

# Gaining traction

Our journey to volume  
manufacturing and  
rapid deployment

ITM Power PLC  
Annual Report 2023  
Registered in England and Wales number 05059407



**We are leaders in green hydrogen technology. We design and manufacture PEM electrolyzers that enable our customers to decarbonise.**

Green hydrogen is the only true net zero energy carrier, making it one of the best solutions to tackle the carbon crisis and create a clean, green future.

**Dennis Schulz**  
Chief Executive Officer

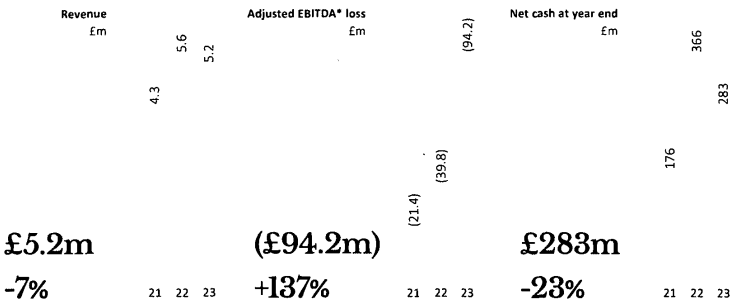
**"Our detailed 12-month plan will make ITM a stronger, more focused and more capable company. The large-scale opportunities in the market are yet to come, and by putting these foundations in place ITM will be ready for the significant market demand ahead of us."**

More detail on  
page 10

Strategic Report | Highlights

Our results

The financial performance for the year is in line with or ahead of the expectations set at the year end trading update on 1 June 2023. Our 12-month plan, including stringent cash control in the second half of the year, led to higher revenue and a stronger balance sheet position compared to the revised guidance.



\* Adjusted EBITDA is a non-statutory measure. The calculation methodology is set out in Note 6.

Strategic update

Good progress made against our 12-month priorities plan.

- Product portfolio significantly simplified, concentrating on our core product suite, with mature engineering processes and robust product validation, preparing for manufacturing at scale.
- A rigorous approach to capital allocation and cost management, including a significant reduction in headcount enabling us to reinvest faster to professionalise important areas such as engineering and manufacturing.
- Debottlenecking fabrication and testing by incremental automation, expansion of our factory in Sheffield, and investment into ITM Power Germany.

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Strategic Report | ITM Power at a Glance

What we do

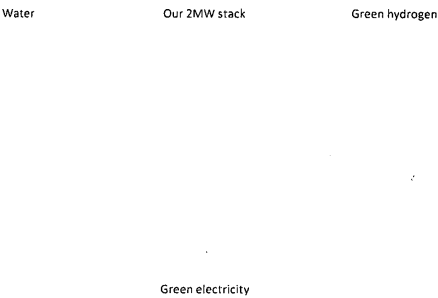
ITM Power aims to help the world reach net zero through the power of green hydrogen. We design and build state-of-the-art electrolyzers which are powered by renewable energy to split water to create genuine green hydrogen. It can be stored and be used in a range of applications including for the decarbonisation of 'hard to abate' industrial processes.

More detail on page 18

Where we work

Based out of our Sheffield factory, we are deploying electrolyser systems to customers in the EU, Norway, Australia, Israel, Japan and UK. Our state-of-the-art MEP30 electrolyser stack is both CE- and UKCA certified. Manufactured products deployed to the GB market after 31 December 2024 must have the UKCA marking and this important milestone ensures the ongoing compliance of our core products.

More detail on page 18



Our technology

Our electrolyzers are based on proton exchange membrane technology and are a key enabler for the energy transition.

The stack is the core of any electrolyser system. ITM Power's PEM stack technology delivers:

- the highest current density on the market, reducing footprint and cost
- leading conversion efficiency, reducing operational costs
- the lowest reported precious metal loading, relieving supply chain constraints

74

separately granted patents protecting our technologies, materials or processes

100MW

Our state of the art MEP30 stack platform is currently being deployed in 10MW modules integrated together to effectively serve 100MW scale projects

UK EU Israel Norway Australia Japan

How our PEM technology can be scaled

Pioneering turnkey solutions

<b>Plug &amp; Play System</b> Our most accessible solution. <b>Product:</b> Containerised System <b>Typical scale:</b> 2–10MW ≥ 400–2,000Nm <sup>3</sup> /h Our containerised Plug & Play electrolyser systems include our unique stacks and pre-tested sub-systems.	<b>Features</b>		
	2MW stack skid	Standardised & containerised	Scaling in 2MW increments

Innovation at the heart of a plant

<b>Large Scale Modular System</b> A modular approach. <b>Product:</b> Modularised Plants <b>Typical scale:</b> ≥ 10MW ≥ 2,000Nm <sup>3</sup> /h Our state-of-the-art PEM electrolyser stack skids form the heart of repeatable core electrolysis process modules for larger project deployments.	<b>Features</b>		
	10/20MW core modules	Combined to plant size	Flexible integration into balance of plant

Two 100MW electrolyser contracts signed with Linde Engineering

During the year, ITM Power signed two contracts, each for the sale of 100MW of PEM electrolysers to Linde Engineering. Both plants will be installed at a site operated by RWE in Lingen, Germany, and will be powered by offshore wind from the North Sea.

As part of its "Growing Green" strategy, RWE announced in November 2021 that it aimed to create electrolyser capacity of at least 2GW to generate green hydrogen by 2030. The two 100MW electrolyser plants at Lingen are part of this ambition.

The plants are the largest PEM electrolysers under execution worldwide and will be the first deployment of the Linde Engineering/ITM Power 10MW standard module for large-scale installations, utilising state-of-the-art MEP30 bar electrolyser stacks. Delivery for these two projects will represent a key milestone on ITM Power's journey towards high-volume manufacturing of an industrialised product.

Progress has already been made, with the first skids (housing for the electrolyser stacks) for the project in build ready for deployment to Lingen for integration into the balance of plant during FY24.

# Why invest in ITM Power?

## An attractive market

- Green hydrogen is the key to decarbonising sectors that cannot be directly electrified including industries such as petrochemicals, iron and steel, or fertilisers
- Major economies are aligning their climate, energy security and industrial policies in order to create a sustainable and reliable low-carbon economy
- The EU estimates that total investments of €335bn to €471bn are required in order to achieve 10 million tonnes of domestic green hydrogen production by 2030
- In the US, the Inflation Reduction Act earmarked \$370bn for energy-related tax credits to support the decarbonisation of the US economy

## Leading technology

- Founded in 2000, ITM was the first hydrogen-related company to be listed on the London Stock Exchange
- Our core product, the MEP30 stack, is state of the art and can be deployed in multiple formats into a wide range of applications
- Our research and development capabilities have ensured a strong technology roadmap which continues to drive product improvement

## Reference plant

- In partnership with Shell we piloted Europe's first 10MW PEM electrolyser in an industrial setting, Refthyne I, located at Shell's Rhineland Energy and Chemicals Park in Wesseling, Germany
- We are currently deploying two 24MW plants, one for Linde located at Leuna Chemical Complex in Germany and the second at Yara's ammonia plant in Porsgrunn, Norway
- The two 100MW plants for RWE in Lingen, Germany, are by far the largest PEM electrolyzers in build in the world today

10GW

UK Government's Hydrogen Strategy target for clean hydrogen production by 2030, with at least half of this being electrolytic green hydrogen

23 years

of technology know-how

285MW

of projects in build (as of 30 April 2023)

More detail on page 18

More detail on page 3

More detail on page 18

## Transitioning from an R&D company to a professional delivery organisation

The past year has been one of significant change for the Company. Our new CEO, Dennis Schulz, joined us in December 2022, and he has brought a fresh perspective and a renewed focus, putting into place a 12-month plan which is laying strong foundations for our future growth aspirations.

Sir Roger Bone  
Chair of the Board

We have a strong team,  
a leading technology,  
and a clear vision for  
the future.”

### Dear shareholders

As Chair of the Board, I am presenting the Annual Report and Financial Statements of ITM Power PLC for the year ended 30 April 2023.

Against a backdrop of an unacceptable operational and financial performance for the year as a whole, our results are above or in line with the guidance provided in January 2023 with a net cash position at the year end of £283m and our balance sheet in a healthy position.

Previously, we raised capital to pursue an expansion strategy and in doing so underestimated the competencies and capabilities required to scale up and to transition from an R&D company to a volume manufacturer. As a consequence, we had set unrealistic targets for project completion.

As a Board, we acted swiftly by appointing Dennis Schulz as our new CEO and he promptly developed a 12-month plan to address the underlying challenges of the Group. This included a three-step strategy to simplify our product portfolio, reduce our expenditure and debottleneck our manufacturing facilities. As part of this we completed a restructuring

of our organisation including reducing our headcount. The re-sizing of our business was difficult, but necessary from an operational and financial perspective and the changes will support the long-term success of our business. Those colleagues who remain in the business today are extremely passionate about what they do. By having a clarity of purpose I know that together we will achieve great things in the future and the Board thanks our employees for their continued commitment and support.

### The macro picture

The world is in a race to net zero emissions by 2050. This means that we need to reduce our greenhouse gas emissions to zero, or close to zero, in order to avoid the worst effects of climate change. Whilst the current global energy crisis poses a threat to near-term economic prospects, it has strengthened the economic case for accelerating the shift away from fossil fuels by driving investments in renewables, energy efficiency and other clean energy technologies.



## Strategic Report | Statement from the Chair of the Board continued

One of the key technologies that will help us achieve net zero is green hydrogen which can replace traditional grey hydrogen in existing industrial applications in the near term as well as being a substitute for a variety of fuels and feedstocks in the long run.

Governments around the world are setting ambitious targets for decarbonisation, and hydrogen is seen as a key part of the solution. To address this, it is imperative that all of the components of the value chain are synchronised with the build-up of hydrogen supply and demand. It is clear that we are entering a period of significant growth for the hydrogen industry and the emergence of a global hydrogen marketplace is now inevitable.

We are well-positioned to capitalise on this growth opportunity. We have a strong team, a leading technology, and a clear vision for the future. We are confident that we can grow our business and make a significant contribution to the global effort to decarbonise the economy.

### Environmental, social and governance (ESG) objectives

We are dedicated to delivering robust ESG performance out of a desire to uphold ethical standards. The fact that we kept our MSCI "AA" rating for a third consecutive year shows that the Company's ESG practices are well aligned with shareholder interests, and we are proud of this achievement. It also indicates that we are a business that is setting the standard for how our sector manages the biggest ESG risks and opportunities.

### Board changes

Denise Cockrem was appointed as a Non-Executive Director from July 2022. Denise is Group Chief Financial Officer of Ecclesiastical Insurance Office plc, a specialist insurance provider that is part of the Benefact Group – a charity owned, international family of financial services companies that exist to donate profits to good causes. She joined Ecclesiastical Insurance Office plc in August 2018 from Good Energy Group plc, an AIM-listed renewable electricity company where she was Chief Financial Officer.

Helen Baker stepped down as Company Secretary in September 2022 and we welcomed Vicky Williams into her role in November 2022.

Dr Graham Cooley stepped down from his role as CEO after 13 years in the post in December 2022. Graham was responsible for leading the Company through a period of significant development and he remains a sizeable and very supportive shareholder.

Dennis Schulz joined as CEO in December 2022. He brings a wealth of experience from Linde Engineering which includes project execution, strategy and a period as Chief Financial Officer and Managing Director. More importantly, Dennis knows our senior management and technology very well, having been directly involved in our strategic relationship with Linde, and brings deep insight into the green hydrogen market and our customer base.

Dr Rachel Smith stepped down from the Board on 30 January 2023. With her knowledge, expertise and passion for the Company, Rachel was pivotal in the delivery of several key strategic projects for a number of years. On behalf of the Board, I would like to thank Rachel for her continued commitment to ITM as she works with the Company in her new role as Special Projects Director.

Katherine Roe has announced her intention not to seek re-election to the Board at the 2023 AGM. The Board wishes to express enormous gratitude to Katherine for her contribution over the last three years, particularly with the development of our ESG strategy and supporting the business during a period of significant change. Katherine has been a valued member of the team and the Board wishes her well in her future career. The Board will not be replacing Katherine at this juncture, thereby reducing the number of Non-Executive Directors from five to four. This is in line with the change made to the number of Executive Directors which reduced from four to three upon Dr Rachel Smith's departure from the Board in early 2023. The Board is confident the balance of executives to non-executives therefore remains appropriate for a company of our size.

### Looking ahead

Following the significant changes which we have made to our business, we are confident that we are well-positioned to capitalise on the significant opportunities in the green hydrogen economy that lie ahead. We have a clear plan in place, a renewed focus and a dedicated team that is committed to delivering results. We will continue to invest in our core technology along with the automation of our manufacturing processes, which will allow us to stay ahead of the curve. The investments we are making today will ensure that we can grow into a profitable business in the future.

In closing, I would like to thank our shareholders, employees, and customers for their continued support and confidence in our business. We remain committed to delivering value to our shareholders and creating a sustainable future for our Company.

**Sir Roger Bone**  
Chair of the Board

**We remain committed to delivering value to our shareholders and creating a sustainable future for our Company."**

## Evolving to become a mature technology and manufacturing company

Dennis Schulz  
Chief Executive Officer

Dennis has brought a wealth of knowledge and experience of the entire hydrogen market and, despite his short tenure thus far, he has already had a significant and positive impact on the Company.”

Sir Roger Bone  
Chair of the Board

Dennis Schulz took over as ITM Power’s CEO in December 2022. In this interview, we learn more about his views on both the future of ITM and the green hydrogen market in general.

**Q** How do you see the hydrogen market developing in the near term?

The global green hydrogen market and electrolyser demand will see strong growth in the coming years, driven by the ambition of societies to decarbonise their industries and favourable government policies leading to increasing investments. It is now certain that green hydrogen will play a pivotal role in the energy transition, and we expect to see strong momentum in this market in the years to come. ITM will be ready for that.

**Q** How can you best respond rapidly to the likely significant rise in demand for green hydrogen? Would government support help or is the constraint the rate of testing scale-up innovations?

We need to deliver on our projects, thereby creating important reference plants. This will enable potential customers to see our state-of-the-art products in commercial operation and our technology’s performance under real-world conditions. And we are making great progress – faster than any PEM competitor in the market today.

We would welcome more government support in the UK though, especially when compared to the support given to our competitors in other countries.

**Q** Where is it most attractive to invest in green hydrogen today?

At ITM we focus on the immediate market as real projects count more than announcements. Most projects we are building today are being deployed in Germany, followed by the wider EU plus Norway. Our most exciting projects to date are certainly the two modular 100MW electrolyser plants which we are delivering together with Linde Engineering for RWE in Lingen, Germany.

The Inflation Reduction Act (IRA) has certainly propelled the US to the top of the attractiveness ladder today. However, governments around the world are reviewing and developing policies at pace so that their region or country does not get left behind.

**Q** How confident are you that ITM has turned the corner from prior challenges?

We are now six months into our 12-month transformation plan – and have taken some difficult decisions as part of the process to re-right the ship.

We have significantly narrowed our product portfolio, freeing up time and resources to be laser-focused on our core products. We have announced a substantial increase in our power supply as well as additional facilities in Sheffield and Germany. We have also made good progress on our debottlenecking and automation roadmap which will get another push once we occupy our expanded facilities in Sheffield.

With our net cash position at year end being well above guidance range, it is encouraging to see the steps we have taken so far with regard to capital discipline and cost reduction taking effect.

Among the most important successes was the first real-world deployment of our newest state-of-the-art 30bar MEP stack platform to RWE's pilot plant in Lingen, Germany, which will allow RWE to gain relevant operating experience with our technology prior to delivery against their two 100MW plants. In addition, Yara and Linde Engineering recently witnessed successful factory acceptance testing for the same stack platform to be deployed into their projects in Germany and Norway.

We are very fortunate to have a healthy balance sheet which allows us to get our Bessemer Park factory to a place where it can be used as a blueprint for future factories in other locations. This and the inherent superiority of our technology are giving me confidence for a bright future for ITM.

**We have taken some painful decisions as part of the process to re-right the ship.”**

# ITM will be ready for the significant market demand ahead of us

I have been at ITM for just over half a year and it is encouraging to see the early progress we have been making against our 12-month priorities plan laid out in January 2023. The implementation, which is moving at pace, will strengthen our operational and commercial capabilities. When I chose to join as CEO, it was because I believe in ITM's core technology and in the important role green hydrogen will play in the energy transition. I welcomed the opportunity to help ITM steer a successful path from the development of first-of-a-kind technology to becoming a highly efficient and reliable technology and manufacturing company. I did not underestimate the challenge to transform ITM into a mature delivery organisation, but the majority of changes required are about basics such as the organisational structure, accountability, processes, controls and tools.

Whilst there is still a lot to accomplish at ITM, six months into our 12-month plan, we should not overlook the significant steps forward we have already made in such a short period of time. Operational excellence, what we strive for, is a consistent way of working that delivers on our goals, activating the entire organisation to continuously get better every day at achieving our purpose. It is about culture, about behaviours, mindsets, and daily practices that are intrinsically linked to our purpose and values as a company. By slowing down and focusing on doing things right the first time, essentially prioritising quality over quantity, we have already gained traction and speed. This shift in culture to become a professional and credible organisation ready for volume manufacturing has started taking effect. The transformation is evident in our day-to-day behaviours already, and it is imperative that we maintain this momentum. Whilst some revenues related to product deployments have yet to be recognised at customer site acceptance testing, I am very proud that more products have left the ITM factory over the past six months than in the previous 22 years of its history combined.

Our PEM technology is state of the art and globally leading, more on this later. We are deploying our electrolyzers for some of the largest and most prominent green hydrogen plants under execution worldwide today such as for Linde in Leuna (24MW), for Yara in Porsgrunn (24MW), and for RWE in Lingen (2x 100MW). These projects will act as important reference plants and play a crucial role in building confidence with customers for even larger deployments in the future.

Over the past six months, we deliberately took a less active approach to bidding for new projects as we did not want to overload the Company at the same time as fixing important fundamentals which were holding us back from scaling. This has coincided with what we believe is a temporary slowdown of final investment decisions (FIDs) being taken by customers, which has given us breathing space to enact our 12-month plan without missing out on the growing market demand for electrolyzers. Given our progress, we have now started to be more active in the market again, although we will continue to be selective to ensure that we can deliver a robust and reliable product on time and on budget, and that projects contribute positively to our margin.

## The market for green hydrogen

Climate change, decarbonisation and energy independence imperatives continue to fuel the projected hydrogen demand. Collectively, societies worldwide have decided to decarbonise their industries, which, as one important pillar, requires the synchronised build-up of a hydrogen economy. This endeavour is underway in three dimensions and at very ambitious speed:

First, hydrogen production, preferably green based on renewable energy and electrolysis, or blue as a bridging technology to temporarily lower the carbon footprint of the installed capacity of fossil-based hydrogen production, before eventually transitioning to truly clean green hydrogen.

Second, hydrogen transport and storage infrastructure, mainly via pipelines and caverns, also to unlock the energy grid balancing potential of hydrogen.

Third, applications and use cases around combustion, reconversion to electricity, e.g. for grid balancing or the electrification of industrial processes, or onward processing to ammonia or methanol for example. This build-up requires a vast amount of capital to be deployed, and governments around the world are trying to create environments which are conducive to accelerated investment.

The International Energy Agency (IEA) sees an increased focus on renewables, now being 30% higher than forecasted just a year ago. This follows governments throwing additional policy weight behind renewables over the past 12 months. They estimate that renewables are set to account for more than 90% of global electricity expansion over the next five years.

In the last six months more products have left the ITM factory than in the previous 22 years of its history combined."

## Strategic Report | Chief Executive Officer's Review continued

In its latest World Energy Transition Outlook, the International Renewable Energy Agency (IRENA), stated that clean hydrogen production needs to rise to 518 million tonnes (mt) per annum by 2050 from the current level of 0.7mt per annum. To achieve this goal, IRENA estimates that the world would require 5,722GW of electrolyser capacity which compares to its latest estimated deployed capacity of just 0.5GW.

The European Green Deal is the EU's strategy for a climate-neutral, clean and circular economy by 2050, which recognises the need for transformative policies. The REPowerEU plan published in May 2022 foresees significant investment in renewables as well as clean technology manufacturing. The EU's ambition is to produce 10mt and to import 10mt of green hydrogen by 2030. In March 2023, the European Commission proposed the Net-Zero Industry Act to ramp up manufacturing of clean technologies, including green hydrogen. At the same time the Commission announced the new European Hydrogen Bank (EHB), which amongst other things will provide financing mechanisms to help create the domestic market for green hydrogen. In total, the EU estimates that investments of €335bn to €471bn are required to achieve 10mt of green hydrogen production.

In the UK, the Government's Hydrogen Strategy is aiming for 10GW of clean hydrogen production by 2030 with at least half of it being green hydrogen. The hydrogen net zero investment roadmap includes a number of elements, among them a Net Zero Hydrogen Fund, worth up to £240m to support the development and deployment of new low carbon hydrogen production, a Production Business Model to ensure long-term revenue support and a Low Carbon Hydrogen Standard to enable market access and certainty for end use.

In the US, the government has enacted two laws, the Infrastructure Investment Jobs Act (IIJA) of 2021 and the Inflation Reduction Act (IRA) of 2022, to boost infrastructure development. The IIJA has budgeted \$1.2trn for infrastructure spending, of which \$550bn are dedicated to creating new infrastructure, and the IRA has earmarked \$370bn for energy-related spending. The IRA is a game changer aimed to support the decarbonisation of the US economy and to develop a domestic clean-technology supply chain.

But how do these huge numbers translate into real business scale-up? Looking at electrolyser manufacturers alone, growing by a factor higher than 100x in just a few years requires laser-sharp focus and discipline. It also requires our suppliers to scale with us. Every step of the value chain needs substantial investments and risk-taking to grow at this pace. Therefore, to take uncertainty out of the equation as much as possible, we require commercial projects to scale with as well as continued government support and funding, all of which are critical enablers, together with stable regulatory frameworks and quick grant decisions. Ultimately, only building real physical plants will make the hydrogen economy and energy transition real.

There are, however, a number of obstacles which have delayed customer projects reaching a Final Investment Decision (FID). These obstacles comprise current peak electricity prices, with electricity cost being the key determinant for the production cost of green hydrogen, inflation leading to rising project and capital cost, and uncertainty regarding regulatory frameworks which are partly still evolving, as well as delayed funding decisions by governments due to bureaucratic hurdles. As a result, projects are "piling up", as industries continue to face increasing carbon taxation and ever tighter regulatory limits for carbon emissions. For ITM, this slowdown of investments, which we believe is temporary, came at the right time to give us the breathing space required to focus on implementing our 12-month plan to solidify our foundations as a company, while integrating closer with and advancing our supply chain – all of which is required for true upscaling of volumes and global expansion.

In summary, the global green hydrogen market and electrolyser demand are expected to see strong growth in the coming years, driven by the need to decarbonise, favourable government policies, increasing investments, and use cases in a wide range of industries. It is now certain that green hydrogen will play a significant role in the energy mix of the future, and we expect to see continued momentum in this market in the years to come.

### Update on our 12-month priorities plan

As ITM is transitioning to a volume manufacturer, we are now six months into our 12-month plan announced in January 2023 to solidify our foundations and have made substantial progress in our three focus areas:

1. concentrate on a standardised core product suite for repeatable and reliable volume manufacturing;
2. improve capital discipline by a stringent cost reduction programme in the short-term, and by introducing professional processes for the future; and
3. debottleneck and ramp up fabrication and testing, and invest into incremental automation.

In parallel, we are delivering against our project commitments, thereby completing important reference plants.

### Products

When I joined, ITM had a product portfolio that was too wide and the services we provided to support older generation technologies were disruptive to our manufacturing process and became too costly.

We have now rationalised our portfolio so that we can concentrate our efforts on our core products, namely our state-of-the-art MEP30 stack platform and our Plug & Play containers. We have discontinued design work for older product iterations, and limited our activities to fulfilling remaining

contractual commitments and warranty obligations. This takes account of the fact that we deem our MEP30 stack to be the most advanced PEM technology on the market today.

Let me pick just three of various features which make our technology superior. First, our stack is operating at by far the highest current density in the market, which reduces material use, size and ultimately cost substantially. ITM has exceeded the EU's target of 2.5 A/cm<sup>2</sup> for 2030 already in 2019. Second, our technology has market-leading conversion efficiency at levelised current densities to any competitor, which reduces operational cost for the end customer. This is because there is an inverse relationship between current density and conversion efficiency. Third, our technology has the lowest reported precious metal loading, which reduces cost and relieves potential future supply chain constraints. Over the last 10 years, ITM have already been able to reduce precious metal loading by 80%, and we are continuing to reduce it even further. Since 2019, we have been meeting the EU's 2030 target of 0.4mg/W.

Today, once a product design is signed off, there will be no ongoing iterations to that design and the product will be manufactured to the exact design specifications, with standardised engineering processes and will be delivered to our customers as per contractual agreements.

Research and development will continue to play a crucial role in ITM's future but any new product generation will only be deployed once it has gone through strict design, engineering, assembly, testing and validation processes.

Strategic Report | Chief Executive Officer's Review continued

Capital discipline and cost reduction

One of the first actions I took after assuming office in December 2022 was to tighten control over ITM's capital spend. Decisions on the use of our shareholders' capital have to align with our strategy and be scrutinised for appropriateness and effectiveness.

The headcount reduction that we announced in January 2023 was successfully completed before year end, with the outcome greater than the 25% FTE reduction we had originally planned. This allowed us to reinvest the incremental cost savings back into the business and to selectively rehire for qualification and experience. We were able to continue business operations without disruption whilst also providing adequate care and support for all employees placed at risk during the restructure process.

One core element of our 12-month priorities plan is a very detailed list of process, control and tool improvements spanning the entire organisation, to professionalise our operations and make us a highly focused delivery company. By implementing these improvements, we will avoid inventory and project losses as experienced during FY23. Among various improvements, this includes the following which we have already achieved.

We have effectively professionalised our engineering capabilities and processes. Following a structured design Failure Mode and Effects Analysis (FMEA), the engineering is now completed and frozen. Changes are properly controlled and only released in well-managed versions for procurement and manufacturing, and only after robust validation. Our strengthened compliance and validation team plays an important role in challenging and accompanying this process.

The right selection of reliable and high-quality suppliers, and close integration with them, are important enablers to scale our operations. Previously, at times, procured components and parts were not of sufficient quality. We have therefore been tightening our purchasing specifications, have strengthened our standard terms and conditions, and are improving supplier oversight, quality assurance and control.

We have also made good progress on the way we manufacture our products following the design FMEA, our progress on automation, which I elaborate more on later, and driven by an unambiguous "quality over quantity" culture. These improvements have already led to significantly higher pass rates in factory testing which in turn lowers retesting costs, supports the debottlenecking of our test facilities, and causes fewer interruptions to serial manufacturing due to avoided stack re-assembly. Also, consequentially, our production and project delivery schedules become more predictable.

Sales and project execution governance has been strengthened around the focus on standard products as opposed to customised solutions, which was one of the reasons for previous cost and schedule underestimation and resulting project overruns. We have reviewed and concluded on acceptable contract terms, liability and warranty profiles.

Furthermore, we are working on improving our cost estimation, scheduling and risk management processes and capabilities. We are also continuing to enhance our competencies by hiring senior industry professionals in areas critical for project delivery.

By having signed the Heads of Terms for the sale of Motive, we aim to complete the transaction within this calendar year. This will free up £28m of pre-committed capital investment to be re-purposed to our core business.

Debottlenecking

We have made good progress in this area in a short space of time. In March, we announced the expansion of our testing capacity at Bessemer Park, initially by 50% from 5.0 to 7.5 megavolt-amperes (MVA) which is already available. This will be followed by a further fourfold increase to 30 MVA by the end of 2024.

In April, we announced the decision to expand our facilities at Bessemer Park in Sheffield, to make space for R&D and product validation including science labs and first-of-a-kind product testing facilities, while also allowing us to optimise our factory layout for stack fabrication from a layout which evolved over time to one that is geared up for automation and serial production. It also provides increased fabrication space for higher stack volumes, allowing ITM to grow output in line with commercial projects. We plan to take over our new facilities in Q4 2023 for interior fit-out.

We also announced a significant expansion in Germany. ITM Power Germany will officially open its doors in Linden, north of Frankfurt, in October 2023. This expansion further strengthens our position as a leading manufacturer of large-scale electrolysers for projects in Germany and wider Europe. In its initial fit-out, our facilities will have sizable office space, and a warehouse with special equipment for storing our stacks in lightweight skids ready for quick deployment as aftersales spares. This allows us to minimise response time to customers, in turn maximising value from the use of our products. It will also house facilities for repair and maintenance, as well as for training of customers and partners. This expansion will not only support responsive aftersales in the heart of the EU as our core market today, but will also be home for various business functions that are enablers for ITM's accelerated growth, including our global business development function, our industrial Internet of Things (IIoT) team, various engineering disciplines, aftersales technicians, field engineers, procurement and other functions. As we are scaling our operations, this is a major step in gearing up for an increasing degree of local content creation in the EU.

Manufacturing automation plays an important role in reducing human error, improving precision, optimising build quality and consistency, reducing manufacturing costs, accelerating output and reducing delivery lead times. We have made good progress against our automation roadmap and are incrementally introducing automation in a controlled way, after new equipment and new processes have been validated.

Over recent months we have automated or semi-automated a number of manufacturing processes. Among them a customised press, capable of operation at 20 tonnes of pressure, with micron-level accuracy. This enables the thickness of critical components to be measured under compression and for precision build. Advanced laser scanning now allows us to inspect every electrode structure for surface conditions at micron level. We developed a resistance welding machine in-house to assemble stack components with the highest precision. Our new automated catalyst ink mixing produces consistent pastes for our catalyst coated membranes, increasing both quality and volume. Another improvement is our new use of fully integrated guided stack assembly which supports our technicians to avoid rework and increase productivity. This advanced sensor, laser-scanning projection and camera system provides build oversight and documents each step so that we can quickly identify, diagnose and remediate potential build errors. Our automation roadmap foresees many further improvements, which will continue to drive down build time and improve build quality and consistency. As we continue to implement these advancements, we are entering a new era of manufacturing at ITM.

Outlook

We are well on track to deliver our 12-month priorities plan which will lay strong foundations for ITM's continued growth. The green hydrogen market is still in its early stage, but evolving rapidly.

With vastly increased confidence with regards to our capability to deliver products at volume, we are now taking a much more active approach to sales. For this purpose, we are currently building up a new global business development function in our new Linden facilities of ITM Power Germany right in the heart of our core market, the EU.

As ITM is increasingly deploying stacks into the field in commercial projects today, a rapidly growing amount of real-world performance data will enable us to drive advancements in the areas of core technology and product improvements, development of new business models around remote monitoring/operations and predictive maintenance, as well as commercial certainty around tightened system performance guarantees. These activities will be led by our Data and Industrial IIoT team which we are now building up.

Whilst we will retain our strong presence in Sheffield, ITM will expand towards an increasingly global footprint, thereby tapping into important growth markets and unlocking access to new talent pools.

The big demand for green hydrogen lies yet ahead, and ITM will be ready!

Dennis Schulz  
Chief Executive Officer

## Our strong cash position allows us to strengthen our foundations for growth

**Our near-term focus is on the completion of our 12-month plan; we expect to create good sales momentum, with investment into our people, our processes and our assets.**

**Andy Allen**  
Chief Financial Officer

**Our overheads have been right-sized for the business needs of today, we have greater clarity regarding our costs, and our balance sheet remains strong.”**

### Introduction

The financial outcome in FY23 was not as we had originally expected. Following the arrival of Dennis Schultz as our new CEO, a detailed review of the business was undertaken which resulted in the announcement of our 12-month priorities plan in January. One of the three components of the plan was the focus around our cost and capital discipline and we announced our intention to stop the excessive financial outflows through a stringent short-term cost reduction programme which addressed the key costs, together with a more rigorous approach to capital investment.

The first step was the headcount reduction which was completed before the end of the financial year. We have also undertaken a detailed review of other cost areas which culminated in provisions being taken for inventory and contract losses, reflecting both actual costs to incur and uncertainty in project execution. In addition, we undertook a detailed review of our warranty provision policy on first-of-a-kind (FOAK) technology deployed in the field.

Today, we are in a much better place. Our overheads have been right-sized for the business needs of today, we have greater clarity regarding our costs, and our balance sheet remains strong. However, there remains more to do in the months ahead.

During the year we introduced a new Enterprise Resource Planning (ERP) system, which includes the ongoing adoption of Microsoft Dynamics into our financial processes replacing a number of legacy systems. Having begun to lay the foundations for growth, we will continue to advance our competencies and capabilities across the Company and ensure that controls across all areas of the business continue to be reviewed and improved. This in turn will further enhance our cost management and capital disciplines.

## Strategic Report | Chief Financial Officer's Review continued

### Key financials

A summary of the Group's key financials is set out in the table below:

Year to 30 April	2023 £m	2022 £m	2021 £m
Revenue	5.2	5.6	4.3
Gross loss	(79.1)	(23.5)	(6.5)
Pre-tax loss	(101.2)	(46.7)	(27.6)
Adjusted EBITDA <sup>1</sup>	(94.2)	(39.8)	(21.4)
Property, plant and equipment plus intangible assets	31.9	24.7	16.8
Inventory (raw materials)	18.3	24.3	3.9
Inventory Work in progress (WIP)	40.5	7.9	2.5
Net cash	282.6	365.9	176.1
Net assets	295.5	395.0	197.4

<sup>1</sup> Adjusted EBITDA is a non-statutory measure. The calculation method is shown in Note 4.

### Non-financial key performance indicators (KPIs)

We also use certain non-financial performance indicators to consider our performance over time. During the year, MW in WIP increased to 285MW (FY22: 75MW). Revenue was recognised against 5MW of deliveries (FY22: 11MW). The Board also regularly reviews other non-financial performance criteria including production throughput, testing and validation performance and labour utilisation. As the Group matures to a volume manufacturer, it is likely that we will refresh our non-financial KPIs to reflect the evolved business.

### Financial performance

The principal ways in which we generate revenue and income are through product sales, consulting contracts (FEED and feasibility studies), maintenance contracts and grant funding.

#### Revenue

Revenue for the period was £5.2m (FY22: £5.6m). This consists of a partially delivered cube project, a Plug & Play project which was accelerated ahead of guidance, as well as maintenance and consultancy revenue.

### Gross margin

The gross loss was £79.1m (FY22: £23.5m) reflecting increased losses on inventory and customer contracts, and an assessment of warranty commitments.

Costs recognised in the period relating to inventory were £22.6m, constituting a £7.5m write-off, and a provision movement of £15.1m. The losses originate from continued iterations of product designs during manufacturing, together with some manufactured products being considered obsolete.

Contract loss provisions relate to a number of factors including acceleration measures for delayed projects, additional on-site engineering works, increased energy and labour costs due to under-estimated stack testing times and future costings updated for inflation. Net contract loss provisions increased by £30.1m, with £44.8m created and £14.7m utilised in the period. The total contract loss provision at the period end stood at £42.6m.

The warranty provision increased by a net £0.9m in the period with £3.2m created during the year, offset by the utilisation of £2.3m. The balance at period end was £3.9m. This includes all projects delivered at period end but excludes those not yet delivered. The warranty costs of projects not yet delivered are presented as contract loss provision.

### Operating costs

Operating costs rose by 20% to £26.2m (FY22: £21.8m). Within this, staff and employment costs rose from £4.3m to £11.4m, reflecting an increase in use of contractor resources and a reduction in recovery of labour costs from inventory. The headcount reduction which was announced in January 2023 was completed by the end of the period, and the benefit of this will be reflected in the FY24 accounts.

Consultancy and consumable costs fell by 54% to £5.1m (FY22: £11.2m), whilst depreciation and amortisation was relatively stable at £4.0m (FY22: £3.2m).

The impairment charge of £4.5m (FY22: £nil) relates to the write off of discontinued product development (£3.1m) and tangible assets in relation to discontinued site expansion plans (£1.4m) where activities ceased as part of the 12-month priorities plan.

Government grants which constitute claims against individual projects or research and development (R&D) claims totalled £1.6m (FY22: £0.6m), with £1.4m receivable in relation to R&D tax reclaims (FY22: £0.3m).

### Adjusted EBITDA<sup>2</sup>

The Company posted an adjusted EBITDA loss of £94.2m (FY22: £39.8m) for the period. Adjusted EBITDA is a non-statutory measure and is detailed in Note 6. The loss before tax was £101.2m (FY22: £46.7m) and the basic and diluted loss per share was 16.5p (FY22: 8.1p).

<sup>2</sup> Adjusted EBITDA is a primary measure used across the business to provide a consistent measure of trading performance. The adjustment to EBITDA removes certain non-cash items, such as share-based payments, to provide a key metric to the users of the financial statements as it represents a useful milestone that is reflective of the performance of the business resulting from movements in revenue, gross margin and the cash costs of the business. We have set out below how we calculate adjusted EBITDA (see also Note 6 for more information).

	2023 £000	2022 £000
Loss from operations	(103,713)	(44,736)
Add back:		
Depreciation	3,006	2,340
Impairment	4,469	—
Amortisation	942	849
Loss on disposal	64	—
Fair value loss on loan notes	—	344
Share-based payment charge (Note 26)	(420)	1,429
Exceptional costs of restructure	1,436	—
Adjusted EBITDA	(94,216)	(39,774)

### Capital expenditure

Capital expenditure totalled £15.1m in the period (FY22: £11.3m), with £8.6m invested in capital projects (FY22: £4.2m), namely Bessemer Park improvements and machinery, and £6.5m (FY22: £6.9m) in intangible assets primarily in respect of continued product development.

### Working capital

The working capital outflow during the year was £8.9m (FY22: £6.9m outflow), with inventories increasing by £26.6m and offset by both a reduction in receivables of £5.9m and an increase in payables of £11.8m.

### Cash

Net cash at the year end was £283m (FY22: £366m) benefitting later in the year from the rigorous approach to costs and capital disciplines which was announced at the time of our interim results in January.



## Strategic Report | Chief Financial Officer's Review continued

### Financial position: positioned for the future

Current assets decreased to £362.9m (FY22: £423.6m) principally reflecting a reduction in year-end net cash of £83.3m with year-end cash of £282.6m (FY22: £365.9m), partly offset by an increase in inventories to £58.8m (FY22: £32.2m) as the Group stocked up on raw materials to deliver its order pipeline and saw work-in-progress increase ahead of the delivery of the Leuna, Yara and other projects.

Trade and other receivables were £19.7m (FY22: £25.5m) reflecting a £4.1m decrease in prepayments, primarily in relation to prepayments for inventory on the balance sheet. Trade and other payables increased to £46.1m (FY22: £34.3m), driven by an increase of £14.1m in deferred sales income principally in relation to the timings of payments from customers on projects to be delivered.

Fixed assets increased to £39.5m (FY22: £34.5m) reflecting a £4.9m rise in property, plant and equipment and £2.4m of additional intangible assets. Investments in associates and joint ventures reduced to £0.4m (FY22: £1.7m), reflecting the booking of losses in these associates and joint ventures against their holding value.

### Events after the balance sheet date

At the time of our interim results update, we stated that we were exploring options for the future of our joint venture Motive Fuels Ltd. We have now signed Heads of Terms for the sale of the company. The 50/50 JV between ITM and Vitol was established in March 2022 to develop and roll out hydrogen refuelling stations in the UK. The vision of the JV partners was one of building a significant UK refuelling business, with £30m committed by each party as seed funding. However, one of the three priorities of our 12-month plan is increased cost and capital discipline. The planned transaction will allow ITM to redirect £28m of pre-committed cash to our core business, and to focus on becoming a volume manufacturer of state-of-the-art electrolyzers. Motive Fuels Ltd, via ITM, was the recipient of grant funding to support the rollout of refuelling stations in the UK. As part of the transaction, a contingent liability may materialise for ITM in the future against the performance obligations in the grants.

### Outlook and financial guidance for FY24

We start the new financial year in a strong financial position and, whilst our near-term focus is on the completion of our 12-month plan, we expect good sales momentum, with investment in our people, our processes and our assets. The guidance for FY24 is:

#### Revenue in the range of £10m to £18m

Revenue will be largely impacted by sales of Plug & Play containers which have a shortened sales and deployment timeline compared to larger plant projects. Under our revenue recognition policy, there is a dependency on site readiness for our larger projects as these are recognised on site acceptance testing (SAT).

#### Adjusted EBITDA loss of £45m to £55m

We expect to realise the benefits of improved testing times and improved first time pass through rates during factory acceptance testing. Close and prudent management of our in-flight projects and control of inventory will be required to ensure that the unacceptable project and inventory losses experienced during FY23 are not repeated. Our route to reducing losses further will be built on profitable sales and volume growth.

#### Net cash at year end between £175m and £200m

Continued investment in the capability of the organisation will be needed as we transition into a volume manufacturer. Investments of £24-30m will be made to expand our facilities in Sheffield as well as the previously announced upgrade to our power supply to support increased testing capacity.

We will also invest into the development of our technology, supporting our automation roadmap which will drive efficiencies into our manufacturing processes.

**Andy Allen**  
Chief Financial Officer

# The market for green hydrogen will be vast and diverse, and we haven't even seen its full potential yet

The world is in a race to net zero emissions by 2050. This means that we need to reduce our greenhouse gas emissions to zero, or close to zero, in order to avoid the worst effects of climate change.

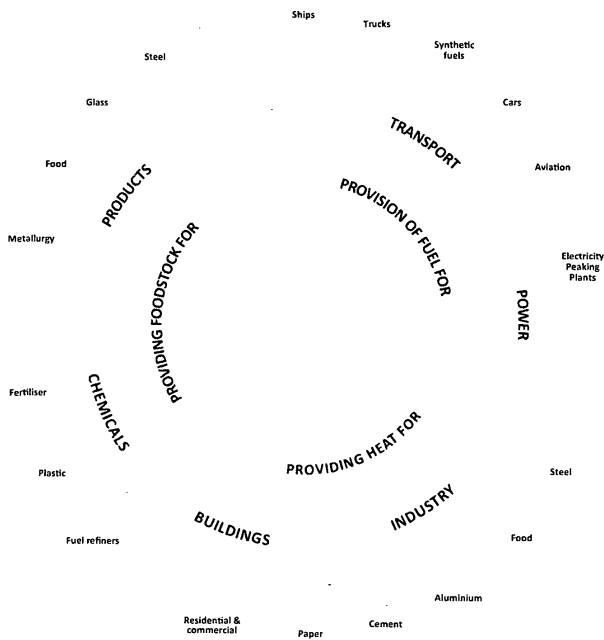
While the current global energy crisis slows down short-term economic prospects, it has further fuelled the need to switch away from fossil fuels by encouraging investments in renewable energy, energy efficiency and other clean energy technology. In addition, the crisis in Ukraine has brought into fresh focus the pressing need for energy stability and independence.

One of the key technologies that will help us decarbonise our industries is green hydrogen.

Green hydrogen is viewed as a critical component of the decarbonisation strategies by governments around the world. In order to address this, it is crucial that all elements of the value chain coordinate with the growth in green hydrogen supply, demand, storage and transportation. It is clear that the hydrogen sector is entering a phase of rapid expansion, and the emergence of a worldwide hydrogen economy is now a certainty.

Our strong team, leading technology and clear vision for the future will position us to benefit from the imminent market expansion.

We are confident that we can grow our business and make a significant contribution to the global effort to decarbonise the economy.



Our strong team, leading technology and clear vision for the future will position us to benefit from the imminent market expansion.”

Strategic Report | Our Markets continued

UK market

By 2030, the UK Government wants to have 10GW of clean hydrogen production capacity, at least half of which will be electrolytic green hydrogen, according to the Hydrogen Strategy. A number of components make up the hydrogen net zero investment roadmap, including:

- a Net Zero Hydrogen Fund, worth up to £240m, to support the development and deployment of new low-carbon hydrogen production;
- a Production Business Model to ensure long-term revenue support; and
- a Low Carbon Hydrogen Standard to enable market access and provide certainty for end use.

EU market

The adoption of the EU hydrogen plan in July 2020 was designed to accelerate the introduction of clean hydrogen. Conceived at the same time, the European Clean Hydrogen Alliance is a forum that brings together business, government and civil society to coordinate investment. In March 2022, the European Union announced its new energy security plan, REPowerEU, which:

- builds on the 2020 EU Hydrogen Roadmap (2x 40GW plan), as well as the 2021 Fit for 55 decarbonisation plan;
- increases the target to circa 20 million tonnes per annum by 2030, which will require nearly 200MW of electrolysis a year; and
- when coupled with the Delegated Acts, incentivises early deployment and puts makers of electrolysis equipment at the forefront of Europe's shift to a low-carbon economy.

US market

The Infrastructure Investment Jobs Act (IIJA) of 2021 and the Inflation Reduction Act (IRA) of 2022 are two US laws that promote infrastructure development. This US legislation, designed to encourage the decarbonisation of the US economy and create a local supply chain for clean technology, has led to:

- \$1.2trn being allocated by the IIJA for infrastructure investment;
- \$550bn being allocated for building new infrastructure; and
- \$370bn being set aside by the IRA for energy-related spending.

Industry leading technology

The benefits of our PEM electrolysisers include:

Technology experience

Our extensive development has resulted in industry leading tech, ensuring only the best solutions for our customers projects.

Standard modules

Repeatable standardised building blocks for large-scale electrolyser deployments.

Rapid response

Enables participation in primary and secondary grid balancing markets through fast response time.

Minimised downtime

Our stacks can be rapidly exchanged in the field to keep electrolysisers running efficiently.

Flexible control system

Allows complete control over customer installations by monitoring and controlling projects from anywhere, at any time.

High purity hydrogen

Customers benefit from the highest quality and purity hydrogen.

Value chain – end uses of green hydrogen

Our electrolyser solutions are scalable and adaptable to meet the demands and needs of our diverse client base and are suitable for a variety of applications.

Industry and Chemicals

- Heavy industry is the leading user of hydrogen, including applications for steel, ammonia, and methanol.
- Since almost all hydrogen used today is produced using fossil fuels (known as grey hydrogen), clean (green) hydrogen offers a substantial opportunity to reduce emissions for this sector.

Power

- Due to their intermittent nature, renewable energy sources often bring fluctuation and uncertainty into the power grid and can complicate operational management and demand balancing.
- The excess energy produced by renewable energy sources and converted into hydrogen via electrolysis can be stored, ensuring that renewable production is not hindered. It can also be used during times of low-energy production, or transported to other regions for use.
- Developments are being made to “blend” hydrogen into existing natural gas systems.

Transport

- Cost-efficient refuelling for long-distance and commercial travel is likely to become a major future use of green hydrogen and we have experience deploying our electrolyzers to customers to support their fleet management.
- Hydrogen-based fuels can be used to decarbonise shipping and air travel.

Example customer projects

2x24MW

electrolysers being deployed to Yara to produce green ammonia at Porsgrunn, Norway, and to Linde to produce green hydrogen at its Leuna plant

2x100MW

electrolysis plant ordered by RWE will be the largest in the world and will be connected to a hydrogen pipeline once commissioned

2MW

containerised solutions delivered to GNVert to support fuel cell bus refuelling



# A unique proposition for future value creation

What we have		What we do	Our 12-month priorities	
Our strengths				
History	ITM Power PLC was founded in 2000 and admitted to the AIM market of the London Stock Exchange in 2004. We have 23 years of experience in technology development.	We make world-class electrolyser in a range of sizes to suit our customers' needs from 2MW to projects in excess of 100MW	Concentrating on a standardised core product suite for repeatable and reliable volume manufacturing	
Skills and knowledge	We are strengthening capabilities and capacity to support our future growth. During the year, we have significantly developed our team capabilities through the onboarding of multiple key personnel specialising in areas critical to the success of our business, including engineering, validation and procurement.			
Technology platform	<ul style="list-style-type: none"><li>Our latest generation electrolyser platform operates under higher pressure and at a higher current density, and is more efficient than its predecessor.</li><li>We have a clear technology roadmap to deliver long-term success.</li><li>Our technology is modular in design and can be used in a number of applications for a range of project sizes.</li></ul>	We collaborate with our suppliers and strategic partners to facilitate growth in the size of projects we can deliver to our customers	Improving capital discipline by a stringent cost reduction programme in the short-term, and by introducing professional processes for the future	
Scalability	<p>We are focusing on continuing to strengthen our foundations to allow us to react and respond to the market demand we experience today, and the future growth we expect to see. Initiatives include:</p> <ul style="list-style-type: none"><li>increasing our testing and manufacturing capacity through the expansion in Sheffield; and</li><li>progressing our automation roadmap to optimise build quality and further reduce cost.</li></ul>	We design and innovate electrolyser technology, which we have developed over many years and continue to improve and refine	Debottlenecking and ramping up fabrication and testing, and investing into incremental automation	
		Underpinned by our values	We collaborate	We care
				We innovate

How we generate revenue

**Sales**  
We sell our electrolyzers to customers in energy, industry and transport

**79%**  
of FY23 revenue

**Service**  
We support our customers through our responsive after sales services

**10%**  
of FY23 revenue

**Consulting and Grants**  
We secure local and international grant and FEED study funding to help invest in and further develop our technology

**11%**  
of FY23 revenue

Who we deliver for

- Our shareholders**  
The Group's financial resources allow us to execute our strategy and invest in the business.
- Our customers**  
Our PEM technology enables the stacks to operate under flexible conditions when coupled to renewable energy sources, producing green hydrogen at competitive cost.
- Our people**  
A motivated workforce fosters creativity and productivity, which are crucial to the successful implementation of our strategy. We place a high value on creating a happy working environment for all of our employees, as well as providing challenging career possibilities that allow them to grow.
- Our planet**  
Our electrolyzers, when powered by renewable energy, produce green hydrogen – a clean, zero-emissions fuel.
- Our partners**  
We have long-term relationships with a variety of partners, including suppliers, our banking partner, governments, and regulatory agencies. These ties are crucial to achieving our strategic goals and operating strategy.

Key numbers

**£283m**  
cash at the year end

**100%**  
of our revenue derived from clean technology

**4th gen**  
of our MEP30 stack platform deployed

We are tenacious

We seek joy

# Our 12-month strategic priorities

Once achieved, these will solidify the foundations and pivot the business to longer-term strategic plans.

## Portfolio

Concentrating our portfolio on a core product suite

**Progress in 2023**

- We have made good strides in rationalising our product portfolio
- A narrower portfolio enables us to concentrate all our efforts on our core products
- We are experiencing less disruption to our manufacturing process
- The costs of supporting legacy products have reduced

**Focus for the future**

- Our R&D capabilities allow us to continue to be at the forefront of PEM technological development
- Our latest state-of-the-art stack platform has been deployed in the field and will provide invaluable in-field performance data
- Alongside continuous R&D, these learnings will play an important role in the development of our next generation stack platform

More detail on page 11

## Cost and capital

A rigorous approach to capital allocation and cost management

**Progress in 2023**

- Design freezes are now in place enabling procurement and manufacturing to focus on project delivery
- The organisational structure has been redesigned; the headcount reduction was completed before the year end. There are clear accountabilities and productivity improvements
- We are enhancing our competencies across the organisation to build capability for future project deliveries
- We have strengthened our governance functions to focus on cost discipline and efficiency

**Focus for the future**

- Further enhancement to our people competencies and capabilities
- ERP system currently being rolled out will be increasingly leveraged across multiple departments enabling better cost and capital allocation decisions

More detail on page 12

## Testing and automation

Plans for future testing capacity and incremental automation

**Progress in 2023**

- Announced a significant increase in testing capacity to be followed by an even greater increase by the end of 2024
- Expansion of facilities at Bessemer Park which will enable the debottlenecking of fabrication, testing and product validation
- Automation roadmap development and implementation, in a highly controlled way, has begun

**Focus for the future**

- Testing capacity to come on stream, an important contributor to our scale-up plans
- New facilities will allow us to optimise our space allocations providing a pathway for automation, improved cycle times, volume output and build quality

More detail on page 12



Building for the future

Bessemer Park expansion

Progress is now firmly underway to substantially expand our facilities at PLP Bessemer Park, Sheffield. As previously announced we have signed an agreement to lease additional factory and office space.

A key component of our 12-month priorities plan as set out in January is the debottlenecking of our fabrication, testing and product validation. The expansion will allow us to create a dedicated R&D and product validation centre which will include science laboratories and testing facilities for future technology developments. This will also enable us to optimise fabrication space across the two Bessemer Park units more effectively for higher volume output.

The additional power supply will feed into the new facility which will enhance and expand our factory testing capabilities.

ITM personnel operate from a number of different locations in Sheffield today, and it is our intention to consolidate all of our workforce and operations at Bessemer Park, at both our existing unit and the additional unit announced today. This will allow us to work together more effectively.

When the full lease is signed, the initial lease period will be for 15 years, covering more than 83,000 sqft. Fitting out of the new premises will commence towards the end of 2023 and ITM will occupy the facility early in 2024.

New German facility

The all-new ITM Power Germany GmbH will officially open its doors in Linden, north of Frankfurt, in October 2023. For ITM, this expansion further strengthens our position as a leading manufacturer of large-scale electrolyzers for active projects in Germany and wider Europe today, as well as for future projects which are now in bidding stage. As we scale up, it is vital that all elements of our value chain and associated infrastructure are aligned so that we can efficiently and effectively serve and support our growing customer base.

In its initial fit-out, ITM Power Germany's new facilities will have office space for more than

50 employees, and a warehouse with special equipment for storing our state-of-the-art stacks in lightweight skids ready for quick deployment as after-sales spares. This allows us to minimise response time to customers, in turn maximising value from the use of our products. It will also house facilities for repair and maintenance, as well as for training of customers and partners.

ITM Power Germany will also be the home of ITM's global business development function, various engineering disciplines, after-sales technicians, field engineers, procurement and other functions.

# Creating value for all our stakeholders

For both executives and the Board, our business model is the pivotal driver which informs and inspires discussions. It determines the resources and partnerships required to carry out our growth strategy.

We are motivated by constant progress and innovation. Engaging with and learning from employee, customer and other stakeholder input is a critical component of what we do and how we grow the business. We actively seek input in order to enhance and adjust our goods and operations.

To assist the world in reaching net zero by 2050, we must look beyond our own supply chain. As a result, we actively participate in industry organisations that support sustainable energy and drive legislation, as well as engaging with schools and colleges to educate the future generation about green hydrogen.

**Statement from the Board**

During the year, the Board acted in good faith to promote the long-term success of ITM Power.

In accordance with Section 172 of the UK Companies Act 2006 (the Companies Act), the Board oversees the operation and development of ITM Power in order to optimise its equity value over the long term, without regard to any shareholder’s individual interests. Jürgen Nowicki, one of our Non-Executive Directors, has been appointed by a major shareholder of ITM Power (Linde). However, each of the Directors recognises his or her responsibilities under the Companies Act to behave and conduct themselves fairly amongst Company members. We realise that all of our decisions may have an impact on ITM Power’s shareholders through their impact on the business’ future success and confirm our due respect in this regard.

We acknowledge that in order to deliver our strategy in a sustainable manner, we must examine our Company’s commercial, social and environmental implications. We observed, reviewed and promoted ITM Power’s progress against the yearly business plan and targets throughout the year. Financial and non-financial criteria, including ESG data, are included in the targets.

When making strategic decisions, we strive to balance the interests of our stakeholders in ways that are consistent with ITM Power’s long-term, sustainable growth. The Board obtains stakeholder viewpoints to inform its decision making through direct involvement where possible, although due to the quantity and distribution of ITM Power’s stakeholders, stakeholder interaction frequently occurs at an operational level. In this example, the Board learns about stakeholder perspectives through communication with senior management and regular reporting.

The major stakeholder groups that we have identified are those that have significant interactions with our business model and are influenced by our business operations. The importance of each stakeholder group varies based on the choice being made. The Board must balance many, and often conflicting, perspectives, which means that it is not always possible to satisfy everyone’s desired outcome or create a favourable end for all stakeholders.

Ensuring that our Company runs responsibly is critical to our long-term success. The Board of Directors is in charge of overseeing a corporate governance framework that allows the appropriate people to make the right decisions at the right time.

On the pages listed in the table below we have provided examples of how the Board duly considered the impact on stakeholders when making principal decisions during 2023:

Principal decision	Page	Key stakeholders impacted	Key considerations
Approval of the 12-month priorities	22	<ul style="list-style-type: none"><li>Investors</li><li>Workforce</li><li>Customers and potential customers</li></ul>	The Board believes that by adopting the 12-month priorities the Group will leverage strong foundations in order to propel it as a successful volume manufacturer.
Expansion of Bessemer Park	23	<ul style="list-style-type: none"><li>Investors</li><li>Customers and potential customers</li><li>Strategic partners</li><li>Workforce</li></ul>	The Board recognises the synergies possible by securing premises proximate to our existing facility, including the financial and operational benefits of power sharing of the upgraded supply.

## Strategic Report | Our Stakeholders and Section 172(1) Statement continued

You can read more about key aspects of Section 172 considerations as follows:

Key stakeholders impacted	Key considerations
The likely consequences of any decision in the long term	<ul style="list-style-type: none"> <li>Our Strategy and Business Model on pages 20 to 22</li> <li>CEO's Review and CFO's Review on pages 10 to 15</li> </ul>
The interests of the Company's employees	<ul style="list-style-type: none"> <li>Stakeholder engagement: Workforce on page 26</li> <li>Sustainable Energy, Engineered Sustainably: Our workforce on page 39</li> <li>Principle 3 at <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a></li> <li><a href="https://itm-power.com/careers">https://itm-power.com/careers</a></li> </ul>
The need to foster business relationships with suppliers, customers and others	<ul style="list-style-type: none"> <li>Stakeholder engagement: Customers and potential customers on page 27</li> <li>Principle 3 at <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a></li> <li>Business Partner Code of Conduct at <a href="https://itm-power.com/sustainability">https://itm-power.com/sustainability</a></li> </ul>
The impact of the Company's operations on the community and the environment	<ul style="list-style-type: none"> <li>Stakeholder engagement: Local communities on page 28</li> <li>Sustainable Energy, Engineered Sustainably: Climate change on page 33</li> <li>Principle 3 at <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a></li> </ul>
The desirability of the Company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> <li>Sustainable Energy, Engineered Sustainably: Business ethics on page 45</li> <li>Code of Ethics at <a href="https://itm-power.com/sustainability">https://itm-power.com/sustainability</a></li> <li>Principle 8 at <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a></li> </ul>
The need to act fairly as between members of the Company	<ul style="list-style-type: none"> <li>Stakeholder engagement: Investors on this page</li> <li>Principle 2 at <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a></li> </ul>

## Investors

Investors provide the equity capital for our business. They hold management and the Board to account, on operational/ commercial performance, financial performance and key environmental, social and governance (ESG) matters.

### How we engage:

- Led by the CEO and supported by the Investor Relations team – available to meet current and potential shareholders
- Board kept apprised of the views of analysts by the CEO (an update at every regular Board meeting) and CFO
- Shareholder communication coordinated by the Investor Relations team with the Company Secretary, the Company's nominated advisor (NOMAD), Investec, and corporate communications consultants, Tavistock Communications
- Regular meetings with and presentations to fund managers, retail brokers and analysts
- Price sensitive information shared through London Stock Exchange's Regulatory News Service
- Shareholders can attend our Annual General Meeting (AGM) and any Extraordinary General Meeting (EGM), which Board members attend
- Report to institutional shareholders twice a year through roadshows aligned with the full and half year reports and webinars to coincide with the release of trading updates

### Action taken:

- We conduct both online and in person investor events to facilitate the broadest possible engagement
- We have engaged with some of the larger investors which have dedicated ESG teams to aid their understanding of us and obtain their views on our approach to ESG

### Further reading:

- See the Remuneration Report on page 72 for details of how the Remuneration Committee responded to feedback about the 2021 Remuneration Report

## Workforce

Our workforce makes, sells and supports our products. It also develops our products to maintain our market-leading edge. It includes employees, contractors and consultants.

**How we engage:**

- Workforce informed of matters affecting it directly and the various factors affecting the performance of the Group through formal and informal meetings
- Work with nominated employee representatives to ensure appropriate consultation and information flows on proposed changes to terms and conditions
- Open-door leadership culture where Directors and senior managers welcome feedback and the opportunity to discuss business improvement
- Specific employee groups set up to address particular areas, such as the Health and Safety Committee and Women in ITM Power
- Conduct engagement and wellbeing surveys, the results of which are shared with the Board
- Recognise outstanding contributions through peer-to-peer nominations and support from the CEO
- Regular reporting of key workforce performance indicators to the Board

**Action taken:**

- Active and open discussions during the period of the organisational restructure to support the wellbeing of our colleagues
- Regular town hall meetings with employees providing further opportunities for the workforce to ask questions and to celebrate success
- Reviewed and benchmarked employee remuneration to ensure we remain competitive in the market, leading to the launch of the new ITM benefits portal
- Ran mental health workshops to build awareness in, and signpost support for, our workforce
- Embedded our values, which guide how we work and align with our vision and mission; they underpin our recruitment processes, shape our leadership and development programmes and form part of our performance and development review process

**Further reading:**

- See more information about what we do for our workforce in Sustainable Energy, Engineered Sustainably on page 39
- See our values on page 42

## Strategic partners

We have identified a number of strategic partners to scale our impact, industrial reach and market penetration.

**How we engage:**

- Regular meetings with our strategic partners' senior managers
- Formal meetings of joint venture boards: ILE with Linde, and Motive with Vitol
- Secondments of staff from strategic partners to ITM Power
- Jürgen Nowicki in post as the Linde-nominated Non-Executive Director

**Action taken:**

- Review of the Motive joint venture with Vitol

## Customers and potential customers

Customers buy our products, directly or indirectly. Potential customers offer a pipeline of opportunities to sell our products.

## Suppliers

Suppliers provide us with a wide range of commodities and services such as PGMs, components, power supply units, capital equipment, renewable energy, buildings, information technology, telecommunications and professional advice.

### How we engage:

- Assign a key contact (ongoing support) and a project manager (specific project delivery)
- Email feedback reporting system for customers
- Support centre in Sheffield
- Motive customers also benefit from an app providing locations and availability of refuelling stations
- Communications about our activities and industry news issued to a significant database of contacts
- Information provided via our website
- Participate in webinars and presentations and in many industry events every year
- Our joint ventures, ILE and Motive, also have their own websites and key account managers assigned to them
- Updates on customer projects provided to the Board

### Action taken:

- Customer feedback is built into our lessons learnt process within our quality system

### Further reading:

- See our website for information about:
  - Our electrolyzers and how they work: <https://itm-power.com/products>
  - Markets we serve: <https://itm-power.com/markets>

### How we engage:

- Seek to establish and maintain long-term relationships with our suppliers
- Work closely with our suppliers in the deployment of all projects and provide them with assistance to improve their adherence to our standards of quality and ethics
- Due diligence, approval and control programme for suppliers
- Require suppliers to comply with our Business Partner Code of Conduct, which covers:
  - Business integrity
  - Health, safety and security
  - Environmental and social performance
  - Human rights and modern slavery
  - Non-discrimination, grievance processes and freedom of association
  - Bribery, corruption and money laundering
  - International trade law
  - Protecting confidential and personal information
  - Speaking up
- Committed to sourcing our products and services locally where possible

### Action taken:

- Enhanced supplier categorisation exercise, considering aspects such as materiality and risk
- Enhanced inventory and supply chain reporting to support active supply chain management
- Strengthened supplier due diligence processes
- Assessed critical suppliers against ESG criteria and developed action plans to address any improvements identified, and commenced assessment of non-critical suppliers
- Commenced creation of supplier performance procedure and scorecard to monitor, measure and define actions with suppliers

### Further reading:

- See our Business Partner Code of Conduct on our website at <https://itm-power.com/sustainability>

Regulators and industry bodies

Regulators set standards for our products and industry. Industry bodies work to develop our industry's future. Provide grants for some projects.

Local communities

We operate within local communities and seek to be a positive influence around environment, education and health, together with equality, diversity and inclusion (EDI).

How we engage:

- Participate widely in industry bodies
- Work with key committee and standards groups in the UK, the EU and other countries
- Contribute to consultations in the UK and EU through direct responses and contributions to working groups
- Work with partners through our membership of key industry associations in a number of territories
- Work closely with organisations such as the European Union's Fuel Cells and Hydrogen Joint Undertaking (FCH JU), Innovate UK and BEIS as funders of our grant-funded projects

Action taken:

- Continued discussions and progress reviews with our critical funding partners
- Engagement at key industry events

How we engage:

- Social engagement programme, ITM Nurture, monitored by the ESG Committee, which also provides suggestions for and input into its future development
- Charity Committee, an employee-led forum, gives our employees the opportunity to have a positive impact on the community around us in Sheffield through engagement with local charities
- ITM Academy responsible for delivering our ITM Nurture programme commitments around Science, Technology, Engineering and Maths (STEM) activity, ensuring we are supporting education in the local area through promoting STEM careers and sustainability
- Regular reporting of key ESG initiatives, including those with our local communities, provided to the ESG Committee and the Board

Action taken:

- Developed our ESG strategy: Sustainable Energy, Engineered Sustainably
- Recruitment of an Environmental Manager and new Head of QHSE to support development in this area

Further reading:

- See page 44 for more information about our social impact

# Introduction from the Chair of the ESG Committee

**Katherine Roe**  
Chair of the ESG Committee

100 % of our revenue is derived from clean technology. We are proud to hold the LSE Green Economy Mark for listed companies and funds generating over 50% of their revenues from positive environmental solutions.

We have maintained our MSCI ESG rating of AA for the third year in a row and are now ranking in the top 11% of all companies in our sector.

**Dear shareholder**

I am pleased to introduce our FY23 Sustainability Report in order to provide an update on ITM's approach to environmental, social and governance (ESG) issues during the year. At ITM, we recognise the significant impact that ESG factors have on our business, our stakeholders and the world at large. We firmly believe that integrating responsible practices into our operations is not just a moral imperative but also a sound business strategy for long-term success and sustainable growth.

Environmental sustainability lies at the core of our operations. We are dedicated to minimising our ecological footprint and actively contribute to mitigating the challenges of climate change. As part of our commitment, we have implemented the following measures:

- **Carbon reduction:** Our vision is to help the world decarbonise and we strongly believe that the development and deployment of our electrolyser solutions are critical to this goal. We are also making progress in the pursuit of reducing our own carbon footprint. We have completed our initial assessments of impact and will progress this to deliver tangible targets and actions in the coming years.
- **Resource conservation:** We continuously seek ways to minimise waste generation and optimise resource consumption. Our recycling and waste management programmes aim to reduce landfill waste and promote the circular economy. We collaborate with suppliers which share our commitment to sustainability.

Read more on pages 33 to 38

We also fully understand the role we play in society. Our commitment to social responsibility extends to our employees, our customers and the communities in which we operate. Here are some of our key actions:

- **Employee wellbeing:** We prioritise the health, safety and wellbeing of our employees.
- **We foster an inclusive and diverse workplace culture** that promotes equal opportunities, professional growth and work-life balance.
- **Additionally, we provide comprehensive benefits, wellness programmes, and ongoing training to support our employees' personal and professional development.**

Read more on pages 39 to 43

We are committed to strong governance practices which are fundamental to our Company's long-term success. We maintain a robust governance framework that ensures transparency, accountability, and ethical conduct throughout our operations. Key aspects of our governance approach include:

- **Ethical conduct and compliance:** We uphold the highest standards of business ethics and conduct. Our employees are guided by a comprehensive code of conduct that promotes integrity, honesty and respect.
- **We maintain stringent compliance measures to ensure adherence to legal and regulatory requirements in all jurisdictions in which we operate.**

Read more on pages 44 to 46

**Looking ahead**

As we look to the future, we remain committed to advancing our ESG initiatives and driving positive change. We recognise that ESG issues are constantly evolving, and we will continue to adapt and enhance our practices accordingly. We value your input and encourage you to share your perspectives on ESG matters, as your feedback helps shape our approach.

We firmly believe that by integrating ESG principles into our business strategy, we can create long-term value for our shareholders while positively contributing to society and the environment. Together, we can build a sustainable future.

Thank you for your continued support.

Our ESG strategy

Sustainable Energy, Engineered Sustainably

At ITM Power, we are at the centre of the global energy shift. Our goal is to use the power of our electrolyser technology to help the world reach net zero using green hydrogen to decarbonise hard to abate industries. We will accomplish this through the products we produce and by actively participating in the development of the hydrogen industry to support a more sustainable global energy future.

The ITM vision is grounded in a purpose-based philosophy and, in line with our underlying values, we are committed to delivering positive change in our business, our industry and broader communities, to deliver a decarbonised society. Led by this purpose, and with an eye on our impacts, market trends and growth ambitions, as they align to our broader strategy, in 2021 we launched a comprehensive ESG strategy. The strategy was built on two core philosophies: Sustainable Energy, Engineered Sustainably; these continue to underpin our ESG ambitions.

Sustainable Energy addresses our core business purpose, which is to help the world reach net zero through the power of green hydrogen.

Engineered Sustainably speaks to our ambition to deliver on this purpose in a sustainable way that addresses the most material ESG issues for our business.

A key step in determining our objectives was including our stakeholders in a thorough materiality assessment. The results of that evaluation have guided our actions to date and will continue to do so. The evaluation will be routinely updated, to ensure that we continue to represent the shifting needs of our stakeholders.

To learn more about our materiality assessment see page 31

In 2020, the Board approved a new ESG and Wellbeing Committee, headed by Independent Non-Executive Director Katherine Roe, to support our efforts to fully integrate ESG principles into all operations and ensure that the ESG strategy remains consistent with the Company's purpose, culture and values while supporting long-term sustainable success.

Our ESG framework

Environmental  
Managing our environmental impacts

Sustainable Energy  
Help the world reach net zero through the power of green hydrogen

Engineered Sustainably  
Protect people and the planet through how we do business

Social  
Creating a positive social impact

Governance  
Operating a responsible business

At ITM Power we are at the heart of the energy transition.”

Katherine Roe  
Chair of the ESG Committee



# Our material issues

We conducted our first Group-wide materiality assessment in 2021. We set out to identify the ESG issues that matter most to our Company's performance and those on which we can have the biggest influence. According to the extent, scope, and irreparable nature of our existing and projected impacts, as defined by the Global Reporting Initiative, the areas where we have the most impact are evaluated. In addition to evaluating our performance against similar firms, we performed surveys and interviews with a variety of internal and external stakeholders, including non-governmental organisations (NGOs), investors, partners and employees. Our ESG Committee approved the resulting materiality matrix in October 2021, and it is displayed below.

Stakeholders acknowledged that as our industry grows and the need for green hydrogen rises, some issues – such as materials, waste, and water – are going to become much more material. These have been classified as "emerging issues", which means that in order to ensure our readiness for the future, it will be important to lay strong foundations now and we remain vigilant to this.

We utilise the outcomes of the materiality assessment to help inform our actions and areas of focus."

Sir Roger Bone  
Chair of the Board

ITM Power's impact on issue		
1 Responsible corporate governance	1 Resilience and risk management	2 Renewable energy advocacy
1 Transparency	2 Economic performance	3 Energy and greenhouse gas emissions
	4 Employee attraction and development	3 Clean technology
	4 Customer safety and satisfaction	
	4 Equity, diversity and inclusion	
	4 Occupational health and safety	
	4 Employee wellbeing, engagement and labour conditions	
1 Responsibility to our suppliers	1 Procurement practices (social)	3 Air quality
3 Materials →	1 Procurement practices (environmental)	
2 Sustainable and green finance	1 Business ethics and compliance	
3 Waste management →	1 Cyber security and data responsibility	
3 Water management →	4 Community impact	
2 Tax		
3 Biodiversity and ecosystem impacts		

Key:

1 Governance

2 Economic

3 Environmental

4 Social

→ Anticipated movement

# UN Sustainable Development Goals (SDGs)

The 17 UN Sustainable Development Goals (SDGs), and the targets within each one, offer a blueprint for achieving a more peaceful and prosperous world by 2030. To deliver these effectively, businesses should focus their efforts where their actual and potential impact is greatest. In line with this, we have identified the four SDGs where we can have the greatest effect as a business, and the specific targets aligned to these goals that are most relevant to us and our activities.

This report shows our progress towards these goals and what we are doing, both ourselves and in partnership with others, to achieve them.

We manufacture market leading electrolyzers, which help mobility, industrial chemistry and power-to-gas industries decarbonise by harnessing the power of green hydrogen. We believe that this is the best way to help the world decarbonise and achieve net zero, and we are working to expand our production capacity, strengthen our partnerships and engage with industry to help accelerate this shift.

We continue to place special priority on our ESG strategy which is a central part of our vision for the future.”

Sir Roger Bone  
Chair of the Board

- Our continual progress to develop more reliable, efficient and cost-effective electrolysis solutions will support the widespread adoption of green hydrogen. This will directly contribute to ensuring access to affordable, reliable, sustainable and modern energy for all, addressing target 7.2: to substantially increase the share of renewable energy in the global energy mix.
- By helping to decarbonise industrial processes through green hydrogen, our electrolyzers support SDG 9, particularly target 9.4: to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency, and greater adoption of clean and environmentally sound technologies and industrial processes.
- Green hydrogen, such as that produced with our electrolyser systems, can be used as zero-emissions fuel for mass transit systems. This contributes towards target 11.2: by 2030, to provide access to safe, affordable, accessible, and sustainable transport systems for all.
- By helping to replace hydrogen produced directly from fossil fuels with green hydrogen, our electrolyzers support target 12.2: by 2030, to achieve the sustainable management and efficient use of natural resources.

# Our environmental impact

## Energy and climate impact

### Importance to ITM Power

Our goal is to create a net zero society where everyone can breathe pure air. While our products are made to run on renewable energy, we can also contribute towards our vision by running our own operations responsibly and lowering our own carbon footprint, which includes the carbon that is embedded in our products.

### Approach and policies

To better manage our environmental impact, we maintain a UKAS-accredited environmental management system to the specifications outlined in the International Standard, ISO 14001:2015. The programmes used for accreditation included wide staff participation and consultation with employees, as well as auditing processes in the pursuit of zero harm to people or products. We ensure the efficacy of the management system through routine internal audits and monitored Environmental Improvement Programmes.

Beyond our own operations, all of our business partners are required by our Business Partner Code of Conduct to use energy and natural resources responsibly, as well as to continuously seek out methods to reduce waste, emissions, and discharge from their operations, goods, and services.

### Framework and reporting

As we continue to build our climate plan, we realise the significance of good governance and transparency in our reporting and present on pages 34 to 36 an overview of our current approach in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

We are committed to manufacturing practices that are safe and mitigate, as far as possible, any harm to the world around us. During the year we have made significant progress on truly understanding and documenting our processes and where we can make further improvements.”

Tegan Pringle  
Environmental Manager

## Climate-related financial disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) standardises climate-related disclosure methodology, allowing us to give clear and comparable data to enable informed capital investment and strategic direction. As an AIM-listed company with fewer than 500 employees, we are exempt from reporting against TCFD recommendations at this time. We nevertheless continue to voluntarily develop our framework to align to TCFD, allowing us to provide strong foundations for full compliance with the TCFD's recommendations as and when they become applicable to ITM below.

Disclosure			
Governance	Describe the Board's oversight of climate-related risks and opportunities. <b>2</b>	The Board provides overall leadership and independent oversight. It is primarily responsible for our strategic plan, risk management, systems of internal control and corporate governance. It retains control of key decisions. The Board has delegated authority to the ESG Committee for the development of the Group's ESG strategy, policies and programmes and associated matters.	<b>1</b> Fully aligned and compliant with TCFD <b>2</b> Partially compliant with TCFD (compliance expected within 24 months) <b>3</b> Non-compliant (compliance timeline 24 months plus)
	Describe management's role in assessing and managing climate-related risks and opportunities. <b>2</b>	Ownership and governance for sustainability-related risks and sustainability commitments are embedded within our business.	
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. <b>2</b>	Risks in the short term: <ul style="list-style-type: none"> <li>As we scale up our business to respond to the demand for green hydrogen, our impact on the environment will increase and we may not be able to mitigate this.</li> </ul> Risks in the medium and long term: <ul style="list-style-type: none"> <li>Increased severity and frequency of extreme weather events such as cyclones and floods may disrupt or limit our ability to manufacture our products.</li> <li>Changing weather and precipitation patterns may impact the cost and/or availability of materials.</li> <li>Regulation related to greenhouse gas (GHG) emissions may increase costs across our value chain.</li> <li>Regulation related to water stress or water scarcity may disrupt or restrict our production capability.</li> <li>Lack of availability of clean water may restrict the effectiveness of our product.</li> </ul>	

## Strategic Report | Sustainability Report continued

		Disclosure	
Strategy continued	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. <b>2</b>	<p>Opportunities in the short, medium and long term:</p> <ul style="list-style-type: none"> <li>• The increased focus on, and adoption of, green hydrogen provides a significant opportunity for our business.</li> <li>• PEM electrolyzers use less water than steam methane reformers (SMRs), which are currently the main source of industrial hydrogen.</li> <li>• Electrolysis is the only fuel that doesn't deplete oxygen in producing fuel – green hydrogen is the only oxygen and water balanced fuel.</li> <li>• Reduction, reuse and recycling of components within our electrolyzers presents an opportunity to reduce our impact on the environment.</li> </ul> <p>While it is difficult to accurately estimate the financial impact of any climate-related disruption to our manufacturing operations, a short interruption to our production capabilities due to extreme weather events could have a significant impact on our business in the future. Such weather events could also have a significant impact on our supply chain, which could result in supply restrictions and/or increased costs.</p>	<p><b>1</b> Fully aligned and compliant with TCFD</p> <p><b>2</b> Partially compliant with TCFD (compliance expected within 24 months)</p> <p><b>3</b> Non-compliant (compliance timeline 24 months plus)</p>
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. <b>3</b>	A scenario analysis to determine resilience of our strategy against different climate-related scenarios has not yet been completed but will be considered as part of our strategic planning and initiated when appropriate.	

## Climate-related financial disclosures continued

		Disclosure	
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks. <b>2</b>	Our climate-related risks are integrated into our enterprise risk management approach, which is documented on page 47. Our enterprise risk management process takes into account existing and emerging regulatory requirements, corporate operations, external and internal strategic threats, operational concerns, and compliance with laws and reporting duties.  We have not, to date, completed a specific climate-related risk assessment but it will be taken into account as part of our risk management processes and will be progressed as appropriate.	<b>1</b> Fully aligned and compliant with TCFD <b>2</b> Partially compliant with TCFD (compliance expected within 24 months) <b>3</b> Non-compliant (compliance timeline 24 months plus)
	Describe the organisation's processes for managing climate-related risks. <b>3</b>	Currently, climate-related risks are managed in the same way as our other principal risks, as outlined on page 47. We will review this approach at such time as we complete a standalone climate-related risk assessment.	
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. <b>3</b>	Our risk management approach, which is described on page 47, is applied in the same manner for all of our risks in order to assess and identify both existing and emerging risks and opportunities, including those which are climate related.	
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. <b>3</b>	The calculation of our carbon footprint follows the methodology set out by the GHG Protocol for corporate accounting and the output can be found in the table on page 37.	
	Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks. <b>2</b>	The ITM Power scope 1, scope 2 and scope 3 emissions are shown on page 37.  GHG-related risks will be assessed as part of the climate-related risk assessment when completed.	
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. <b>3</b>	Specific targets identified to manage climate-related risks and opportunities will be formalised following the climate-related risk assessment.  For FY24, the Company has once again linked executive pay to deliverables aligned with the ESG strategy – further details are available within the Remuneration Committee Report on page 79.	

# Energy and climate impacts

## Streamlined Energy and Carbon Reporting (SECR)

The calculation of our carbon footprint follows the methodology set out by the GHG Protocol for corporate accounting and the output can be found in the table below and complies with the requirements of Part 7A of Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) regarding disclosure of GHG emissions.

Carbon footprint (tCO <sub>2</sub> e)	FY22	FY23
Scope 1	249	28
Scope 2 (location-based)	754	908
Scope 2 (market-based)	203	156
Scope 3	103,843	78,959
Total (location-based)	104,846	79,895
Total (market-based)	104,295	79,115
Total emissions	105,049	80,051
Intensity ratio		
Scope 1 and 2 emissions intensity ratio (tCO <sub>2</sub> e/employees)	—	2.37
Scope 1, 2 and 3 emissions intensity ratio (tCO <sub>2</sub> e/employees)	—	202.26

1. Our footprint was calculated using the methodologies set out in the GHG Protocol Corporate Accounting and Reporting Standard. An "operational control" approach has been used to define the emissions boundary.

2. Entities included in the footprint are as follows: ITM Power PLC; ITM Power (Trading) Limited; ITM Power Inc.; ITM Power GmbH; and ITM Power Pty Ltd. Motive Fuels Limited was previously included but is now reported as an investment.

3. In the calculation and preparation of our carbon footprint we have considered a number of relevant sources, including the 2021 Government GHG Conversion Factors for Company Reporting, published by BEIS; the Homeworking Emissions Whitepaper 2020 published by EcoAct; and Supply Chain Greenhouse Gas Emission Factors for US Industries and Commodities, published by the United States Environmental Protection Agency.

4. Scope 1 emissions are derived from natural gas heating our facilities and fuel consumption within our vehicle fleet. Where natural gas consumption data was unavailable, estimates were made based on spend, historical average and average consumption figures based on property size and use. This led to a large decrease in FY23 when actual data has become available.

5. Scope 2 emissions are derived from electricity consumed by our facilities.

6. Scope 3 categories included in this calculation include purchased goods and services, fuel and energy-related activities, waste, business travel, employee commuting, upstream leased assets, use of sold goods and investments. Notes on the calculation methodologies for these categories are as follows:

a. Purchased goods and services: a financial allocation model was used using emission factors provided by the United States Environmental Protection Agency.
- b. Fuel- and energy-related activities: BEIS 2021 conversion factors were used to calculate well-to-tank GHG emissions from fuel usage and transmission and distribution losses from purchased electricity and well-to-tank emissions from fuels.

c. Waste: BEIS 2021 conversion factors were used according to mass of waste disposal by destination. d. Business travel: emissions related to air and rail travel and hotel stays were obtained from our business travel service providers. BEIS 2021 conversion factors were used for mileage for personal cars and taxis.

d. Employee commuting: data comprising employee home postcode, place of work and share of days worked in office was collected by employee survey. National travel survey data, together with BEIS 2021 conversion factors, were used to determine commute emissions intensity. Homeworking emissions were calculated on the basis of the methodology set out in the Homeworking Emissions Whitepaper 2020 published by EcoAct.

e. Upstream leased assets: BEIS 2021 conversion factors were used together with the volume of materials consumed to operate leased assets.

f. Use of sold goods: sold goods are considered to be those electrolyzers that have completed site acceptance testing during the reporting period. The lifetime energy consumption of these units, together with the share of green electricity used for their operation and grid emission factors, was used to calculate lifetime emissions.

g. Investments: data on electricity and district heating consumed by ITM Linde Electrolysis GmbH and Motive Fuels Limited was collected and converted to emissions using location-specific conversion factors.

7. When choosing our carbon intensity ratio we explored different options such as revenue or floor space, but felt number of employees was most reflective of business performance.

## Energy consumption

	FY22	FY23
Electricity (kWh)	3,543,863	4,270,281
Natural gas (kWh)	831,564	97,221
Total (kWh)	4,375,427	4,367,502
Diesel (litres)	32,235	6,085

- Notes:**
1. Electricity consumption figures cover our UK offices and factory as well as our offices in Germany and Australia. It also includes hydrogen refuelling stations. Where consumption data was unavailable, estimates were made based on spend, historical consumption and property averages.

2. Diesel consumption has been estimated based on vehicle mileage. Our fleet was significantly reduced in the year and no longer includes the Motive vehicles

3. Natural gas consumption figures cover our UK offices and factory as well as our office in Germany. Where consumption data was unavailable, estimates were made based on spend, historical average and average consumption figures based on property size and use. Estimates were used in FY22 whilst FY23 has used extrapolation from actual bills which evidence our usage is significantly lower than previously estimated.

	FY22	FY23
Proportion of electricity procured from renewable sources	81%	100%

- Note:**
1. Data covers our UK head offices and our offices in Germany and Australia.

**Future plans**  
In 2023 we will complete our first Energy Saving Opportunity Scheme ("ESOS") return which will support us to prioritise those energy saving and efficiency initiatives with the greatest return, both on capital investment, and emissions saved.

- Further reading**
1. Corporate governance section of our website

## Energy and climate impacts continued

### Our broader environmental impacts

	Materials	Toxic emissions, waste and water	Biodiversity
<b>Importance to ITM</b>	<p>Our electrolyzers require a substantial amount of raw materials during production. To minimise our influence on the environment and preserve our Company operations, we must utilise these resources effectively.</p> <p>We try to use as little virgin material in our manufacturing processes as we can.</p> <p>The platinum group metals (PGM), which are crucial to our commercial operations but also have the potential to have an adverse effect on the environment and people, are of special concern.</p>	<p>We have a responsibility to consider how our manufacturing processes may impact the environment in which we operate.</p> <p>Through the way we do business, we can safeguard natural resources, use less water, and generate less trash.</p>	<p>We were founded to contribute to the solution of climate disaster. However, a second significant threat to our survival is the widespread extinction of plant and animal species brought on by human activities. It is crucial to safeguard the natural ecosystems on which we all depend.</p>
<b>Approach and policies</b>	<p>We want to keep using fewer PGMs, so we're taking a number of steps, such as recycling.</p> <p>Over 80% of our PGM usage was reduced between 2011 and 2019. It's significant to note that in 2019, we met the EU's 2030 target of 0.4 mg/W for PGM loading for PEM electrolyzers. We'll keep coming up with new ideas in an effort to use PGMs even less.</p> <p>We also salvage and repurpose materials from our electrolyzers (especially PGM) whenever possible. This is made possible in part by our stack management service, which makes sure that outdated equipment is returned to ITM Power so that customers can take advantage of the newest technological advancements.</p>	<p><b>Toxic waste</b> – Our electrolyzers are made in a safe production environment with minimal acid use. Because there are no material hazardous emissions produced by our production methods, there is very minimal danger to the local environment.</p> <p><b>Waste</b> – Our waste management procedure was established in 2021, and it was made available on our internal business management system. For the management of all on-site waste materials, including general waste, recycling, and metals, we hired one waste broker, Reconomy. We can more effectively minimise what we throw away by simplifying these waste streams since we can produce detailed reports regarding the amount and type of garbage we produce.</p> <p><b>Water</b> – Our factory is not near a water-stressed area. To remove flaws from our manufacturing systems and make sure our stacks are clean, we use mains water, which we purify before using. Our products also use water to produce hydrogen through electrolysis, but when hydrogen is used, the same quantity of water is released as vapour.</p>	<p>We attempt to locate, identify, and protect larger ecological networks, local wildlife-rich habitats, and biodiversity gains when creating new locations.</p> <p>Before we make any decisions on our product portfolio and expansion plans, we will seek to use our current sites as effectively as possible.</p>
<b>Future plans</b>	<p>We continue to look into various methods for recycling PGM to increase recovery rates and decrease waste. We are also seeking ways to reuse specific parts from outdated goods that have a longer lifespan.</p>	<p>The materiality evaluation carried out in 2021 identified water management as an emerging problem. Water use will rise along with production at our Bessemer Park factory. We hired an environmental manager in 2022, and they will create a water use strategy to lessen our environmental impact.</p>	<p>None at this stage.</p>
<b>Further reading</b>	<ul style="list-style-type: none"> <li>ITM Power's Business Partner Code of Conduct</li> <li>PGM Supply Chain Policy Statement</li> </ul>	<ul style="list-style-type: none"> <li>ITM Power's Business Partner Code of Conduct</li> <li>Corporate governance section of our website</li> </ul>	



# Our social impact

## Working at ITM Power

It goes without saying that FY23 was a challenging time for a number of our teams, particularly those impacted by the restructuring programme delivered in early 2023. The wellbeing and support of teams and employees that were both directly and indirectly impacted by this was our priority in the year. Whilst this was a difficult process, we are already seeing positive impacts from the leaner, flatter organisational structure and we will seek to build on this going forward into FY24. A positive outcome has been developing a stronger employee voice and greater opportunities for employees across the business to engage with business improvements.

We place a premium on providing a work environment where our employees can thrive, feeling supported and encouraged in their daily work. This helps us produce better products and fosters a happy and productive workplace.

We provide all of our colleagues with an early introduction to our vision, mission, values, goals and ways of working. The primary policies and procedures that all members of our workforce, including employees and contractors, must be aware of are outlined in our employee handbook.

We adhere to all applicable employment legislation and, in most cases, our employment practices go above and beyond the statutory requirements. Although our workplace policies acknowledge unions, there is no formal policy on unionisation.

We appreciate our employees' participation greatly and keep them updated on relevant issues and how we are performing. Meetings, both official and informal, are used to accomplish this. We have an open-door management philosophy that allows for regular employee feedback, and we also use tools like internet surveys to get that feedback. For further participation, Group-wide emails, a staff newsletter, and suggestion forums are also used. In order to encourage employees at all organisational levels to express their opinions on the organisation, we launched our ITM Voices programme during the year.

We introduced our first biannual ITM Voices employee engagement and wellbeing survey at the beginning of FY23. The findings from this study were used to develop action plans and to direct outcomes from the ITM Voices forum, enabling collaboration with the wider team.

FY23 was a challenging time for a number of our teams, particularly those impacted by the restructuring programme delivered in early 2023. A positive outcome has been developing a stronger employee voice and greater opportunities for employees across the business to engage with business improvements.”

Kath Connell  
Head of HR

## Our social impact continued

### Employee health, safety and wellbeing

#### Importance to ITM Power

Our employees' health is a top priority, and this encompasses both operational health and safety as well as emotional wellbeing. To manufacture our electrolysers, our staff must operate powerful and complex machinery, and proper risk reduction and training are required. We are also aware of the significance of appropriate mental health and wellbeing support.

#### Policy and approach

The Board of Directors is in charge of oversight of health and safety, which establishes our health and safety objectives as well as the framework for monitoring performance and compliance. The Board evaluates health and safety performance and receives regular performance updates. We also have a Health and Safety Committee, which meets periodically and comprises representatives from departments across the business. This helps to ensure that issues are reported promptly and that improvement plans are implemented as soon as possible.

Our Health and Safety Policy is provided to our workforce in the Employee Handbook. It outlines our commitment to maintaining safe and healthy working conditions by controlling the health and safety risks associated with our work activities, providing and maintaining safe plant and equipment, ensuring the safe handling and use of substances, consulting with our employees and providing appropriate information, instruction, training, and supervision, and taking steps to prevent accidents and cases of work-related illness. To reduce the danger of workplace accidents and injuries at our plant, we have a safety induction procedure in place and carry out preventative maintenance on all of our equipment, ensuring that machinery is frequently serviced to avoid difficulties. We have a safety observation system in place to record observations and near misses and, as a result, reduce the frequency of employee injuries. All new employees are provided with our Occupational Health Policy in addition to our Health and Safety Policy.

On joining the Company, every new employee is requested to complete an occupational health questionnaire and a baseline occupational health evaluation to determine whether any reasonable alterations to their work environment are required. These checks are prioritised based on the nature of the employee's role and are repeated on an annual basis, depending on departmental needs, or whenever an employee's health changes. To ensure that our policies are followed, we gather data on near misses, positive observations, incidents and occurrences of employee illness, which we report to the Board and discuss at our weekly health and safety meetings. Furthermore, critical performance indicators for health and safety performance are assigned to each function.

We strengthened our safety management in FY22 by introducing online tools for monitoring regulatory changes, controlling our chemical inventory and tracking safety observations digitally, and we continue to monitor and improve our systems. Our health and safety management system complies with ISO 14001:2015 and ISO 45001:2018. The system is audited for compliance on a regular basis, both internally and by third-party auditors from a UKAS-accredited audit firm.

#### Training on health and safety

Training and development are critical components of maintaining health and safety standards. We have a dedicated safety team that is fully NEBOSH educated, and we have a three-tiered framework for health and safety training that encourages staff to examine and improve their competency. We emphasise completion of high-risk health and safety training within this structure, followed by medium and low-risk training.

We have 14 trained mental health first aiders within the business who are responsible for supporting employees' mental wellbeing. We will be expanding our mental health first aider reach in 2023 to ensure that we have more first aiders trained from our production workforce and to represent a diverse employee base.

We conduct mandatory basic health and safety training for all employees, as well as tailored training on specific issues. This training is delivered through a variety of techniques, including toolbox talks, e-learning, classroom sessions, and webinars.

#### Employee satisfaction

We recognise the significance of our employees' emotional and physical wellness. Our Stress Policy outlines our measures for detecting, addressing, and mitigating the causes of workplace stress, as well as giving appropriate assistance and consideration to employees who are stressed. These include ensuring that risk assessments include or specifically address workplace stress; maintaining an appraisal process to ensure workload suitability, supported by a capability procedure; and facilitating requests for flexible working where reasonably practicable in accordance with our Flexible Working Policy.

We also maintain a Group-wide campaign "Mental Health Matters", to improve awareness of mental health, manager duties, and referrals for additional support.

All of our direct suppliers are required by our Business Partner Code of Conduct to demonstrate a systematic approach to health, safety, and security to ensure compliance with all applicable health and safety laws and regulations. Direct suppliers must also strive to continuously improve performance by urging their workers and any suppliers to immediately report any accident, injury, illness, or unsafe condition, and to stop any work that could be hazardous so that appropriate action can be completed.

We launched a Drugs and Alcohol Policy during the year to promote wellbeing and safety in work. We also completed our biannual ITM Voices Wellbeing Survey to solicit feedback on employee wellbeing topics such as happiness, motivation and relationships, and continue developing action plans to address the results. In addition to these initiatives, we delivered seminars on heart health, women's and men's health, and financial wellbeing, among others. Employees also have full access to an industry leading employee assistance programme.

Future plans

During FY24 we will launch medical cash plans and insurance (dependent on role) to further support our employees to keep safe and well, both at home and at work.

Further reading

- 1. Business Partner Code of Conduct
- 2. Health and safety section of our website

	FY22	FY23
Total number of employees	424	359
Total recorded incidents	56	76
Total RIDDOR reportable incidents	1	2
Total lost time days	126	6
Fatality rate	0	0
Recordable injury frequency	89.1 <sup>1</sup>	75.2 <sup>(1)</sup>

1. We changed our reporting calculation for recordable injury frequencies during the year to (No. of accidents x 1000)/No. of employees. The FY22 figure has been updated to align to this methodology for comparability.

Employee training and development

Importance to ITM Power

One of our most valuable resources is the expertise of our employees. Maintaining and enhancing their expertise while also assuring high standards of technical competence aids in our ongoing efforts to increase the creativity and quality of our work. A great place to work also requires the provision of opportunities for our people to enhance their careers and develop their talents.

Approach and policies

The ITM Academy serves as the hub for learning and development across ITM Power since its creation in FY22. ITM Academy operates as the centre for staff development, offering a structured induction programme along with technical and leadership training, considerably expanding the growth options and support for all of our workers. ITM Academy contributes to our HR performance management system, which is a key component of how it supports staff development. Since the ITM Academy's inception, the training it has provided has emphasised our leadership's technical proficiency and health and safety. Participation in training can be assessed using detailed monthly learning and development reports. We continue to provide opportunities for professional development through chartered development routes and specialist training with full or part subsidisation. Employee training needs and team capability gaps are identified through our employee performance and competency reviews, which make up our development approach. All employees are given appropriate access to relevant training to enable them to progress within the organisation.

We provide industrial placements and apprenticeships across our business as part of the ITM Academy initiative. These internships give students the chance to learn more about a potential career path and give us access to the talent of future graduates. A total of 15 of these posts, ranging from design engineering to HSE and legal, were offered in FY23 while 10 were offered in FY22. To guarantee that we support our apprentices in becoming the best they can be, we actively collaborate with the Advanced Manufacturing Research Centre at Sheffield University.

Upcoming plans

During FY24, the ITM Academy will be primarily focused on supporting our business leaders to develop their skills and core competencies in order to drive future business performance, and to support us on our journey to becoming a volume manufacturer. There will also be a prime focus on developing stronger team capabilities.

Further reading

- 1. Corporate governance section of our website

# Our social impact continued

## Our values

### We collaborate

We share a common vision and recognise that we all have a part to play in the ITM Power journey. We support each other and work together for this common purpose. We trust each other, are open and honest, and are committed to our collective success. We celebrate our achievements with each other. We work as one team, seeking opportunities to be collaborative.

### We care

We care for each other, our customers, our suppliers, our environment and future generations. We have pride in what we do. We treat people with dignity and respect; we are a supportive team that values others. We do things safely.

### We innovate

We are curious and bold; we think big. We seek to constantly improve in all we do. We develop and evolve. We have a growth mindset which encourages learning.

### We are tenacious

We don't give up easily. We work to find solutions to problems or difficult situations. We support each other, and work together to overcome challenges. We are driven and determined. We make decisions based on facts and insights, even if those decisions are tough. We are not frightened of change. We take accountability for our actions and learn from our mistakes.

### We seek joy

Joy is a flash of emotion, found in small gestures and in different ways for each and every one of us. By seeking joy, we appreciate those special moments that contribute towards our happiness and help develop friendships with our colleagues and partners. We recognise that acts of kindness, fun or laughter go a long way to help provide a balance to our busy and sometimes stressful lives. Whilst we are serious about our work, we don't always have to be serious; we look for ways to seek joy even when times are challenging.

Equity, diversity and inclusion (EDI)

Importance to ITM Power

Recruiting, keeping and supporting employees from varied backgrounds allows our Company to better understand the customers that we serve, as well as the Sheffield community where our manufacturing activities are located. It lowers risk, improves employee retention and wellbeing and fosters greater social equality and mobility.

Approach and policies

Our EDI strategy (2022–2025) and supporting plan outline our commitment to ensuring ITM Power is an inclusive place to work. We want a working atmosphere where everyone can use their skills to their full potential, where there is no discrimination or harassment, and where decisions are made on merit. We have a number of policies that support our EDI strategy, not least our Equal Opportunity Policy which contains specific clauses about recruiting and selection, training and development, possibilities for advancement, working conditions, and termination of employment, including redundancy. We have a detailed Anti-Harassment and Bullying Policy that gives examples of the types of conduct that may constitute harassment or bullying, as well as our commitment to eliminating such conduct, to promote a safe and inclusive workplace.

We actively promote applications from suitably qualified and eligible applicants, regardless of disabilities, in our hiring practices. We have clear business plans in place to encourage women to pursue Science, Technology, Engineering and Maths (STEM) careers and to grow and expand the number of women in senior positions. We work with ITM Academy and our Nurture programme to achieve this. We work to engage under-represented populations, such as young people who are not enrolled in school, work or training, and ethnic minorities. We completed our second staff diversity survey in FY22, with 65% participation.

FY23 saw the publication of the ITM Power EDI Strategy and Implementation Plan and we also published our first Gender Pay Gap Report. We also introduced our mandatory managers’ diversity and inclusion training during the year.

Future plans

Key priorities will be encouraging greater gender diversity within our business and particularly in STEM-related areas.

Indicators

For Board composition, see page 58 of the Corporate Governance Report.

All employees: breakdown

Category	FY22	FY23
<b>Gender</b>		
Male	75.69%	75.77%
Female	24.31%	24.23%
Prefer not to say	—	—
<b>Age group</b>		
<30	25.81%	26.98%
30–50	56.39%	55.45%
>50	17.79%	17.57%
Prefer not to say	—	—
<b>Ethnicity breakdown</b>		
White ethnic groups	85.71%	68.32%
All other ethnic groups combined	14.29%	10.27%
Prefer not to say	—	21.41%

We want a working atmosphere where everyone can use their skills to their full potential.”

# Our social impact continued

## Our customer relationships

### Importance to ITM Power

Keeping our clients safe and delighted is crucial to our Company's success. Because we manufacture large industrial equipment, there are inherent hazards involved with the potential failure of our electrolyzers. We go to great lengths to assure the quality of our products and the health of our customer relationships through constant interaction.

### Approach and policies

Quality control is crucial to our product development. In addition to the health and safety management systems described on page 40, we use ISO 9001:2015 management systems. To assure the safety of everything we make, we conduct risk assessments for the whole life cycle of all products and use a multi-stage testing method. At the design stage of our products, we use a stage-gate approach, with line manager approval necessary at each level to reduce the possibility of error. All new direct material suppliers must undergo an audit in accordance with the Verband der Automobilindustrie standard. We do Factory Acceptance Testing on all equipment before shipment once it has been made. We then conduct additional Site Acceptance Testing in the field with client oversight to further limit the chance of any malfunction.

Once our devices are installed, we solicit continued feedback from consumers via a variety of channels, including an email reporting system, a support facility in Sheffield and an after-hours service. Customer feedback is incorporated into our quality system's "lessons learned" process and utilised to identify areas for further improvement.

We can also provide service and maintenance agreements to our clients. These are either integrated into the business contract or made available as an aftermarket sales opportunity. We provide a wide range of services while collaborating with our clients and their representatives. Any difficulties that arise from these site activities are reported locally, as well as through our health, safety, and environment systems and our Operations Director.

Our Head of Quality and HSE is in charge of working with suppliers to consistently enhance the quality of our materials and ensuring that our quality control processes are followed. We collect data on near misses, positive observations, product leaks and non-conformances to monitor the application of our procedures. We hold weekly meetings to examine any near misses, monthly meetings to measure progress against other indicators and emergency meetings as needed. We have a visitor management system in place at our Sheffield manufacturing facilities, as well as visitor induction processes at all of our sites, to ensure customer safety on site.

### Indicators

We are not aware of any incidents of non-compliance with regulations or voluntary codes concerning the health and safety impacts of our products and services.

### Further reading

- 1. Corporate governance section of our website
- 2. Health and safety section of our website

## Community engagement

### Importance to ITM Power

We want the communities where we are located to thrive, economically and socially. Through dedicated community engagement we aim to be a positive force for change within the regions where we operate.

### Approach and policies

Our community engagement activities are directed by our ITM Nurture strategy, which was formally launched in FY22. ITM Nurture sets out three areas for engagement with the local community in Sheffield. We are also developing similar programmes for our regional hubs, including in Germany.

### Future plans

Our ITM Nurture approach outlines a strategy for increasing engagement with local schools and charitable donations. Over the coming years, we will be focusing on putting these objectives into action in order to increase our beneficial effect on the community.

## Our governance

### Procurement practices

#### Importance to ITM Power

The quality of the materials we use is essential to the success of our electrolyzers. Being a sustainable, responsible business means taking all possible action to mitigate any risks related to the sourcing and disposal of our materials. It also includes supporting our suppliers to act responsibly through our purchasing of materials and services, and ensuring we have a positive impact on the local and national communities in which we operate.

#### Approach and policies

Our Business Partner Code of Conduct is available to the public on our website and covers minimum criteria for bribery and corruption, environmental and social performance, human rights and modern slavery, non-discrimination and freedom of association and whistleblowing. We amended our Business Partner Code of Conduct in 2021 to include new criteria, which were implemented in 2022. All new direct material suppliers must complete our Supplier Qualification Questionnaire, which was last updated in FY22, in addition to our Business Partner Code of Conduct.

This includes topics such as health and safety, environmental management systems, training and development, corruption and human rights. Our health and safety, quality and procurement teams review replies and approve or reject suppliers based on their responses. This questionnaire is now part of our supplier onboarding process for all new vendors. All material contracts are also evaluated by our legal team before being reviewed and signed by a member of the ITM Power management team.

We conduct supplier inspections, to review the premises and execute quality spot checks when direct suppliers provide us with higher-risk products, such as those that require us to share intellectual property.

#### Obtaining raw materials

We strive to obtain raw materials in a sustainable manner while adhering to all applicable rules in our procurement practices. We pay special attention to Platinum Group Metals (PGMs). While we have no trading operations in conflict-affected or high-risk areas, the metals we buy may come from these

areas in some cases. Our PGM Supply Chain Policy Statement, released in early FY23, outlines our strategy to sourcing PGMs from war zones. This includes zero tolerance for suppliers which allow torture, forced or compulsory labour, or child labour; provide direct or indirect support to non-state armed groups or public or private security forces which illegally control mine sites; and enable the solicitation of bribery and corruption, as well as any form of financial crime, such as money laundering.

We shall meet these promises by doing due diligence on PGM-containing supplies delivered to us. We shall examine suppliers' practices to guarantee compliance with our policy, and we will keep records of all completed transactions and due diligence operations. To enhance and track performance, we will actively interact with suppliers and stakeholders in the jurisdictions in which we operate. We shall also give regular training to all employees involved in the trading, sourcing, handling, and transportation of PGM. If we have a reasonable suspicion that a supplier is not complying with our rules, we will suspend or discontinue the dubious supply. We retain the right to stop or terminate any arrangement with a provider which violates these parameters. So far, no supplier agreements have been cancelled due to non-compliance with our policies.

We continue to look into ways to improve our audit capabilities, with the ultimate goal of tracing all PGM back to the mines from which they were extracted. Human rights protection in our supply chain continues to be a concern as slavery is more prevalent today than at any other time in history. Being a responsible business entails making every effort to detect and eliminate exploitative working practices wherever they occur, with a special focus on higher-risk products such as PGM. The EU Conflict Minerals Regulation relates to four high-risk resources for human rights violations: tin, tantalum, tungsten, and gold. We do not purchase these elements to produce our electrolyzers. Our Business Partner Code of Conduct addresses human rights and modern slavery directly.

Our direct suppliers must provide salaries and benefits that meet or exceed national legal standards, follow all applicable rules and regulations regarding working hours, and provide a safe, secure, and healthy environment.

To mitigate the risk of human rights violations, our Business Partner Code of Conduct requires direct suppliers to provide their own employees, suppliers and business partners with a dedicated whistleblowing mechanism through which they can file a complaint if they witness something unsafe, unethical, or potentially harmful involving either their or our businesses or activities. Suppliers must follow all applicable rules and regulations regarding free association and collective bargaining. To certify compliance with our Business Partner Code of Conduct, our Supplier Qualification Questionnaire contains questions on human rights, child labour, forced labour, and employee provision.

#### Future plans

We are constantly reviewing our supplier base and will be regularly assessing suppliers' ESG performance, in addition to reaffirming their alignment to our Business Partner Code of Conduct.

#### Further reading

1. Business Partner Code of Conduct
2. Corporate governance section of our website
3. PGM Supply Chain Policy Statement

# Our governance continued

## Responsible governance

### Importance to ITM Power

Good governance is vital for making us a sustainable organisation as we scale up, reducing risk and adding value to our business. Strong governance is also essential for delivering on our business values.

### Approach and policies

As our Company has evolved, we have continuously reinforced and developed our corporate governance procedures to guarantee that we are prepared for the future. More information about our corporate governance strategy and how we implement our frameworks can be found on page 59.

## Business ethics

### Importance to ITM Power

It is critical that our interactions and relationships with our stakeholders are founded on decisions that are transparent, fair, honest and long term. Poor corporate ethics undermine the rule of law and public trust in government officials and company leaders. As our Company grows, we will need robust procedures in place to eliminate these practices and address them wherever they arise.

### Approach and policies

We maintain a suite of responsible business policies for our employees, contractors and individuals employed by other organisations who work on ITM Power's behalf. These are some examples of such policies:

- Code of Ethics;
- Anti-Fraud and Bribery;
- Speak Up (Whistleblowing);
- Conflict Management; and
- Hospitality and Gifts.

To defend against unethical business practices, we conduct risk assessments as appropriate, with follow-up analysis performed if potential substantial concerns are detected. Actions and additional training are also provided to parts of the Company that are recognised as being more vulnerable to unethical activities. Beyond our own operations, we incorporate anti-corruption measures in our contracts and our Business Partner Code of Conduct. Our Supplier Requirements Questionnaire for new direct suppliers of materials includes

questions about whether suppliers have an anti-corruption policy and/or employee training programme, as well as whether they have been subject to lawsuits or criminal charges for bribery and corruption.

## Tax

### Importance to ITM Power

Companies have a responsibility to give back to the communities in which they operate. We feel that this is an essential component of being a responsible business that is accountable to itself, society, and future generations.

### Approach and policies

We are open and honest about our tax reporting, and we include information about our tax position in our financial statements. We follow not only the letter of the law, but also our fundamental need to pay the correct amount of tax on time in the countries where we operate. To promote successful tax systems, we will work with authorities in the countries where we operate.

### Further reading

1. Financial statements

## Data security

### Importance to ITM Power

We have a legal and ethical commitment to protect the personal data of our employees and customers. Furthermore, because the development of our electrolyzers is vital to the success of our Company, maintaining systems to ensure our intellectual property is safe and secure is critical.

### Approach and policies

Our Data Protection Policy outlines our commitment to legally and properly handling all personal data. Our website outlines our privacy policies for the usage of third-party data, and our Employee Privacy Notice informs our employees about our data privacy practices. We inform all employees of our security practices for reducing the danger of data breaches. We undertake data protection impact assessments (DPIAs) when needed to ensure that new and revised data processing methods are carried out proportionally and with proper safeguards in place. We also have a separate Intellectual Property Management Policy in place to prevent the risk of unauthorised disclosure of our trade secrets and proprietary technology. This policy is constantly communicated to our staff.

We have a Patent Steering Committee (PSC) that is in charge of the development of our intellectual property. We acknowledge the value of recognising and capturing innovation in a timely manner, and the PSC meets on a frequent basis to do so. Research in critical areas of business is analysed for new inventions (including research scientists as needed) and these are thoroughly evaluated. Our Social Media Policy also includes intellectual property clauses, stating that employees should not use social media to endanger our important trade secrets, other private information, or intellectual property. As part of our new employee induction plan, we also provide data protection and cybersecurity training.

## Resilience and risk management

### Importance to ITM Power

There are various risks and uncertainties that could impair our strategy's implementation as well as our short-term performance. Proactively recognising, managing and minimising risks are critical to our Company's success.

### Approach and policies

We have a risk management system in place that makes it easier to identify, evaluate and mitigate risks. The Executive Directors analyse the risks that we face, including financial risks, and the Board identifies and reports on our key risks, along with a description of our governance mechanisms for identifying, assessing, and mitigating these risks, including any recognised ESG concerns. The Board is in charge of the risk framework and strives to guarantee that the Group's ability to fulfil its goals surpasses its risk exposure. Executive Directors are in charge of recognising, managing and minimising risks. Full details can be read on page 47.

Proactively recognising, managing and minimising risks are critical to our Company's success.”



# Our approach to risk

The Board is ultimately responsible for ensuring there is a robust and effective framework in place for the Group's risk management activities. Through a refocused risk management approach, and utilising the three lines of defence model, our capability to assess risks is continually improving, such that our strategic, significant and emerging risks are identified and managed effectively.

Other significant risks considered:

**Risks associated with the environment and climate change**  
Businesses across all industries and markets are facing increasing scrutiny relating to their ESG policies. The Board's ESG Committee has oversight of the Group's ESG activities and has engaged external consultants to assist in the development of our ESG strategy, as well as the measurement of our own carbon footprint, which supports our drive to reduce our carbon-intensive production areas.

**Risks associated with potential regulatory changes**  
The Group's strategy has been formulated in light of the current legal and regulatory environment in which it operates, and considers anticipated changes to that environment. Unanticipated changes in the legal and regulatory environment may therefore have a negative impact on the business. We are proactively engaged with the governments and regulatory bodies in the United Kingdom, the European Union and others to this end and maintain active membership and key roles in relevant committees, trading associations and compliance bodies – in so doing supporting the development and standardisation of policies, regulations and codes within the green hydrogen industry.

## Our risk framework

The organisational risk management framework comprises the recording and management of "top-down" strategic risks, which are discussed by the Board and executive leadership team, as well as "bottom-up" risks, which capture potential operational issues. Our risk assessment model considers:

- the probability of a risk materialising; and
- the potential impact if the risk did materialise.

## Board/Audit Committee

The Board is responsible for monitoring business performance. This includes regularly reviewing risks that could impact achievement of the Group's strategic objectives. The Board is supported by an effective corporate governance structure, including the Audit Committee, which has specific delegated authority to review the effectiveness of the Group's internal control mechanisms, financial reporting, internal audit and risk management processes.

## Executive leadership team

The executive leadership team is responsible for reviewing and managing the strategic risks within the Group and for providing oversight on operational risks. It provides leadership and direction to employees on risk-taking activity. The executive leadership team also has primary responsibility for driving the development and enhancement of the risk management processes used within the Group.

## Quality, health and safety (QHSE) and Legal teams

The QHSE team, in conjunction with the executive leadership team, is instrumental in setting the tone in relation to safety matters. This includes obtaining and maintaining the Group's ISO certifications, which are supported by business assurance reviews. The Legal team supports the executive leadership team to oversee all aspects of corporate compliance.

## Departmental management

The management teams in each department within the Group are responsible for the day-to-day management of risks within their area, ensuring that risks are appropriately identified, prioritised and mitigated.

## Strategic Report | Principal Risks and Uncertainties continued

### Principal risks and uncertainties

The Board has identified those risks which are deemed principal to its business due to their potential severity and link to the Group's strategy, markets and operations, which are set out below. This is not intended to be an exhaustive list. Additional risks not presently known to management, or risks currently deemed to be less material/strategically important, may also have the potential to cause an adverse impact on our business.


Risk	Risk impact and description	Mitigation	Change
1 Market dynamics	<p>The macro-economic environment presented several external challenges during the year, including continued volatility within energy markets, high inflation and the remaining impact of the COVID-19 pandemic. The ongoing conflict in Ukraine has placed additional pressure on the global energy supply chain. Rising energy prices and subsequent cost-of-living increases remain key challenges. In our industry, it has been apparent that a number of investment decisions in hydrogen projects have been delayed until energy prices stabilise and commercial profiles improve. However, the wholesale costs are starting to stabilise and customers are now re-engaging on a number of projects. If anything, the delay in these investment decisions has been positive for the Group as it has afforded us time to resolve our engineering and production challenges.</p> <p>The Group currently faces and will continue to face competition from other developers and manufacturers of electrolyser products and technologies, as well as developers and manufacturers of existing power technologies and other alternative power technologies. If we are unable to compete effectively against our competitors, this will impact our ability to gain market share or market acceptance for our products.</p>	<ul style="list-style-type: none"> <li>Our vertically integrated technology approach allows product evolution carry-overs and provides us with the capability to rapidly adapt to changing market needs.</li> <li>As the market matures and the size of required systems grows larger, working with our strategic partners provides us with a competitive edge when tendering for green hydrogen projects.</li> <li>We seek to create partnerships, frameworks and preferred supplier status with key customers wherever possible, creating additional channels to market.</li> <li>Our first-mover status on several mid to large scale projects will give ITM Power a strong advantage over competitors.</li> </ul>	↑
2 Managing market growth/scale-up	<p>Since the market for green hydrogen is still evolving, it is difficult to predict the size and growth rate of the market and future order intake with certainty.</p> <p>The Group's success in scaling its business depends on its ability to repeatedly and accurately deploy engineering designs into serial production supported by robust supply chains.</p> <p>The Group currently faces risks associated with its current dependence on a single manufacturing location. Although we are in the process of expanding Bessemer Park, the Group will remain dependent on the UK as its manufacturing location in the near term.</p>	<ul style="list-style-type: none"> <li>We have capacity planning systems in place to support the Group's manufacturing management.</li> <li>Our procurement and manufacturing forecasting processes are being closely aligned to commercial and operational management teams to ensure project delivery.</li> <li>We have an established supplier onboarding processes and are improving our supplier management to ensure our partners can scale with us.</li> <li>Senior roles created or expanded to support critical functions including manufacturing, procurement, project control, and QHSE.</li> <li>Economies of scale planned in line with Bessemer Park expansion.</li> </ul>	→

## Strategic Report | Principal Risks and Uncertainties continued

Risk	Risk impact and description	Mitigation	Change
<b>3</b> <b>Input costs, supply chain and business continuity</b>	<p>Our pace of growth poses risks with our supply chain, to supplier capability, quality, scalability, and working capital management.</p> <p>We rely on third-party suppliers to provide raw materials and components for our products, including electrical, stainless steel and some PGMs, that are critical to our manufacturing process. In some cases, this is through a single supplier.</p> <p>There are also specific risks around the price volatility of precious metals used within the Group's core technology. This could lead to costs of projects being underestimated.</p> <p>A new or existing supplier's failure to provide materials or components in a timely manner, or to provide materials and components that meet the Group's quality, quantity or cost requirements, may harm the Group's ability to manufacture products cost effectively or at all and may damage our reputation and could also result in penalties for the Group under its customer contracts.</p> <p>An IT system failure or non-availability, cyber-attack or breach of system security could disrupt our operations, cause the loss of, destruction of, or unauthorised access to sensitive, confidential or personal data or information or expose us to regulatory investigation, litigation or contractual penalties.</p> <p>If any of these events took place, it could have a negative impact on our business, financial condition, results of operations, prospects and reputation.</p> <p>The Group continues to monitor proposed changes to the EU's Reach legislation, which has the potential to severely limit or prohibit the use of certain chemicals, including per- and perfluoroalkyl substances (PFAS). Fluoropolymers (a PFAS subtype) are used in both electrolyser and fuel cell applications. Given that no adequate substitute material is expected in the near future, a ban or restriction on the use of these highly specialised materials would likely have a significant impact on the operation of the hydrogen value chain and the viability of all electrolyser products.</p>	<ul style="list-style-type: none"> <li>Where we rely on a single supplier, we seek to enter into appropriate contracts with these suppliers or a future strategy to source different product portfolios with different suppliers where appropriate. For other materials, we employ a multi-sourcing strategy. The Group continues to review opportunities to bring processes in house to address potential intellectual property (IP), quality and security of supply risks.</li> <li>A strategic supplier development and performance management infrastructure is in construction, to maintain the quality and security of supply of key raw materials.</li> <li>Timely and accurate forecasting models and approaches have also been adopted to provide better visibility of volume requirements over time and to drive action plans ahead of requirement for supply chain readiness.</li> <li>The Group seeks to mitigate exposure to precious metal risk through operating back-to-back contracts, having continued dialogue with suppliers and managing larger transactions on a no-risk basis where possible. The Group will continue to hold a proportion of demand as metal, either loaned or bought, to manage volatility risk through new sales contracts.</li> <li>The Group undertakes regular reviews and testing and invests in robust and effective security policies, controls and technologies to protect commercial and sensitive data and to ensure the overall system protection in place remains appropriate and proportionate. This also includes a continual review of the latest threats and trends in information security and governance to ensure our protection is always current and effective.</li> <li>We have worked closely with Hydrogen Europe and other industry leaders, to articulate the risks of the proposed legislative changes to the hydrogen economy. We note with comfort recent reports that a threshold limit or permitted exclusion is now considered to be likely, which would mean the risk to our operations would be largely mitigated.</li> </ul>	→

## Strategic Report | Principal Risks and Uncertainties continued

### Principal risks and uncertainties continued

Risk	Risk impact and description	Mitigation	Change
<b>4</b> <b>IP protection</b>	<p>The Group depends on its IP and failure to protect that IP could reduce its ability to prevent others from using its technology and therefore adversely affect our future growth and success.</p> <p>PEM electrolysis systems as a whole cannot be patented or otherwise legally protected because some of the technologies underpinning their operation are based on other proven and mature technologies and are generally know-how based. Also, while it is the case that various components and processes developed by the Group have been or are assessed to have the potential to be patented, we only pursue patents when they are expected to be of high value, because patent applications include risks stemming from publication of detailed component and process descriptions.</p>	<ul style="list-style-type: none"> <li>• We rely on a combination of patent, trade secret, trademark and copyright laws to protect our IP and seek legal and other third-party specialist advice where appropriate.</li> <li>• The choice of territories and jurisdictions the Group serves includes an evaluation of inherent IP risk. Freedom-to-operate (FTO) searches are also undertaken where it is deemed appropriate.</li> <li>• We have an agreed IP management policy and seek to protect our proprietary IP through contracts including, when possible, confidentiality agreements and inventors' rights agreements with our customers, partners, and employees.</li> <li>• Secure file sharing practices are also employed to provide technical mitigation and we have an ongoing training plan for staff to support this aim.</li> </ul>	

## Strategic Report | Principal Risks and Uncertainties continued

Risk	Risk impact and description	Mitigation	Change
5 Financial risks	<p>In addition to the potential financial impact as detailed within the other principal risks and uncertainties, specific financial risks also exist.</p> <p>As a result of the cost and time required for our research and development activities, we have not yet achieved profitability. To increase revenues and achieve profitability, we must successfully execute our growth strategy, which includes building capacity ahead of anticipated contracted orders. We also need to mature our manufacturing and engineering control processes to prevent a recurrence of the extensive project losses seen during the year. Accurate cost and scheduling of future projects will be needed to ensure they contribute positively to our margin and profits.</p> <p>In addition, the length and variability of the sales cycles for our products make it difficult to accurately forecast the timing and amount of specific sales and corresponding revenue recognition. Furthermore, as our products are developing technologies we need to closely manage our warranty and liability risks for plant operating in the field.</p> <p>Our plans include investment in our product development as well as scaling up our manufacturing capabilities, leading to cash outflows. These are likely to increase through building core stack products to stock before positive cash flow is generated from sales. If we fail to generate planned positive cash flows, we may require further funding.</p> <p>Finally, the Company has current commitments to customers both being executed in the factory and in the field. Many of these products to date have been one-offs, and have been developed with limited validation. Whilst best estimates have been used in determining the costs in the accounts, there remains a risk of materially different outflows in the following areas:</p> <ul style="list-style-type: none"> <li>• in the execution and fulfilment of contracts with warranty provisions, including plant that has not previously been deployed, where field data is limited or non-existent;</li> <li>• in the case of designs for products which continue to be iterated through a continuous improvement cycle, rendering inventory held as obsolete; and</li> <li>• in the estimation of contract losses where projects continue to be executed as first of a kind plant with limited precedents.</li> </ul>	<ul style="list-style-type: none"> <li>• Through a number of successful shareholder fundraises, ITM Power has a strong and healthy balance sheet.</li> <li>• A comprehensive monthly governance process is in place to monitor our financial performance and develop actions to effectively manage that performance, including through our 12-month priorities plan.</li> <li>• Standard cost models for our products have been further developed and are being fully embedded in our sales activity.</li> <li>• Revised warranty assessment methodology developed in the year to support greater visibility of risks related to deployed projects.</li> </ul>	↑

## Strategic Report | Going Concern

The Directors have prepared a cash flow forecast for the period from the balance sheet date until 31 August 2024. This forecast indicates that the Group would expect to remain cash positive without the requirement for further fundraising based on delivering the existing pipeline.

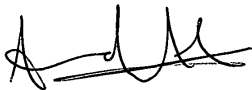
By the end of the period analysed, the Group is forecast to hold significant cash reserves. This should give the business sufficient funds to trade for the going concern period if the business continues according to its medium-term business plan.

The business continues in a cash outflow position, using funding generated from previous fundraises. As such, this cash flow forecast was stress-tested, both for a worst-case scenario of no receipts and inflationary pressures on utilities and purchases. In all the scenarios tested, the business would remain cash positive for the 12 months from the date of approval of these financial statements.

The accounts have therefore been prepared on a going concern basis.

The Strategic Report set out on pages 1 to 52 was approved by the Board on 17 August 2023 and signed on its behalf by:

**Andy Allen**  
Chief Financial Officer



# ITM is committed to the need to uphold robust corporate governance standards

We are immensely proud that we have achieved an AA MSCI ESG rating for the third consecutive year.

**Sir Roger Bone**  
Chair of the Board

## Dear shareholder

On behalf of the Board, I am pleased to introduce our Corporate Governance Report for this year. In this section of our report, we have set out our approach to governance and provided further information on how the Board and its Committees operate.

During the early part of the year, the Board's primary focus was to support the resolution of the production and engineering issues and then latterly this shifted to the oversight, adoption and implementation of the Group's 12-month priorities plan to support the transition of the Group into a volume manufacturer. In addition to monitoring the Group's manufacturing scale-up, the Board approved two strategic investments to expand our footprint in

Sheffield and to increase the site's power supply in order to support us to optimise our space allocations providing a pathway for automation, improved cycle times, volume output and build quality.

## Board composition

During the year, the Board welcomed Dennis Schulz, who was appointed Chief Executive Officer in December 2022. Dennis has extensive industry experience and was instrumental in developing and implementing the Group's new 12-month plan. In addition, Graham Cooley and Dr Rachel Smith stepped down from the Board during the period; we thank Graham and Rachel for their service on the Board. Finally, Katherine Roe has informed

the Board that she will not seek re-election at the AGM 2023 following completion of her initial term. We thank Katherine for her service during her time with the Company and wish her well in her future career.

## Governance framework

ITM is committed to the need to uphold robust corporate governance standards. In line with prior years, we continue to adopt the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code") and I am pleased to confirm that the Board is confident that it has applied the principles and complied with all the provisions of the QCA Code throughout FY23. This is set out in our Corporate Governance Report on pages 53 to 64. Whilst the Company does not currently adopt the UK Corporate Governance Code (most recently updated in 2018), the Board endeavours to stay up to date with its requirements and continues to adopt elements of it, where appropriate.

We are immensely proud that we have achieved an AA MSCI ESG rating for the third consecutive year. With the retained AA rating, we now rank within the top 11th percentile of all companies in our sector, indicating our ESG practices are well aligned with shareholder interests. It also means we are a company leading its industry in managing the most significant ESG risks and opportunities.

## Board effectiveness

The Board is constantly looking for ways to improve and grow. As a result, we conducted a full evaluation of the Board's efficacy in early 2022 and a further workshop was held in April 2023. This process led to several recommendations for additional development, which we will implement ahead of our next formal review, scheduled for late 2023. More information can be found on page 66 of the Nomination Committee Report.

Finally, I would like to thank our shareholders and wider stakeholders for their continued support. At our Annual General Meeting, the Board and I will be ready to meet with shareholders and answer any questions they may have, and I hope to see you there.

## Key governance activities during the year included:

- approval and oversight of the 12 months priorities plan;
- approval of the Bessemer Park expansion and power upgrade;
- the nomination and appointment of Dennis Schulz as Chief Executive Officer; and
- oversight of the appointment of Vicky Williams as Company Secretary.

## Sir Roger Bone

Chair of the Board  
17 August 2023

## Governance | Summary of Application of the QCA Code

Principle	Application and key actions during the year	Further reading: <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a> and as shown below	Principle	Application and key actions during the year	Further reading: <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a> and as shown below
<b>1</b> Establish a strategy and business model which promote long-term value for shareholders	<ul style="list-style-type: none"> <li>During January we outlined our revised 12-month priorities for the business to support our transition to scalable manufacturing</li> <li>Our vision, mission, strategy and business model respond to a growing demand and need for net zero carbon emissions</li> <li>We have a best-in-class PEM electrolyser product offering that is scalable</li> <li>We collaborate with partners to increase our influence, industrial reach and market penetration</li> </ul>	<ul style="list-style-type: none"> <li>Our Business Model and Strategic Priorities on pages 20 to 22</li> </ul>	<b>4</b> Embed effective risk management, considering both opportunities and threats, throughout the organisation	<ul style="list-style-type: none"> <li>We maintain a risk register and risk management is overseen by the Audit Committee</li> <li>We have a framework of internal financial controls, overseen by the Board, the Audit Committee and the Executive Committee</li> <li>Our framework of non-financial controls is overseen by the Board</li> <li>We have quality and HSE management systems in place which have been further developed during the year</li> <li>Our Code of Ethics and handbook set out the ethical and conduct expectations of our workforce</li> </ul>	<ul style="list-style-type: none"> <li>Principal Risks and Uncertainties from page 47</li> <li>Audit Committee Report from page 67</li> <li>See also principle 8</li> </ul>
<b>2</b> Seek to understand and meet shareholder needs and expectations	<ul style="list-style-type: none"> <li>The CEO and CFO brief the Board on the views of major shareholders</li> <li>We communicate with shareholders through meetings, presentations, online events, announcements and general meetings</li> <li>Regular feedback is received from our Nominated Advisor and Broker and this is reviewed by the Board</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder engagement: Investors on page 25</li> <li>Remuneration Report on page 72 to 83</li> <li><a href="https://itm-power.com/investors/shareholder-documents">https://itm-power.com/investors/shareholder-documents</a></li> </ul>	<b>5</b> Maintain the Board as a well-functioning, balanced team led by the Chair	<ul style="list-style-type: none"> <li>All the Board members have the same duties, including to act in the best interests of the Company as a whole, but they have different roles, which contribute to the effective operation of the Board</li> <li>The Board is supported by a qualified governance professional in the Company Secretary</li> <li>A Board workshop was last held in April 2023 to review the function and operation of the Board</li> </ul>	<ul style="list-style-type: none"> <li>Roles and responsibilities on the Board on page 60</li> <li>Nomination Committee Report on page 65</li> </ul>
<b>3</b> Take into account wider stakeholder and social responsibilities and their implications for long-term success	<ul style="list-style-type: none"> <li>The ESG Committee supports us in our responsibility to be a sustainable business</li> <li>We have identified our key stakeholders and ensure appropriate engagement with them takes place: workforce, strategic partners, customers and potential customers, suppliers, regulators and industry bodies, and local communities</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders and Section 172(1) Statement from page 24</li> <li>Sustainable Energy, Engineered Sustainably from page 29</li> <li>ESG Report 2022 at <a href="https://itm-power.com/investors/financial-reports">https://itm-power.com/investors/financial-reports</a></li> </ul>	<b>6</b> Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities	<ul style="list-style-type: none"> <li>As part of our succession planning, Dennis Schulz joined the Board as CEO in December 2022, strengthening the Board's strategic and manufacturing experience.</li> <li>Board members have an appropriate balance of skills, experience, personal qualities and capabilities to support our strategy and business model</li> <li>An induction programme is provided for new Board members</li> <li>The NOMAD (nominated advisor), Company Secretary, Ernst &amp; Young LLP (remuneration consultants), Good Business (ESG consultants) and other advisors are available to the Board</li> </ul>	<ul style="list-style-type: none"> <li>Board biographies on pages 56 to 57</li> <li>Balance on the Board on page 58</li> <li>Induction and training on page 60</li> </ul>



## Governance | Summary of Application of the QCA Code continued

Principle	Application and key actions during the year	Further reading: <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a> and as shown below	Principle	Application and key actions during the year	Further reading: <a href="https://itm-power.com/investors/corporate-governance">https://itm-power.com/investors/corporate-governance</a> and as shown below
<b>7</b> Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<ul style="list-style-type: none"> <li>We conduct a periodic evaluation (every 18–24 months) of the Board's performance</li> <li>The outcomes from the evaluation process are reported in the next Annual Report</li> <li>We conducted an evaluation in early 2022 and the next formal evaluation is scheduled for late 2023.</li> <li>A Board workshop was held in April 2023 which produced an action plan to further strengthen Board performance</li> </ul>	<ul style="list-style-type: none"> <li>Board evaluation on page 53</li> </ul>	<b>9</b> Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<ul style="list-style-type: none"> <li>The Board retains control of key decisions</li> <li>Certain matters are delegated to Committees</li> <li>The CEO manages the day-to-day business with the Executive Committee</li> <li>Decisions are made in accordance with documented delegated authorities which are updated regularly</li> </ul>	<ul style="list-style-type: none"> <li>Governance framework on page 53</li> <li>Roles and responsibilities of the Board on page 60</li> </ul>
<b>8</b> Promote a corporate culture that is based on ethical values and behaviours	<ul style="list-style-type: none"> <li>Our Code of Ethics sets out how we do business</li> <li>We provide mechanisms for our workforce to speak up</li> <li>Visible leadership is key</li> <li>We are an equal opportunities employer</li> <li>We are clear about our expectations of our workforce</li> <li>During the year, we launched the ITM Voices Forum to further support an inclusive and collaborative culture in the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Our values on page 41</li> <li>Sustainable Energy, Engineered Sustainably: Business ethics on page 46</li> <li>ESG Report 2022 at <a href="https://itm-power.com/investors/financial-reports">https://itm-power.com/investors/financial-reports</a></li> <li>Code of Ethics at <a href="https://itm-power.com/sustainability">https://itm-power.com/sustainability</a></li> </ul>	<b>10</b> Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<ul style="list-style-type: none"> <li>We engage with shareholders and stakeholders regularly via a number of channels including RNS publications, investor meetings and conferences.</li> <li>We publish the outcome of all general meeting votes through London Stock Exchange's Regulatory News Service</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders and Section 172(1) Statement from page 24</li> <li>See also principles 2 and 3</li> </ul>

Our experienced leadership team

Key: ● Committee member    ○ Committee Chair    I Independent Director  
A Audit    E ESG    N Nomination    R Remuneration    S Strategic Advisory\*    T Technology Management

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<div><p><b>Sir Roger Bone</b> Chair of the Board Appointed: June 2014</p><p><b>Key skills/experience:</b></p><ul style="list-style-type: none"><li>• Senior leadership of international and manufacturing/ industrial organisations</li><li>• Broad range of financial experience</li><li>• Risk management</li><li>• Significant service within UK Government</li><li>• Fellow of the Institution of Engineering Designers</li></ul><p><b>Previous appointments include:</b></p><ul style="list-style-type: none"><li>• Boeing UK – President</li><li>• Honorary Ambassador for British business</li><li>• British Ambassador to Brazil and Sweden</li></ul><p><b>Key external commitments:</b></p><ul style="list-style-type: none"><li>• Chairman of Over-C Limited</li><li>• Joint Chairman of Motive (nominated by ITM Power)</li></ul></div>		<div><p><b>Dennis Schulz</b> Chief Executive Officer Appointed: December 2022</p><p><b>Key skills/experience:</b></p><ul style="list-style-type: none"><li>• Strategy development</li><li>• Project execution</li><li>• Broad experience and deep understanding of the electrolyser markets</li><li>• Strong financial acumen and CFO experience</li></ul><p><b>Previous appointments include:</b></p><ul style="list-style-type: none"><li>• Linde Engineering – MD</li><li>• Linde Engineering – CFO</li></ul><p><b>Key external commitments:</b></p><ul style="list-style-type: none"><li>• Council Member – UK Hydrogen Delivery Council</li></ul></div>	<div><p><b>Andy Allen</b> Chief Financial Officer Appointed: May 2018</p><p><b>Key skills/experience:</b></p><ul style="list-style-type: none"><li>• Chartered accountant</li><li>• Extensive experience auditing manufacturing companies</li><li>• Understanding of financial markets</li></ul><p><b>Previous appointments include:</b></p><ul style="list-style-type: none"><li>• None</li></ul><p><b>Key external commitments:</b></p><ul style="list-style-type: none"><li>• None</li></ul></div>	<div><p><b>Dr Simon Bourne</b> Chief Technology Officer Appointed: November 2009</p><p><b>Key skills/experience:</b></p><ul style="list-style-type: none"><li>• Design and development of electrolysers</li><li>• PhD regarding hydrophilic polymers</li></ul><p><b>Previous appointments include:</b></p><ul style="list-style-type: none"><li>• Sonatest PLC – Project Engineer</li><li>• Ministry of Defence – Researcher</li></ul><p><b>Key external commitments:</b></p><ul style="list-style-type: none"><li>• None</li></ul></div>

\* The Strategic Advisory Committee was disbanded during the year.

Board members who stepped down during the year:

- Graham Cooley resigned effective 1 December 2022
- Dr Rachel Smith resigned effective 30 January 2023

## Governance | Board of Directors continued

Key: ● Committee member ○ Committee Chair I Independent Director  
A Audit E ESG N Nomination R Remuneration S Strategic Advisory\* T Technology Management

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**Denise Cockrem**  
Non-Executive Director  
Appointed: July 2022

**Key skills/experience:**

- Chartered accountant
- Financial planning and analysis
- Performance reporting and forecasting
- Financial controls
- Internal audit and risk management
- Strategic planning
- Regulatory compliance

**Previous appointments include:**

- Good Energy Group plc – Chief Financial Officer
- RSA Insurance Group – UK and Western Europe Finance Director
- Direct Line – Finance Director of Direct Line Retail Division
- Royal Bank of Scotland – Head of Finance, Corporate Banking and Financial Markets

**Key external commitments:**

- Benefact Group and Ecclesiastical Insurance Office plc – Group Chief Financial Officer

**Martin Green**  
Non-Executive Director  
Appointed: September 2019

**Key skills/experience:**

- Battery, fuel cell and hydrogen technologies
- Senior leadership of international and manufacturing/ industrial organisations
- Broad range of financial experience
- Risk management
- Business-to-business customer and supply chain management
- Strategy development and implementation
- Scaling growth businesses
- Mergers and acquisitions experience

**Previous appointments include:**

- Johnson Matthey plc – various positions over 30 years, latterly as Group Strategy Director

**Key external commitments:**

- The Henry Royce Institute for Advanced Materials – Non-Executive Director
- LeydenJar Technologies BV – Non-Executive Director
- Anaphite Limited – Non-Executive Director

**Jürgen Nowicki**  
Non-Executive Director  
Appointed: November 2019

**Key skills/experience:**

- Engineering sector
- Accountant
- Internal audit
- Understanding of financial markets
- Risk management
- Business-to-business customer and supply chain management
- Senior leadership of international organisations
- Strategic planning

**Previous appointments include:**

- Linde Gas North America – CFO
- Linde Group – Head of Finance and Control
- Linde Engineering – Senior Vice President, Commercial

**Key external commitments:**

- Linde plc – Executive Vice President, Managing Director of Linde Engineering

**Katherine Roe**  
Non-Executive Director  
Appointed: May 2020

**Key skills/experience:**

- Energy sector
- Finance
- Capital markets
- Risk management
- Senior leadership of international organisations
- Remuneration
- Marketing/PR
- Corporate development
- Strategic planning
- ESG expertise

**Previous appointments include:**

- Morgan Stanley – investment banking
- Panmure Gordon – Director within investment banking, headed the energy team
- Wentworth Resources plc – CFO

**Key external commitments:**

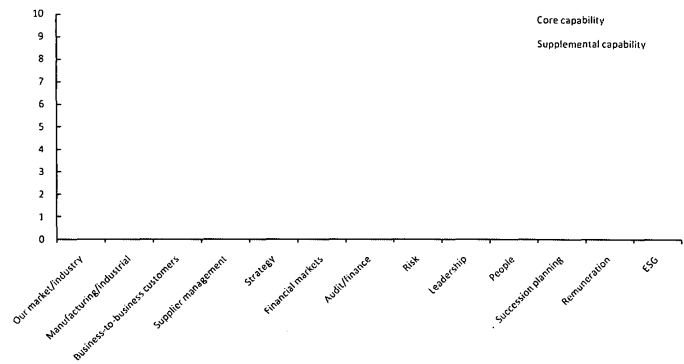
- Longboard Energy plc – Non-Executive Director and Audit Committee Chair

Governance | Board of Directors continued

Balance on the Board

The Board is satisfied that its members possess an appropriate balance of skills, experience, personal qualities, and capabilities. It has identified the skills and experience below as being of key importance to support our future plans. It has also identified supporting skills and experience where it feels it is appropriate to rely on the support of specialists within senior management and external advisors, including technology/IT, marketing/PR, lobbying/political/regulatory and legal.

Directors' skills and experience



Women on the Board

Category	Number
Women <sup>(1)</sup>	2
Men	6

1. 29% of Board excluding Jürgen Nowicki as a shareholder appointed nominee.

Independent Directors on the Board (including the Chair of the Board)

Category	Number
Independent <sup>(1)</sup>	4
Non-independent	4

1. 57% of Board excluding Jürgen Nowicki as a shareholder appointed nominee.

Executive/Non-Executive Directors on the Board

Category	Number
Executive	3
Non-Executive <sup>(1)</sup>	4
Non-Executive (shareholder nominee)	1

1. Including the Chair of the Board.

Age profile of the Board

Category	Number
Up to 40	—
41–50	4
51–60	3
Over 65	1

Tenure profile of the Board<sup>(1)</sup>

	Executive	Non-Executive <sup>(2)</sup>
<1 year	1	—
1–3 years	—	1
3–6 years	1	3
6–9 years	—	—
>9 years	1	1

1. As at 17 August 2023.

2. Including the Chair of the Board.

Governance | Corporate Governance Report

		Stakeholders		
		including our workforce, strategic partners, customers and potential customers, suppliers, regulators and industry bodies, and local communities		
		Licence to operate   Delegation   Accountability and reporting		
<p>In this report we provide more detail regarding how we apply the principles of the QCA Code.</p> <p><b>Governance framework</b> Our governance framework is summarised here:</p> <p><b>Further reading:</b></p> <ul style="list-style-type: none"><li>• Board activities during the year on page 61</li><li>• Board Committees from page 62</li><li>• Audit Committee Report from page 67</li><li>• Sustainable Energy, Engineered Sustainably from page 29</li><li>• Remuneration Report from page 72</li></ul>	<p><b>Board</b></p> <p>Provides overall leadership, independent oversight of performance and works to ensure that ITM Power PLC and its wider business group (the "Group") is managed for the long-term benefit of all shareholders.</p> <p>Primarily responsible for oversight of our strategic plan, risk management, systems of internal control and corporate governance to ensure the long-term success of the Group.</p> <p>Retains control of key decisions, including: strategically significant decisions, annual and long-term business plans, changes to our principal activities, material contracts, mergers, acquisitions and disposals.</p>	<p>Reporting &amp; Recommendations</p> <p>Delegation</p> <p>Advice</p>	<p><b>Audit Committee</b></p> <p>Primary responsibilities are to: monitor the integrity of the Group's financial statements and financial announcements; monitor the quality and effectiveness of internal controls and risk management systems; review arrangements for speaking up, detecting fraud and managing bribery risks; monitor internal audit or alternative arrangements; and manage the external auditor relationship.</p>	
			<p><b>ESG Committee</b></p> <p>Leads the development of the Group's ESG strategy, policies and programmes. Responsible for the Group's short- and long-term ESG objectives and reporting of key metrics. Oversees compliance with relevant laws and regulations, including principles of good corporate governance and ethical behaviour.</p>	
			<p><b>Nomination Committee</b></p> <p>Leads the process for Board appointments and succession planning, including considering the composition of the Board and its future requirements.</p>	
			<p><b>Remuneration Committee</b></p> <p>Determines the remuneration policy for the Chair of the Board and Executive Directors, aiming to support the strategy and long-term success of the Company. Sets the performance conditions for awards granted under the terms of the ITM Power PLC Long Term Incentive Plan (LTIP). Approves the remuneration packages of the Executive Directors, including grants of LTIP awards.</p>	
			<p><b>Strategic Advisory Committee</b></p> <p>This Committee formerly advised the Board on key business development matters. It was disbanded during 2023 and its key activities reverted to direct Board oversight.</p>	
			<p><b>Technology Management Committee</b></p> <p>Primary responsibilities are to: review the Group's product portfolio and development plans; review the suitability of the portfolio, manufacturing capacity and planned developments to satisfy anticipated market developments; and review requirements to meet the Group's technology goal to be best in class.</p>	
		Values   Strategy   Delegation   Accountability and reporting		
		<p><b>Executive Committee</b></p> <p>The CEO manages the day-to-day business with the Executive Committee.</p> <p>The Executive Directors together with other senior management meet regularly to consider business development, technology development, project performance, the financial performance of the Group and other management issues.</p>		
		Values   Strategy   Delegation   Accountability and reporting		
		Our people		

## Governance | Corporate Governance Report continued

### Roles and responsibilities on the Board

All the Board members have the same duties, including to act in the best interests of the Company as a whole, but they have distinct roles:

Role	Held by	Responsibilities
Chair of the Board	Sir Roger Bone (independent)	<p>In addition to all other responsibilities of Non-Executive Directors:</p> <ul style="list-style-type: none"> <li>• Effective working of the Board</li> <li>• Leads and manages the business of the Board</li> <li>• Sets the agenda for Board discussions</li> <li>• Promotes effective and constructive debate</li> <li>• Supports a sound decision-making process</li> <li>• Available to shareholders</li> </ul>
CEO	Dennis Schulz (effective 1 December 2022)	<ul style="list-style-type: none"> <li>• Executive management of the business day to day, including leading the Executive Committee</li> <li>• Implements the strategy</li> <li>• Leads operational matters</li> <li>• Performance (financial and non-financial)</li> <li>• Available to shareholders</li> </ul>
Senior Independent Non-Executive Director	Martin Green (effective July 2023)	<ul style="list-style-type: none"> <li>• Provides a "sounding board" for the Chair</li> <li>• Serves as an intermediary for the other Directors when necessary</li> <li>• Acts as an alternative point of contact for shareholders where contact through the normal channels of Chair or other Executive Directors has failed to resolve any concerns, or for which such contact is inappropriate</li> <li>• Leads the annual assessment of the effectiveness of the Chair</li> <li>• Leads the search and appointment process and makes the recommendation to the Board for a new Chair</li> </ul>
Non-Executive Directors (NEDs)	Denise Cockrem (independent) Jürgen Nowicki (shareholder nominee) Katherine Roe (independent)	<ul style="list-style-type: none"> <li>• Provide constructive challenge, strategic guidance, external insight and specialist advice</li> <li>• Hold management to account</li> <li>• Available to shareholders</li> </ul>
Executive Directors	Andy Allen (CFO) Simon Bourne (Chief Technology Officer)	<ul style="list-style-type: none"> <li>• Operational matters, within areas of specific responsibility</li> <li>• Performance, within areas of specific responsibility</li> <li>• Available to shareholders</li> </ul>
Company Secretary	Vicky Williams (effective 24 November 2022)	<ul style="list-style-type: none"> <li>• Assists the Chair and the wider Board to uphold governance standards</li> <li>• Responsible for ensuring good information flows to the Board and its Committees, and between the executive management and the Non-Executive Directors</li> <li>• Advises the Board on all regulatory and corporate governance matters</li> </ul>

### Board operation

Board meetings are scheduled in advance, with ad hoc meetings arranged to suit business needs. Comprehensive briefing papers are circulated to Directors one week in advance of each scheduled meeting to allow sufficient time for the consideration of the papers provided. All Directors and senior management can access the advice and services of the Company Secretary. Furthermore, all Directors have access to the Group's advisors and are able, if necessary, to take independent professional advice in the furtherance of their duties at the Group's expense.

### Time commitment

The Chair of the Board commits around five to six days a month to his duties and is paid a fee. The other NEDs are expected to provide around three days a month of their time and, with the exception of Jürgen Nowicki, receive only fees. Jürgen receives no remuneration from ITM for his service – he is remunerated by Linde. The Board considers the other demands on the time of any proposed NED before their appointment and satisfies itself that their other commitments will not interfere with their ability to perform their duties effectively.

The Executive Directors are full-time employees and officers of the Company. They receive salaries, performance-related remuneration and benefits. More details can be found in the Remuneration Report.

Directors are subject to election at the first AGM of the Company following their appointment. Thereafter, they are subject to re-election every three years or, if they have been in office for nine years or more, annually.

### Balance and diversity

The Board is comfortable that it is balanced, both numerically and in experience. Nevertheless, it remains aware of the need to keep this under review. Details of individual Directors' skills and experience plus an overview of the skills and experience on the Board are provided on pages 56 to 58.

The Board is also cognisant of the need to ensure appropriate diversity of thought, which aids good decision making. This is driven by many factors in Directors' backgrounds.

As reported last year, the Board maintains an overarching ambition to achieve no less than 33% female representation on the Board and, in the longer term, at least one Director being from a non-white ethnic minority background. We recognise that periods of change in Board composition and size may result in periods when the desired balance is not met. In FY22 we were delighted to report we had met our aspirational commitment to achieve 33% female representation following the appointment of Denise Cockrem. In the year this fell to 25% (28% if the shareholder nominated representative is excluded) following Dr Rachel Smith stepping down from the Board as Service Director, a role which will not be replaced. After the balance sheet date, the Board further acknowledges Katherine Roe will not stand for re-election which reduces the percentage of female representation on the Board to 14%. As it is not currently anticipated that the size of the Board will be increased, diversity objectives will be next considered as part of any future Board recruitment processes in line with our Director succession planning as and when a casual vacancy becomes available.

### Induction and training

It is important to ensure all Board members are given the right access to information to enable them to discharge their duties. The Company Secretary works to ensure the Board and its Committees have full and timely access to relevant information. This includes provision of an induction programme to new Board members and circulation of papers in advance of meetings.

The Board induction programme includes a suite of induction materials explaining:

- their legal duties and responsibilities, including in relation to section 172 of the Companies Act;
- the calendar of Board and Committee meetings;
- governance documents, policies, and procedures;
- committee terms of reference;

## Governance | Corporate Governance Report continued

- our Code of Ethics and share dealing code;
- background information about ITM Power; and
- meetings with members of the Board and the Executive Committee and a visit to our factory are also arranged.

To support the Directors in keeping up to date with changes to the regulatory landscape and best practice thinking on matters of corporate governance, the Company Secretary provides regular updates on these matters as appropriate. The Board also meets with its nominated advisor on a yearly basis to examine its AIM duties.

### Board activities during the year

The key areas of focus for the Board's activities and topics discussed during the year were as follows:

Strategic/governance pillar	Discussion topics
Strategic: continual technology development	<ul style="list-style-type: none"> <li>• 12-month priorities review overseen and approved</li> <li>• Technology, manufacturing and testing plan for our next generation stacks</li> </ul>
Strategic: scalable manufacturing	<ul style="list-style-type: none"> <li>• Investment in the expansion of Bessemer Park and the site power supply</li> <li>• Performance forecasts and delivery</li> </ul>
Strategic: strong partners and relationships	<ul style="list-style-type: none"> <li>• Oversight of ITM's exit from the Motive joint venture</li> <li>• Procurement strategy and key procurement contracts</li> <li>• Marketing and communications strategy</li> <li>• Employee engagement, including the creation and cascade of shared objectives</li> <li>• Significant customer projects</li> </ul>
Strategic: expert knowledge	<ul style="list-style-type: none"> <li>• Recruitment of key personnel including the CEO and Company Secretary</li> </ul>
Governance: financial	<ul style="list-style-type: none"> <li>• Budget approval</li> <li>• The Group's banking facilities</li> <li>• Approval of full year results and Annual Report for FY23</li> <li>• Approval of half year results for the six months ended 31 October 2023</li> <li>• Views of investors and analysts</li> <li>• Approval of the Bessemer Park expansion lease terms and power upgrade</li> <li>• Approvals of capital spend above the delegated authority limits set by the Board</li> </ul>
Governance: operations	<ul style="list-style-type: none"> <li>• Workforce performance indicators including senior management and wider recruitment, and analysis of workforce composition</li> <li>• Health and safety performance</li> <li>• Updates on ESG action plan progress</li> </ul>
Governance: compliance and ethics	<ul style="list-style-type: none"> <li>• Approval of the notice of AGM</li> <li>• Training on AIM and Market Abuse Regulation rules and obligations</li> <li>• QCA Code compliance</li> <li>• Board evaluation</li> <li>• Review of the terms of reference of the Nomination Committee</li> <li>• Group risks</li> </ul>

### Scheduled meeting attendance<sup>(1)</sup>

	Board <sup>(2)</sup>	Audit Committee <sup>(3)</sup>	ESG Committee	Nomination Committee <sup>(4)</sup>	Remuneration Committee <sup>(5)</sup>	Strategic Advisory Committee <sup>(7)</sup>	Technology Management Committee <sup>(6)</sup>
<b>Chair of the Board</b>							
Sir Roger Bone	6 <sup>(6)</sup>	4 <sup>(4)</sup>	n/a	1 <sup>(1)</sup>	n/a	n/a	n/a
<b>Executive Directors</b>							
Dennis Schultz <sup>(2)</sup>	2 <sup>(2)</sup>						
Andy Allen	6 <sup>(6)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Simon Bourne	6 <sup>(6)</sup>	n/a	n/a	n/a	n/a	n/a	2 <sup>(2)</sup>
Rachel Smith <sup>(3)</sup>	4 <sup>(4)</sup>	n/a	2 <sup>(2)</sup>	n/a	n/a	0 <sup>(0)</sup>	n/a
Graham Cooley <sup>(4)</sup>	3 <sup>(4)</sup>	n/a	2 <sup>(2)</sup>	1 <sup>(1)</sup>	n/a	n/a	n/a
<b>Non-Executive Directors</b>							
Martin Green	6 <sup>(6)</sup>	4 <sup>(4)</sup>	n/a	n/a	2 <sup>(2)</sup>	0 <sup>(0)</sup>	1 <sup>(1)</sup>
Jürgen Nowicki	6 <sup>(6)</sup>	n/a	n/a	n/a	n/a	0 <sup>(0)</sup>	2 <sup>(2)</sup>
Denise Cockrem <sup>(5)</sup>	4 <sup>(4)</sup>	4 <sup>(4)</sup>	n/a	n/a	n/a	0 <sup>(0)</sup>	n/a
Katherine Roe	4 <sup>(4)</sup>	n/a	3 <sup>(3)</sup>	1 <sup>(1)</sup>	2 <sup>(2)</sup>	n/a	n/a

1. The maximum number of scheduled meetings in the period during which the individual was a Board or Committee member is shown in brackets.
2. Dennis Schultz joined the Board from 1 December 2022.
3. Rachel Smith resigned from the Board on 30 January 2023.
4. Graham Cooley resigned from the Board on 1 December 2022.
5. Denise Cockrem was appointed with effect from 25 July 2022.
6. A number of additional ad hoc meetings were held during the year to consider specific matters as they arose.
7. The Strategic Advisory Committee did not meet during the year due to Piero Ercoli not being replaced as the Snam representative. The Committee has now been disbanded and its responsibilities now reside with the Board.
8. Snam has a right to appoint a delegate to the Technology Management Committee. It did not put forward an attendee to replace Marco Chiesa and therefore did not attend during the period.

## Governance | Corporate Governance Report continued

### Board evaluation

To ensure its continued effectiveness, the Board undertakes a periodic evaluation of its performance and that of its Committees. It is committed to doing so every 18 to 24 months.

The last evaluation was undertaken in January 2022. The Chair of the Board led the process, with the support of the Company Secretary. A questionnaire was issued and the Chair of the Board then conducted an interview with each Board member. A qualitative assessment of key matters was performed, covering Board responsibilities, composition of the Board, engagement and input, strategy, information flows and meeting administration, performance monitoring, delegations, stakeholders and risk. The Board considered the outcomes and developed an action plan to address any improvements identified, which was implemented during FY23. In April 2023, the Board met to discuss its performance during an informal workshop, facilitated by the Company Secretary. Findings from this workshop have been recorded and will inform the formal review scheduled for late 2023.

It is expected the Company will conduct an externally facilitated process in due course.

### Latest Board evaluation findings and actions

Findings	Board composition	Committee remit	Induction	Governance
	Consider future experience requirements on the Board	Technology Management Committee could be refocused to support future needs better	Induction processes curtailed during the COVID-19 pandemic	Authorities and delegations are in place and understood but are not kept in a single, easily referable repository
Actions taken	<ul style="list-style-type: none"> <li>Development of a skills matrix recording current skills and experience to help identify potential gaps</li> <li>Recruitment of an NED with strong accounting experience (Denise Cockrem)</li> <li>Skills matrix and requirements fed directly into the recruitment parameters for our new CEO</li> </ul>	<ul style="list-style-type: none"> <li>Review the remit of the Technology Management Committee to ensure it addresses our future needs</li> </ul>	<ul style="list-style-type: none"> <li>Formal induction programme for NEDs developed during 2022 and deployed for Denise Cockrem and Dennis Schultz during 2023 (see Induction and training on page 60)</li> </ul>	<ul style="list-style-type: none"> <li>Delegated authorities matrix revised during the year and updated annually</li> </ul>

### Board Committees

There were six Committees of the Board during the period although the Strategic Advisory Committee has now disbanded. The work of the Audit, Remuneration and Nomination Committees is discussed in their respective Committee reports on pages 65 to 83. The remit of each Committee is summarised below, with some additional detail provided about areas of focus during the year.

#### Audit Committee

##### Key duties and responsibilities

- Monitors the integrity of the Group's financial statements and financial announcements
- Monitors the quality and effectiveness of internal controls and risk management systems
- Reviews arrangements for speaking up, detecting fraud and managing bribery risks
- Monitors internal audit or alternative arrangements
- Manages the external auditor relationship

##### Members

- Martin Green (Chair)
- Sir Roger Bone
- Denise Cockrem

##### Read more

- Audit Committee Report from page 67
- Anti-fraud and bribery policy on our website at <https://itm-power.com/sustainability>

##### Areas of focus during the year

- Full year results and Annual Report for FY22
- Half year results for the six months ended 31 October 2022
- External auditor: 2023 audit plan, effectiveness, independence and reappointment
- Risk management: risk register review, deep dives on key risks and creation of risk management function
- Internal audit: reviews of key controls and monitoring actions arising therefrom and creation of internal audit function
- Review of anti-fraud and bribery controls, including speak-up arrangements and the approach to hospitality, gifts and potential conflicts
- CEO
- CFO, Group Financial Controller, and other members of the Finance team
- Risk and assurance function – risk management and internal audit
- Other senior management including the Company Secretary
- External auditor – Grant Thornton UK LLP



## Governance | Corporate Governance Report continued

### ESG Committee

#### Key duties and responsibilities

- Leads the development of the Group's ESG strategy, policies and programmes
- Responsible for the Group's short- and long-term ESG objectives and reporting of key metrics
- Oversees compliance with relevant laws and regulations, including principles of good governance

#### Members

- Katherine Roe (Chair)
- Andrew Allen (effective 1 December 2022)
- Rachel Smith (until 30 January 2023)

#### Areas of focus during the year

- ESG strategy, actions, and objectives
- ESG Report
- Decision to consolidate ESG Report into the Annual Report and Accounts to support better readability

#### Supported by (by invitation)

- Senior management including the Company Secretary, Head of HR, and Head of Investor Relations
- Good Business, a consultancy with more than two decades' sustainability experience

#### Read more

- Sustainable Energy, Engineered Sustainably from page 29
- ESG Report 2022 at <https://itm-power.com/investors/financial-reports>

### Nomination Committee

#### Key duties and responsibilities

- Leads the process for Board appointments and succession planning, including considering the composition of the Board and its future requirements

#### Areas of focus during the year

- Succession planning for members of the Executive Committee and the Chair of the Board
- Skills and experience needed on the Board in the future
- Recruitment of Dennis Schulz as CEO
- Reviewed its terms of reference and recommended changes to the Board
- Framework of Committee activities reviewed

#### Members

- Sir Roger Bone (Chair)
- Dennis Schulz (effective 1 December 2022)
- Katherine Roe
- Dr Graham Cooley (until 1 December 2022)

#### Supported by (by invitation)

- Russell Reynolds Associates, an executive search and leadership firm
- Company Secretary

#### Read more

- Nomination Committee Report from page 65

### Remuneration Committee

#### Key duties and responsibilities

- Determines the remuneration policy for the Chair of the Board and Executive Directors, aiming to support the strategy and long-term success of the Company
- Sets the performance conditions for awards granted under the terms of the LTIP
- Approves the remuneration packages of the Executive Directors, including grants of LTIP awards.

#### Members

- Katherine Roe (Chair)
- Martin Green

#### Areas of focus during the year

- Bonus pay outs for the Executive Directors for FY22
- Benchmarking Executive Directors' remuneration and salaries
- Setting performance targets for the annual bonus granted in the year
- Remuneration Report for FY22
- Consideration of the appropriateness of LTIP grants to Executive Directors

#### Supported by (by invitation)

- Chair of the Board
- CEO and CFO
- Other senior management including the Company Secretary
- Ernst & Young LLP provides independent advice to the Remuneration Committee

#### Read more

- Remuneration Report on page 72

### Strategic Advisory Committee

#### Key duties and responsibilities

- Advises the Board on key business development matters

#### Areas of focus during the year

- The Committee did not meet in FY23 and has now been disbanded by the Board.

#### Members

- Martin Green (Chair)
- Jürgen Nowicki
- Piero Ercoli (Snam representative)
- Rachel Smith (until 30 January 2023)

#### Supported by (by invitation)

- CEO, CTO and other senior management
- Linde, ILE and Snam provide market intelligence and competitor analysis to the Strategic Advisory Committee
- Company Secretary

#### Read more

- Our Strategy and Business Model on pages 20 to 22
- Our Market on page 18
- Markets we serve: <https://itm-power.com/markets>

## Governance | Corporate Governance Report continued

### Board Committees continued Technology Management Committee

#### Key duties and responsibilities

- Reviews the Group's product portfolio and development plans
- Reviews the suitability of the portfolio, manufacturing capacity and planned developments to satisfy anticipated market developments
- Reviews requirements to meet the Group's technology goal to be best in class

#### Members

- Jürgen Nowicki (Chair)
- Simon Bourne
- Marco Chiesa (Snam representative) until Snam elected to no longer attend.

#### Areas of focus during the year

- Product and innovation roadmap
- Research and development focus areas
- Standardisation and homologation requirements

#### Supported by (by invitation)

- Senior management representing research and development and product management teams
- ILE:
  - Provides information to the Technology Management Committee about how ITM Power's technology compares to competitor technologies
  - Recommends enhancements, product standardisation and product homologation requirements emerging in the market
- Company Secretary

#### Read more

- Business Model on pages 20 and 21
- Our electrolyser and how they work: <https://itm-power.com/products>

### Where to find additional disclosures

Disclosure	Location
How we seek to engage shareholders	Stakeholders and Section 172 Statement from page 24
Outcomes of votes at general meetings	Regulatory news announcements on our website: <a href="https://itm-power.com/investors/news">https://itm-power.com/investors/news</a>
Response to significant proportion of votes against a resolution at any general meeting	Shareholder documents, under Notices and circulars, on our website: <a href="https://itm-power.com/investors/shareholder-documents">https://itm-power.com/investors/shareholder-documents</a>
Historical Annual Reports	Financial and ESG reports on our website: <a href="https://itm-power.com/investors/financial-reports">https://itm-power.com/investors/financial-reports</a>
Notices of general meetings	Shareholder documents, under Notices and circulars, on our website: <a href="https://itm-power.com/investors/shareholder-documents">https://itm-power.com/investors/shareholder-documents</a>
Articles of Association	Shareholder documents, under Articles of Association, on our website: <a href="https://itm-power.com/investors/shareholder-documents">https://itm-power.com/investors/shareholder-documents</a>
Admission documents	Shareholder documents, under Admission documents, on our website: <a href="https://itm-power.com/investors/shareholder-documents">https://itm-power.com/investors/shareholder-documents</a>
Information required to comply with AIM Rule 26	AIM Rule 26 on our website: <a href="https://itm-power.com/investors/aim-rule-26">https://itm-power.com/investors/aim-rule-26</a>

# Planning for the future

Succession planning has been the main area of focus for the Nomination Committee during the year.

Sir Roger Bone  
Chair of the Nomination Committee

## Introduction from the Chair of the Nomination Committee

**Dear shareholder**  
I am pleased to present the first Nomination Committee Report which covers the year ended 30 April 2023.

**Composition**  
The Nomination Committee consists of Katherine Roe as Non-Executive Director, Dennis Schulz, CEO, and me, as Chair of the Committee. The Nomination Committee met formally once during the year and informally on several occasions to support the CEO succession planning and transition programme.

## Responsibilities

The Nomination Committee has terms of reference in place which have been formally approved by the Board, are regularly reviewed, and updated, and are available on the Group's website. The Committee's main responsibilities include developing and maintaining a rigorous and transparent procedure for making recommendations on Board appointments and ensuring plans are in place for orderly succession to Board and senior management positions. The Committee has a key role in ensuring the Board, its Committees and senior management team have the appropriate balance of skills, experience, qualities and capabilities they need to be successful and effective now, and as the Group evolves. The process by which Board appointments are determined is detailed in the Committee's terms of reference.

## Roles and responsibilities of the Committee

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and make recommendations to the Board with regard to any changes
- Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- Review annually the time required from Non-Executive Directors. Performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties
- Ensure that, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them
- Formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chair of the Board, CEO and CFO

## Committee attendance

Name	Meetings attended
Sir Roger Bone	●
Graham Cooley	●
Katherine Roe	●

Governance | Nomination Committee Report continued

How the Committee spends its time

Category	Percentage
Succession planning	30%
Skills reviews and composition	25%
Governance	30%
Business updates	15%

**Key areas of focus in the year ended 30 April 2023**  
Succession planning has been the main area of focus for the Nomination Committee during the year. Specific activities undertaken include:

- succession of the Chief Executive Officer;
- oversight of the appointment of the Company Secretary; and
- a review of the existing succession plans for the Board including succession of the Chair.

**Recommendation of the appointment of Dennis Schulz**  
Following the announcement of Graham Cooley stepping down from the Board, a comprehensive, focused search for a new Chief Executive Officer was undertaken with the assistance of Russell Reynolds (an independent executive search firm with no other connection with the Group). Russell Reynolds Associates provides no other services to ITM Power but had been retained by Motive to support the search for new members of the senior management team. It is a founding member of the UK's Standard Voluntary Code of Conduct for Executive Search Firms and is one of the firms accredited under the Enhanced Code for its leading work on promoting board diversity. In accordance with the QCA Code, the Board and Committee regularly challenge the Board's composition and balance of skills. Bolstering the Board's skills and capabilities relating to volume manufacturing and product deployment were key criteria of the CEO search process. Following interviews of the shortlisted candidates, the Committee recommended Dennis Schulz for appointment. Dennis will be subject to election by shareholders at the AGM to be held in September 2023. Dennis moved to ITM Power from Linde

Engineering, a division of Linde plc ("Linde"), in Dresden, Germany, where he was Managing Director since 2020. He brings with him over 14 years of experience working with Linde Engineering across a wide variety of functions including project execution, Head of Strategy and CFO. He has been closely involved in ITM Power's strategic relationship with Linde since its inception.

**Independence of the Non-Executive Directors**  
The composition of the Board is reviewed annually by the Committee to ensure that there is an effective balance of skills, experience and knowledge and that the Board comprises an appropriate proportion of Independent Directors. Jürgen Nowicki is not considered independent by the Board as a shareholder nominee. Linde, under the 2019 subscription agreement, retains the right to appoint one nominated NED to the Board. This agreement details the role of the nominated NED and the expectations of the NED including requirements relating to confidentiality. The Board currently has four Independent Directors, namely Sir Roger Bone, Denise Cockrem, Martin Green and Katherine Roe. The Board undergoes a rigorous assessment annually to affirm the independent status of its Non-Executive Directors. This assessment considers a number of areas including tenure, external appointments, conflicts of interests and related party transactions. The Board recognises Institutional Shareholder Services voting guidance which provides guidance that a Chair with tenure exceeding nine years would need to have their independence critically challenged. As the Chair of the Board has met this tenure threshold during the year, the Board strenuously assessed if independence of the Chair had become compromised. Consideration was given to Sir Roger's conduct and the level of independence of mind displayed, along with the fact that only three and a half of his nine years' service has been as Chair. Following this assessment the Board strictly reaffirms its view that Sir Roger remains independent and is committed to keep this under close review.

**Review of existing succession plans**  
We believe maintaining a well-balanced Board with the right mix of skills and experience is important to ensure our future success. This needs regular review to ensure:

- the skills and experience on the Board are the right ones to oversee and guide the delivery of our current and future strategy; and
- there is a plan to respond to any vacancy that may arise – whether anticipated or unexpected.

To support this, and as an action from the Board evaluation process, a matrix was developed to identify the skills and experience needed to support our future plans. The Nomination Committee reviewed the matrix considering the skills and experience on the Board, within the Group and available externally. It concluded that the Board was balanced with a good mix of skills and experience, with appropriate support from specialists within senior management and external advisors. It nevertheless identified some areas

We believe maintaining a well-balanced Board with the right mix of skills and experience is important to ensure our future success.”

for consideration in any future recruitment activity. Feedback received as part of the Board evaluation process was also taken into consideration in developing the matrix and identifying future requirements. An overview of the skills and experience identified through this process is provided on page 58.

A review of the existing succession plans for the Board has been undertaken during the year, with some of the outcomes of the review being described above. The results of the appraisals undertaken by the Board, its Committees and in respect of the Chair have informed the development of the existing succession plans. During the year, Sir Roger, as Chair of the Board, exceeded the threshold of nine years' tenure. Due to this he will now offer himself up for annual election at the AGM in line with our Articles of Association. All Board colleagues have independently reviewed and supported Sir Roger's willingness to stand for election at the AGM 2023 and will discuss the longer-term succession plans for the role of Chair of the Board during FY23, led by Martin Green in his new capacity of Senior Independent Non-Executive Director and supported by Dennis Schulz as CEO.

**Nomination Committee evaluation**  
The Committee will annually evaluate its performance.

**Sir Roger Bone**  
Chair of the Nomination Committee  
17 August 2023

Supporting the Board’s approval of the financial statements, reviewing and challenging key accounting judgements and overseeing the services provided by the external auditor were our key focus in the year.

- Roles and responsibilities of the Committee
- Monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain and any significant financial returns to regulators
  - Keep under review the effectiveness of the Company’s internal financial controls and the Company’s internal controls and risk management systems
  - Review the Company’s arrangements for its employees and third parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
  - Monitor and review the effectiveness of the Company’s internal audit function in the context of the Company’s overall risk management system

Martin Green  
Chair of the Audit Committee

Introduction from the Chair of the Audit Committee

Dear shareholder

As Chair of the Audit Committee, I am pleased to present the Audit Committee’s report for FY23. This report is intended to explain how the Committee has met its responsibilities throughout the year.

Committee members, meetings and support

The Committee is made up of three independent Non-Executive Directors: Denise Cockrem, Sir Roger Bone, the Chair of the Board, and me, Martin Green (as Chair). The Board is confident that I have current and appropriate

financial experience to chair the Committee and that the Committee as a whole has the suitable skills and knowledge to discharge its duties to the Board. By invitation, the Chief Financial Officer and other Executive Directors may attend Committee meetings.

The Audit Committee’s full membership and skills are provided on page 69 along with details of those that supported the Audit Committee during the year. Attendance at scheduled meetings during the year is shown on the right.

Committee attendance

Name	Meetings attended
Martin Green	●●●●
Denise Cockrem	●●●●
Sir Roger Bone	●●●●

Governance | Audit Committee Report continued

How the Committee spends its time

Category	Percentage
Financial reporting	35%
Operations	15%
Internal audit	14%
External audit	24%
Governance	12%

Areas of focus during the year

The Audit Committee is in charge of ensuring that the Group's financial performance is appropriately recorded and examined. Its responsibilities include monitoring the financial statements' integrity (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of non-audit services performed by the external auditor, and advising on the appointment of the external auditor.

Our focus during the year was on supporting the Board's approval of the financial statements, reviewing and challenging key accounting judgements and overseeing the services provided by the external auditor in relation to those financial statements. In addition the Committee supported the Company's response to the Financial Reporting Council's request for information, further details of which can be found on page 69.

Given the increasing scale, diversity and complexity of ITM Power, in 2022 we identified the importance of enhancing the risk management processes within the organisation. We also agreed with management the time was right to create an internal audit function. It was agreed a new risk and assurance function would be created, with responsibility for risk management and internal audit. This was delivered in the year, but due to the resignation of the Internal Auditor during the year due to personal reasons, the planned deployment has been delayed. As Chair of the Committee, I conducted an exit interview with the Internal Auditor and had no concerns about the reasons for their departure. Going forward, I will liaise with relevant control functions to ensure that our systems and controls remain fit for purpose, whilst the Company reviews its approach to ensuring the efficacy of internal controls.

Availability to shareholders

I am available to shareholders to answer any questions on the work of the Audit Committee both during the year and at our September AGM.

**Martin Green**  
Chair of the Audit Committee  
17 August 2023

Our focus during the year was reviewing and challenging key accounting judgements.”

Governance | Audit Committee Report continued

Composition of the Audit Committee

In line with best practice, the Board is satisfied that all members of the Audit Committee are independent.

Denise Cockrem has a particular expertise in accounting and finance, as demonstrated through her career. Her current role as Chief Financial Officer of Ecclesiastical Insurance Office plc and previous finance roles in Good Energy Group plc, RSA Insurance Group, Direct Line – Retail Division and Royal Bank of Scotland have enabled her to develop skills and experience encompassing financial planning and analysis, performance reporting and forecasting, financial controls, internal audit and risk management.

Both Martin Green and Sir Roger Bone are considered to have a broad range of financial experience. Martin previously had responsibility for the financial performance of a portfolio of Johnson Matthey businesses, while Sir Roger previously acted as a Non-Executive Director, Senior Independent Director and member of the audit committee of the F&C Investment Trust, which has a portfolio of over £4bn.

Significant accounting judgements and estimates

The Audit Committee considered the significant accounting judgements and estimates ahead of each market announcement regarding ITM Power’s results. The areas in which the Audit Committee was required to exercise significant judgement during the year were:

Accounting area	Key financial impact(s)	Audit Committee considerations
Inventory obsolescence	The year-end provision for inventory obsolescence stands at £17.8m	The Audit Committee, on recommendation of management, is comfortable that the judgement being made is a prudent approach to providing for obsolete inventory, with 100% of the value of obsolete inventory provided for. All other inventory holdings the business is forecasting to remain of use and therefore are reflected at the lower of cost of net recoverable value.
Forecast contract losses	Contract loss provisions increased to £42.6m during the year	The Audit Committee considered management’s forecasting of costs to complete projects. It agreed with management’s approach of basing provisions on the best estimates of management aligned with information known at the time to ensure the forecast cost to completion is appropriate. It reviewed and challenged management’s estimates during the year. Any expected losses are recognised immediately through profit and loss.
Warranty	Provisions for warranty losses increased in year to £10.2m for projects not yet complete (included in the contract provision noted above) whilst projects in warranty increased to £3.9m (FY22: £3.0m)	When ITM Power sells products it provides a warranty on those products as part of either its legal obligations in line with relevant local consumer legislation or as part of extended warranty agreements signed between ITM Power and its customers.  The Audit Committee considered management’s analysis under which the Company has used its best estimate to make an assessment of the provisions value for warranties at the year end and approved the methodology proposed on how to calculate this liability. The Audit Committee approved the methodology, assumptions and sensitivities in the calculation of the provision.

Annual Report for FY23

The Audit Committee reviewed the Annual Report and provided feedback. It considered whether ITM Power’s position, strategic approach and performance during the year were portrayed fairly and in a balanced way throughout the Annual Report and aligned with the financial statements. The Audit Committee had regard to the findings and judgements of the external auditors.

External audit

The Audit Committee has responsibility and oversight of the Group’s relationship with its external auditor, Grant Thornton UK LLP, and for assessing the effectiveness of the external audit process. Grant Thornton UK LLP was appointed as the external auditor in 2017 and the lead audit partner is David White.

The Audit Committee agreed the approach and scope of the audit work to be undertaken by Grant Thornton UK LLP for the financial year. It also reviewed Grant Thornton UK LLP’s terms of engagement and the fees payable in respect of audit and non-audit services to ensure they are appropriate and reflect performance. Details of the amounts paid to the external auditor are provided in Note 7 to the Consolidated Financial Statements.

Grant Thornton UK LLP provided the Audit Committee with regular reports on the status of the audit, its assessment of the agreed areas of audit focus and findings, and conclusions to date.

The Audit Committee reviewed the experience and expertise of the audit team, the fulfilment of the agreed audit plan and any variations to it, feedback from ITM Power’s management and the contents of the external audit report. The Audit Committee confirmed its satisfaction with the effectiveness of the external auditor.

Financial Reporting Council – request for information

During the year, a Financial Reporting Council (FRC) request for information was received by the Audit Committee. The FRC review was based on our Annual Report and Accounts for FY22 and was conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The review did not seek to provide assurance that our report and accounts were correct in all material respects; the FRC’s role is not to verify the information provided but to consider compliance with reporting requirements and the FRC accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

The FRC asked the Company to explain why the reversal of previously recognised impairment losses in respect of the parent investment in wholly owned subsidiaries had been treated as a prior year adjustment, rather than recognising the reversal in the parent company income statement. Following an explanation of our treatment of this matter, and an agreement to amend the accounting policy for investments in future accounting periods to explain how recoverable amount is determined for impairment testing purposes, the review was closed with no further action required.

Governance | Audit Committee Report continued

External auditor independence

The continued independence of the external auditor is important for an effective audit. The Audit Committee has a policy regarding the use of the external auditor for non-audit services. The external auditor may only be engaged for non-audit services exceptionally and only with the approval of the Audit Committee. The external auditor may not undertake any work that may compromise its independence or is otherwise prohibited by any law or regulation.

The Audit Committee received a statement of independence from Grant Thornton UK LLP in April 2023 confirming that, in its professional judgement, it is independent and has complied with the relevant ethical requirements regarding independence in the provision of its services. The report described, to the Committee's satisfaction, Grant Thornton UK LLP's arrangements to identify, manage and safeguard against conflicts of interest.

The Audit Committee reviewed the scope of the non-audit services undertaken by Grant Thornton UK LLP during the year, to ensure there was no impairment of judgement or objectivity, and monitored the non-audit work performed to ensure it remained within the agreed policy guidelines. It also considered the extent of non-audit services provided to ITM Power. Non-audit fees paid to Grant Thornton UK LLP were for interim agreed upon procedures/review work which it was determined appropriate for the external auditor to undertake given its knowledge of the Group and the need for independent assurance. They represented 14% (£40k) of the total audit and non-audit fees paid (£280k). The Audit Committee determined, based on its evaluation, that the external auditor was independent.

Reappointment of the external auditor

The Audit Committee has responsibility for making a recommendation to the Board regarding the reappointment of the external auditor. As part of its review process, the Audit Committee typically considers auditor rotation at least every five years, unless the annual performance review identifies a reason to rotate earlier.

Based on its continued satisfaction with the audit work performed to date and Grant Thornton UK LLP's continued independence, the Audit Committee has recommended to the Board, and the Board has approved, that Grant Thornton UK LLP be proposed for reappointment by shareholders as ITM Power's external auditor at the 2023 AGM.

Internal audit

Following the establishment of a Risk and Assurance team last year, a handover of responsibilities from the Audit Committee to this team took place during the year.

The Audit Committee's role was revised to:

- monitor and review the effectiveness of the internal audit function;
- approve the appointment and removal of the head of the internal audit function;
- consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information;
- ensure the internal audit function has adequate standing and is free from management or other restrictions;
- review and approve the annual internal audit plan;
- review promptly all reports from the Internal Auditor; and
- review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.

The Company's first Internal Auditor was appointed during the year and initial internal audit reports were presented to the committee in late 2022. These were reviewed in detail by the Audit Committee, with constructive challenge where appropriate. With the resignation of the Internal Auditor for personal reasons, the planned timetable was interrupted and has been delayed. The Chair of the Audit Committee conducted an exit interview with the leaver and confirmed that there were no undue causes for concern over their departure. Pending the replacement of the Internal Auditor role, key controls will be monitored by the QHSE, legal and finance teams, supported by external resource where deemed appropriate.

Internal controls and risk management

A key role of the Audit Committee is to monitor the effectiveness of the internal financial controls and the Company's controls and risk management systems. The Committee undertook assurance activities around critical risks and controls during the year, with further challenge and in-depth discussions between the Committee Chair and management outside meetings. The outcomes of these reviews were discussed at Audit Committee and, where appropriate, recommendations were made to management. Implementation of those recommendations were then monitored.



Governance | Audit Committee Report continued

Financial controls

We have an established framework of internal financial controls, the effectiveness of which is periodically reviewed by each of the Board and the Executive Committee, as well as the Audit Committee. There are procedures in place for budgeting and forecasting; for monitoring and reporting business performance against those budgets and forecasts; and for projecting expected performance over the financial year.

Responsibilities are separate and defined:

- The Board is responsible for reviewing and approving our overall strategy, corporate objectives, financial strategy, the annual budget, and capital fundraising. It receives periodic financial reports, tracking budget and forecasts.
- The Audit Committee reviews key financial controls throughout the year. It has responsibility for monitoring the integrity of the financial reporting of the Company and for ensuring internal financial controls are sufficiently robust and appropriate.
- The Executive Committee retains day-to-day responsibility for financial performance and has internal financial reporting processes in place.
- The Group Financial Controller oversees budgeting, cash flow forecasts and financial statements and the operation of the Group's financial systems, working with our external auditors. Internal controls and financial systems transformation are the responsibility of other members of the Finance team.

Non-financial controls

We recognise that maintaining sound controls and discipline is critical to managing the risks to our strategy. The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness.

The CFO has day-to-day responsibility for ensuring internal controls remain appropriate. He reports to the Executive Committee on operational changes required.

Day-to-day activities are closely managed by the Executive Directors. There is detailed monthly reporting of performance against our corporate objectives, project schedules, budget, risks and expected performance, and operational needs. These are key to the success of the internal management and control system.

We continue to increase our commercial operations, including investing in new manufacturing facilities.

We also continue to make appropriate senior appointments to support our business plan and address the resulting operational needs and risks.

Risk management

The Audit Committee is also required under its terms of reference to conduct an annual formal review into risk management and review the effectiveness of risk management systems.

During 2022, the Committee agreed with management that ITM Power had reached a stage of development where it was appropriate to create a risk management function. A Head of Risk and Assurance was appointed to lead the risk management and internal audit functions with the first risk plan delivered to the Audit Committee in late 2022.

A handover of responsibilities from the Audit Committee to the risk management function took place during the year. The Audit Committee's role is now to:

- review the effectiveness of the risk management systems;
- conduct a formal review into risk management; and
- review and approve the statements included in the Annual Report regarding risk.

Speaking up

The Audit Committee is responsible for reviewing arrangements for employees and third parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

There are established ways to raise concerns. These include options to contact a line manager, the Legal Compliance Manager, the Risk and Assurance team or the Company Secretary. We also offer a service via a third party, Safecall, through which confidential, anonymous reporting is available.

When someone speaks up, an initial assessment is carried out to determine the scope of any investigation. Where appropriate, a full investigation is instigated. If appropriate, subject matter experts are used to support the investigation. In particularly serious cases, the matter may be escalated to the Chair of the Audit Committee, the Chair of the Board or our external auditor.

Anyone who raises an honest concern, even if they turn out to be mistaken, is protected from retaliation and detrimental treatment.

The Audit Committee receives and considers reports from management and, in future, Safecall regarding concerns raised and provides the Board with key information for its consideration as appropriate. There were no whistleblowing matters raised during the year.

Where to find additional disclosures

Disclosure	Location
External auditor's report	Independent Auditor's Report to the Members of ITM Power PLC on pages 87 to 92
Fees paid to the external auditor	Note 7 to the Consolidated Financial Statements

Katherine Roe  
Chair of the Remuneration Committee

Introduction from the Chair of the Remuneration Committee

Dear shareholder

As Chair of the Remuneration Committee, I am pleased to present the Remuneration Report for FY23. This report is intended to explain how the Remuneration Committee has met its responsibilities throughout the year and to provide information about the remuneration received by Directors.

As a company admitted to trading on AIM, our Directors' Remuneration Report does not have to comply with the requirements of Schedule 8 of

The focus of the Remuneration Committee during the year was on setting the appropriate remuneration levels for the Executive Directors, balancing the unacceptable financial delivery with the early successes of the 12-month priorities plan.

The views of our shareholders will continue to be an important factor in informing the decisions of the Remuneration Committee and the Remuneration Committee will balance these views against the need to retain and motivate the current executive team.

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). Nevertheless, we have aligned our remuneration reporting with these requirements as far as possible, but we may not provide all the information required under the regulations.

Committee members, meetings, and support

The Remuneration Committee's full membership is provided in the table to the right along with details of those that supported the Remuneration Committee during the year.

Attendance at scheduled meetings during the year is provided on page 61.

Roles and responsibilities of the Committee

- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes
- Review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors and, as appropriate, such other members of the senior management team as it is designated to consider, and the performance targets to be used
- Determine the policy for, and scope of, pension arrangements for each Executive Director and, as appropriate, such other members of the senior management team as it is designated to consider
- Within the terms of the agreed policy, and in consultation with the Chair of the Board and/or CEO as appropriate, determine the total individual remuneration package of the Chair of the Board, each Executive Director, including bonuses, incentive payments and share options or other share awards
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded, and that the duty to mitigate loss is fully recognised

Committee attendance

Name	Meetings attended
Katherine Roe	●●
Martin Green	●●

Governance | Remuneration Report continued

How the Committee spends its time

Category	Percentage
Remuneration policy	60%
Governance	15%
Data and benchmark analysis	10%
Performance evaluation	15%

Remuneration principles

The overarching principles we apply in our approach to remuneration are:

- to ensure overall remuneration is set at a competitive level against our peer group enabling us to attract and retain high-calibre employees with the required skills to execute our strategy; and
- to take into account all factors to:
  - ensure executive remuneration is aligned to the Group's purpose and values, clearly linked to the successful delivery of the Group's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to adjust sums or awards under appropriate specified circumstances;
  - attract, retain and motivate the executive management of the Group without inappropriate financial burden on the Group; and
  - consider the requirements for clarity, transparency, risk mitigation, predictability, proportionality and alignment to culture.

Performance during the year

The Remuneration Committee's decisions for the year were made against the following backdrop:

- unacceptable financial performance to budget;
- manufacturing and engineering delays and issues, including increased warranty provisions; and
- commencement, and positive initial results from the delivery, of a new strategic priority plan from January 2023.

Full details are provided in the CFO's Review on page 13.

Areas of focus during the year

The focus of the Remuneration Committee during the year was on setting the appropriate remuneration levels for the Executive Directors, balancing the unacceptable financial delivery with the early successes of the 12-month priorities plan.

This included reviewing their base salaries as well as setting award levels and performance targets for the annual bonus and awards granted under the terms of the LTIP. The CEO and Chair of the Board also reviewed the fees paid to the Non-Executive Directors.

Following a benchmarking exercise conducted in June 2021, the Remuneration Committee decided to increase the base salaries of the Executive Directors. A similar benchmarking exercise was conducted in June 2022, which the Remuneration Committee fed into its considerations of remuneration packages for the Executive Directors. Considering the significant increases to base salary implemented for Executive Directors from 1 July 2021, the performance of the business and the approach taken to pay rises in the wider workforce, the Remuneration Committee decided not to increase salaries further. More information is provided later in the Remuneration Report.

The views of our shareholders will continue to be an important factor in informing the decisions of the Remuneration Committee and the Remuneration Committee will balance these views against the need to retain and motivate the current executive team, which have been instrumental in the Company's performance to date.

Annual bonus outcomes

Executive bonuses are designed to ensure alignment to the successful execution and delivery of the Company's annual plan. It is imperative that our bonus schemes continue to attract and retain key executives as we further build the management capability of the Company. Executive Directors are eligible for a maximum cash bonus of 100% of base salary which becomes payable if certain financial and non-financial targets are met. The Remuneration Committee also retains its right to provide special discretionary bonuses where deemed appropriate – though the incidence of these is limited and tightly controlled. Bonuses quoted in the table on page 79 refer to performance awards based on the financial year ended 30 April 2023 which were paid in August 2023.

For the financial year ended 30 April 2023 an award of 50% of base salary was made to the Chief Executive as a result of meeting the personal objectives set by the Board under a one-off discretionary scheme designed to drive performance in resetting the Company strategy. The Chief Financial Officer and Chief Technology Officer received an award of 21% of base salary. More detail of the Remuneration Committee's assessment is provided on page 79.

Availability to shareholders

I am available to shareholders to answer any questions on the work of the Remuneration Committee. On behalf of the Remuneration Committee, I would like to place on record our appreciation to our shareholders for their constructive input throughout the year.

**Katherine Roe**  
Chair of the Remuneration Committee  
17 August 2023

## Governance | Remuneration Report continued

### Overview of the Executive Director remuneration policy

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2022/23	2023/24
Fixed pay						
Base salary	To ensure we can recruit and retain high-calibre executives.	Paid monthly in arrears by bank transfer.  No recovery provisions apply to base salary.	No maximum.	Several factors are considered when setting base salary levels, including market rates, benchmarking to peers, individual Director's experience, responsibilities and performance.	Executive Directors salaries in the year were:  Dennis Schulz – £450,000  Andy Allen – £300,000  Simon Bourne – £300,000	No change.
Pension provisions	To attract and retain talent through the provision of attractive retirement benefits.	Monthly payments into a defined contribution or similar pension scheme or, in agreed circumstances, a cash allowance in lieu of pension contributions.  No recovery provisions apply to pensions.	A contribution into the Group's defined contribution pension arrangement no higher than that offered to the wider workforce.  No maximum for any cash allowance.	Not applicable.	Executive Directors – from 1 July 2022, contributions to their pensions equivalent to 7% of base salary (before any salary exchange).	No change.
Benefits	To assist in attracting and retaining employees in a cost-effective way.	May include private medical insurance, sick pay, a fully expensed car (or equivalent cash allowance) and disability and life assurance cover. Some benefits may be provided in the case of relocation, such as removal expenses and, in the case of international relocation, might also include items such as cost of accommodation, children's schooling, home leave, tax equalisation and professional advice.  The tax payable (grossed up) on any business expenses captured as taxable benefits may also be reimbursed.  No recovery provisions apply to benefits.	Not applicable.	Not applicable.	No Executive Directors received taxable benefits.	During FY24 the Company is introducing private medical insurance for all senior employees, including the Executive Directors. This will be taxed as a benefit in kind.

## Governance | Remuneration Report continued

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2022/23	2023/24
Variable pay						
Annual bonus	To incentivise Executive Directors to deliver strategic and financial success.	<p>An annual bonus scheme with measures and performance targets set by the Remuneration Committee.</p> <p>Paid in cash. Pay out determined after the end of the financial year following the Remuneration Committee's assessment of performance relative to targets and objectives.</p> <p>Annual bonus payments do not form part of pensionable earnings and are non-contractual.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to adjust the targets and/or set different measures and alter weightings if certain events occur that cause it to determine they are no longer appropriate. The Remuneration Committee will ensure any revisions to targets are not materially less difficult to satisfy.</p> <p>All payments are at the ultimate discretion of the Remuneration Committee and it retains an overriding ability to ensure that overall bonus payments are appropriate and reflect corporate performance.</p>	Capped at 125% of base salary for the CEO and 85% of base salary for other Executive Directors.	Specific annual targets based on clear and measurable objectives that underpin, and are key to the achievement of, the Group's strategy.	<p>Executive Directors received the following bonus payments:</p> <p>Dennis Schulz – £225,000 (50% of base salary)</p> <p>Andy Allen – £62,100 (21% of base salary)</p> <p>Simon Bourne – £62,100 (21% of base salary)</p>	<p>Executive Directors have the following bonus opportunities, as a percentage of base salary:</p> <p>Dennis Schulz – 125%</p> <p>Andy Allen – 85%</p> <p>Simon Bourne – 85%</p>
LTIP	To align the long-term interests of shareholders and management and reward achievement of stretching long-term targets.	<p>Any awards granted are subject to a three-year vesting period and stretching performance targets.</p> <p>All vesting is at the ultimate discretion of the Remuneration Committee and the Remuneration Committee retains an overriding ability to ensure that vesting reflects its view of corporate performance over the set period.</p> <p>The Remuneration Committee retains discretion in exceptional circumstances to adjust the targets and/or set different measures and alter weightings if certain events occur that cause it to determine they are no longer appropriate. The Remuneration Committee will ensure any revisions to targets are not materially less difficult to satisfy.</p> <p>Malus and clawback provisions apply in cases of material financial misstatement, conduct that results (or is reasonably likely to result) in significant reputational damage to the Company, negligence or misconduct, or fraud.</p>	Capped at 100% of base salary plus an uplift to cover Employer's National Insurance Contributions, which are passed on to the participant as permitted under UK legislation.	Specific targets based on clear, stretching and measurable objectives that underpin, and are key to the achievement of, the Group's long-term strategy.	<p>No standard annual awards were made during the year due to the poor financial and operational performance seen.</p> <p>A discretionary award was made to the CEO – full details can be found on page 81.</p>	All Executive Directors are expected to be granted an award equivalent to a maximum of 100% of base salary, uplifted to reflect the payment by the recipient of Employer's National Insurance Contributions. The CEO will receive an additional award uplift of 50% of salary.

## Governance | Remuneration Report continued

### Overview of the Executive Director remuneration policy continued

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2022/23	2023/24
Share ownership						
All-employee share plans	To encourage share ownership across the organisation.	Executive Directors can participate in the UK Buy As You Earn plan (BAYE) on the same basis as other employees in the organisation.	Executive Directors are subject to the same maximums as all other employees who participate in the BAYE.	Not applicable.	The Company offered the BAYE throughout the year.  All Executive Directors participated in the BAYE at the maximum level throughout the year excluding Dennis Schulz who is not eligible to join until he has six months continuous employment and the year end results have been released.	The Company intends to offer the BAYE throughout the year.  All Executive Directors are expected to continue their participation in the BAYE at the maximum level throughout the year.
Share ownership guidelines/ requirements	To build and maintain a shareholding to align their interests with those of shareholders.	Levels are set in relation to earnings and according to the post held in the Group.  It is expected that Executive Directors will build up to the required level over a period, usually five years, through retaining shares received under the Group's incentive arrangements, net of sales to settle tax and other deductions, and/or shares purchased in their own right.  Vested but unexercised options are included in the shareholding total at the date of vesting, adjusted for the exercise price, tax and any other deductions. When the options are exercised, the vesting calculation is reversed and the shares retained on exercise are included instead.	Executive Directors are expected to build and maintain a minimum shareholding equivalent to 100% of base salary.	Not applicable.	All Executive Directors met the shareholding guideline excluding Dennis Schulz who has three years to build his holding under the terms of the Directors holding policy.  See Directors' interests in shares of the Company on page 83 for details.	All Executive Directors are expected to continue to meet the shareholding guideline excluding Dennis Schulz who has three years to build his holding under the terms of the Directors' holding policy.

#### Alignment with the wider workforce

The remuneration policy for the Executive Directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group.

Salaries are reviewed annually with regard to the same factors as those considered for Executive Directors. Pay rises for the wider workforce, excluding the Executive Directors, were implemented with effect from 1 July 2023 at a rate of 5% of base salary.

All staff may participate in the BAYE after completing six months' qualifying service. This is intended to encourage share ownership in the Company and align the management team and all staff with the strategic business plan.

Eligibility for and provision of benefits and allowances vary by level and local market practice.

A contribution of 7% of base salary into a Company pension scheme was available to most of the UK workforce.

## Governance | Remuneration Report continued

Remuneration element	Purpose and link to our strategy	Operation	Maximum opportunity	Performance framework	Implementation	
					2021/22	2022/23
Overview of the Chair of the Board and Non-Executive Director remuneration policy						
Fees	To ensure we can attract and retain experienced and skilled Non-Executive Directors able to advise and assist with establishing and monitoring the strategic objectives.	<p>Paid monthly in arrears by bank transfer.</p> <p>Fees for the Chair of the Board are determined by the Remuneration Committee. Fees for other NEDs are determined by the CEO and Chair of the Board.</p> <p>Any Director representing a shareholder on the Board is paid by the shareholder, not the Group.</p>	Fee increases for NEDs will not normally exceed average base salary increases across the Group.	The Remuneration Committee considers several factors, including market rates, benchmarking to peers and the time commitment expected.	<p>Chair of the Board: £150,000.</p> <p>NED base fee: £51,000.</p> <p>Additional fee for chairing the Audit, ESG, Remuneration or Strategic Advisory Committees: £10,000 per Committee chaired.</p> <p>Jürgen Nowicki received no fees.</p>	No proposed changes.
Expenses	Not applicable.	<p>Reasonable expenses are reimbursed.</p> <p>The tax payable (grossed up) on any business expenses captured as taxable benefits may also be reimbursed.</p> <p>Expenses incurred for advice in respect of UK tax returns for non-UK NEDs may be reimbursed.</p>	Not applicable.	Not applicable.	Not applicable.	Not applicable.
Share ownership guidelines/requirements	To build and maintain a shareholding to align their interests with those of shareholders.	NEDs are encouraged to build and maintain a shareholding. See Directors’ interests in shares of the Company on page 83 for details.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

## Governance | Remuneration Report continued

### Annual report on remuneration

#### Remuneration outcomes for FY23

The following pages set out details of the remuneration received by Directors for FY23. Prior year figures have also been shown. The Remuneration Report has not been audited.

The Directors' remuneration in the year was awarded in line with the remuneration policy.

#### Single total figure of cash equivalent remuneration for each Director

	Year ended 30 April	Base salary and fees (£)	Pension-related benefits (£)	Annual bonus (£) <sup>1</sup>	Vested Long-term incentive awards (£)	Loss of office (£)	Total (£)	Total fixed remuneration (£)	Total variable remuneration (£)
<b>Executive Directors</b>									
Dennis Schulz, CEO <sup>1</sup>	2023	211,500	12,375	225,000	—	—	448,875	223,875	225,000
	2022	—	—	—	—	—	—	—	—
Andy Allen, CFO	2023	282,750	37,250	62,100	—	—	382,100	320,000	62,100
	2022	275,988	13,799	28,800	1,312,669	—	1,631,256	289,787	1,341,469
Simon Bourne, CTO	2023	288,000	32,000	62,100	—	—	382,100	320,000	62,100
	2022	288,393	14,420	28,800	2,297,169	—	2,628,782	302,813	2,325,969
Rachel Smith, former Services Director <sup>2</sup>	2023	196,320	21,728	—	—	50,000	268,048	218,048	50,000
	2022	216,439	10,822	22,080	1,640,839	—	1,890,180	227,261	1,662,919
Graham Cooley, former CEO <sup>3</sup>	2023	721,449 <sup>7</sup>	—	—	—	105,000	826,449	721,449	105,000
	2022	376,639	28,000	67,200	3,938,000	—	4,409,839	404,639	4,005,200
<b>Non-Executive Directors</b>									
Sir Roger Bone, Chair	2023	150,000	—	—	—	—	150,000	150,000	—
	2022	139,167	—	—	—	—	139,167	139,167	—
Martin Green	2023	71,000	—	—	—	—	71,000	71,000	—
	2022	68,333	—	—	—	—	68,333	68,333	—
Jürgen Nowicki <sup>4</sup>	2023	—	—	—	—	—	—	—	—
	2022	—	—	—	—	—	—	—	—
Denise Cockrem <sup>5</sup>	2023	31,000	—	—	—	—	31,000	31,000	—
	2022	—	—	—	—	—	—	—	—
Katherine Roe	2023	71,000	—	—	—	—	71,000	71,000	—
	2022	68,333	—	—	—	—	68,333	68,333	—

1 Dennis Schulz was appointed with effect from 1 December 2022.

2 Rachel Smith resigned from the Board with effect from 30 January 2023.

3 Graham Cooley resigned with effect from 1 December 2022.

4 Shareholder nominated Directors receive no fees from the Company.

5 Denise Cockrem was appointed effective 25 July 2022. Denise's fee is paid to Ecclesiastical Insurance Office plc, owned by the Benefact Group.

6 Bonus payments for the FY23 performance period were paid in August 2023 after completion of the Audit process.

7 Includes pay in lieu of notice following resignation.



Governance | Remuneration Report continued

Notes to the single figure table for Executive Directors

Base salary

Base salary refers to salary before any salary exchange (for example, for pension contributions or BAYE participation).

A benchmarking exercise was conducted in June 2023. The Remuneration Committee considered the benchmarking alongside the following factors in considering the remuneration of the Executive Directors:

- that shareholders would expect care and discretion to be used in judging to what extent, and over what timeframe, adjustments should be made, recognising that significant increases had been implemented in the prior year;
- its remuneration principles, including the need to ensure its policy remains competitive and retains key talent;
- the performance of the Executive Directors; and
- the approach taken to remuneration for the wider workforce.

Base salaries for the Executive Directors will therefore remain unchanged from 1 July 2023:

Name	Base salary from 1 July 2022	Base salary from 1 July 2023
Dennis Schulz, CEO	—	£450,000
Andy Allen, CFO	£300,000	£300,000
Simon Bourne, CTO	£300,000	£300,000

Pension

During the year, the Group paid contributions to the pensions of Dennis Schulz, Andy Allen, Simon Bourne and Rachel Smith equivalent to 7% of base salary (before any salary exchange) in line with the terms available to the wider work force. The value stated represents the value of the Group's contribution and does not reflect any contribution made by the individual concerned through salary exchange.

Annual bonus

The annual bonus is the cash value of the annual bonus paid in respect of the year. It is based on the annual base salary (before any salary exchange) as at 1 July in the relevant financial year.

The Remuneration Committee's assessment of performance in FY23 is set out overleaf.

The Remuneration Committee takes into consideration wider performance before approving the formulaic outcomes from the incentive plans and applies its judgement by exercising upwards or downwards discretion when appropriate to do so. To assist it in determining whether adjustments are necessary, the Remuneration Committee applies a framework which considers performance from multiple perspectives including the underlying strength of results, the execution of strategic priorities, pay practices and outcomes for the wider workforce, and the returns to investors during the year.

In the year under review, the business had a highly disappointing overall financial performance. However, following the strategic reset in January 2023, a number of significant areas have made improvements and the engagement and drive of the Executive were noted. Following a holistic review of performance, noting that the Committee had not awarded any annual awards under the Company LTIP scheme, and recognising the improvements made by the executive team since the implementation of the strategic plan, the Committee was satisfied that the bonus outcomes were appropriate and that no adjustment to the formulaic outcome was necessary.

Annual bonuses payable to the Executive Directors for FY22 were paid fully in cash as follows:

Name	Maximum potential % of base salary	% of base salary achieved	Cash payment
Dennis Schulz, CEO	100%	100% <sup>(1)</sup>	£225,000
Andy Allen, CFO	60%	21%	£62,100
Simon Bourne, CTO	60%	21%	£62,100
Graham Cooley, former CEO <sup>(2)</sup>	100%	n/a	n/a
Rachel Smith, former Services Director <sup>(3)</sup>	60%	n/a	n/a

- Dennis Schulz was appointed effective 1 December 2022 and therefore his bonus was pro-rated to 50% to reflect his contribution during the year.
- Graham Cooley resigned effective 1 December 2022 and lost eligibility to participate in the annual bonus scheme for Executive Directors.
- Rachel Smith resigned effective 30 January 2023 and lost eligibility to participate in the annual bonus scheme for Executive Directors.

The performance target categories for the FY24 annual bonus (and associated weightings) are: financial (50%), strategic delivery (45%) and ESG (5%). The performance targets are measurable, challenging and subject to rigorous review by the Remuneration Committee. Subject to commercial sensitivity, we intend to provide an overview of the Remuneration Committee's assessment of performance against the underlying targets in next year's report. In addition, the Remuneration Committee has determined that it is appropriate to increase the maximum cap that can be earned under the annual bonus scheme by 25% in order to align with market rates. The additional 25% shall be delivered as deferred shares to encourage retention and shareholding and will be subject to the same performance criteria as the cash element of the scheme, and also subject to a two-year holding period.

## Governance | Remuneration Report continued

### Annual report on remuneration continued

#### Assessment of performance for FY23 bonus

Dennis Schulz's bonus was linked to individual performance measures that were focused on the development of the revised strategic priorities. This was considered to be crucial by the Remuneration Committee to ensure Dennis was motivated to review and revise the strategy to support the business to transition fully from an R&D company to a scalable manufacturer. Following assessment of these measures, the Committee was satisfied that these had been met in full and therefore the maximum potential award was approved.

All other Executive bonuses were assessed based on the following matrix:

Category	Metric	Weighting	Target	Performance assessment	Pay out
Financial	Revenue	12.5%	£30.8m	Revenue was £5.2m and so this target was not met.	0%
	Margin	12.5%	£(11)m	Margin delivered in year was £(68.5)m, therefore this target was not met.	0%
	Overheads	12.5%	–£35.2m	Overheads net of recoveries were delivered at £(26.9)m. This condition was met	12.5%
	Cash burn	12.5%	–£190.4m	A cash burn target of £190.4m was set at the beginning of the year. On assessment at year end, the Remuneration Committee revised this target to £115.5m to adjust for the cancellation of planned expenditure related to Aviation Park. As cash burn was £84m, this target was met.	12.5%
Technology and operations	Production, supply chain, product, and markets	20%	See performance assessment	Targets associated with the following were not met: <ul style="list-style-type: none"> <li>on time project delivery;</li> <li>further development of our containerised solution;</li> <li>test bay capacity; and</li> <li>broadening the number of territorial compliance standards met by our product suite.</li> </ul>	0%
ESG	ESG, health and safety	10%	See performance assessment	The ESG Committee determined targets that would: <ul style="list-style-type: none"> <li>drive continual improvement in our ESG deliverables (as measured by MSCI); and</li> <li>strengthen our HSE behaviours and metrics.</li> </ul> This target was partially met.	2.5%
Business development	Order intake	20%	200MW	A target was set to generate orders that would drive revenue by FY25. This target was partially met through the RWE Lingen 200MW order as not all of the project revenue will be recognised during the set performance window.	7%
Total					34.5%

#### Long-term incentive awards

##### ITM Power PLC Share Option Plan: EMI and Unapproved (SOP)

The SOP was introduced in 2010. Options were granted under the SOP as follows:

- EMI options granted under the SOP vested in three equal instalments on the first, second and third anniversaries of the date of grant and may be exercised up to the tenth anniversary of the date of grant.
- Unapproved options granted under the SOP before 2019 vested in three equal instalments on the first, second and third anniversaries of the date of grant and may be exercised up to the tenth anniversary of the date of grant.

- Unapproved options granted under the SOP in 2019 vest on the third anniversary of the date of grant and may be exercised up to the tenth anniversary of the date of grant.

There are no performance conditions for EMI options or unapproved options granted under the SOP.

No consideration is payable for the grant of awards under the SOP. The exercise price is the mid-market price of shares on AIM at the close of trading on the day before the grant of options.

No further awards will be granted under this plan.

Governance | Remuneration Report continued

The long-term incentive award value shown in the single total figure of remuneration for each Director relates to the value of awards granted under the terms of the SOP that vested during FY22. The stated value is calculated based on the number of shares that vested multiplied by the mid-market closing price for a share on the date of vesting. The values in the table for FY22 reflect: (i) the value of one third of the total share award granted in 2018, when our share price was significantly lower (around 30 pence per share); and (ii) the fact that the options were not subject to performance conditions.

Details of outstanding options granted under the SOP are provided in the Statement of Directors’ shareholding and share interests on page 82.

LTIP

The LTIP was introduced in 2020, when use of the SOP was discontinued. Vesting of awards occurs on the third anniversary of the date of grant, subject to continued employment and satisfaction of performance conditions. Performance conditions are set by the Remuneration Committee and awards granted to the wider workforce are subject to the same performance conditions as those applied to the Executive Directors. The performance conditions set stretching targets to drive future performance, aligned with our long-term strategy.

The Remuneration Committee may, in its discretion, adjust downwards the extent to which an award shall vest (including to zero) where overall Company performance over the duration of the performance period has not been deemed to be satisfactory.

Shares granted to Executive Directors under the terms of the LTIP are subject to a two-year holding period from the vesting date to the fifth anniversary of the date of grant. The holding period does not apply to the wider workforce. No consideration is payable for the grant of awards under the LTIP, which are structured as nominal cost options meaning the exercise price is £0.05 per share.

Considering the backdrop of the Company performance, a decision was made by the Remuneration Committee to not make any standard annual awards under the LTIP to any Executive during the year. It is expected that annual awards will resume during FY24 and a full review of the scheme design and performance criteria will be completed ahead of grant to ensure they align with the revised strategic objectives of the Group.

The Remuneration Committee did consider and approve a one-off discretionary award for Dennis Schulz as our new Chief Executive Officer. Dennis was granted a LTIP equivalent to 50% of base salary during the year plus an uplift to cover Employer’s National Insurance Contributions, which are passed on to the participant as permitted under UK legislation. The number of shares awarded was 253,515, calculated using a share price of £1.01, being the volume weighted average price for the last five days prior to the start of the performance period. The performance condition applying to this award compares the performance of the Company’s shareholder return with that of the performance of the AIM 50 Index over the applicable performance period. This discretionary award is subject to a 17-month vesting period to more closely reflect the performance horizon of the revised 12-month priorities announced in January 2023 and to align with the FY24 year end.

The performance period of the LTIP awards granted in 2020 ended on 31 April 2023. Following this the Remuneration Committee met to review if the performance condition (which related to total shareholder return when compared to the AIM 50 Index) had been met.

Following this assessment it was determined that the conditions had not been met. The awards made under the 2020 grant have therefore lapsed without value to participants. Details of outstanding options granted and outstanding under the LTIP are provided in the Statement of Directors’ shareholding and share interests on page 82.

Notes to the single figure table for Non-Executive Directors

Fees

The fees paid to Non-Executive Directors were reviewed during 2021. Following the review, it was considered appropriate to increase the base fee to align with the lower quartile of the market. The additional fee paid for chairing the Board Committees was not adjusted. No changes were made to fees when they were reviewed by the Chair of the Board and the CEO in the summer of 2023.

Fees paid to the Non-Executive Directors with effect from 1 July 2022 were:

Role	Current fees
Chair of the Board	£150,000
Base fee	
Independent Non-Executive Director	£51,000
Shareholder nominated Non-Executive Director	—
Chair of a Committee	
Audit, ESG, Remuneration and Strategic Advisory Committees	£10,000
Nomination and Technology Management Committees	—

Payments to past Directors

There were no payments to past Directors during the year.

Payments for loss of office

Dr Graham Cooley stepped down from the Board on 1 December 2022. Under the terms of his contract, he was contractually entitled to 12 months’ pay in lieu of notice. Graham also received a payment of £120,000 (equivalent of three months’ pay) which was approved by the Remuneration Committee as part of his financial settlement. All of Graham’s unvested awards lapsed immediately on termination from employment in line with the scheme rules.

Dr Rachel Smith received a £50,000 loss of office payment on termination from the Board which was approved by the Remuneration Committee. As Rachel remains employed by the Group her unvested awards were not affected as there was no break in employment.

## Governance | Remuneration Report continued

### Annual report on remuneration continued

#### Statement of Directors' shareholding and share interests Directors' share awards and long-term incentive awards

Name	Plan name	Award date	Shares under option at 01/05/22	Granted	Exercised	Lapsed	Shares under option at 30/04/23	Exercise price	Vesting date	Expiry date
Dennis Schulz <sup>(1)</sup>	LTIP	13/01/23	—	253,515	—	—	253,515	£0.05	30/4/2024	13/01/33
	<b>Total</b>		<b>—</b>	<b>253,515</b>	<b>—</b>	<b>—</b>	<b>253,515</b>			
Andy Allen, CFO	SOP <sup>(1)</sup>	14/08/18	666,667	—	—	—	666,667	£0.30	<sup>1</sup> / <sub>2</sub> : 14/08/20 <sup>1</sup> / <sub>2</sub> : 14/08/21	14/08/28
	SOP <sup>(1)</sup>	24/10/19	47,250	—	—	—	47,250	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	52,478	—	—	52,478 <sup>(5)</sup>	—	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	45,919	—	—	45,919 <sup>(5)</sup>	—	£0.05	13/11/23	13/11/30
	LTIP	16/12/21	86,650	—	—	—	86,650	£0.05	16/12/24	16/12/31
	<b>Total</b>		<b>898,964</b>	<b>—</b>	<b>—</b>	<b>98,397</b>	<b>800,567</b>			
Simon Bourne, CTO	SOP <sup>(1)</sup>	14/08/18	1,166,667	—	—	—	1,166,667	£0.30	<sup>1</sup> / <sub>2</sub> : 14/08/20 <sup>1</sup> / <sub>2</sub> : 14/08/21	14/08/28
	SOP <sup>(1)</sup>	24/10/19	159,750	—	—	—	159,750	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	77,530	—	—	77,530 <sup>(5)</sup>	—	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	67,839	—	—	67,839 <sup>(5)</sup>	—	£0.05	13/11/23	13/11/30
	LTIP	16/12/21	86,650	—	—	—	86,650	£0.05	16/12/24	16/12/31
	<b>Total</b>		<b>1,558,436</b>	<b>—</b>	<b>—</b>	<b>145,369</b>	<b>1,413,067</b>			
Graham Cooley, former CEO <sup>(2)</sup>	SOP <sup>(1)</sup>	14/08/18	3,000,000	—	3,000,000	—	—	£0.30	<sup>1</sup> / <sub>3</sub> : 14/08/19 <sup>1</sup> / <sub>3</sub> : 14/08/20 <sup>1</sup> / <sub>3</sub> : 14/08/21	14/08/28
	SOP <sup>(1)</sup>	24/10/19	307,500	—	307,500	—	—	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	100,912	—	—	100,912 <sup>(3)</sup>	—	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	88,298	—	—	88,298 <sup>(2)</sup>	—	£0.05	13/11/23	13/11/30
	LTIP	16/12/21	121,310	—	—	121,310 <sup>(3)</sup>	—	£0.05	16/12/24	16/12/31
	<b>Total</b>		<b>3,618,020</b>	<b>—</b>	<b>3,307,500</b>	<b>310,520</b>	<b>—</b>			
Rachel Smith, former Services Director <sup>(4)</sup>	SOP <sup>(1)</sup>	14/08/18	833,334	—	—	—	833,334	£0.30	<sup>1</sup> / <sub>2</sub> : 14/08/20 <sup>1</sup> / <sub>2</sub> : 14/08/21	14/08/28
	SOP <sup>(1)</sup>	24/10/19	72,000	—	—	—	72,000	£0.48	24/10/22	24/10/29
	LTIP	22/10/20	52,415	—	—	52,415	—	£0.05	22/10/23	22/10/30
	LTIP	13/11/20	45,863	—	—	45,863	—	£0.05	13/11/23	13/11/30
	LTIP	16/12/21	66,431	—	—	—	66,431	£0.05	16/12/24	16/12/31
	<b>Total</b>		<b>1,070,043</b>	<b>—</b>	<b>—</b>	<b>98,278</b>	<b>971,765</b>			

1 SOP awards described here are all unapproved options granted under a plan adopted in 2010, when our share price was significantly lower. Unlike awards granted under the terms of the LTIP, they are not subject to performance conditions.

2 Graham Cooley stood down from the Board effective 1 December 2022. All shares under option that had not yet vested at the time of his departure lapsed in line with the scheme rules.

3 Dennis Schulz was appointed effective 1 December 2022.

4 Rachel Smith resigned effective 30 January 2023.

5 The performance conditions of the 2020 LTIP awards were determined to have not been met by the Remuneration Committee. As a result these options have lapsed for all participants.

## Governance | Remuneration Report continued

### Directors' interests in shares of the Company

	Shares beneficially owned at 30 April 2023	Options vested but not exercised	Shareholding as a percentage of base salary <sup>(1)</sup>
<b>Executive Directors</b>			
Dennis Schulz, CEO <sup>(4)</sup>	45,460	—	9.09%
Graham Cooley, former CEO <sup>(3)</sup>	2,155,811 <sup>(2)</sup>	—	457.73%
Andy Allen, CFO	89,588 <sup>(2)</sup>	666,667	291.96%
Simon Bourne, CTO	116,978 <sup>(2)</sup>	1,166,667	448.36%
Rachel Smith, former Services Director <sup>(5)</sup>	466,610 <sup>(2)</sup>	833,334	428%
<b>Non-Executive Directors</b>			
Sir Roger Bone, Chair	286,236	n/a	n/a
Martin Green	64,319	n/a	n/a
Jürgen Nowicki	—	n/a	n/a
Katherine Roe	12,659	n/a	n/a

1 Base salary is as at 30 April 2023. Shares are valued as follows:

- Shares that are beneficially owned are valued at the price at which they were acquired.
  - Options that have vested but not been exercised are valued at the mid-market closing price of the shares on the date of vesting, less the exercise price and deductions for tax and social security contributions. Once they are exercised, they are included in the shares beneficially owned and valued at the share price on the date of exercise.
- 2 Includes shares held in the BAYE. As at 30 April 2023, each of the directors (excluding Dennis Schulz) held 2,405 shares they had purchased and 2,405 matching shares awarded to them by the Company. Shares acquired through the BAYE are held in a trust until a request is received to withdraw them or a participant leaves the Group's employment. Matching shares are forfeited if the participant leaves or withdraws the associated purchased shares from the trust within three years of the matching shares being acquired, except in specific leaving circumstances. Dennis Schulz intends to join the scheme on conclusion of the year end results.
- 3 Graham Cooley resigned effective 1 December 2022.
- 4 Dennis Schulz was appointed effective 1 December 2022.
- 5 Rachel Smith resigned effective 30 January 2023 and was no longer subject to the shareholding policy.

### Dilution

SOP and LTIP awards can be satisfied using new issue shares, shares held in treasury or market purchase shares. The Remuneration Committee reviews the dilution position of the Company prior to granting share awards.

In line with best practice, the Remuneration Committee ensures that the number of new ordinary shares issued in any 10-year period does not exceed 10% of the Company's issued share capital under all the Company's share plans and does not exceed 5% under the SOP and the LTIP in aggregate.

Currently, new issue shares are used to satisfy options granted under the terms of the SOP and the LTIP when they are exercised.

### Executive Directors' service contracts

Each Executive Director has a signed service contract that terminates on 12 months' notice.

The Directors' service contracts are available to view at the Company's registered office and prior to each AGM at the venue for the meeting.

The contracts contain restrictive covenants for periods of up to six months post-employment relating to non-competition and non-solicitation of the Group's customers, suppliers and employees and indefinitely with respect to confidential information. In addition, they provide for the Group to own any intellectual property rights created by the Directors in the course of their employment.

Each Executive Director's service contract includes a right for the Group to terminate the agreement and make a payment of base salary in lieu of the notice period. There are no contractual rights to additional compensation at termination.

### Advisors to the Committee

During the year, the Remuneration Committee did not engage the services of any remuneration consultants.

The Remuneration Committee also receives advice from the Company Secretary.

### Where to find additional disclosures

Disclosure	Location
Attendance at Remuneration Committee meetings	Meeting attendance table in the Corporate Governance Report on page 61
Detailed assumptions used in calculating the fair value of options	Note 25 to the Consolidated Financial Statements

## Governance | Directors' Report

The Directors of the Company present their report, together with the audited Consolidated Financial Statements, for FY22.

This Directors' Report has been prepared in accordance with the Companies Act. Additional information and disclosures, as required by the Companies Act, are included elsewhere in this Annual Report and are incorporated into this Directors' Report by reference in the following table:

Disclosure	Location	Page(s)
Names of Directors during the year	Board of Directors	56 to 57
Review of likely future developments	CEO's Review CFO's Review	10 to 12 13 to 15
Post-balance sheet events	CFO's Review Note 34 to the Consolidated Financial Statements	15 116
Workforce engagement	Our Stakeholders and Section 172(1) Statement Sustainable Energy, Engineered Sustainably	24 to 28 39 to 43
Information on the employment and training of disabled people	Directors report	85
Business relationships with suppliers, customers, and others	Our Stakeholders and Section 172(1) Statement	44 to 46
GHG emissions	Sustainable Energy, Engineered Sustainably	37
Corporate governance arrangements	Corporate Governance Report Audit Committee Report Remuneration Report	59 to 64 67 to 71 72 to 83
Financial instruments and financial risk management	Note 31 to the Consolidated Financial Statements	114 to 115
Related party transactions	Note 32 to the Consolidated Financial Statements	116
Disclosure of information to the external auditor	Directors' Responsibilities Statement	86

### Dividend

The Directors do not recommend payment of a dividend.

### Directors' indemnity arrangements

Qualifying third-party indemnities were in place throughout FY23, and remain in place as at the date of this Annual Report. Under these indemnities, the Company has agreed to indemnify the Directors of the Company, to the extent permitted by law, against losses and liabilities that may be incurred in executing the powers and duties of their office.

### Political donations

The Group made no political donations or contributions during the year (2022: nil). It is our policy not to make political donations or incur political expenditure.

### Research and development (R&D)

During the year the Group incurred R&D-related costs of £1.7m (2022: £1.4m). The Group's R&D is focused on achieving our main aims: (1) new manufacturing processes for cost cutting and mass production; (2) improving cell efficiency; (3) improving stack life and reducing degradation; and (4) scale-up and product life cycle.

### Domicile

The Company was incorporated in England and Wales under the Companies Act. It is registered at Companies House under number 5059407.

### Shares

#### Share capital

As at the date of this Annual Report, the Company's share capital consists of 616,465,655 issued and fully paid ordinary shares of 5p each. The shares are admitted to trading on AIM. Shares may be held in certificated or uncertificated form. Further details of the Company's issued share capital, including changes during the year, can be found in Note 25 to the Consolidated Financial Statements on page 112.

#### Rights and obligations attaching to shares

The rights and obligations attaching to the Company's ordinary shares are contained in the Company's Articles of Association and the Companies Act. In summary:

- The ordinary shares allow holders to receive dividends and to exercise one vote on a poll per ordinary share for every holder present in person or by proxy at general meetings of the Company.
- Shares held in treasury are not entitled to vote or receive dividends.

There is no ownership ceiling.

#### Restrictions on transfer of securities

There are no restrictions on the transfer or sale of ordinary shares and no requirements for prior approval of any transfers, except:

- Under the Company's Articles of Association, the Directors have the power to suspend voting rights and the right to receive dividends in respect of ordinary shares and to refuse to register a transfer of ordinary shares in circumstances where the holder of those shares fails to comply with a notice issued under Section 793 of the Companies Act.
- The Directors also have the power to refuse to register any transfer of certificated shares that does not satisfy the conditions set out in the Articles of Association.

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer or voting rights in relation to the shares held by such shareholders.

#### Employee share schemes

Shares issued under the Company's employee share schemes rank pari passu with the existing shares of the Company. Voting rights attached to shares held on trust on behalf of participants in the BAYE are exercised by the trustee as directed by the participants.

## Governance | Directors' Report continued

### Significant shareholdings

Notification has been received of the following interests of significant shareholders that equal or exceed a 3% interest in the issued share capital of the Company:

Investor	At 30 April 2023		At 17 August 2023	
	Number of ordinary shares	% of issued share capital	Number of ordinary shares	% of issued share capital
Linde UK Holdings	100,000,000	16.22	100,000,000	16.22
DWP Bank	42,071,797	6.82	42,071,797	6.82
Hargreaves Lansdown	38,528,628	6.25	38,528,628	6.25
JCB Research	38,325,115	6.22	36,750,115	5.96
Mr Peter Hargreaves	27,686,070	4.49	27,686,070	4.49
Interactive Investor	23,918,432	3.88	23,918,432	3.88
Legal & General Investment	20,516,120	3.33	20,516,120	3.33
ING-DiBa	19,665,581	3.19	19,665,581	3.19

The Directors have been notified that 16.30% of the shares in issue were not in public hands as at 30 April 2023 and 16.30% of the shares in issue are not in public hands as at the date of this Annual Report.

### Share buy-backs

The Directors have not sought authority to buy back the Company's shares and the Company has not purchased any of its own shares. No shares are held in treasury.

### External auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor. The Directors intend to recommend a resolution to reappoint Grant Thornton UK LLP at the Company's next Annual General Meeting.

It is the policy of the Company that all employees shall be given equal opportunities in all areas of employment.

### Employees with disabilities

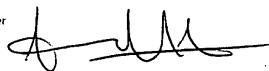
Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Financial instruments

Details of the use of financial instruments and financial risk management are included in Note 31 to the financial statements contained in this Annual Report and Accounts 2023, which are incorporated by reference into this Directors' Report.

Approved by the Board and signed on its behalf by:

Andy Allen  
Chief Financial Officer  
17 August 2023



## Governance | Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act as applicable to companies reporting under those standards. They have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs and profit or loss of the Company and the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

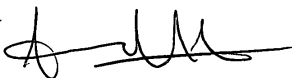
Legislation, regulation and practice in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, whose names and functions are set out on pages 56 to 57, confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's external auditor is unaware; and
- the Directors have each taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Approved by the Board and signed on its behalf by:

**Andy Allen**  
Chief Financial Officer  
17 August 2023





Financial Statements | Independent Auditor’s Report to the Members of ITM Power PLC

Opinion

**Our opinion on the financial statements is unmodified**

We have audited the financial statements of ITM Power PLC (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 30 April 2023, which comprise the Consolidated Income Statement and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Statement of Changes in Equity, Company Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 ‘Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 30 April 2023 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s and the parent company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors’ assessment of the group’s and the parent company’s ability to continue to adopt the going concern basis of accounting included obtaining management’s base case and sensitised cashflow forecasts to 31 August 2024, along with challenge and assessment of the inputs into the forecasts.

Management’s going concern assessment is based on the expected costs compared to the cash held. We evaluated management’s base case scenario and the severe sensitivities that were applied to these. We also applied additional, severe sensitivities to check the extent of overspend required to eliminate a significant proportion of headroom in the base case. We inspected capital and lease commitments entered into and costs expected to be incurred to check that these have been appropriately incorporated into the forecasts and that there was sufficient cash in hand to cover these costs for the going concern period.

We assessed the projected cash flows in management’s forecasts for the going concern assessment period by reference to our expectations formed from the audit work performed on contracts and by comparing forecast cash costs to those incurred in previous years. We have confirmed the cash held by the group at 30 April 2023 and compared this to the cash requirements indicated in management’s forecasts, noting that the balance held is significantly higher than forecasted costs.

In our evaluation of the directors’ conclusions, we considered the inherent risks associated with the group’s and the parent company’s business model including effects arising from macro-economic uncertainties such as inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group’s and the parent company’s financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s and the parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

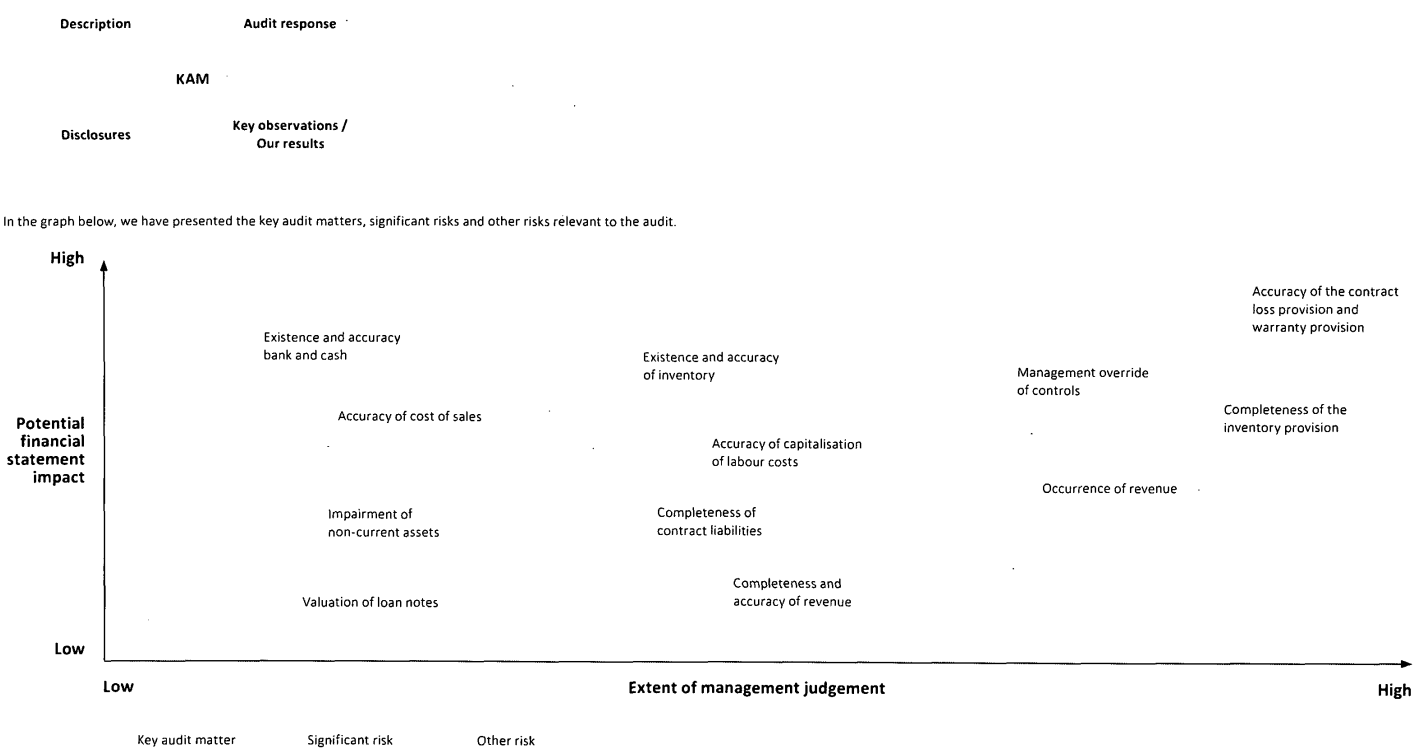
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

		Overview of our audit approach
		Overall materiality: Group: £2,800,000, which represents approximately 5% of the group’s three-year average loss before tax.
		Parent company: £2,240,000, which represents approximately 0.5% of the parent company’s total assets.
Materiality	Key audit matters	Key audit matters were identified as: <ul style="list-style-type: none"><li>Accuracy of the contract loss provision and warranty provision (This has been extended in the current year to include the warranty provision); and</li><li>Completeness of the inventory provision (new in the current year).</li></ul>
	Scoping	Our auditor’s report for the year ended 30 April 2022 included one key audit matter that has not been reported as a key audit matter in our current year report. This relates to inappropriate recognition of revenue which is no longer considered a key audit matter, as the amount of revenue recognised in the current period has reduced relative to materiality and our understanding of the point in time recognition of revenue has increased.
		Scoping has been determined to ensure appropriate coverage of the group significant risks, and key financial statement line items. The coverage of key financial statement line items in significant components and where specific audit procedures were performed were: <ul style="list-style-type: none"><li>Loss before tax 98% (2022: 93%)</li><li>Revenue 95% (2022: 95%)</li></ul>

Financial Statements | Independent Auditor’s Report to the Members of ITM Power PLC continued

**Key audit matters**  
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Financial Statements | Independent Auditor's Report to the Members of ITM Power PLC continued

### Key audit matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group
<p><b>Accuracy of the contract loss provision and warranty provision</b></p> <p>We identified the accurate recognition of the contract loss provision and warranty provision as one of the most significant assessed risks of material misstatement due to error. This is because of the management judgement and estimation needed to assess the provisions. The contract loss and warranty provisions recorded in the financial statements is £46.5 million (2022: £15.4 million). Most of the contracts that ITM Power have entered are loss making. There is a significant level of judgement in calculating future expected costs on the contracts as the contracts have been bespoke in nature. The impact of incorrect assessment of these costs is the potential for immediate recognition of future losses. As these are typically multi-year projects, the estimate around forecasting losses is sensitive and has the potential for material error.</p> <p>There is a significant level of management judgement and estimation in calculating future expected warranty costs on the contracts as there is limited data available for the performance of these first-of-kind products. Where the contract is loss making, the warranty provision is recognised within the contract loss provision. As these contracts can be individually significant, the estimate around forecasting warranty costs is sensitive and has the potential for material error.</p> <p>Warranty provisions are included within the contract loss provision until control of the goods has passed to the customer.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of the controls over the determination and recording of the contract loss and warranty provisions;</li> <li>Obtained management's schedule of contract loss and warranty provisions;</li> <li>Challenged the assumptions relating to the warranty provisions by comparing the data for warranty repairs to the percentages applied in the provision;</li> <li>Recalculated the warranty provision based on management's assumptions and re-performed sensitivity analysis;</li> <li>Made enquiries of the specific project managers to obtain an understanding of their process and methods of estimating costs to complete. We assessed whether there were indicators of management bias in the assumptions used and corroborated estimates based on prior experience to historic data;</li> <li>Obtained post year end schedules for total expected costs to identify whether the costs used in assessing contract losses were appropriate. We assessed if forecast costs to complete increased significantly and where they had, corroborated management's explanations for the changes;</li> <li>Compared the total expected costs by contract from the year end to the previous year end, obtaining explanations for movements in order to assess the historical accuracy of forecasting;</li> <li>Obtained supporting evidence, such as purchase orders and supplier quotations for a sample of forecast costs to complete;</li> <li>Considered and assessed the allocation between the contract loss and warranty provision;</li> <li>Agreed a sample of inputs to the warranty calculation to supporting evidence; and</li> <li>Assessed the adequacy of the financial statement disclosures.</li> </ul>
<p><b>Relevant disclosures in the Annual Report and Accounts 2023</b></p> <ul style="list-style-type: none"> <li>Financial statements: Note 4, Critical accounting judgements and key sources of estimation uncertainty and Note 23, Provisions</li> <li>Audit committee report: Page 69, Significant accounting judgements and estimates</li> </ul>	<p><b>Our results</b></p> <p>Based on our audit work addressing the risk of inaccurate recognition of the contract loss and warranty provisions, we are satisfied that assumptions made by management in recording the contract loss and warranty provisions are appropriate, and their recognition is in accordance with the financial reporting framework, including IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRS 15 'Revenue from Contracts with Customers'.</p>
<p><b>Completeness of the inventory provision</b></p> <p>We identified incomplete recognition of the provision in relation to inventory as one of the most significant assessed risks of material misstatement due to error. This is because of the judgement needed to assess the inventory provision. The inventory provision recorded in the financial statements is £17.8 million (2022: £2.7 million).</p> <p>ITM Power have entered into, and completed, contracts for first-of-kind products which are being discontinued and future support being withdrawn. As most of the contracts that ITM Power have entered into have been loss making, this casts doubt over the net realisable value of inventory held.</p> <p>As the gross value of inventory has significantly increased, the estimate around inventory provisioning is sensitive and has the potential for material error.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of the controls over the determination and recording of the inventory provision</li> <li>Compared the gross inventory balance used to determine the inventory provision to the inventory ledger;</li> <li>Considered the appropriateness of the methodology applied by management to assign items into the active, development, discontinued and redundant categories and challenged management on the provision percentages applied to these items;</li> <li>Assessed how management identify slow moving or excess inventory quantities and challenged how the provision for these items was determined;</li> <li>Recalculated the inventory provision based on management's assumptions;</li> <li>Assessed management's ability to forecast accurately through evaluating the appropriateness of the provisioning methodology by testing inventory utilisation in the year to the brought forward provision;</li> <li>Assessed our enquiries of specific project managers and additional costs incurred to determine the completeness of the inventory provision. We challenged project managers assertions with this information and where relevant, we corroborated explanations received to supporting documentation;</li> <li>Assessed management's consideration of the estimation uncertainty within the inventory obsolescence provisioning, by reviewing management's sensitivity; and</li> <li>Assessed the adequacy of the financial statement disclosures.</li> </ul>

## Financial Statements | Independent Auditor's Report to the Members of ITM Power PLC continued

### Key audit matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group
<b>Relevant disclosures in the Annual Report and Accounts 2023</b> <ul style="list-style-type: none"> <li>Financial statements: Note 4, Critical accounting judgements and key sources of estimation uncertainty</li> <li>Audit committee report: Page 69, Significant accounting judgements and estimates</li> </ul>	<b>Our results</b> Based on our audit work addressing the incomplete recognition of the provision in relation to inventory, we are satisfied that the estimates made by management in recognising the inventory provision were appropriate and in accordance with the financial reporting framework, including IAS 37, and we did not identify any material misstatements in the inventory provision recognised.

No additional key audit matters were identified in respect of the parent company.

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

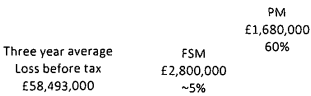
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£2,800,000, which represents approximately 5% of the group's three-year average loss before tax.	£2,240,000, which represents approximately 0.5% of the parent company's total assets.
Significant judgements made by auditor in determining materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>The profitability of the group is a key measure in the group's ability to deliver additional value and is therefore the most appropriate measure. We have used a three year average due to the fluctuations in the profitability of the group and the life cycle for contracts; and</li> <li>5% has been applied as a reasonable percentage having considered regulator expectations and other market participants in comparable industries.</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 April 2022 to reflect the increase in the appropriate benchmark, loss before tax.</p>	<p>In determining materiality, we made the following significant judgement:</p> <ul style="list-style-type: none"> <li>We determined an asset based measure was most appropriate as the company is a vehicle to hold investments in the group undertakings, as well as to provide financing to group undertakings; and</li> <li>0.5% has been applied as a reasonable percentage having considered regulator expectations and other market participants in comparable industries.</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 30 April 2022 to reflect the increase in the percentage benchmark applied.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1,680,000, which is 60% of financial statement materiality.	£1,344,000, which is 60% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgement: <ul style="list-style-type: none"> <li>The number and quantum of errors identified in the prior year along with control deficiencies identified.</li> </ul>	In determining performance materiality, we made the following significant judgement: <ul style="list-style-type: none"> <li>The number and quantum of errors identified in the prior year along with control deficiencies identified.</li> </ul>
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> <li>Directors' remuneration; and</li> <li>Related party transactions.</li> </ul>	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> <li>Directors' remuneration; and</li> <li>Related party transactions.</li> </ul>
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£140,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£112,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Financial Statements | Independent Auditor's Report to the Members of ITM Power PLC continued

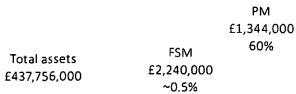
Our application of materiality continued

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- the engagement team obtained an understanding of the group's organisational structure on the scope of the audit, for example the level of centralisation of the group control function; and
- we performed walkthroughs of key areas of focus, including significant risks, in order to confirm our understanding of the control environment across the group.

Identifying significant components

- the engagement team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's loss before tax and qualitative factors, such as the component's specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- audit of the financial information of the component materiality (full-scope audit) procedures were performed on the financial information of two components. These procedures included a combination of tests of details and analytical procedures.
- audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) procedures were carried out on a further one component using group materiality. These procedures included a combination of tests of details and analytical procedures and were designed to increase coverage of the group's financial statement line items.
- for the 4 components that were not individually significant to the group, we carried out analytical procedures. Where there were material balances in these components that affect the group, we performed procedures on those balances to determine whether there was evidence of material misstatement.
- All procedures were performed by the group audit team.

Performance of our audit

- the going concern assessment was tested as part of our work at a group and parent company level.
- the accuracy of the contract loss provision and warranty provision and the completeness of the inventory provision key audit matters were addressed with the full-scope and specific-scope audit procedures across the components per the scope described above.
- audit procedures across all components were performed by the group engagement team in accordance with the scope described. There were no component engagement teams engaged to support the group engagement team.
- As part of our planning procedures, we reviewed the group's internal control environment including its IT systems and controls to inform our risk assessment. Our audit testing approach was substantive.

Changes in approach from previous period

- The full-scope components remain the same as the previous year.
- One specific scope entity has been removed in the current year as it is no longer a subsidiary of the group following the sale of half of the share capital to a third party. One component has been included as a specific scope location in the current year as it has generated revenue and had not done so last year.

Audit approach	No. of components	Coverage of loss before tax	Coverage of revenue
Full-scope audit	2	97%	50%
Specific-scope audit	1	1%	45%
Analytical procedures	4	2%	5%

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Financial Statements | Independent Auditor's Report to the Members of ITM Power PLC continued

### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 86, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our commercial and sector experience, through discussion with the directors and the Audit Committee, and from inspection of the group's board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations across the Group with the directors and the Audit Committee;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting frameworks (UK-adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, and the Companies Act 2006), as well as the relevant tax regulations and data protection laws;

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet;
  - potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of non-current assets and in the case of the parent company, investments in subsidiaries; and
  - transactions with related parties.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the applicable statutory provisions
  - the entity's control environment, including the relevant legislation, rules and other regulations of the regulator, the procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the client operates
  - understanding of the legal and regulatory requirements specific to the entity including:
  - the provisions of the applicable legislation
  - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
  - the applicable statutory provisions

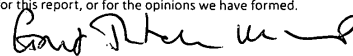
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### David White

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Sheffield  
17 August 2023



Financial Statements | Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 30 April 2023

	Note	2023		2022	
		£000	£000	Restated £000	Restated £000
Revenue	5		5,229		5,627
Cost of sales	6		(84,294)		(29,104)
Gross loss			(79,065)		(23,477)
Administrative expenses	6		(26,222)		(21,819)
Other income – government grants	5		1,574		560
Loss from operations	6		(103,713)		(44,736)
Share of loss of associate companies and joint ventures	12		(1,567)		(10)
Finance income	9		4,652		325
Finance costs	9		(541)		(532)
Loss on deemed disposal of subsidiary	12		—		(1,710)
Loss before tax			(101,169)		(46,663)
Tax	10		(32)		(31)
Loss for the year			(101,201)		(46,694)
Other total comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences on foreign operations		160		(71)	
Net other total comprehensive income			160		(71)
Total comprehensive loss for the year			(101,041)		(46,765)
Basic and diluted loss per share	11		(16.5p)		(8.1p)

All results presented above are derived from continuing operations and are attributable to owners of the Company.

In the prior year, Operating costs previously presented as Research and development, Production and engineering, Sales and marketing, Administration expenses and Expected credit loss have been aggregated into Administrative expenses to present costs by function. A breakdown of costs by nature continues to be disclosed separately in Note 6.

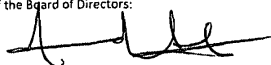
The notes on pages 97 to 116 form part of these financial statements.

## Financial Statements | Consolidated Balance Sheet as at 30 April 2023

	Note	2023 £000	2022 £000
<b>Non-current assets</b>			
Investments in associate and joint venture	12	379	1,662
Loan notes	13	—	1,548
Intangible assets	14	11,475	9,081
Right of use assets	15	6,934	6,454
Property, plant and equipment	16	20,489	15,637
Financial asset at amortised cost	31	174	161
<b>Total non-current assets</b>		<b>39,451</b>	<b>34,543</b>
<b>Current assets</b>			
Inventories	17	58,840	32,198
Trade and other receivables	19	19,657	25,542
Cash and cash equivalents	20	282,557	365,882
		361,054	423,622
Assets held for sale	21	1,814	—
<b>Total current assets</b>		<b>362,868</b>	<b>423,622</b>
<b>Current liabilities</b>			
Trade and other payables	22	(46,081)	(34,296)
Provisions	23	(17,893)	(15,207)
Lease liability	24	(943)	(626)
<b>Total current liabilities</b>		<b>(64,917)</b>	<b>(50,129)</b>
<b>Net current assets</b>		<b>297,951</b>	<b>373,493</b>
<b>Non-current liabilities</b>			
Lease liability	24	(6,866)	(6,522)
Provisions	23	(35,028)	(6,561)
<b>Total non-current liabilities</b>		<b>(41,894)</b>	<b>(13,083)</b>
<b>Net assets</b>		<b>295,508</b>	<b>394,953</b>
<b>Equity</b>			
Called up share capital	25	30,823	30,658
Share premium account	25	542,593	542,323
Merger reserve	25	(1,973)	(1,973)
Foreign exchange reserve	25	172	12
Retained loss	25	(276,107)	(176,067)
<b>Total equity</b>		<b>295,508</b>	<b>394,953</b>

The notes on pages 97 to 116 form part of these financial statements. The financial statements of ITM Power PLC, registered number 05059407, were approved by the Board of Directors and authorised for issue on 17 August 2023. Signed on behalf of the Board of Directors:

Andy Allen  
Director





## Financial Statements | Consolidated Statement of Changes in Equity for the year ended 30 April 2023

	Note	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign exchange reserve £000	Retained loss £000	Total equity £000
<b>At 1 May 2021</b>	25	27,533	302,248	(1,973)	83	(130,444)	197,447
<b>Transactions with owners</b>							
Issue of shares	25	3,125	240,075	—	—	—	243,200
Credit to equity for share-based payment		—	—	—	—	1,071	1,071
<b>Total Transactions with owners</b>		3,125	240,075	—	—	1,071	244,271
Loss for the year		—	—	—	—	(46,694)	(46,694)
Other comprehensive loss	25	—	—	—	(71)	—	(71)
<b>Total comprehensive loss</b>		—	—	—	(71)	(46,694)	(46,765)
<b>At 1 May 2022</b>	25	30,658	542,323	(1,973)	12	(176,067)	394,953
<b>Transactions with owners</b>							
Issue of shares	25	165	270	—	—	—	435
Credit to equity for share-based payment		—	—	—	—	1,161	1,161
<b>Total Transactions with owners</b>		165	270	—	—	1,161	1,596
Loss for the year		—	—	—	—	(101,201)	(101,201)
Other comprehensive income	25	—	—	—	160	—	160
<b>Total comprehensive loss</b>		—	—	—	160	(101,201)	(101,041)
<b>At 30 April 2023</b>	25	<b>30,823</b>	<b>542,593</b>	<b>(1,973)</b>	<b>172</b>	<b>(276,107)</b>	<b>295,508</b>

The notes on pages 97 to 116 form part of these financial statements.

## Financial Statements | Consolidated Cash Flow Statement for the year ended 30 April 2023

	Note	2023 £000	2022 £000
<b>Net cash used in operating activities</b>	27	<b>(72,554)</b>	<b>(38,155)</b>
<b>Investing activities</b>			
Investment in joint venture/associate	12	(472)	(1,838)
Cash flows arising from loss of control of subsidiary		—	(993)
Loan notes (loan to joint venture)	13	—	(1,899)
Purchases of property, plant and equipment		(8,553)	(4,119)
Capital grants received against purchases of non-current assets		124	150
Proceeds on disposal of property, plant and equipment		—	352
Payments for intangible assets		(6,562)	(7,036)
Interest received		4,562	304
<b>Net cash used in investing activities</b>		<b>(10,901)</b>	<b>(15,079)</b>
<b>Financing activities</b>			
Issue of ordinary share capital		1,048	250,000
Costs associated with previous equity raise		(612)	(6,800)
Payment of lease liabilities	24	(531)	(69)
<b>Net cash (used in)/from financing activities</b>		<b>(95)</b>	<b>243,131</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(83,550)</b>	<b>189,897</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>365,882</b>	<b>176,078</b>
<b>Effect of foreign exchange rate changes</b>		<b>225</b>	<b>(93)</b>
<b>Cash and cash equivalents at the end of year</b>		<b>282,557</b>	<b>365,882</b>

The notes on pages 97 to 116 form part of these financial statements.

## Financial Statements | Notes to the Consolidated Financial Statements

### 1. General information

ITM Power PLC is a public company incorporated in England and Wales under the Companies Act 2006. The registered office is at 2 Bessemer Park, Sheffield, South Yorkshire, S9 1DZ. The nature of the operations and principal activities of the Company and its subsidiaries (together “the Group”) are disclosed in the Strategic Report.

These financial statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Group operates.

### 2. Adoption of new and revised standards

#### Amendments to International Financial Reporting Standards (IFRSs) that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (IASB):

- IFRS 3 Amendments to References to the Conceptual Framework (effective for periods beginning on or after 1 January 2022);
- IAS 16 Amendments to Property, Plant and Equipment – Proceeds before Intended Use (effective for periods beginning on or after 1 January 2022);
- IAS 37 Amendments to Onerous Contracts – Cost of Fulfilling a Contract (effective for periods beginning on or after 1 January 2022); and
- Annual Improvements to IFRS Standards 2018-2020, affecting IFRS 1, IFRS 9, IFRS 16 and IFRS 41 (effective for periods beginning on or after 1 January 2022).

These standards have not had a material impact on the entity in the current reporting period.

#### New and revised IFRSs in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions:

- IAS 1 Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023);
- IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies from Significant to Material (effective for periods beginning on or after 1 January 2023); and
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for periods beginning on or after 1 January 2023).

### 3. Significant accounting policies

#### Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared under the assumption that the Group operates on a going concern basis and on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at that time.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these

Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year. Control is achieved when the Company:

- has power over the investee; .
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company ceases to have control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of the subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Financial Statements | Notes to the Consolidated Financial Statements continued

3. Significant accounting policies continued

Going concern

The Directors have prepared a cash flow forecast for the period from the balance sheet date until 31 August 2024. This forecast indicates that the Group would expect to remain cash positive without the requirement for further fundraising based on delivering the existing pipeline.

By the end of the period analysed, the Group is forecast to hold significant cash reserves. This should give the business sufficient funds to trade for the going concern period if the business continues according to its medium-term business plan.

The business continues in a cash outflow position, using funding generated from previous fundraises. As such, this cash flow forecast was stress-tested, both for a worst-case scenario of no receipts and inflationary pressures on utilities and purchases. In all the scenarios tested, the business would remain cash positive for the 12 months from the date of approval of these financial statements.

The accounts have therefore been prepared on a going concern basis.

Revenue recognition

Product sales

ITM Power undertakes sales of three main products (containerised plug and play systems, electrolyser units or stack and skid solutions) that involve manufacture followed by varying degrees of integration, installation and commissioning over a period of several months. Systems are quoted to the customer as a single value or as individual units, stacks or skids. Both types of sale will be split into agreed payment milestones to facilitate cash flow. Performance obligations are identified according to the separability of the items being provided. Any ancillary requests, e.g. for training, will be treated as separate performance obligations if they can be separately identified and measured and the revenue value is also quoted separately.

Under IFRS 15, a performance obligation is satisfied over time if one of the following criteria is met:

- a) the customer simultaneously receives and consumes the benefits provided by the seller's performance as the seller performs;
- b) the seller's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the seller's performance does not create an asset with an alternative use to the seller and the seller has an enforceable right to payment for performance completed to date.

Revenue from product sales, which do not meet the first two criteria, will therefore be treated differently depending on whether the product is standard or bespoke in reference to point (c) above:

- Bespoke contracts by their nature do not create an asset with an alternative use to the seller; some have traceability requirements attached to them that would prevent them being diverted during production whilst others are simply bespoke to the customer's requirements and therefore would not meet the needs of, or be easily converted for use on, another project. There is also an enforceable right to payment for performance completed to date if the contract is terminated by the customer for reasons other than ITM Power's failure to perform as promised. Revenues for bespoke contracts will therefore be recognised over time according to how much of the performance obligation has been satisfied. This is measured using the input method, comparing the extent of inputs towards satisfying the performance obligation with the expected total inputs required. Any changes in expectation are reflected in the total inputs figure as they become known. The progress

percentage obtained is then applied to the revenue associated with that performance obligation. Management views this as a much more reliable measure of progress towards completion of the performance obligation than the output method as, despite contracting with milestone payments, these are not reliable measures of progress or value to the customer but instead have been designed to aid cash flow. Any differences between the revenues recognised and the milestone billings will result in contract assets/liabilities (shown as accrued or deferred income on the balance sheet).

- Most of our newer projects involve standard products. Revenue from standard products will be recognised at point in time, only when identified performance obligations for distinct goods or bundles of goods have been fulfilled and ownership of the goods has transferred, i.e. at the official handover of control of a working machine to the customer. This is due to the "transferability" of such products and their components up until handover, so the asset generated has an alternative use to the Group up until that point. Contracts will be reviewed at inception and with each variation or additional purchase order to ascertain when the performance obligation(s) will be met, e.g. following factory acceptance testing and notification of readiness for dispatch if the customer is collecting and installing the goods themselves or, if we are committed to more involvement with the installation on site, following site acceptance testing. In the meantime, income from progress billings and advances received from customers will be reflected in the balance sheet as contract liabilities (deferred income). Costs incurred on projects to date will not be included in the statement of comprehensive income but will be accumulated on the balance sheet as work in progress so long as they are considered recoverable and only transferred to cost of sales once the revenue applicable to those costs can be recognised in the accounts. Should costs exceed anticipated revenues, a provision will be recognised and the surplus costs expensed with immediate effect.

ITM Power supplies units with a standard 12-month warranty although some jurisdictions will require this to be adjusted to 24 months. This covers the equipment against any fault due to manufacturing defects. Any repairs made under this warranty will be completed free of charge. Where possible, diagnosis will be performed via remote connection to minimise the time and expense associated with travel to the site. The warranty period start date should be defined in the original contract but will usually reflect the date of official handover to the customer.

Unless an extended warranty is specifically purchased under the sales contract and thus, together with its maintenance obligations, creates a separate performance obligation under that contract, warranty provisions will continue to be treated under IAS 37 as they are by nature an assurance warranty.

Out-of-warranty repairs and part replacements will be charged to the customer. It should be noted that a maintenance contract is mandatory for the duration of the warranty period and will form a separate performance obligation. After the warranty period, it is recommended that a maintenance package is continued (see maintenance contracts below).

ITM Power's standard contract wording aims to limit the right of rejection once a customer has accepted the unit under either factory acceptance testing (for ex-works or FCA Sheffield) or site acceptance testing. Up until that time, contractual obligations would protect our right to recognise revenues for work performed to date. Remedy for any dissatisfaction would instead exist in a separate claim for damages.

Maintenance contracts

Maintenance contracts typically involve two scheduled annual visits. Therefore, revenue is recognised in two instalments against the costs of those visits, i.e. when each performance obligation is met. However, where remote support forms part of the contract, revenue for this performance obligation will be recognised over time as the customer simultaneously receives and consumes the benefits of such a service, and criteria (a) under IFRS 15 is met as referred to above.

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 3. Significant accounting policies continued

#### Revenue recognition continued

##### Consulting contracts

Larger systems or those where the system will need to perform to new conditions, are sometimes preceded by a design study or a front-end engineering design (FEED) contract that defines solutions to customer specifications. With ITM Power's equipment being part of the solution, our expertise is often required to feed in to these studies. Where the IFRS 15 criteria for recognition over time are met (in this case that the customer simultaneously receives and consumes the benefits of the service), revenue will be recognised over time. For those contracts where these criteria are not met, revenue will be recognised on completion of the contract.

##### Fuel sales or sales of scrap/spares

Sales are recognised immediately upon completion of the performance obligation, being the transfer of ownership of the goods.

##### Grants

Government and other grants are included in other operating income in the period that the related expenditure is incurred, unless relating to property, plant and equipment when they are netted against the cost of the assets acquired on the balance sheet.

Grants have stage payments, which can include upfront payments to ITM Power. Where pre-finance has been received at the start of the grant and continues to exceed expenditure incurred to date, the surplus is shown as deferred income and is included in the consolidated balance sheet as a liability. When expenditure incurred to date exceeds receipts from the grant body, the surplus is shown as accrued income until such time that it can be claimed. Such balances are reviewed for recoverability, ensuring that the costs incurred met the conditions of the grant for recognition of grant income and such recognition of income does not exceed the maximum value of the award.

In specific instances where grant income subsidises a sale, grant income can be recognised against appropriate expenditure on agreed projects and shown as receivable from the time of the expense. This means that grant income can be recognised against stage payments made on larger items. Thus, a further category of grant income receivable against pro forma payments has been established within deferred income on the balance sheet to allow for a difference in treatment in grant-subsidised sales. Once the items have been received, this grant income will come to be shown as "grant income against direct costs" in profit and loss.

##### Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The presentation currency of the Consolidated Financial Statements is Pounds Sterling. The financial statements are presented in round thousands.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

##### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The resulting tax charge, where applicable, is shown within the tax line of the income statement.

Research and development tax credits are recognised on an accruals basis, and are reported in the income statement. By their nature, they are similar to grant funding and are presented amongst other income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

##### Investment in associates and joint ventures

These are companies where ownership is 50% or less but significant influence is retained. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control over those policies. Joint ventures will allow for joint control as no one party has overall control, but where there is no control, the investment is referred to as an associate. Both joint ventures and investments in associates are accounted for using the equity method.

3. Significant accounting policies continued

Investment in associates and joint ventures continued

The investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee entity, adjusted where necessary to ensure consistency with the accounting policies of the Group. When the Group's share of losses of an investment exceeds the Group's interest in that entity, the Group discontinues recognition of its share of further losses. Additional losses are then recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investment entity. The Group will also discontinue its recognition of losses at the point that it announces its intention to sell the investment, at which point it would be transferred as held for sale.

As per IAS 28, the investment will be subject to impairment review only with objective evidence of impairment from observable data as a result of one or more events adversely impacting the expected future cash flows and where such impact can be reliably estimated. Any such impairment will reduce the carrying value of the investment and be recognised immediately in profit or loss to the extent that it relates to the investment by the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Intangible assets – software

Software purchased from external companies has been recognised at cost under the heading of intangible assets. Amortisation is charged so as to write off the cost of assets over an estimated useful life of three years (in line with the Group policy for computer equipment), using the straight-line method. This is recognised in administrative expenses.

Internally generated intangible assets – development costs and know-how

Expenditure on research activities is recognised as an expense in the period in which it is incurred, except where the costs of activities are considered development for the purposes of capitalising development costs.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions can be demonstrated:

- the technical feasibility of completing the intangible asset so that it can be made available for use or sale;
- the intention to complete the intangible asset to use or sell it;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- an asset is created that can be separately identified for use or sale;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Once completed, development costs transfer into the category of know-how. As these assets form the basis of the Group's product range (being the development of new processes, standard products or new product features that improve the capacity or efficiency of the electrolyzers) amortisation is recognised on a straight-line basis in administrative expenses over their useful lives, considered to be four years, in line with expected product life cycles. Each asset is assessed on an annual basis to ensure that it still meets the criteria and will still contribute to the Group's products. If not, an impairment will be recognised. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Right of use assets

Right of use assets are recognised at the total value of the lease payments (i.e. initial measurement of the lease liability) plus any deposit or lease payments made at or before the commencement date, less any lease incentives. The Group creates a separate asset under leasehold improvements for any dilapidations costs to restore a property to the condition required by the landlord at the end of the lease.

Depreciation of right of use assets will be recognised over the lease term in administrative expenses.

Property, plant and equipment

Leasehold improvements, laboratory and test equipment, production plant and equipment, computer equipment and office furniture and fittings are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets in the course of construction are carried at cost, less any recognised impairment loss. These assets are not depreciated but are subject to impairment review. Once completed and ready for their intended use, the assets are transferred into other asset categories and depreciated accordingly.

Depreciation is charged through administrative expenses on the income statement so as to write off the cost of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Category	Period
Laboratory and test equipment	5 to 8 years
Production plant and equipment	5 to 8 years
Computer equipment	3 years
Office furniture and fittings	10 years
Leasehold improvements	10 years or lease term

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is also recognised in administrative expenses on the income statement.

Impairment of tangible and intangible assets

Assets under construction and development costs are not yet complete and in use. They are therefore not subject to depreciation or amortisation. Instead, development costs are tested at least annually for impairment. Also, at each balance sheet date, the Group reviews the carrying amounts of its other tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of each asset (or cash-generating unit) is estimated to determine the extent of the impairment loss.

The recoverable amounts of non-current assets are derived from the higher of fair value less costs to sell and value-in-use calculations. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the group of units.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is also recognised immediately in administrative expenses.

Financial Statements | Notes to the Consolidated Financial Statements continued

3. Significant accounting policies continued

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard cost method. Net realisable value represents the estimated selling price less all estimated costs of completion.

**Inventory obsolescence**

It is recognised that parts can be held in the business for a number of reasons, not least the contractual requirements of our warranty and aftersales provisions. Stocked items are therefore classified into four different categories: those actively in use in our bills of material, those that can be used for product development work, discontinued items that may not be part of active bills of material but still have demand through maintenance and aftersales work on legacy equipment, and finally redundant parts. The first three categories still hold value for the business and will be maintained at cost, whilst redundant inventory will be fully written down. The provision can be further refined, for example if the discontinued category begins to exceed contractual obligations a provision would be made against the surplus items.

**Financial assets**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories of which the Group holds financial instruments in two:

**Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through profit or loss**

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest received from these financial assets is included in investment income.

**Impairment**

The Group assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk in trade receivables and contract assets (accrued sales income). For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. An analysis of historical default amongst our trade receivables was conducted and showed that less than 1% of sales over several years have resulted in default. The Group continues to trade with large entities with good credit scores but trading data is monitored annually to ensure that there are no significant changes to this percentage.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Assets held for sale**

In line with IFRS 5, non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Financial assets will continue to be measured in accordance with the Group's relevant accounting policy for those assets.

During the year, both the investment in Motive and the loan notes associated with that entity were moved to this category. The carrying amount of the investment reflected its cost less share in the entity's loss. This had reduced the asset considerably so the balance was deemed to represent the lower of the two measurements for recognition of the held for sale asset. Upon announcement, we ceased to recognise any further losses against it. The loan notes continued to be recognised with the interest they accrued and net of a lifetime expected credit loss amount in line with IFRS 9.

**Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

**Derivative financial instruments**

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. These are not deemed to be effective hedging instruments to be matched off against a related asset or liability but rather as stand-alone financial assets or liabilities at fair value through profit and loss. Within the financial statements, therefore, this portfolio of contracts will be shown as either an asset or liability on the balance sheet, with a corresponding gain or loss through the income statement, depending on how the contractual rate of exchange compares with the year-end rate.

**Leases**

At inception of a contract, the Group assesses whether it conveys the right to control the use of an identified asset – and obtain substantially all of the economic benefits from use of the asset – for a period of time in exchange for consideration. In this instance the contract should be accounted as a lease.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is recognised at cost and is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the lease payments and discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate or best estimate of the same. The lease liability continues to be measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

The Group has elected not to recognise right of use assets and lease liabilities for leases of less than 12 months and leases of low-value assets. These largely relate to short-term rentals of equipment to undertake our field activities. The Group recognises the lease payments associated with these leases, together with any property service charges and storage fees, as an expense on a straight-line basis over the lease term (see Note 6).

3. Significant accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and that a reliable estimate can be made of the amount of that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed in profit or loss on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The Group also recognises a provision for Employer's National Insurance Contributions (NIC) that becomes payable on the exercise of share options granted under the Group's non-tax advantaged share plans, to the extent that the liability has not been transferred to the employees. Where a liability is due, the provision has been calculated using the intrinsic value of the share option which is the difference between the Group's share price at the balance sheet date and the exercise price. The actual amount of Employer's NIC that will be payable will be determined on the difference between the exercise price and Group's share price at the date of exercise. For share options that have not vested, the provision for Employer's NIC is calculated on the same basis and is accrued over the vesting period.

For options granted prior to 2020, the Group has agreed that settlement of the Employer's NIC liability arising on gains made on the exercise of unapproved share options be capped at the exercise price of the options. Any excess liability for Employer's NIC would be recovered from the option holder. For option grants from 2020, the employees have agreed to pay any Employer's NIC liability that is due on exercise of their options. As such a separate reimbursement asset is recognised for this recoverable amount.

Pension costs

The Group operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs is the contributions actually payable in the year. Differences between the contributions actually payable and those paid are shown as accruals or prepayments in the consolidated balance sheet.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Capitalisation and impairment of development costs

The Group undertakes a number of internal projects for the advancement of our core technology, the design of our standard products and improved efficiencies around our business. Whilst these will be timebound and involve specific groups of staff, time and costs can be tracked through our reporting and accounting systems. Management must decide at what point such efforts become development work that will result in future economic benefits to the Group and thus, at which point they meet the criteria for capitalisation. There is also judgement to be made as to when costs should cease to be capitalised and the asset amortised, especially on phased projects of continual improvement to our core technology. See Note 14.

In the year, the Group also looked to reduce its product lines in order to streamline its operations. Thus, the intangible assets were reviewed for potential impairment. Assets were identified where the Group would no longer obtain future benefit from their completion, with the result that £3.1m was impaired.

Key sources of estimation uncertainty

Inventory provisions

In the prior year, the Directors refined their estimation technique for the provision of inventory obsolescence. Stocked items are classified into four different categories: those actively in use in our bills of material, those that can be used for product development work, discontinued items that may not be part of active bills of material but still have demand through maintenance and aftersales work on legacy equipment, and finally redundant parts. The first three categories still hold value for the business and are maintained at cost, whilst redundant inventory is fully written down. The provision can be further refined, for example if the discontinued category began to exceed our contractual obligations. Both the categorisation of inventory and the recognition of excess inventory require management judgement.

A further judgement by management is the assessment of likelihood of obsolescence. The value of inventory held in development or discontinued categories was £15.7m. Management have reviewed these listings and have assessed that the inventory held continues to have a use in the business and is therefore not redundant.

In the current year, the inventory provision represents redundant inventory only as no inventory holdings for aftersales purposes were running at a surplus. See Note 17.

Provisions

Note 23 gives details of the amounts currently recognised under five different categories of provision. Management has particularly considered the following in relation to key estimates:

Warranty provisions are based on management's current best estimate of the potential costs involved in diagnosing and correcting faults and the likelihood of such faults occurring during the warranty period. These assumptions are built upon our ongoing assessment of the performance of our products and their components both in the field and in our testing facilities. They are reviewed and revised as more information becomes available. If it becomes known that additional work is required, then the provision is extended. Risks around this judgement are high given the limited data ITM Power has available, and the potentially large values involved in making warranty repairs, particularly if stack components require replacement. The assumptions made for the warranty provision were based on field data from older generation stacks, adjusted to take account of product improvements planned or implemented since they were built. Management believes that these improvements are realistic and deliverable within the timescales projected. However, should new generation stacks deliver none of these improvements then warranty costs may cost a further £7m for the projects installed or contracted at year end, which would be charged to the Income statement, and split across provisions for warranty or contract loss depending on whether the plant had achieved handover to a customer. Other variables include timing and efficiency of planned process optimisations, recoverability of parts and precious metals, visits and delivery costs to site, and whether any efficiencies can be found from resolving more than one issue per visit.



## Financial Statements | Notes to the Consolidated Financial Statements continued

### 4. Critical accounting judgements and key sources of estimation uncertainty continued

#### Key sources of estimation uncertainty continued

##### Provisions continued

A provision for onerous contracts (contract losses) has been recognised in line with the requirements of IAS 37, given the expected costs to complete projects exceeding the headroom in contracted sales values. Cost forecasts produced by project managers are monitored on a monthly basis to ensure that such potential losses are recognised immediately in the accounts. As quotes are finalised with suppliers these estimates may fluctuate but the provision will be adjusted accordingly and ultimately used to offset the future costs of the project as it nears completion. Furthermore, the Group uses software to track the risks and opportunities of each project. This gives a potential cost and risk rating for active risks and has been reviewed by management at year end to determine if any additional contingency should be recognised on projects. In addition, on certain longer term projects, costings have been made including projected savings through procurement volumes, manufacturing efficiencies (with semi automation) and technology gains. In all, expected savings of c.£7m have been assumed on the execution of these projects. All projected savings have been aligned and tested against the manufacturing and technology roadmaps of the company. A sensitivity analysis was performed on the current provision and future forecast costs. If forecasted costs were to increase by 10%, the provision would need to increase by £6.4m (2022: £4.3m).

### 5. Revenue, operating segments and income from government grants

All revenues are derived from continuing operations. An analysis of the Group's revenue is as follows:

	2023		2022	
	£000	£000	£000	£000
Revenue from product sales recognised over time		—		808
Revenue from product sales recognised at a point in time		4,099		1,231
Consulting contracts recognised over time		636		2,948
Maintenance contracts recognised at a point in time		250		43
Fuel sales		244		229
Other (e.g. scrap sales)		—		368
<b>Revenue in the Consolidated Income Statement</b>		<b>5,229</b>		<b>5,627</b>
Grant income (claims made for projects)	155		271	
Other government grants (R&D claims)	1,419		289	
Other income – government grants		1,574		560
		<b>6,803</b>		<b>6,187</b>

At 30 April 2023, the aggregate amount of the transaction price allocated to remaining performance obligations of continuing build contracts was £87.7m (2022: £42.0m). The Group expects to recognise 32% of this within one year, with the remaining 68% expected after one year.

### Segment information

ITM Power PLC is organised internally to report to the Group's Chief Operating Decision Maker, the Chief Executive Officer, on the financial and operational performance of the Group as a whole. The Group's Chief Operating Decision Maker is ultimately responsible for Group-wide resource allocation decisions, evaluating performance on a Group-wide basis and any elements within it on a combination of information from the executives in charge of the Group and Group financial information.

Management has previously identified three target markets for our products (Power, Transport and Industry). Revenue reporting has begun to look at these three sectors to assess the commerciality of those sales. However, decisions for resourcing cannot be made by reference to these segments. The Group operates a single factory in the UK that builds units for use across all sectors. It would be hard to assign overhead costs to particular product segments as builds all occur in that one facility and can run concurrently. Similarly, fixed assets and suppliers' balances cannot be assigned to the production of one specific segment. For overhead costs and net asset resources, therefore, decisions are taken on a Group basis.

An analysis of the Group's revenue, by major product (or customer group), is as follows:

	2023 £000	2022 £000
Power	126	207
Transport	2,717	1,704
Industry	1,750	507
Other	636	3,209
<b>Revenue in the Consolidated Income Statement</b>	<b>5,229</b>	<b>5,627</b>

The "Other" category contained a large consultancy project in the prior year, involving design and FEED studies for larger scale product manufacture. This consultancy embarked on a new phase in the current year.

#### Geographical analysis

The United Kingdom is the Group's country of domicile but the Group also has subsidiary companies in the United States, Germany and Australia. All non-current tangible assets were domiciled in the United Kingdom (NBV: £20.5m) or Germany (NBV: £0.02m). All intangible assets were domiciled in the United Kingdom. Revenues have been generated as follows:

	2023 £000	2022 £000
United Kingdom	699	3,359
Germany	1,750	770
Rest of Europe	188	246
United States	244	22
Australia	2,348	1,230
	<b>5,229</b>	<b>5,627</b>

Included in revenue are the following amounts, which each accounted for more than 10% of total revenue:

		2023	2022
		£000	£000
Customer A	Industrial	1,750	n/a
Customer B	Other	636	2,840
Customer C	Refuelling	n/a	673
Customer D	Refuelling	2,348	n/a

Except where extended warranties have been purchased and treated as separate performance obligations for the purpose of IFRS 15 'Revenue from Contracts with Customers', warranty commitments are disclosed in Note 23.

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 6. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	2023 £000	2022 £000
Net foreign exchange (gain)/loss	(201)	386
Fair value loss/(gain) on forward contracts	127	(136)
Fair value loss on loan notes	—	344
Share-based payment (credit)/charge (Note 26)	(420)	1,429
Depreciation of property, plant and equipment	2,273	1,628
Depreciation of right of use assets	733	711
Amortisation of intangible assets	942	849
Impairment of tangible assets	1,381	—
Impairment of intangible assets	3,088	—
Research and non-capitalised development costs	1,059	1,383
(Reversal of)/charge for expected credit loss (trade receivables)	(7)	1
Reversal of expected credit loss on prepaid suppliers	—	(100)
Loss on disposal of property, plant and equipment	64	—
Loss on disposal of Motive	—	1,710
Rentals under short-term leases:		
– Land and buildings	153	58
– Other equipment	1,187	219
Staff costs (Note 8)	13,504	14,482
Cost of inventories recognised as an expense	23,335	5,690
Movement on obsolete inventory provision	16,893	1,417

Whilst costs have been shown on the income statement under a single function heading, the following table shows them split down by nature:

	2023 £000	2022 £000
<b>Cost of sales</b>		
Materials	26,483	3,862
Labour	3,887	4,303
Other bought-in items	2,779	17,738
Contract provisions	51,145	3,201
<b>Total cost of sales</b>	<b>84,294</b>	<b>29,104</b>
	2023 £000	2022 £000
<b>Administrative expenses</b>		
Staff and employment costs	11,449	4,315
Consultancy and consumables	5,070	11,225
Building overheads	1,283	2,564
Depreciation	3,006	2,340
Amortisation	942	849
Loss on disposal of non-current assets	64	—
Impairment	4,469	—
Other	(61)	525
<b>Total administrative expenses</b>	<b>26,222</b>	<b>21,818</b>

Within direct costs, the prior year figures have been restated to include movement on all provisions within the same line. Previously, movement on the provision for loss sat within other bought-in items to ensure consistency of reporting under our old accounting system.

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 6. Loss for the year continued

#### Calculation of Adjusted EBITDA

In reporting EBITDA, Management uses the metric of adjusted EBITDA. This calculation additionally aims to remove the effect of non-repeating costs that are not directly linked to the ongoing trade of the business in the year under review and as such helps to provide a more direct comparison with which to measure the performance of our core business against previous years:

	2023 £000	2022 £000
Loss from operations	(103,713)	(44,736)
Add back:		
Depreciation	3,006	2,340
Amortisation	942	849
Fair value loss on loan notes	—	344
Loss on disposal of non-current assets	64	—
Impairment	4,469	—
Non-underlying share-based payment (credit)/charge (Note 26)	(420)	1,429
Exceptional costs of restructure	1,436	—
	(94,216)	(39,774)

The exceptional costs of restructure refer to redundancy costs that largely sit within the staff costs line in administrative expenses. Management removed these in the adjusted EBITDA calculation due to their one-off nature that would otherwise distort the true operational figures.

### 7. Auditor's remuneration

The following amounts were payable to the Group's auditor and have been charged within the loss before tax:

	2023 £000	2022 £000
Fees payable to the Company's auditor for		
– The audit of the Company's annual accounts	206	137
– The audit of the Company's subsidiaries pursuant to legislation	41	33
<b>Total audit fees</b>	<b>247</b>	<b>170</b>
Other services pursuant to legislation		
– Interim agreed upon procedures/review work (audit-related services)	40	55
– Assurance fee on corporate finance transaction	—	125
<b>Total non-audit fees</b>	<b>40</b>	<b>180</b>

### 8. Remuneration of Directors and employees

	2023 £000	2022 £000
<b>Directors</b>		
Fees/ basic salary plus bonuses earned in the year	2,372	1,576
Pension contributions	103	71
Compensation for loss of office	155	—
<b>Aggregate emoluments</b>	<b>2,630</b>	<b>1,647</b>

Salary figures detailed here are after salary exchange for pensions. Consequently, the pension figures are employer contributions inclusive of those salary exchange amounts.

More detail is provided on Directors' remuneration and share options within the Remuneration Report.

Gains made by Directors exercising share options in the current year:

Director	Type of share option	Number of shares exercised	Exercise price	Market price at date of exercise	Gain made £000
G Cooley	Unapproved	3,000,000	30p	115.54p	2,447
G Cooley	Unapproved	307,500	48p	113.04p	200

During the year, five Directors participated in these long-term incentive plans (2022: four). There were no exercises in the prior year.

Four Directors also participated in the Group BAYE scheme (2022: four) and received matching shares. Four Directors were members of money purchase pension schemes during the year (2022: three).

Remuneration of the highest paid Director	2023 £000	2022 £000
Salary plus bonuses earned in the year	721	472
Compensation for loss of office	105	—
<b>Aggregate emoluments</b>	<b>826</b>	<b>472</b>

Gains made by the highest paid Director exercising share options in the year were £2.6m (2022: £Nil).

	2023 £000	2022 £000
<b>Key management personnel (including Directors)</b>	<b>721</b>	<b>472</b>
Short-term employee benefits	3,666	1,916
Termination benefits	155	—
Post-employment benefits	135	77
Share based payment expense	(1,219)	686
<b>Total costs for key management personnel</b>	<b>2,737</b>	<b>2,679</b>

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 8. Remuneration of Directors and employees continued

	2023 Number	2022 Number
Monthly average number of persons employed		
– Research and development	107	86
– Production and engineering	224	184
– Sales and marketing	24	20
– Administration	60	48
	415	338
	2023 £000	2022 £000
Staff costs during the year (including all key management personnel)		
Wages and salaries	20,776	14,893
Social security costs	2,877	1,694
Other pension costs	1,950	1,259
Share-based payment expense	(1,614)	1,429
	23,989	19,275
Less: staff costs capitalised	(10,485)	(4,793)
Staff costs expensed in the year	13,504	14,482

As at 30 April 2023 pension contributions of £155,000 (2022: £123,000) due in respect of the current year had not been paid over to the scheme. These were paid over in the following month and within statutory deadlines.

### 9. Finance income and costs

	2023 £000		2022 £000	
<b>Finance income</b>				
Interest received on cash deposits		4,652		325
<b>Finance cost</b>				
Interest paid	(55)		(41)	
Lease liability interest paid	(486)		(491)	
		(541)		(532)
Net finance income/(costs)		4,111		(207)

### 10. Tax

	2023 £000	2022 £000
Current taxation		
Tax charge in the year	26	31
Tax charge relating to prior years	6	—
	32	31

Corporation tax is calculated at 25% (2022: 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the income statement as follows:

	2023 £000	2022 £000
<b>Loss before tax</b>	<b>(101,169)</b>	<b>(46,663)</b>
Tax on loss at 25% (2022: 19%)	(25,292)	(8,866)
Factors affecting (charge)/credit for the year:		
Expenses not deductible for tax purposes	(17)	332
Fixed asset differences	763	445
Tax charge on current year RDEC claim	26	31
Adjustments in respect of prior years	6	—
Unrelieved tax losses carried forward	24,546	8,089
Tax charge for the year	32	31

### Factors affecting future tax charges

The Group has tax losses of approximately £210.3m (2022: £99.8m) available to carry forward against future taxable profits, subject to agreement with HM Revenue & Customs. Deferred tax would have been calculated at a rate of 25% following substantive enactment in May 2021. However, a deferred tax asset has not been recognised as it is not yet probable that there will be sufficient future taxable profit to utilise the tax benefit.

### 11. Loss per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2023 £000	2022 £000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(101,201)	(46,694)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	614,683,780	576,699,822
Loss per share	16.5p	8.1p

The loss per ordinary share and diluted loss per share are equal because share options are only included in the calculation of diluted earnings per share if their issue would decrease the net profit per share. The number of potentially dilutive shares not included in the calculation above due to being anti-dilutive in the years presented was 5,999,019 (2022: 45,064,658).

### 12. Investments in associates and joint ventures

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in Note 6 to the Company's separate financial statements.

	2023 £000	2022 £000
Investment in associates and joint ventures		
ITM Linde Electrolysis GmbH (associate)	379	60
Motive Fuels Limited (joint venture)	—	1,602
	379	1,662

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 12. Investments in associates and joint ventures continued

Below we provide information regarding the performance of the investment in associate within the year:

	2023 £000	2022 £000
ITM Linde Electrolysis GmbH		
Cost brought forward	60	259
Additions	439	—
Foreign exchange	33	(21)
50% share of loss recognised in the year	(153)	(178)
	<b>379</b>	<b>60</b>

The above amounts relate to ITM Linde Electrolysis GmbH ("ILE") which is incorporated in Germany, with registered office Bodenbacher Str. 80, 01277 Dresden, Germany. Interest in ILE is split 50:50 with Linde Engineering GmbH, although control is deemed to lie with Linde for the purposes of consolidation as it appoints the Managing Director. ITM Power has significant influence in ILE due to its representation on the company's board of directors.

The investment is therefore an equity-accounted investment in associate but will be subject to impairment review. In the current year, there were no triggers to warrant an impairment review.

Key financial data of ILE:

	30 April 2023 £000	30 April 2022 £000
ITM Linde Electrolysis GmbH		
Non-current assets	7	11
Current assets	8,314	6,553
Current liabilities	(7,689)	(6,425)
Revenue	1,356	2,397
Loss from continuing operations	(308)	(355)

Balance sheet figures were translated from Euros using the year-end exchange rate of 1.14 (2022: 1.18). Revenue and loss figures were translated using an average exchange rate of 1.15 (2022: 1.18).

During the year, ITM Power continued to pay for the hosting of ILE's website. Invoices for progress billings of £0.9m were raised to ILE with £0.9m outstanding at year end. Further cash injections are planned to the end of the calendar year, equating to €500,000 by each party.

Also included within investments at the start of the year:

	2023 £000	2022 £000
Motive Fuels Limited		
Cost brought forward	1,602	—
Additions	—	1,434
50% share of (loss)/profit recognised in the period	(1,414)	168
Transferred to assets held for sale	(188)	—
	<b>—</b>	<b>1,602</b>

Motive Fuels Limited ("Motive") is incorporated in the UK, with registered office AMP Technology Centre, Brunel Way, Catcliffe, Rotherham, S60 5WG. Motive became a joint venture in March 2022 when Vitol Holding SARL matched our shareholding in the entity. Interest in Motive is split 50:50, with no single party having control. ITM Power has significant influence and joint control in Motive due to its equal representation on the company's board of directors and rights to the net assets.

The investment was therefore treated as a joint venture that is equity-accounted and subject to impairment review. In the current year, losses have been capped at the value of the investment.

ITM Power (Trading) Limited continues to pay for and recharge some of the overheads of Motive. This has resulted in charges of £367,000 in the year (2022: £183,000 in the period), of which £190,000 (2022: £183,000) remained outstanding at the year end. It has also received payments from Motive's customers (total £33,000) and paid them over during the year.

However, during the year ITM Power announced its intention to sell its investment. At that point we ceased to recognise any further losses and removed the asset from investments to be shown instead as held for sale (see Note 21).

Key financial data of Motive (N.B. prior year income statement figures shown are for the period since the transaction with Vitol when Motive was trading as a joint venture, while current year figures show the full financial year):

	30 April 2023 £000	30 April 2022 £000
Non-current assets	1,560	1,112
Current assets	3,516	7,864
Current liabilities	(941)	(862)
Non-current liabilities	(3,637)	(3,410)
Revenue	826	22
(Loss)/profit from operations	(3,751)	334

### 13. Loan notes

ITM Power PLC and Vitol also each granted loan notes to Motive Fuels Limited. These are accruing interest at 1.5% above SONIA. Loans are granted for a period of 10 years without expectation of repayment for at least three full financial years.

	2023 £000	2022 £000
Loan notes	—	1,548

The loan notes are held at amortised cost and after provision for expected credit loss under IFRS 9 of £15,000, which remained unchanged from the prior year. There were no new loans issued in the financial year and no further loan notes are now planned. The loan notes have been moved to assets held for sale in the current year (see Note 21).

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### 14. Intangible assets

	Software £000	Know-how £000	Development costs £000	Total £000
Cost at 1 May 2021	140	2,795	1,051	3,986
Transfers	—	542	(542)	—
Additions	282	—	6,754	7,036
Grant received	—	—	(150)	(150)
Transferred to Motive	(55)	(231)	—	(286)
Cost at 1 May 2022	367	3,106	7,113	10,586
Transfers	—	2,132	(2,132)	—
Additions	—	—	6,562	6,562
Disposals	(16)	—	—	(16)
Grant received	—	—	(124)	(124)
<b>Cost at 30 April 2023</b>	<b>351</b>	<b>5,238</b>	<b>11,419</b>	<b>17,008</b>
Amortisation at 1 May 2021	88	629	—	717
Charge for the year	89	760	—	849
Transferred to Motive	(10)	(51)	—	(61)
Amortisation at 1 May 2022	167	1,338	—	1,505
Charge for the year	80	862	—	942
Impairment	—	—	3,088	3,088
Disposals	(2)	—	—	(2)
<b>Amortisation at 30 April 2023</b>	<b>245</b>	<b>2,200</b>	<b>3,088</b>	<b>5,533</b>
<b>Carrying amount at 30 April 2023</b>	<b>106</b>	<b>3,038</b>	<b>8,331</b>	<b>11,475</b>
Carrying amount at 30 April 2022	200	1,768	7,113	9,081

The amortisation period for externally purchased software has been set at three years (in line with our policy for computer equipment).

Development costs are generated internally by development of our stack technology, unit designs and processes. They are built up over a period of time but capitalisation ceases once the asset comes into use and is transferred to the know-how category, where they will amortise over four years.

During the year we continued the development of our 3MEP 30bar designs (£3.0m capitalised, resulting in a total of £6.2m in the year-end balance) as well as analysis of the associated materials and development of the processes that would enhance the efficiency of their production.

#### Impairment considerations

During the year, Management reconsidered the focus of our development work and the recoverability of its internally generated intangible assets. This led to the impairment of projects that would no longer benefit the Group's new direction for product sales.

For the remaining assets, Management considered fair value less costs to sell based on an adjusted market capitalisation of the Group. Given that the assets held make up the intellectual property that is key to potential future revenue generation of the Group and are thus intrinsic to its valuation, no further impairment was deemed necessary.

### 15. Right of use assets

	Leasehold property £000	Leased vehicles £000	Office equipment £000	Total £000
Cost at 1 May 2021	7,437	144	48	7,629
Additions	896	122	8	1,026
Transferred to Motive	(292)	—	—	(292)
Disposals	(214)	(24)	—	(238)
Cost at 1 May 2022	7,827	242	56	8,125
Additions	1,286	1	24	1,311
Adjustments	(96)	—	—	(96)
Disposals	—	(37)	—	(37)
<b>Cost at 30 April 2023</b>	<b>9,017</b>	<b>206</b>	<b>80</b>	<b>9,303</b>
Depreciation at 1 May 2021	1,147	81	2	1,230
Foreign exchange	—	(8)	—	(8)
Charge for the year	637	65	9	711
Transferred to Motive	(24)	—	—	(24)
Disposals	(214)	(24)	—	(238)
Depreciation at 1 May 2022	1,546	114	11	1,671
Charge for the year	653	60	20	733
Disposals	—	(35)	—	(35)
<b>Depreciation at 30 April 2023</b>	<b>2,199</b>	<b>139</b>	<b>31</b>	<b>2,369</b>
<b>Net book value at 30 April 2023</b>	<b>6,818</b>	<b>67</b>	<b>49</b>	<b>6,934</b>
Net book value at 30 April 2022	6,281	128	45	6,454

The Group currently holds right of use assets in both the UK (four properties, seventeen vehicles and office equipment at two sites) and Germany (one property and three vehicles).

Right of use assets are depreciated over their lease term.

Before year end the Group signed an agreement to lease Unit 3 Bessemer Park. The lease itself has not yet been signed and the building is still under construction; hence no corresponding asset is yet available to be recognised under IFRS 16. Instead, see Note 29 – Capital commitments.

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### 16. Property, plant and equipment

	Production plant and equipment £000	Laboratory and test equipment £000	Computer equipment £000	Office furniture and fittings £000	Leasehold improvements £000	Assets in the course of construction £000	Total £000
Cost at 1 May 2021	7,579	2,257	1,283	322	13,514	5,387	30,342
Additions	452	423	500	217	692	1,956	4,240
Transferred to Motive	(3,311)	—	(35)	(23)	—	(4,021)	(7,390)
Disposals	(393)	(27)	(322)	—	(1,089)	(1,675)	(3,506)
Foreign exchange	(1)	—	(1)	—	(1)	—	(3)
Cost at 1 May 2022	4,326	2,653	1,425	516	13,116	1,647	23,683
Additions	2,441	99	131	38	239	5,605	8,553
Transfers	1,913	—	1	—	467	(2,381)	—
Disposals	—	—	(26)	(1)	(38)	—	(65)
Foreign exchange	1	—	1	—	1	—	3
Cost at 30 April 2023	8,681	2,752	1,532	553	13,785	4,871	32,174
Depreciation at 1 May 2021	5,894	1,821	882	110	2,855	5,266	16,828
Disposals	(393)	(27)	(322)	—	(1,089)	(1,675)	(3,506)
Charge for the year	277	120	283	35	913	—	1,628
Transferred to Motive	(3,311)	—	(4)	—	—	(3,591)	(6,906)
Foreign exchange	1	—	1	—	—	—	2
Depreciation at 1 May 2022	2,468	1,914	840	145	2,679	—	8,046
Disposals	—	—	(10)	—	(4)	—	(14)
Charge for the year	680	174	332	49	1,038	—	2,273
Impairment	—	—	—	—	—	1,381	1,381
Foreign exchange	—	—	(1)	—	—	—	(1)
Depreciation at 30 April 2023	3,148	2,088	1,161	194	3,713	1,381	11,685
Net book value at 30 April 2023	5,533	664	371	359	10,072	3,490	20,489
Net book value at 30 April 2022	1,858	739	585	371	10,437	1,647	15,637

### 17. Inventories

	2023 £000	2022 £000
Raw materials	18,308	24,311
Work in progress	40,532	7,887
	58,840	32,198

Inventories have been stated after a provision for impairment of obsolete inventory of £17.8m (2022: £2.7m). Included in work in progress is inventory that has yet to be assigned to a specific contract. At the point that the work in progress is assigned to a contract, and it is loss-making, the work in progress will be reduced to recoverable value, which will be offset by an equal and opposite reduction in the contract loss provision. Inventory has increased as we have continued to scale up production towards contract fulfilment.

### 18. Contract balances and performance obligations

Contract revenue recognised through release from deferred income was £3.6m (2022: £3.2m).

	2023 £000	2022 £000
Contracts with customers in progress at the balance sheet date		
Amounts due from contract customers included in trade and other receivables	2,195	2,897
Contract assets (accrued income)	839	1,189
Contract liabilities (deferred income)	(31,365)	(17,258)
Balance sheet position of sales contracts	(28,331)	(13,172)

The contract position will change according to the number or size of contracts in progress at the year end as well as the status of payment milestones towards those contracts. The Group will continue to structure payment milestones to cover the up-front costs of materials for cash flow purposes. The variance between these and the performance obligations for revenue recognition under IFRS 15 (typically acceptance of the product by the customer – whether at factory or at site – for all standard products) will cause increasing values to remain in deferred income for longer.

### 19. Trade and other receivables

	2023 £000	2022 £000
Trade receivables	2,591	3,535
Impairment for credit risk	(52)	(60)
Total trade receivables	2,539	3,475
Restricted cash balances	774	297
Other receivables	3,091	2,459
Forward contracts	—	127
R&D relief claims receivable	1,813	426
Prepayments	7,879	11,972
Amounts recoverable from employees	20	2,186
Accrued sales income	839	1,189
Accrued grant income	2,702	3,411
	19,657	25,542

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 19. Trade and other receivables continued

Prepayments include £7.3m (2022: £10.7m) paid upfront by way of pro forma and stage payments to suppliers for the long lead time items required on our build projects.

Amounts recoverable from employees relates to the Employer's NIC on share options where, under the terms of the offer, staff will cover this cost upon exercise.

Other receivables represent indirect taxes reclaimable by the Group.

Restricted cash balances previously referred to monies received from customers that were sat on bank guarantee until specific performance milestones were met on product sales contracts. In the current year, however, the amount refers to cash cover for a bank guarantee relating to a refund of Italian VAT.

Trade receivables are measured at amortised cost. Their ageing is analysed as follows:

	2023 £000	2022 £000
Less than 30 days	390	2,066
31–60 days	1,318	243
61–90 days	—	—
Greater than 91 days	883	1,226
	<b>2,591</b>	<b>3,535</b>

With reference to the highest trade receivable balance at the year end, the Group had a debtor concentration of 29% (2022: 29%).

#### Movement in expected credit loss

	2023 £000	2022 £000
Brought forward balance at 1 May	60	59
Impairment losses recognised	19	17
Movement on credit risk provision	(27)	(16)
Balance at 30 April	<b>52</b>	<b>60</b>

Our payment terms with customers are generally 30 to 60 days so items falling beyond those terms are chased up and monitored for potential default. A specific bad expected credit loss may arise.

The movement on the expected credit loss provision in the year recognises a potential loss of 1% on the Group's trade receivable and accrued sales income balances.

### 20. Cash and cash equivalents

	2023 £000	2022 £000
Cash and cash equivalents	<b>282,557</b>	<b>365,882</b>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The Directors consider that the carrying amount of these assets approximates to their fair value.

### 21. Assets held for sale

On 30 January 2023, ITM Power announced its intention to sell its investment in Motive Fuels Limited. As such, recognition of losses ceased and both the investment in joint venture and the loan notes have been removed to a separate category of assets held for sale on the balance sheet:

	Investment £000	Loan notes £000	Total £000
Assets held for sale	<b>188</b>	<b>1,626</b>	<b>1,814</b>

The loan notes are shown at their fair value plus interest and after provision for expected credit loss under IFRS 9 of £15,000, which remained unadjusted from the prior year. There were no new loans issued in the financial year and no further loan notes are now planned.

### 22. Trade payables

	2023 £000	2022 £000
Trade payables	<b>4,450</b>	8,716
Other taxation and social security	<b>921</b>	726
Accruals	<b>3,049</b>	3,323
Deferred sales income	<b>31,365</b>	17,258
Deferred grant income	<b>6,296</b>	3,752
Grant income received against pro forma	—	521
	<b>46,081</b>	<b>34,296</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

As discussed in Note 18, the increase in deferred sales income is due to the move away from bespoke projects where revenue was recognised over time, to standard products with revenue recognition at point in time.



## Financial Statements | Notes to the Consolidated Financial Statements continued

### 23. Provisions

	Leasehold property provision £000	Warranty £000	Provision for contract losses £000	Other provisions £000	Employer's NIC provision £000	Total provisions £000
Balance at 1 May 2021	(1,024)	(797)	(4,820)	(677)	(4,958)	(12,276)
Provision created in the year	(36)	(2,163)	(15,052)	(1,330)	—	(18,581)
Use of the provision	206	18	7,379	509	—	8,112
Release in the year	—	4	—	168	805	977
Balance at 1 May 2022	(854)	(2,938)	(12,493)	(1,330)	(4,153)	(21,768)
Provision created in the year	(42)	(3,219)	(44,810)	(4,059)	—	(52,130)
Use of the provision	—	2,303	14,673	—	1,615	18,591
Release in the year	—	—	—	63	2,323	2,386
<b>Balance at 30 April 2023</b>	<b>(896)</b>	<b>(3,854)</b>	<b>(42,630)</b>	<b>(5,326)</b>	<b>(215)</b>	<b>(52,921)</b>
In the balance sheet:						
Expected within 12 months (current)	—	(676)	(12,437)	(4,565)	(215)	(17,893)
Expected after 12 months (non-current)	(896)	(3,178)	(30,193)	(761)	—	(35,028)

The leasehold property provision represents management's best estimate for the dilapidations work that may be required to return our leased buildings to the landlords at the end of the lease term. In a prior year we recognised a dilapidations provision for the present value of the cost of works quoted by our Employer's Agent for stripping Bessemer Park back to the original condition at handover from the landlords. The discounting will continue to amortise over the remaining 12 years of the lease.

The warranty provision represents management's best estimate of the Group's liability under warranties granted on products, based on knowledge of the products and their components gained both through internal testing and monitoring of equipment in the field. As with any product warranty, there is an inherent uncertainty around the likelihood and timing of a fault occurring that would trigger further work or part replacement. Warranties are usually granted for a period of one year, although two-year warranties are the standard within some jurisdictions.

The provision for contract losses is created when it becomes known that a commercial contract has become onerous. Project Managers provide rolling spend forecasts, updating these as quotes are obtained. They also maintain risk registers that highlight the impact of delays and circumstances on the potential cost of a project. The provision is therefore based on best estimates and information known at the time to ensure the expected losses are recognised immediately through profit and loss. The effects of discounting on non-current balances were not deemed to be material. The increase on the provision in the current year is due to a number of factors including changes of scope to projects, additional on-site engineering works, increased energy and labour costs due to extended stack testing times and updating costs for the effects of inflation since the original quote to the customer. The increase in the year

is allocated against 13 projects. This provision will be used to offset the costs of the project as it reaches completion in future periods. Contract loss provisions are recognised as greater than one year based on the expected completion of the contract. Work in progress is only assigned to a contract at the point of delivery as products are generally fungible until that point.

Provision is also made at the point when project forecasts suggest that the contractual clauses for liquidated damages might be triggered. The other provisions category relates to potential liquidated damages for overruns on contracts with customers. It also includes amounts payable to contracted parties for potential non-performance on contracts.

There is a provision for Employer's NIC due on share options as they exercise (see Note 26 – Share-based payment).

### 24. Lease liabilities

The following table describes the types of right of use asset owned by the Group and shows the movements on lease liabilities within the year:

	Leasehold property £000	Office equipment £000	Motor vehicles £000	Total £000
<b>2023</b>				
Brought forward at 1 May 2022	7,006	44	98	7,148
Adjustments	(88)	—	—	(88)
Additions	1,256	24	—	1,280
Interest applied	480	4	3	487
Payments made	(942)	(20)	(56)	(1,018)
<b>At 30 April 2023</b>	<b>7,712</b>	<b>52</b>	<b>45</b>	<b>7,809</b>
Split:				
Within 1 year	1,407	18	39	1,464
2-5 years (inclusive)	3,923	40	8	3,971
Over 5 years	5,688	—	—	5,688
Less:				
Future finance charges	(3,306)	(6)	(2)	(3,314)
Present value of lease obligations	7,712	52	45	7,809
In the balance sheet:				
Due within 12 months (current)	890	15	38	943
Due after 12 months (non-current)	6,822	37	7	6,866

The leasehold property addition shown in the table refers to the new property in the German subsidiary. The UK subsidiary had not yet signed the lease and taken possession of its new building (see Note 29).

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 24. Lease liabilities continued

2022	Leasehold property £000	Office equipment £000	Motor vehicles £000	Total £000
Brought forward at 1 May 2021	6,388	44	54	6,486
Adjustments	303	—	(2)	301
Additions	597	8	123	728
Transferred to Motive	(298)	—	—	(298)
Interest applied	483	3	5	491
Payments made	(467)	(11)	(82)	(560)
At 30 April 2022	7,006	44	98	7,148
Split:				
Within 1 year	911	12	56	979
2-5 years (inclusive)	3,660	38	47	3,745
Over 5 years	5,913	—	—	5,913
Less:				
Future finance charges	(3,478)	(6)	(5)	(3,489)
Present value of lease obligations	7,006	44	98	7,148
In the balance sheet:				
Due within 12 months (current)	564	10	52	626
Due after 12 months (non-current)	6,442	34	46	6,522

Adjustments refers to foreign exchange movements and contracts that have changed their length of duration or their value during the year, e.g. following a rent review or a change in decision regarding potential break clauses. In the prior year, the latter situation arose at one of the properties where we had previously intended it to be a stop-gap measure so had only recognised up to the break clause but have since decided to continue in residence.

The interest charge appears with other interest at the bottom of the income statement and is the only value described above that affects profit or loss. Each liability is matched by a corresponding right of use asset, upon which depreciation is also charged to the income statement (see Note 15). The two amounts together replace the previous accounting treatment of expensing rental payments.

Total lease payments for capitalised leases and short-term leases was £2.4m (2022: £0.8m).

### 25. Called up share capital and reserves

Called up, allotted and fully paid (ordinary shares of 5p each)	Number of shares	£000
At 1 May 2022	613,158,155	30,658
Share options exercised	3,307,500	165
At 30 April 2023	616,465,655	30,823

Holders of ordinary shares have voting rights at General Meetings in proportion with their shareholding.

The share premium account represents the amount paid in excess of the nominal value when shares are issued.

The merger reserve arose on the acquisition of ITM Power (Research) Limited in 2004.

The foreign exchange reserve arises upon consolidation of the foreign subsidiaries in the Group, and accounts for the difference created by translation of the income statement at average rate compared with the year-end rate used on the balance sheet as well as the effect of the change in exchange rates on opening and closing balances.

The Group's other reserve is retained earnings which represents cumulative profits or losses, net of any dividends paid and other adjustments.

### 26. Share-based payments

The Group operates a number of share schemes to provide employees and third parties with the opportunity to acquire a proprietary interest in the Group as an incentive to attract and retain their services as follows:

- an all-employee Share Incentive Plan (referred to as the Buy As You Earn or "BAYE" scheme);
- an Enterprise Management Incentive (EMI) and Unapproved Share Option Plan, under which Group employees can be granted share options; and
- a Long Term Incentive Plan (LTIP) under which Group employees can be granted share options or conditional share awards.

#### Share Incentive Plan

In FY21, the Company implemented a new Share Incentive Plan (the BAYE scheme), which is available to all eligible UK Group employees. Employees can contribute up to £150 per month to acquire partnership shares, which are purchased or allotted monthly. The Group currently matches employee contributions, awarding matching shares on a one-for-one basis.

At 30 April 2023 the trustees of the SIP held 368,460 ordinary shares (2022: 102,139) in ITM Power PLC, of which 365,790 (2022: 99,122) have been conditionally awarded to employees and 2,670 (2022: 3,017) remain unallocated.

The Group recognised a charge of £178,000 in relation to this scheme in 2023 (2022: £161,000).

#### EMI and Unapproved Share Option Plan and LTIP

In 2010 the Company introduced an EMI and Unapproved Share Option Plan to be applied to subsequent issues of share options. Under the scheme rules the exercise price is deemed to be the mid-market price of shares on the London Stock Exchange AIM market at the close of trading on the day before the grant of the share options. Share options vest over a period of three to five years and are exercisable up to the tenth anniversary of the grant. The last of the EMI share options were exercised in the prior financial year. As a general rule, unexercised awards granted to participants who leave employment, both pre- and post-vesting, will be forfeited. In the event a participant leaves as a result of a qualifying reason, they retain vested but unexercised share options but forfeit unvested share options.

The EMI and Unapproved Share Option Plan was replaced by a Long Term Incentive Plan in 2020. The exercise price for awards granted to date has been set at the nominal value for shares. Share options vest, subject to the achievement of performance conditions set at grant, over a period of three years and are exercisable up to the tenth anniversary of the grant. As a general rule, awards granted to participants who leave employment prior to vesting will be forfeited. In the event a participant leaves as a result of a qualifying reason, they receive a pro rata entitlement.

A more comprehensive description of the different schemes can be found within the Remuneration Report.

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### 26. Share-based payments continued

#### EMI and Unapproved Share Option Plan and LTIP continued

Movements within the year on the share option plans (including the EMI, unapproved and LTIP options) were as follows:

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	8,610,120	24p	7,501,854	27p
Granted during the year	253,515	5p	1,431,837	5p
Exercised during the year	(3,322,023)	32p	—	—
Lapsed during the year	(412,247)	5p	(323,571)	5p
<b>Outstanding at the end of the year</b>	<b>5,129,365</b>	<b>20p</b>	<b>8,610,120</b>	<b>24p</b>
<b>Exercisable at the end of the year</b>	<b>2,945,667</b>	<b>32p</b>	<b>5,666,667</b>	<b>30p</b>

The options outstanding at 30 April 2023 had an exercise price in the range of 5p to 48p and a weighted average remaining contractual life of four years.

The fair value of options issued in the current year was measured using the Monte Carlo options pricing model as options were subject solely to a TSR performance condition. Awards in the prior year were measured using a combination of the Monte Carlo options pricing model and the Black Scholes model as options were split 60% based on total shareholder return (TSR) performance conditions and 40% based on non-market performance conditions and prior to that options had been measured using the Black Scholes model. Wherever share options include a TSR performance condition, IFRS 2 requires the use of a model that can take into account the likelihood of the performance condition being achieved (hence the use of the Monte Carlo model) but for non-market-based performance conditions, the Black Scholes model suffices.

The weighted average fair value of those options granted during the year was calculated as 54p.

The assumptions used in the models are as follows:

Weighted averages	2023	2022
Share price	103.9p	385.4p
Exercise price	5p	5p
Expected volatility	84.8%	89.5%
Expected life	1.2 years	3 years
Risk-free rate	3.9%	0.5%

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility was determined by calculating the historical volatility of the Company's shares over a period in line with the expected term of the options. The expected dividend impact used is 0% as participants are entitled to dividend equivalents in respect of any dividends paid over the vesting period.

The Group has recognised a share-based payment expense in the income statement for the year, made up of three elements:

	2023 £000	2022 £000
Share-based payment expense (as seen through equity)	1,161	1,071
Purchase of partnership shares under the BAYE scheme	171	161
LTIP exercise with treasury shares	27	—
Movement on provision for Employer's NIC on potential gain	(1,779)	200
	(420)	1,432

For options granted prior to 2020, the Group has elected to pay Employer's NIC on gains made on unapproved share options exercise, to be capped at the proceeds the Group would receive from the exercise. Any further Employer's NIC would be recovered from the exercising party. For options granted from 2020, the Group has agreed to transfer the full Employer's NIC liability to the employee share option holders. The full share-based payment charge is shown within staff costs on the income statement.

### 27. Notes to the cash flow statement

	2023 £000	2022 £000
Loss from operations	(103,713)	(44,736)
Adjustments:		
Depreciation	3,006	2,340
Share-based payment	1,161	1,071
Foreign exchange on intercompany transactions	(137)	(43)
Fair value adjustment and expected credit loss on loan notes	—	359
Loss on disposal	64	—
Impairment	4,469	—
Amortisation	942	849
Operating cash flows before movements in working capital	(94,208)	(40,160)
Increase in inventories	(26,642)	(25,780)
Decrease/(increase) in receivables	5,852	(2,550)
Increase in payables	11,787	21,437
Increase in provisions	31,152	9,492
Cash used in operations	(72,059)	(37,561)
Interest paid	(495)	(532)
Income taxes paid	—	(62)
<b>Net cash used in operating activities</b>	<b>(72,554)</b>	<b>(38,155)</b>

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 28. Net cash reconciliation

	Lease liabilities £000	Cash £000	Total £000
Net (debt)/cash as at 1 May 2021	(6,486)	176,078	169,592
Adjusted	(302)	—	(302)
Cash flows	552	189,897	190,449
Acquisition – leases	(436)	—	(436)
Other changes – interest expense	(476)	(93)	(569)
Net (debt)/cash as at 1 May 2022	(7,148)	365,882	358,734
Adjusted	88	—	88
Cash flows	1,018	(83,097)	(82,079)
Acquisition – leases	(1,280)	—	(1,280)
Other changes – interest expense	(487)	(54)	(541)
Net (debt)/cash as at 30 April 2023	(7,809)	282,731	274,922

### 29. Capital commitments

The Group had capital commitments of £7.0m at the balance sheet date (2022: £0.6m). This included the power upgrade to Bessemer park of £5m.

We have signed an agreement to lease Unit 3 Bessemer Park, which would result in a lease liability and corresponding asset of approximately £4.7m once the full lease is signed. Fit-out costs of £16.4m are also expected to be incurred but are not yet officially committed.

### 30. Contingent liability

#### Receipt of government grants

The Group participates in a number of grant funded projects. Income is recognised in the accounts as receivable based on the grant contract and the levels of expenditure incurred on the project. It is claimed periodically according to a timetable laid down by each coordinator. The claims are audited before any money is awarded. However, grants are ultimately funded by government or EU institutions and can be subject to further scrutiny at later dates. This leaves grant income in the accounts subject to potential recall.

Management does not know which grants will be subject to such audit nor the time that they are likely to arise and as such would be unable to quantify the potential financial impact of any subsequent recall of funds. To the best of its knowledge, claims are made for expenditure agreed ahead of any project undertaking and in accordance with grant procedure.

### 31. Financial instruments

#### Capital risk management

The current capital risk management objective is to ensure that the existing pipeline continues to be delivered in line with cash management expectations.

The Group manages cash balances in Australian and US Dollars, Euros and Pound Sterling. The Group keeps under review the need for hedging opportunities with regards to capital risk management.

The capital risk management landscape has not materially changed in the last year for the Group. Large cash reserves gained through past fundraises have led management to put some of the funds on fixed-term deposit and in a money market account where they can generate interest. The funds have also been split between different banking institutions. Given the increasing volumes of raw materials and inventory required to fulfil our contracts, more frequent credit checks have been performed and bank guarantees sought from some suppliers where upfront payments were made.

### Externally imposed capital requirement

During the year the Group was not required to comply with any externally imposed capital requirements.

#### Categories of financial instruments

	2023 £000	2022 £000
Financial assets – amortised cost		
Financial asset at amortised cost	174	161
Long-term loan notes (held for sale in FY23)	1,626	1,548
Cash and cash equivalents	282,557	365,882
Trade receivables (excluding IFRS 9 impairment)	2,591	3,534
Restricted cash balances	774	297
Other receivables	3,091	2,459
	290,813	373,881

Both the loan notes and the financial asset at amortised cost sit under non-current assets in the balance sheet. The latter relates to the security deposit on our leasehold property at Bessemer Park. The rest of the Group's financial assets consist of cash or cash equivalents and receivables that are largely due from large organisations with a strong credit history. Accrued income amounts are included as financial assets as they relate to contractual agreements that will result in future cash inflows. ITM Power PLC does not consider there to be undue risk associated with receivables.

	2023 £000	2022 £000
Financial liabilities – amortised cost		
Trade payables	4,450	8,716
Accruals	3,049	3,322
Lease liabilities	7,809	7,148
	15,308	19,186

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Within 1 year £000	2-5 years (inclusive) £000	Over 5 years £000	Total net payable £000
2023				
Trade and other payables	4,450	—	—	4,450
Lease liabilities	1,464	3,971	5,688	11,123
	5,914	3,971	5,688	15,573
2022				
Trade and other payables	12,038	—	—	12,038
Lease liabilities	979	3,745	5,913	10,637
	13,017	3,745	5,913	22,675

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 31. Financial instruments continued

#### Fair value through profit and loss

In the prior year, the Group held foreign currency forward contracts that were measured at fair value through profit or loss. The figure shown in Notes 19 represent the difference between their contract value and the exchange rates at the balance sheet date. These financial instruments would sit within Level 2 of a fair value hierarchy, being derived from other inputs – other than quoted prices in active markets – that are observable. However, as they are the only financial instrument's measured at fair value, no fair value hierarchy table has been presented.

The carrying value of all other financial instruments at 30 April 2023 and 30 April 2022 approximated to their fair value.

#### Financial risk management objectives and policies

The Group's finance function monitors and manages the financial risks relating to the operations of the Group. The Group's activities expose it primarily to the financial risks of changes in interest rates.

The Group also receives and spends money in different currencies. As such, the Group has exposure to foreign exchange variation. Management looks to use bulk purchases and forward contracts as a means of mitigating exposure to exchange rate volatility on long-term purchase contracts. The intention is to try to "lock in" a budget rate that will help to ensure more reliable forecasting of costs and therefore a more controlled return on contracts.

The Group seeks to minimise the effects of these risks. The Group's policies approved by the Board of Directors provide written principles on interest rate risk and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis.

The treasury activities are reported to the Group's Board as required.

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Sales invoices are expected to be paid within 30 to 60 days under our usual contractual terms. At the year end, there were receivables totalling £0.9m (2022: £1.0m) that were overdue but considered fully recoverable. Most of our sales income is subject to contractual terms and therefore largely protected from default.

The credit risk of liquid funds (cash, cash equivalents and short-term deposits) is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### Liquidity and interest risk management

The Group is exposed to the interest rate risks associated with its holdings of cash and cash equivalents and short-term deposits.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which regularly monitors the Group's short, medium and long-term funding, and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

#### Foreign currency risk management

At year end, the Group did not hedge its exposure of foreign investments held in foreign currencies.

The table below shows the Group's currency exposure at year end. Such exposure comprises the monetary assets and monetary liabilities that are not denominated in the functional currency of the operating unit involved. The Group's exposure to currency risk predominately arises on trade (transactions with both suppliers and customers) in a variety of locations and denominated in currencies other than the functional currency of the operating unit excluding intercompany balances.

These exposures were as follows:

		Liabilities		Assets	
		2023 £000	2022 £000	2023 £000	2022 £000
EUR	(i)	849	46	2,144	1,961
USD	(ii)	61	268	90	8
SEK	(iii)	13	33	—	—
AUD	(iv)	17	—	136	307
		940	347	2,370	2,276

- (i) This is mainly attributable to the exposure to outstanding Euro to Pound Sterling receivables and payables in the Group at the balance sheet date.
- (ii) This is mainly attributable to the exposure to outstanding US Dollar to Pound Sterling receivables and payables at the balance sheet date.
- (iii) This is mainly attributable to the exposure to outstanding Swedish Krona to Pound Sterling receivables and payables at the balance sheet date.
- (iv) This is mainly attributable to the exposure to outstanding Australian Dollar to Pound Sterling receivables and payables at the balance sheet date.

#### Foreign currency sensitivity analysis

The table below assumes an increase/decrease of 10% in the Euro to Pound Sterling exchange rate, the US Dollar to Pound Sterling exchange rate and the Australian Dollar to Pound Sterling exchange rate.

The sensitivity analysis is based on the subsidiaries' profit or loss for the year.

	EUR impact		USD impact		AUD impact	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Profit or loss	259	78	62	42	3	62

If rates had been 1% higher/lower and all other variables had remained constant, loss for the year would have decreased/increased by £323,000 (2022: £181,000).

The Group's financial liabilities consist of trade and other payables as shown on the balance sheet. No interest is paid on these balances and all amounts are due within three months.

#### Fair value of financial instruments

The carrying amounts of financial instruments are a reasonable approximation of the fair values of those instruments.

## Financial Statements | Notes to the Consolidated Financial Statements continued

### 32. Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All related party transactions which were not intra-group have been conducted at arm's length.

During the year, purchases from Linde/BOC Group, represented on the Board by J Nowicki, totalled £0.8m (2022: £0.5m) with £94,000 outstanding for payment at year end (2022: £114,000). There were also milestone billings on sales contracts of £15.3m (2022: £7.0m) with £0.9m remaining outstanding at year end (2022: £1.7m).

Transactions with Ecclesiastical Insurance Office PLC for the services D Cockrem, as Non-Executive Director on our Board, amounted to £31,000 (2022: £Nil) with £Nil remaining outstanding at year end (2022: £Nil).

Balances and transactions with ILE and Motive are discussed in Note 12 – Investments.

The remuneration of the Directors and key management personnel of the Group is shown in Note 8.

### 33. Controlling party

As at the date of these accounts neither the Directors together, nor any individual shareholder, owned more than 50% of the issued share capital of the Company and hence, in the opinion of the Directors, there is no controlling party at this date.

### 34. Events after the balance sheet date

At the time of our interim results update, we stated that we were exploring options for the future of our joint venture Motive Fuels Ltd. We have now signed Heads of Terms for the sale of the company. The 50/50 JV between ITM and Vitol was established in March 2022 to develop and roll out hydrogen refuelling stations in the UK. The vision of the JV partners was one of building a significant UK refuelling business, with £30m committed by each party as seed funding. However, one of the three priorities of our 12-month plan is increased cost and capital discipline. The planned transaction will allow ITM to redirect £28m of pre-committed cash to our core business, and to focus on becoming a volume manufacturer of state-of-the-art electrolyzers. Motive Fuels Ltd, via ITM, was the recipient of grant funding to support the rollout of refuelling stations in the UK. As part of the transaction, a contingent liability may materialise for ITM in the future against the performance obligations in the grants.

Financial Statements | Company Statement of Changes in Equity for the year ended 30 April 2023

	Called up share capital £000	Share premium account £000	Retained loss £000	Total equity £000
<b>At 1 May 2021</b>	27,533	302,248	(66,370)	263,411
<b>Transactions with owners</b>				
Issue of shares	3,125	240,075	—	243,200
Credit to equity for share-based payment	—	—	1,070	1,070
<b>Total transactions with owners</b>	3,125	240,075	1,070	244,270
Loss for the year and comprehensive loss	—	—	(5,621)	(5,621)
<b>Total comprehensive loss</b>	—	—	(5,621)	(5,621)
<b>At 1 May 2022</b>	30,658	542,323	(70,921)	502,060
<b>Transactions with owners</b>				
Issue of shares	165	270	—	435
Credit to equity for share-based payment	—	—	1,161	1,161
<b>Total transactions with owners</b>	165	270	1,161	1,596
Loss for the year and comprehensive loss	—	—	(66,877)	(66,877)
<b>Total comprehensive loss</b>	—	—	(66,877)	(66,877)
<b>At 30 April 2023</b>	30,823	542,593	(136,637)	436,779

The notes on pages 119 to 122 form part of these financial statements.

## Financial Statements | Company Balance Sheet as at 30 April 2023

	Note	2023 £000	2022 £000
<b>Fixed assets</b>			
Tangible assets	4	3	21
Intangible assets	5	—	12
Investments	6	182,161	162,563
Loan notes	6	—	1,548
		<b>182,164</b>	<b>164,144</b>
<b>Current assets</b>			
Debtors	7	266	1,479
Cash at bank and in hand		253,110	340,409
		<b>253,376</b>	<b>341,888</b>
Assets held for sale	8	2,216	—
		<b>255,592</b>	<b>341,888</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	9	(921)	(1,704)
Provisions	10	(56)	(2,268)
		<b>(977)</b>	<b>(3,972)</b>
<b>Net current assets</b>		<b>254,615</b>	<b>337,916</b>
<b>Net assets</b>		<b>436,779</b>	<b>502,060</b>
<b>Capital and reserves</b>			
Called up share capital	11	30,823	30,658
Share premium account	11	542,593	542,323
Retained loss	11	(136,637)	(70,921)
<b>Shareholders' funds</b>		<b>436,779</b>	<b>502,060</b>

The Company reported a loss for the financial year ended 30 April 2023 of £66.9m (2022: a loss of £5.6m).

The notes on pages 119 to 122 form part of these financial statements.

The financial statements of ITM Power PLC, registered number 05059407, were approved by the Board of Directors and authorised for issue 17 August 2023.

Signed on behalf of the Board of Directors:

Andy Allen  
Director





## Financial Statements | Notes to the Company Financial Statements

### 1. Significant accounting policies

#### Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of non-current assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the Consolidated Financial Statements.

In accordance with S408 of the Companies Act 2006, the Company has taken the exemption from presenting the parent company's individual profit and loss account.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in Note 3 to the Consolidated Financial Statements except as noted below.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost, over an estimated useful life of three years, using the straight-line method. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

#### Intangible assets – software

Software purchased from external companies has been recognised at cost under the heading of intangible assets. Amortisation is charged so as to write off the cost of assets over an estimated useful life of three years using the straight-line method and is recognised in income.

#### Investments

Balances are stated at cost less a provision for any impairment in value.

Investments are considered for any potential impairment under IAS 36 Impairment of Assets. Given that the subsidiaries are in the early stages of commercial trade and that the Company continues to support its subsidiaries as they build up trade, there are indicators of impairment. For each subsidiary we determined the recoverable amount, this being the higher of each subsidiary's value in use and the fair value less cost to sell. The higher of these was determined to be fair value less costs to sell (see Note 6).

The Company holds 50% of the share capital of ILE, although control is deemed to lie with Linde for the purposes of consolidation as it also appoints the Managing Director, who has the casting vote at meetings of the ILE board of directors. ITM Power has significant influence due to its representation on the board. As such, ITM Power accounts for this investment in associate using the equity method. This means that the investment is originally recognised at cost, with subsequent movements to reflect ITM Power's share of the profit or loss after the date of acquisition. This share of the profit or loss is recognised in ITM Power's profit or loss. Should any adjustments be necessary for changes in proportionate interest arising from changes in ILE's other comprehensive income, ITM Power's share of those changes would be recognised in other comprehensive income. Any distributions received will reduce the carrying amount of the investment.

The Company holds 50% of the share capital of Motive since a partnership deal was signed with Vitrol last year. There is no outright control by either party but ITM Power still has significant influence due to its representation on the Board. As such, ITM Power accounts for this joint venture using the equity method. This means that the investment is originally recognised at cost, with subsequent movements to reflect ITM Power's share of the profit or loss after the date of acquisition. This share of the profit or loss is recognised in ITM Power's profit or loss. Should any adjustments be necessary for changes in proportionate interest arising from changes in Motive's other comprehensive income, ITM Power's share of those changes would be recognised in other comprehensive income. Any distributions received will reduce the carrying amount of the investment.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Financial instruments

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. They are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories of which the Group holds financial instruments in two:

#### Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk in loan balances, both to its subsidiaries and its joint venture. IFRS 9 requires us to use all reasonable and supportable information available without undue cost or effort including internal/external information, past events and current/forecast future economic conditions in order to recognise a lifetime expected credit loss. At the very least, this requires consideration of whether the entity with the payable could actually repay the carrying value immediately from highly liquid assets or else in a fire sale (realising their net assets). Impairment of the debt is calculated and applied accordingly.

#### Assets held for sale

In line with IFRS 5, non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Financial assets will continue to be measured in accordance with the Group's relevant accounting policy for those assets.

During the year, both the investment in Motive and the loan notes associated with that entity were moved to this category. The investment continued to be recognised at cost but, upon announcement, we ceased to recognise any other losses against it. The loan notes continued to be recognised with the interest they accrued and net of a lifetime expected credit loss amount in line with IFRS 9.

## Financial Statements | Notes to the Company Financial Statements continued

### 1. Significant accounting policies continued

#### Share option charges

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 26 of the Group financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest (other than for market-based performance conditions). At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

#### Pension costs

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions actually payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### 2. Critical accounting judgements and key sources of estimation uncertainty

The Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements that the Directors have made in the process of applying the Company's accounting policies.

#### Key sources of estimation uncertainty

##### Recoverability of investments

The Company tests the net recoverable amounts of assets annually for impairment, or more frequently if there are indicators of impairment. During the year, Management considered the recoverability of its investment in subsidiary companies, which is disclosed in Note 6. The subsidiaries continue to trade, but currently are trading at a loss, which is seen as temporary by management. Under IFRS 9 'Financial Instruments', the intercompany loans have been impaired to £Nil.

The investment in ITM Power GmbH was already written down in a prior year and there were no triggers noted for a reversal of that impairment.

ITM Power (Trading) Limited is responsible for well over 90% of Group activities, along with the future revenue opportunities (being the only centre for R&D and the sole manufacturing entity). As such, this single cash generating unit contributes significantly to the market capitalisation of the Group (and parent company, listed on AIM). Therefore, the market capitalisation, with some adjustments to make it appropriate for the Trading entity, is an important proxy in the fair value less costs to sell assessment of the Trading subsidiary. In comparing the cost of the total investment with this fair value proxy there was an impairment of £62m to recognise in the current year.

Both the associate investment in ILE and the joint venture with Motive have not been impaired. The latter is now shown as held for sale along with the loan notes provided to the same entity.

### 3. Staff numbers and costs

	2023 Number	2022 Number
Monthly average number of persons employed	5	6
Staff costs during the year (including Directors)	2023 £000	2022 £000
Wages and salaries	1,955	1,504
Social security costs	705	235
Other pension costs	56	35
	2,716	1,774
Remuneration of the highest paid Director	2023 £000	2022 £000
Aggregate emoluments	826	653

As at 30 April 2023 pension contributions of £8,000 (2022: £2,000) due in respect of the current year had not been paid over to the scheme. These were paid over in the following month and within statutory deadlines.

### 4. Tangible fixed assets

	Computer equipment £000
Cost	
At 1 May 2022	101
Disposals	(24)
At 30 April 2023	77
Depreciation	
At 1 May 2022	80
Charge for the year	4
Disposals	(10)
At 30 April 2023	(74)
Net book value	
At 30 April 2023	3
At 30 April 2022	21

## Financial Statements | Notes to the Company Financial Statements continued

### 5. Intangible assets

	Software £000
<b>Cost</b>	
At 1 May 2022	36
Disposals	(14)
<b>At 30 April 2023</b>	<b>22</b>
<b>Amortisation</b>	
At 1 May 2022	24
Charge for the year	1
Disposals	(3)
<b>At 30 April 2023</b>	<b>22</b>
<b>Carrying amount</b>	
<b>At 30 April 2023</b>	<b>—</b>
At 30 April 2022	12

The amortisation period for externally purchased software has been set at three years (in line with our policy for computer equipment).

### 6. Investments

	Loans to subsidiary undertakings £000	Investment in subsidiary undertakings £000	Investments in associates and joint ventures £000	Total £000
<b>Cost</b>				
At 1 May 2022	8,239	198,370	2,065	208,674
Additions	87,055	—	471	87,526
Foreign exchange	—	152	—	152
Share options granted to subsidiary employees	—	787	—	787
50% share of loss	—	—	(1,567)	(1,567)
Transferred to assets held for sale	—	—	(590)	(590)
<b>At 30 April 2023</b>	<b>95,294</b>	<b>199,309</b>	<b>379</b>	<b>294,982</b>
<b>Provisions for impairment</b>				
At 1 May 2022	8,239	37,872	—	46,111
Foreign exchange	—	152	—	152
Movement in year	4,558	62,000	—	66,558
<b>At 30 April 2023</b>	<b>12,797</b>	<b>100,024</b>	<b>—</b>	<b>112,821</b>
<b>Net book value</b>				
<b>At 30 April 2023</b>	<b>82,497</b>	<b>99,285</b>	<b>379</b>	<b>182,161</b>
At 30 April 2022	—	160,498	2,065	162,563

Interest is charged annually upon intercompany loan balances at a rate of 1% over the Bank of England base rate.

As in previous years, a provision for credit losses (IFRS 9) has been made in recognition that the subsidiaries are loss-making and therefore unlikely to be able to repay their debt to the parent company in the near term.

A further impairment assessment of the investments has also been undertaken in line with IAS 36 Impairment of Assets. The recoverable amount was estimated based on fair value less costs to sell and based on the Group's market capitalisation less relevant adjustments to reflect that ITM Power (Trading) Limited is a private company. The net book value remaining on investment in subsidiary undertakings, both in this financial year and the previous financial year, relates solely to ITM Power (Trading) Limited.

A full list of the Company's subsidiaries, associates and joint ventures as at 30 April 2023 comprises:

Name	Place of incorporation	% equity interest	Status during the year	Registered address/principal office
ITM Power (Research) Limited	England and Wales	100	Dormant	2 Bessemer Park, Sheffield, S9 1DZ
ITM Power (Shellco) Limited	England and Wales	100	Dormant	2 Bessemer Park, Sheffield, S9 1DZ
ITM Power (Trading) Limited	England and Wales	100	Active	2 Bessemer Park, Sheffield, S9 1DZ
ITM Power Germany GmbH	Germany	100	Active	Am Muehlgraben 6, 35410 Hungen, Germany
ITM Power, Inc.	California, USA	100	Active	2 Bessemer Park, Sheffield, S9 1DZ
ITM Power Pty Ltd	Australia	100	Active	Unit 2 Level 1, 32 Main Street, Samford Village, Queensland, Australia 4520
Orkney Hydrogen Trading Limited	Scotland	100	Dormant	Suite 2, Ground Floor, Orchard Brae House, 30 Queensferry Road, Edinburgh, EH4 2HS
ITM Linde Electrolysis GmbH	Germany	50	Active	Bodenbacher Str. 80, 01277 Dresden, Germany
Motive Fuels Limited	England and Wales	50	Active	Advanced Manufacturing Technology Centre, Brunel Way, Catcliffe, Rotherham, S60 5WG

The investments in ITM Linde Electrolysis GmbH and in Motive Fuels Limited are discussed in more detail in Note 12 to the Consolidated Financial Statements.

## Financial Statements | Notes to the Company Financial Statements continued

### 7. Debtors: amounts falling due within one year

	2023 £000	2022 £000
Prepayments	183	389
Amounts recoverable from employees	8	1,002
Other debtors	75	88
	<b>266</b>	<b>1,479</b>

The amounts recoverable from employees relate to the extent that Employer's NIC can be recovered when share options are exercised and will offset the provision in Note 10.

### 8. Assets held for sale

During the year, ITM Power PLC announced its intention to sell its investment in Motive Fuels Limited. As such, we ceased to recognise any further share of loss on the investment and moved both that and the loan notes to assets held for sale:

	Investment £000	Loan notes £000	Total £000
Assets held for sale	590	1,626	2,216

### 9. Trade and other payables

	2023 £000	2022 £000
Trade creditors	17	3
Payroll creditors	45	47
Amounts due to subsidiary undertakings	—	1,253
Accruals and deferred income	859	401
	<b>921</b>	<b>1,704</b>

### 10. Provisions

	Employer's NIC on share options £000
Balance at 1 May 2022	(2,268)
Provision created in the year	—
Use of the provision	1,615
Release in the year	597
<b>Balance at 30 April 2023</b>	<b>(56)</b>

### 11. Share capital and reserves

The movements on share capital and share premium accounts are disclosed in Note 25 to the Consolidated Financial Statements.

The Company's other reserve is the profit and loss reserve which represents cumulative profits or losses, net of dividends paid and other adjustments.

### 12. Related party transactions

The Company has taken advantage of the exemption included in FRS 101 'Related Party Disclosures' for wholly-owned subsidiaries not to disclose transactions with entities that are part of the Group qualifying as related parties.

The balances with both ILE and Motive are shown under Investments in associate and joint ventures in Note 6 and the transactions with those entities are described more fully in Note 12 to the Consolidated Financial Statements. These were the only transactions made with those entities in the year.

## Shareholder Information | Glossary

Term	Meaning
<b>AIM</b>	the Alternative Investment Market operated by the London Stock Exchange
<b>AQRT</b>	the Audit Quality Review Team from the UK Financial Reporting Council
<b>BAYE</b>	ITM Power PLC Buy As You Earn Plan (a SIP)
<b>BEIS</b>	UK Department for Business, Energy & Industrial Strategy
<b>blue hydrogen</b>	hydrogen derived from natural gas through the process of steam methane reforming – however, this produces CO <sub>2</sub> which must then be captured and safely stored
<b>BMBF</b>	German Federal Ministry of Education and Research
<b>Board (the)</b>	the board of directors of ITM Power PLC
<b>CCS</b>	carbon capture and storage
<b>CEO</b>	Chief Executive Officer
<b>CfD</b>	Contract for Difference
<b>CFO</b>	Chief Financial Officer
<b>CO<sub>2</sub></b>	carbon dioxide
<b>Companies Act</b>	UK Companies Act 2006
<b>Company (the)</b>	ITM Power PLC, registered in England and Wales, number 5059407
<b>COP26</b>	26th session of the UN Climate Change Conference of the Parties that took place from 31 October to 13 November 2021 in Glasgow, Scotland
<b>COP27</b>	27th session of the UN Climate Change Conference of the Parties that took place from 7 to 18 November 2022 in Egypt
<b>COVID-19</b>	the coronavirus disease
<b>CTO</b>	Chief Technology Officer
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EDI</b>	equity, diversity and inclusion
<b>EMI</b>	enterprise management incentive

Term	Meaning
<b>EPC</b>	engineering, procurement and construction
<b>ESG</b>	environmental, social and governance
<b>EU</b>	European Union
<b>FCH JU</b>	EU Fuel Cells and Hydrogen Joint Undertaking
<b>FEED</b>	front-end engineering design
<b>FID</b>	final investment decision
<b>FIFO</b>	first in, first out
<b>FTO</b>	freedom to operate
<b>FVOCI</b>	fair value through other comprehensive income
<b>FY21</b>	the financial year ended 30 April 2021
<b>FY22</b>	the financial year ended 30 April 2022
<b>FY23</b>	the financial year ending 30 April 2023
<b>GEP</b>	current generation 2.5MW stack platform
<b>GHG</b>	greenhouse gas(es)
<b>green hydrogen</b>	hydrogen created solely from renewable energy and water through the process of electrolysis; this results in a clean, zero-emission fuel
<b>grey hydrogen</b>	the most common form of hydrogen, produced by reforming natural gas (methane); this results in substantial carbon emissions
<b>Group (the)</b>	the group of companies headed by ITM Power PLC
<b>GW</b>	gigawatt (one billion watts, 109 watts)
<b>HSE</b>	health, safety and environment
<b>IEA</b>	International Energy Agency
<b>IEEFA</b>	Institute for Energy Economics and Financial Analysis
<b>ILE</b>	ITM Linde Electrolysis GmbH, our joint venture with Linde
<b>IP</b>	intellectual property
<b>IPCEI</b>	EU “important project of common European interest”
<b>LTIP</b>	ITM Power PLC Long Term Incentive Plan

Term	Meaning
<b>MEP</b>	current generation 0.7MW stack platform
<b>Motive</b>	Motive Fuels Limited (formerly ITM Motive Limited, our joint venture with Vitol), registered in England and Wales number 13290733
<b>MW</b>	megawatt (one million watts, 106 watts)
<b>NED</b>	Non-Executive Director
<b>NIC</b>	National Insurance Contributions
<b>NOMAD</b>	nominated advisor
<b>PEM</b>	proton exchange membrane
<b>PGM</b>	platinum group metal(s)
<b>QCA Code (the)</b>	The Quoted Companies Alliance Corporate Governance Code 2018
<b>R&amp;D</b>	research and development
<b>RIDDOR</b>	UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
<b>SDGs</b>	UN Sustainable Development Goals
<b>SIP</b>	share incentive plan, a type of tax-advantaged all-employee share plan offered to eligible UK employees
<b>SMR</b>	steam methane reformer
<b>SONIA</b>	Sterling Overnight Index Average
<b>SOP</b>	ITM Power PLC Share Option Plan: EMI and Unapproved
<b>stack</b>	a stack of cells that perform electrolysis
<b>STEM</b>	science, technology, engineering and maths
<b>TCCFD</b>	Task Force on Climate-related Financial Disclosures
<b>TSR</b>	total shareholder return
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>US IRA</b>	US Inflation Reduction Act of 2022
<b>WIP</b>	work in progress

Shareholder Information | Officers, Professional Advisors and Useful Contacts

<b>Officers</b>	<b>Useful contacts</b>
<b>Directors:</b> See biographies from page 56 and 57	<b>Registered office:</b> 2 Bessemer Park Sheffield S9 1DZ
<b>Company Secretary:</b> Vicky Williams	<b>Registrar:</b> <b>Link Group</b> 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
<b>Executive Committee:</b> Dennis Schulz, CEO  Andy Allen, CFO  Dr Simon Bourne, CTO  Tim Calver, Commercial Director  Martin Clay, Operations Director	Telephone: +44 (0)371 664 0300 <sup>(1)</sup>  Email: <a href="mailto:shareholderenquiries@linkgroup.co.uk">shareholderenquiries@linkgroup.co.uk</a>
<b>Investor Relations:</b> James Collins, Justin Scarborough	1. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open between 09:00 and 17:30 Monday to Friday, excluding public holidays in England and Wales.
<b>Marketing and Press:</b> Sharon Poulter	
<b>Advisors</b>	
<b>Nominated advisor and broker:</b> <b>Investec Bank plc</b> 30 Gresham Street London EC2V 7QP	
<b>External auditor:</b> <b>Grant Thornton UK LLP</b> 1 Holly Street Sheffield S1 2GT	

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