammonia and sustainable aviation fuel[1], all of which are highly compatible with Ceres' technology. Ceres works across the value chain to stimulate interest and adoption of our technologies to take advantage of this market opportunity.
				2	Mod	High	High	
				3	Mod	Mod	Mod	
Physical	Acute risk	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	🟢	🟡	🟡	Ceres will continue to rely on its strong business continuity planning. We will minimise risk through diversification of licence partners and diversification of applications and geographies.
				2	🟢	🟡	🟡	
				3	🟢	🟡	🔴	
	Chronic risk	Increasing temperatures affecting working conditions.	Increased costs of operations to maintain favourable conditions for production. Capital costs associated with retrofitting assets to provide sufficient temperature control.	1	🟢	🟡	🟡	Ceres will integrate the implication of climate change into the development of environmental resilience planning of asset and manufacturing sites in collaboration with partners. Ceres will support the development of strong and localised supply chains for our operations and our partners' operations.
				2	🟢	🟡	🟡	
				3	🟢	🟡	🔴	

Legend for the climate-related risks table:

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

Financial impact: Ceres is currently assessing the most appropriate methodology to quantify the financial impact of climate-related risks. We intend to publish this within two years.

Scenario 1: Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation.

Scenario 2: Delayed Transition scenario assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming below 2°C.

Scenario 3: Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks from a temperature increase of 2.9°C.

1. BNEF. New Energy Outlook 2024. May 2024.
2. Deloitte. Green hydrogen: Energizing the path to net zero. June 2023.