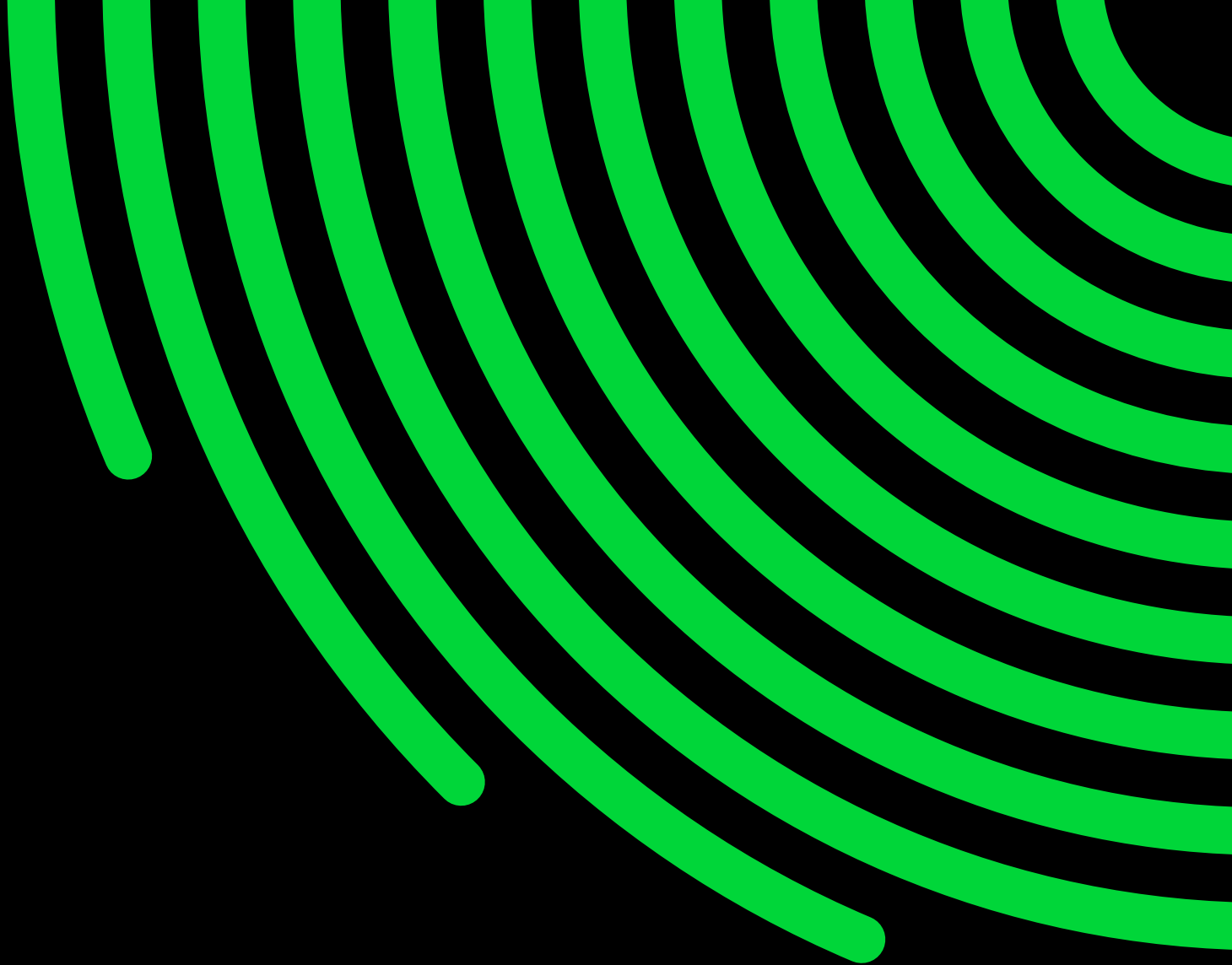


Climate Report 2023

Sage



Welcome

TPT 1.1

GRI 2-3

This report provides our stakeholders with a transparent account of how Sage approaches our most material environmental sustainability issues.

What's inside?

- 2 Introduction
- 6 Strategy and Governance
- 11 Get Sage to Net Zero
- 25 Get SMBs to Net Zero
- 29 Policy and Advocacy
- 33 TCFD

This year, we decided to publish a separate Climate Report to provide further transparent details on our climate and net zero journey.

Sage has reported in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards for the period 1 October 2022 to 30 September 2023. This report has also been prepared using the Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standard for the Software and IT Services Industry, and it is in alignment with the Transition Plan Taskforce (TPT) Disclosure Framework. We have included full disclosures in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) in the back of this report—you can read a summary version of these disclosures in our [Annual Report and Accounts, pages 38 to 45](#).



Limited Assurance Summary Statement from Bureau Veritas UK Limited

Bureau Veritas UK Limited (Bureau Veritas) has provided limited assurance of selected sustainability disclosures included in the Sage Group plc (Sage) Sustainability and Society Report, Climate Report, and ESG Databook for the financial year 2023 (collectively the Report). The information and data reviewed in this assurance engagement covered the period 1 October 2022 to September 30 2023.

The full Independent Assurance Report including Bureau Veritas' assurance conclusion, assessment standard, scope of work, summary of work, and exclusions and limitations can be found in the FY23 Sustainability and Society Report [pages 44-46](#).

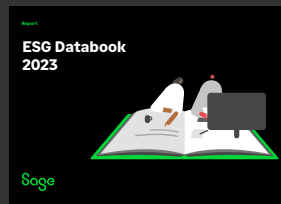
Our reporting ecosystem



Annual Report and Accounts (ARA)



Sustainability and Society Report



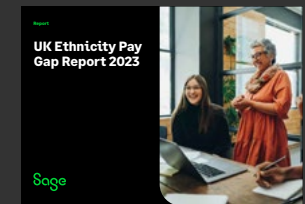
ESG Databook¹



Materiality Assessment Methodology



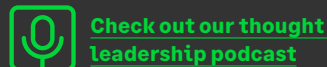
UK Gender Pay Gap Report



UK Ethnicity Pay Gap Report



[UK Modern Slavery Act Statement](#)



[Check out our thought leadership podcast](#)

1. Includes GRI and SASB data and indices, and UN Sustainable Development Goal (SDG) progress.

Introduction

Leadership message	3
In conversation with our experts	4
Key highlights	5



Leadership message

TPT 3.2

GRI 2-22

It is clear that a rapid and far-reaching transition across all sectors is necessary to achieve sustained emissions reductions and secure a sustainable future for all.

The next six years are crucial to limit global warming. According to latest figures, 2023 will almost certainly prove to have been the hottest year ever recorded. The consequences of which has resulted in far more frequent and violent extreme weather events that have disproportionately impacted the most vulnerable people in society. We must drive a deliberate shift from commitment to action if we want to meet the target to limit climate warming to 1.5°C by 2050.

It is with this backdrop, that I'm pleased to introduce Sage's first Climate Report. In this report we outline our climate strategy, including Sage's net zero transition plan, and our progress in FY23 towards achieving our carbon emission reduction targets.

Protect the Planet is Sage's commitment to fight climate warming and drive a faster global transition to net zero. We aim to deliver on this commitment by halving our emissions by 2030 and becoming net zero by 2040. To date, Sage has delivered a 16.4% reduction in carbon emissions, against a 2019 base year - in FY23 we achieved a 5.3% reduction in emissions from FY22. We have made particularly good progress in reducing the emissions that we have more direct control over, Scope 1 and 2, which we have reduced by 71.5% from our 2019 base year. However, we know that to achieve net zero, we will have to



focus on reducing emissions from our supply chain and products, which fall under Scope 3. Meeting our Scope 3 objectives will require the engagement and commitment of all suppliers and especially the largest, namely our Cloud Service Providers. We will continue to work with and encourage them to play their part in meeting our objectives.

With this in mind, in FY23 Sage has developed a robust Net Zero Transition Plan. We've modelled our glidepath to reach 50% emissions reduction by 2030. The glidepath (see [page 14](#)), is focused on our near-term actions to 2030, and is built on the key levers that we can pull to reduce Sage's emissions across our footprint. With clarity on the actions that we need to take, Sage can transparently and methodically deliver progress towards our near-term targets, whilst managing our key climate risks and opportunities.

Our commitment to climate action comes with an unwavering focus on knocking down barriers to participation by SMBs. In FY23, we've continued with the roll out of Sage Earth to empower SMBs to reach net zero. I'm excited about our partnership with NatWest which I hope will help to make it simpler for SMBs in the UK to understand their carbon footprint, reduce their emissions, and tackle climate change more effectively (read more on [page 27](#)).

I am also proud of Sage's work on advocacy for simplified standards and policies for SMBs, given their climate impact and the influential role they play in the economy. These are crucial to enable SMBs to participate in climate action. In collaboration with the International Chamber of Commerce (ICC) and Oxford Economics, Sage launched a report at COP27, in Sharm El-Sheikh, calling for action from government and big business to help SMBs become more sustainable.

Building on our contributions to COP27, Sage will bring once again the voice of SMBs to COP28. We are partnering with PwC and ICC to provide new insights from SMBs on their motivations, challenges, and opportunities when it comes to sustainability reporting. Our new study takes stock of the current reporting landscape, the motivators, and roadblocks along the SMB reporting journey, and what more can be done to make sustainability reporting work for SMBs.

I am encouraged by the progress that we have been able to make in a short amount of time. However, we know that the journey to net zero will not be easy. The Board will continue to provide regular oversight of climate-related issues and monitor our progress towards net zero. As Board Chair, I am committed to keeping our climate strategy high up on the Board agenda and ensuring that environmental impact is a consideration in our decision-making.

Prepared in line with leading voluntary standards and emerging regulation, I hope this Climate Report provides all our stakeholders with a transparent view of progress made to date, at the start of our net zero journey, and the future ambitions we have in this space.

Andrew Duff
Chair

In conversation with our experts



EM **Elisa Moscolin**
Executive Vice President
Sustainability
and Foundation



DH **David Harrop**
Climate Change Director

Elisa Moscolin and David Harrop discuss Sage's climate achievements in FY23 and what the future holds as we deliver on our climate strategy.

Q What's your long-term vision for Sage's role in addressing climate change?

EM Sage can contribute to addressing climate change in 2 ways: by getting our own emissions to net zero by 2040 and by unlocking the transition to a low-carbon economy for small and medium-sized businesses (SMBs). It is important we walk the talk and reduce the emissions of our own operations, but I think that we can have an exponential impact if we use technology and our voice and influence to make sure we take SMBs along the net zero journey.

Q Sage's Net Zero Transition Plan was launched last year. What achievements are you most proud of, to date?

DH In a little over a year, we've been able to deliver some significant strides towards achieving our 2030 and 2040 targets. Key to this progress has been the development of a credible and robust Net Zero Transition Plan that charts the actions needed across our footprint to reduce emissions. Sage has made positive progress to deliver emissions reduction in our Scope 1 and 2 emissions. However, our Scope 3 emissions make up the majority of Sage's total footprint and will be a significant area of focus in the coming years. We're confident that our Net Zero Transition Plan provides Sage with the right action plans and tools to deliver against our targets in this area of our footprint.

Q What is needed to drive further progress towards delivering on Sage's climate agenda?

EM In FY23, we developed our Net Zero Transition Plan to deliver on Sage's 2030 and 2040 climate targets. Through the process of developing this plan, Sage has been able to identify the specific actions that will unlock progress towards emissions reductions across our footprint. It also highlighted that Sage's focus needs to be aimed at reducing our Scope 3 emissions. But we can't do this alone. Efforts to reduce Scope 3 emissions require careful and systematic collaboration with our suppliers, partners and customers. By moving towards a more collaborative mindset, we can come together as an industry to take collective action.

Sage has started practising this approach through our Sustainable Supply Chain strategy. By engaging with our top 50 emitting suppliers, and asking for more urgent climate action, we're creating the conditions for collective action and shared progress to reach our emissions reduction targets.

Q What are the most salient climate-related risks and opportunities Sage has identified, and how are you incorporating these into your strategic planning?

DH Sage has identified 6 climate-related risks and 5 climate-related opportunities as having the potential to materially impact our business—ranging from changing needs of our customers to damage to facilities. A detailed description of the material climate risks and opportunities is provided in the TCFD disclosure section of this report (see [pages 33 to 34](#))—and you can read a summary in the ARA ([pages 38 to 45](#)). Mitigation measures have been put in place for all relevant risks and opportunities, and we continue to monitor the potential impact on Sage. In the Strategy and governance section of this report ([pages 6 to 10](#)), we provide details on our processes to manage climate risks and opportunities.

Q What are the barriers to SMBs taking climate action and how is Sage supporting the low-carbon transition?

EM SMBs face significant barriers to decarbonising, such as lack of time, significant costs, overly complex reporting and guidance, and uncertainty about quantifying emissions. These barriers are preventing effective climate action amongst SMBs and are holding back wider society from making the changes that need to be achieved to transition to a low-carbon economy. Sage is in a unique position to help SMBs to transition to a low-carbon economy. By providing access to products such as Sage Earth and advocating for enabling policies, we can unlock a step change for society, business, and the environment.

Key highlights

Emissions



Total emissions chart for 2023 (Scope 1, 2, and 3 combined)

- Scope 1 0.6%
- Scope 2 1.7%
- Scope 3 97.7%



-60.9%
reduction

Scope 1 (tCO₂e)



-84.1%
reduction

Scope 2 (tCO₂e)



-12.7%
reduction

Scope 3 (tCO₂e)



-25.5%
reduction

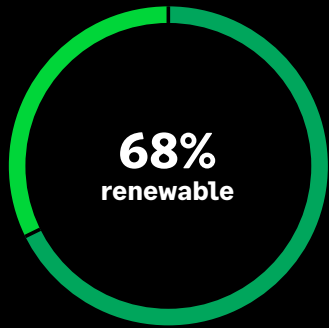
Emissions intensity ratio: Location-based CO₂e emissions per total GBP £1,000,000 revenue



-16.4%
reduction

Total emissions (tCO₂e)

Energy



% renewable energy versus non-renewable



-62%
reduction

Total energy consumption GJ



-66%
reduction

Energy intensity (MWh/revenue)

ESG Databook



For more information on our climate performance, please refer to our ESG Databook by clicking on the tile.

The ESG Databook goes into detail on our year-on-year performance across all core data categories. We go into further detail by providing some commentary on the movements in data and what is causing it.

Strategy and Governance

Climate strategy oversight, governance and responsibility	7
Sustainability and Society strategy	9



Climate strategy oversight, governance and responsibility

TPT 4.1-2, 5.1-5

GRI 2-12, 2-13, 2-19; 3-3-e

Protect the Planet is one of three pillars that make up our broader Sustainability and Society strategy. Our Chief Executive Officer (CEO) and Executive Leadership Team (ELT) are accountable for the delivery of our overall Sustainability and Society strategy, including the Protect the Planet pillar and associated targets.

In FY23, Chief People Officer (CPO) Amanda Cusdin was the Executive Sponsor for our Sustainability and Society strategy, which includes responsibility for delivering the Protect the Planet pillar. The EVP of Sustainability and Foundation, and the Climate Change Director are responsible for designing and implementing the Protect the Planet pillar, with support and oversight from our management Sustainability and Society Committee.

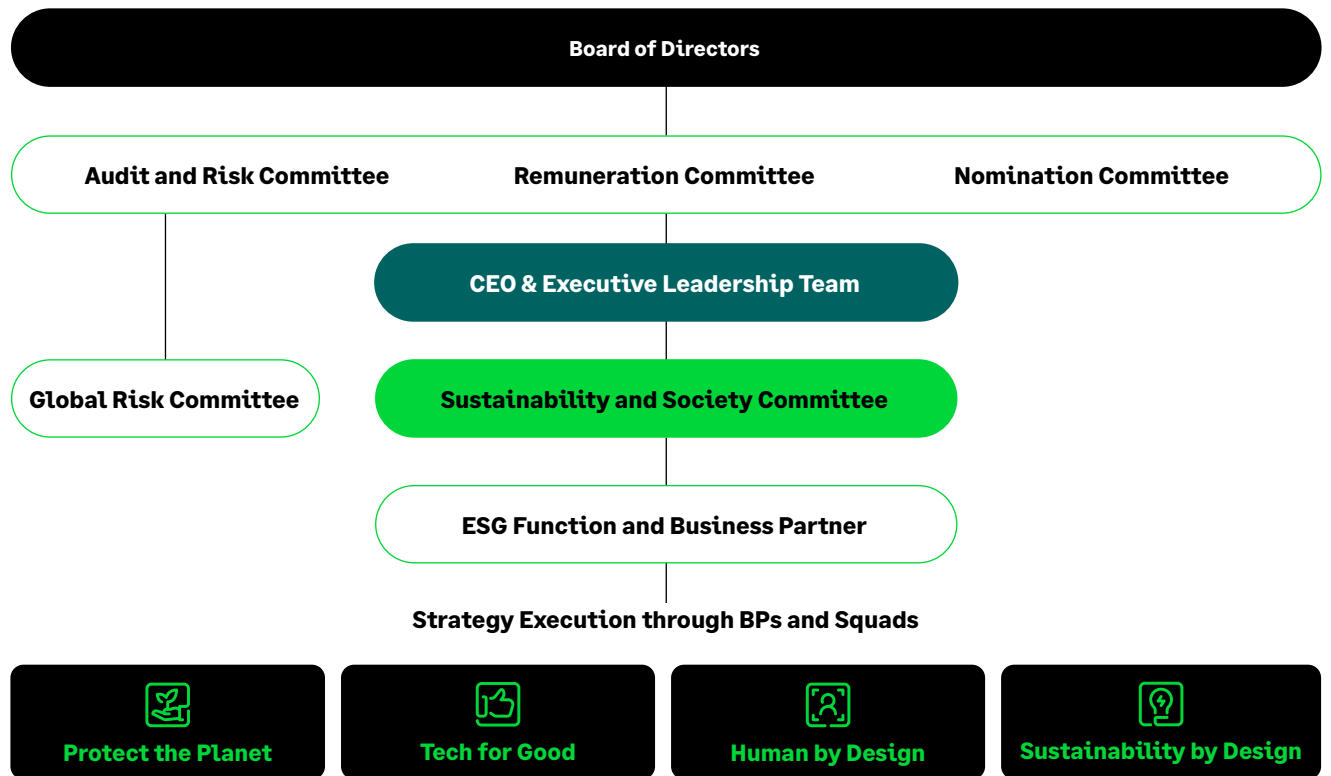
The Committee, chaired by Amanda Cusdin, meets quarterly, sharing discussion outputs with the CEO and ELT through regular briefing sessions, and with the Board, via Maggie Chan Jones, our Non-executive Director responsible for environmental, social, and governance (ESG). From FY24, the Chief Corporate Affairs Officer will take over from the CPO and become the Executive Sponsor for the Sustainability and Society strategy.

Our Board provides oversight of the strategic direction of our Protect the Planet pillar and the progress being made against the Sustainability and Society strategic commitments. The Board is regularly updated on ESG and climate matters, and has ultimate responsibility for approving certain policies, with actions delegated to the appropriate Committee as required. Sustainability risks and opportunities are channelled through the Global Risk Committee (GRC). Remuneration incentives—including the successful delivery of our Protect the Planet targets—are in place for our ELT.

Our Board and ELT are helping to hardwire sustainability into Sage’s wider Company culture. Sustainability and environmental considerations are factored into the decision-making processes at the top of our organisation and flow down throughout our business.

The Board has been supported with relevant climate training to ensure that they are up to date with developments in the climate agenda and the regulations that are applicable to Sage.

Sustainability and Society strategy governance framework*



* The structure is descriptive of the interactions of the ESG team with the governance mechanisms at Sage (including ELT, ARC, GRC, RemCo, and the Board). For the full governance structure at Sage, please refer to the [ARA page 92](#).

Climate strategy oversight, governance and responsibility—continued

TPT 4.1-2, 5.1-5

GRI 2-12, 2-13, 2-19; 201-2

TCFD—climate risks and opportunities

Climate-related risks and opportunities have the potential to impact our business. We are committed to taking the necessary steps recommended by TCFD to assess the severity of the risks, and the value of the opportunities on our business.

We've identified 6 climate-related risks and 5 climate-related opportunities as having the potential to impact our business. A detailed description of these is provided in the TCFD disclosure section of this report—and you can read a summary in our [Annual Report pages 38 to 45](#).

Sage has recognised ESG as a Principal Risk, demonstrating the importance of the environment and climate change to Sage, and ensuring its integration within our Enterprise Risk Management (ERM) Framework. Inclusion of ESG within the ERM ensures that Sage practises a consistent approach to the management of climate-related risks. This is in line with all other risks managed across the business, including existing and emerging regulatory requirements. Sage operates a formal risk governance structure to ensure risk management is at the forefront of decision making. Governance arrangements allow for clear points of escalation, while ensuring adequate oversight is in place to manage and mitigate risk exposures.

Incentives and remuneration

Working alongside the Remuneration Committee, we have integrated climate-related performance measures into Executive Director and ELT reward to incentivise continued progress towards our climate objectives.

In FY22, we introduced a set of ESG performance measures in our Performance Share Plan which are aligned to our Sustainability and Society Strategy. In FY23, the weighting of ESG measures increased from 15% to 20% and the measures comprise metrics linked to our progress in reducing carbon emissions against our Science Based Targets initiative (SBTi) approved Net Zero Transition Plan (7.5%), our development of products to enable SMBs to address their own sustainability goals (5%), and to diversity, equity, and inclusion (7.5%) goals.

Introducing such incentives ensures that climate action has leadership accountability, is embedded across the organisation, and that functions are appropriately engaged in working towards our targets.

For more details on Director-level incentives and remuneration, please consult our [Annual Report](#).



Sustainability and Society strategy

TPT 1.1, 4.3

Sage’s Sustainability and Society strategy is made up of 3 pillars, which are aimed at tackling barriers to sustainability action and multiplying impact through the SMBs that we work with. Each one of our strategic pillars is underpinned by clear action plans to embed sustainability across everything that we do and continue to amplify Sage Foundation’s impact.

The Protect the Planet pillar is our commitment to fight climate change and drive a faster global transition to net zero. We are delivering this commitment by halving our own emissions by 2030 and becoming net zero by 2040, by empowering SMBs to get to net zero, and by advocating for regulatory frameworks to support the transition to a low-carbon economy, whilst championing the role of SMBs.¹

On the right side of this page you can find an overview of our Sustainability and Society strategy. This report focuses on its first pillar: Protect the Planet.



The Multiplier Effect



Protect the Planet

We will take action within our business, with our customers, and with our suppliers to tackle climate change.

- Get Sage to Net Zero
- Get SMBs to Net Zero
- Policy and Advocacy



Tech for Good

We will support SMBs to thrive by building trusted and inclusive digital networks and solutions.

- Data for Good
- Build Digital Trust
- Empowering Entrepreneurs



Human by Design

We will scale and grow sustainability, through a diverse, high-performing, and human culture.

- Diversity, Equity, and Inclusion
- Future Fit Work
- Wellbeing

Hardwiring sustainability into the business through



Sustainability by Design

Integrating ESG into everything we do:

- Including in how we operate
- The products we build
- And the culture we work in

Driving collective action through



Sage Foundation

Knocking down barriers to social and economic inclusion, by providing access to skills and opportunities so that everyone has the chance to thrive.

1. See Sage’s detailed net zero targets on [page 10](#).

Sustainability and Society strategy—continued

TPT 1.1, 4.3

GRI 305-1, 2, 3; 3-3-c, e

Protect the Planet overview

Climate change is an immediate threat to human wellbeing, functioning society, and planetary health. And the opportunity to secure a viable and sustainable future for all is rapidly closing.

A destabilising climate system also presents a significant risk for businesses as its impact spreads throughout the value chain. Action now is essential to minimise future disruption to normal operations.

Some future changes caused by the changing climate are unavoidable and/or irreversible, but can be limited by deep, rapid, and sustained greenhouse gas (GHG) emissions reduction. Rapid and far-reaching transitions across all sectors are necessary to achieve the reductions needed to limit warming to 1.5°C.

At Sage, we are committed to fighting climate change and driving a faster global transition to net zero. We're doing this in 3 ways:

- 1 **Get Sage to Net Zero**
- 2 **Get SMBs to Net Zero**
- 3 **Policy and Advocacy**

In this report, we share our FY23 progress to deliver on our Protect the Planet commitments. For more information on the other pillars of Sage's Sustainability and Society strategy, please consult our [Sustainability and Society Report](#).

Our key Protect the Planet commitments:

Get Sage to Net Zero

- Reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2019 base year (SBTi validated).
- Reduce absolute Scope 3 GHG emissions by 50% by 2030 from a 2019 base year (SBTi validated).
- Reduce optional absolute Scope 3 GHG emissions from homeworking, hotel stays, and use of sold products by 50% within the same timeframe (SBTi validated).
- Achieve net zero across absolute Scope 1, 2, and 3 emissions by 2040 from a 2019 base year (SBTi committed).

Get SMBs to Net Zero

- Help our customers reduce their GHG emissions by 2030 by providing access to carbon management solutions and expertise.

Policy and Advocacy

- Put SMBs at the forefront of the transition to net zero by lobbying for simplified standards and making sure their voice is heard.

Environmental stewardship

Our environmental sustainability responsibilities extend beyond our approach to climate.

In FY23, we approved an updated Environmental Policy, which extends beyond carbon and uses the planetary boundaries concept.

Going beyond these boundaries means exceeding the planet's capacity to absorb our impacts, resulting in the collapse of planetary support systems. This approach underpins the now familiar concept of net zero: if we act to limit the concentration of GHGs in the atmosphere, we can restrict the damage caused by climate breakdown to manageable levels.

The same principle applies to the other boundaries: impacts must be reduced fast enough to be effective. The Stockholm Resilience Centre has defined the boundaries at a planetary scale, and, through the work of the Intergovernmental Panel on Climate Change, we know how to translate this into corporate-level action.

We have a plan for climate and are now beginning the process of working out equivalents for the remaining boundaries. The first step in our process is a screening assessment to decide whether, and to what extent, each of the planetary boundaries is relevant to Sage. In collaboration with the Planetary Accounting Network, we'll consider the impact of the environment on our operations, our operations' impact on the environment, and our ability to influence change.

Get Sage to Net Zero

Overview	12
Net zero glidepath	14
Colleagues	15
Products	18
Property	21
Supply chain	23



Overview

TPT 1.1, 4.3

GRI 3-3-d; 305-1, 2, 3, 4, 5

Our Net Zero Transition Plan sets our path to deliver our climate commitments. Our near-term focus is to reduce absolute Scope 1, 2, and 3 GHG emissions by 50% by 2030 from a 2019 base year (SBTi validated). Sage has also committed to reach net zero across Scope 1, 2, and 3 absolute emissions by 2040 from a 2019 base year (SBTi committed).

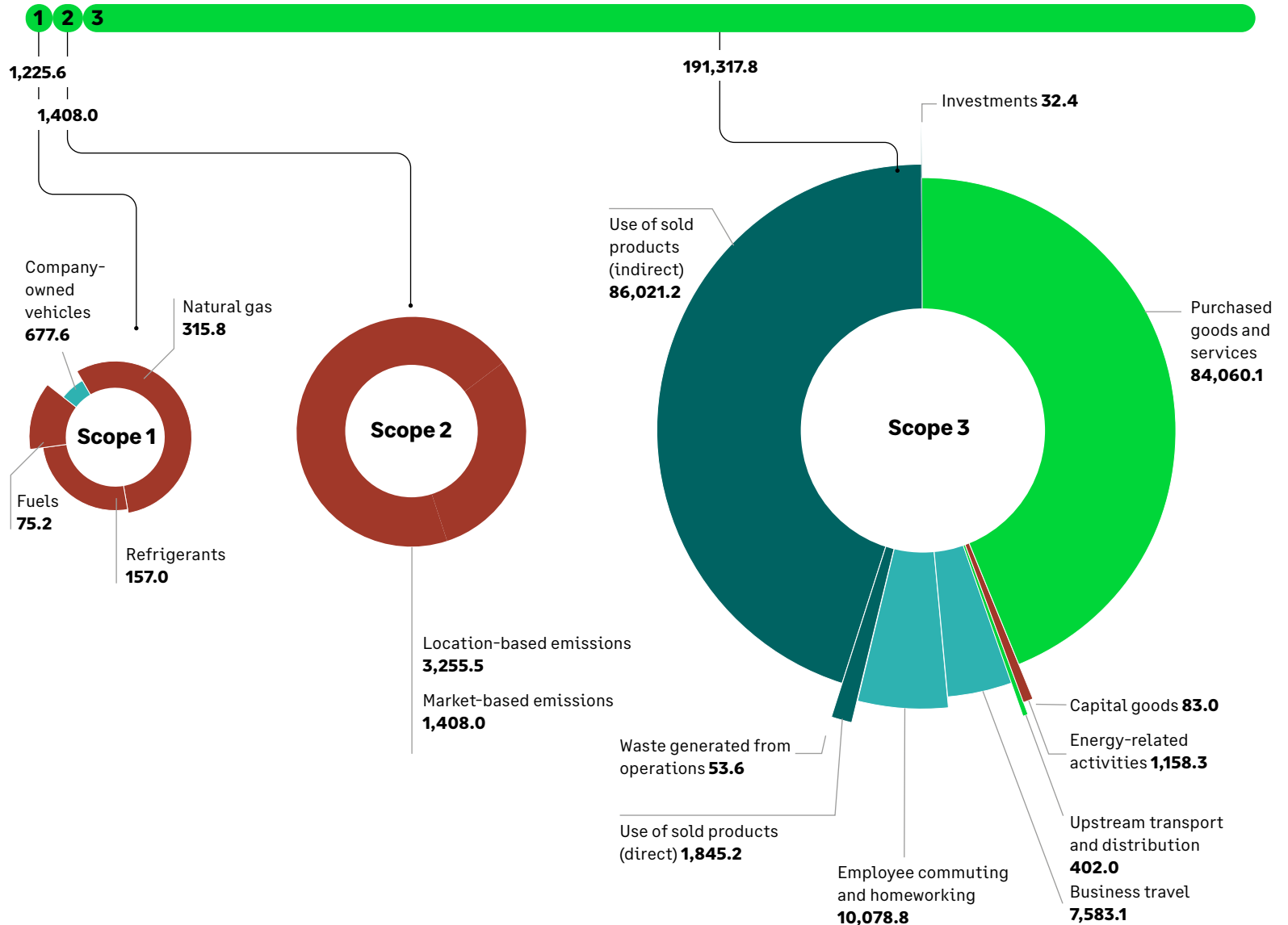
A significant proportion of our footprint is in our Scope 3 emissions. Purchased goods and services make up 42.9% of our footprint, with the indirect use of sold products contributing a further 43.9%.

Our footprint is segmented into 4 focus areas that are independently validated by external auditors and are calculated in line with the Greenhouse Gas Protocol.

Key

- Colleagues (9%)
- Property (2%)
- Products (45%)
- Supply chain (44%)

All emissions Scopes (tCO₂e)



Overview—continued

TPT 1.1, 4.3**GRI 3-3-d; 305-1, 2, 3, 4, 5**

We know that our journey to net zero will not be linear; we need a clear plan and focused actions to get there. Therefore, as part of our Transition Plan, we've modelled our glidepath to reach 50% emissions reduction by 2030. The glidepath is focused on our near-term actions to 2030, and built on the key levers that we can pull to reduce Sage's emissions across our 4 focus areas. With clarity on the actions that we need to take, we can transparently and methodically deliver progress towards our near-term targets whilst managing our key climate risks and opportunities.

Our Net Zero Transition Plan has underscored the importance of considered and urgent action in our product and supply chain emissions. Although not entirely under our control, there are factors that we can influence to accelerate emissions reductions in these areas. Actions such as engaging with our top 50 emitting suppliers and encouraging the adoption by our customers of cloud-based solutions help Sage to accelerate our progress towards our near-term targets.

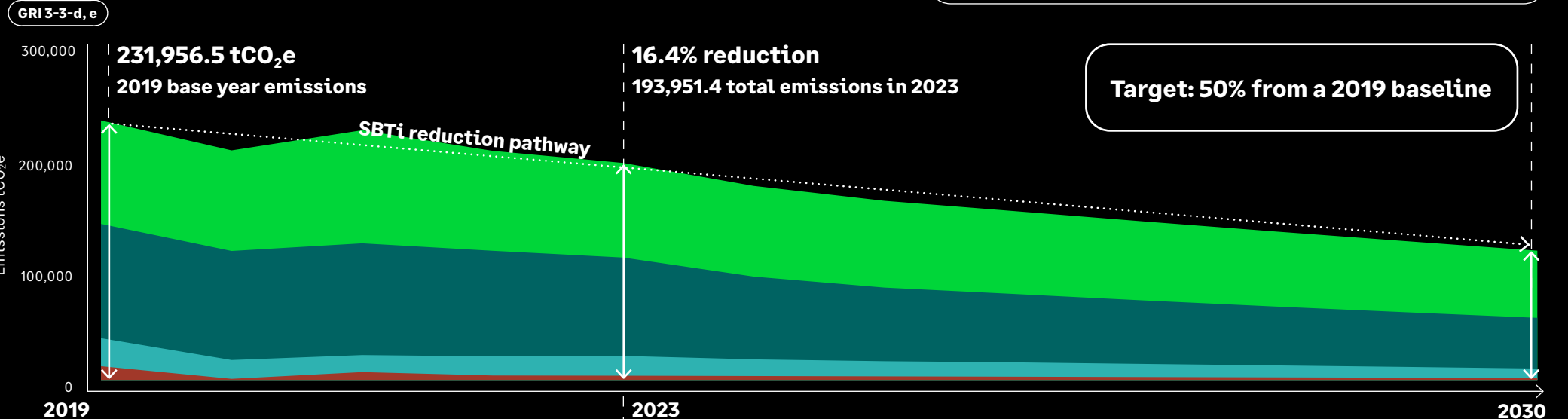
Whilst Sage's colleague and property emissions make up a smaller part of our footprint, they are more within our gift to manage. We have already made good progress to minimise our property emissions and we're working directly with our colleagues to support and encourage sustainable behavioural change.

In the next section, we provide further information on our 4 focus areas and the actions that Sage is taking to reduce our emissions.



Net zero glidepath

Key ● Property ● Colleagues ● Products ● Supply chain



Completed projects from 2019 to 2023

- Transitioned our Sage-managed properties to certified renewable energy.
- Streamlined and optimised our property portfolio.
- Engaged with our landlords in landlord-managed properties requesting more action on energy efficiency.
- Introduced a business travel dashboard that empowers colleagues with their personal data and provides simple ways they might be able to reduce their impact in the future.
- Developed a rewards and benefits programme that provides colleagues with the tools to reduce their commuting and homeworking emissions.
- Mapped the carbon impact of our products and identified priority action areas for the future.
- Introduced a new Supply Chain strategy that includes new sustainability requirements as part of the procurement process.
- Engaged with our top 50 emitting suppliers and collaborated for greater climate action.

Active/planned projects

- Transitioning remaining Sage sites to renewable energy contracts.
- Optimising Sage-owned sites to the highest levels of energy efficiency and sustainability.
- Supporting colleagues, where business travel is required, to use the most sustainable available option.
- Empowering colleagues to commute to their local Sage office using locally available, low/zero carbon options.
- Supporting colleagues to make their homeworking environment more sustainable and efficient.
- Ensuring use of primary data as it becomes more readily available from suppliers.
- Increasing % of suppliers with SBTi-aligned net zero targets.
- Collaborating with our highest-emitting suppliers, ensuring their climate commitments are aligned to Sage's targets.
- Encouraging customers to utilise more efficient cloud-hosting solutions (planned).
- Supporting new/existing customers to adopt Sage cloud-based product (planned).

Additional data on Sage's emissions footprint can be found on [pages 5 to 12 in our ESG Databook](#).

Colleagues

TPT 1.1, 4.3

GRI 3-3-d; 305-1, 2, 3, 4, 5

Enabling our colleagues to make informed sustainable choices is an important part of our climate transition as well as our broader commitment to protecting the planet.

Overview

Colleague emissions related to commuting, homeworking, and business travel make up 9% of Sage's footprint. Although colleagues are contributing to a small percentage of Sage's overall footprint, they play a key role in delivering on our climate commitments. Our colleague strategy drives climate awareness and enables our colleagues to take positive climate action at work and at home.

Commuting and homeworking

Sage follows the EcoAct white paper methodology for homeworking and commuting emissions accounting. This year, in collaboration with our Rewards team, we developed a colleague benefit proposition to assess and recommend benefits that will support colleagues to reduce their homeworking and commuting emissions (building on the success of the electric vehicle salary sacrifice initiative launched across the UK in FY22). To reduce emissions in the medium term, we'll introduce initiatives that incentivise low- and zero-carbon colleague commuting, and we'll evaluate how to provide advice and support to make their homes more energy efficient and powered with low-carbon energy.

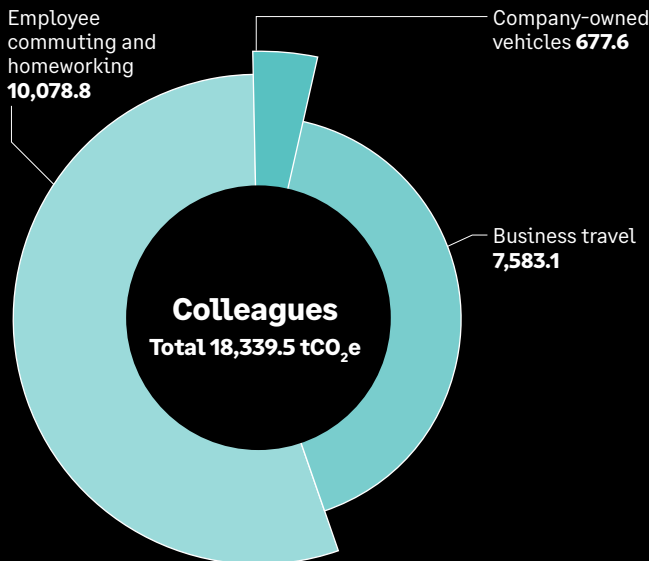
Business travel

This year, Sage developed a new Travel Insights Dashboard. Colleagues are presented with data related to the environmental impact of their personal business travel and are encouraged to reduce their impact where possible in the future.

Colleague engagement

We aim to empower our colleagues to be agents of change on our net zero journey. A broader workstream is taking place to support colleague awareness and to drive behaviour change through specialised climate training and communications. We have recently launched pilot Carbon Literacy training sessions with colleagues in the UK and plan to roll out further training opportunities for colleagues at all levels in the organisation in FY24.

On the following pages, we detail some case studies that demonstrate the progress we have made in FY23 to reduce our colleague emissions.



Actions to net zero



2019–2023

Introduced a business travel dashboard

that empowers colleagues with their individual travel data and provides simple ways to reduce their impact in the future.



2019–2023

Developed a rewards and benefits programme

that provides colleagues with the tools to reduce their commuting and homeworking emissions.



2023–2030

Supporting colleagues, where business travel is required, to use the most sustainable available option.



2023–2030

Empowering colleagues to choose low- or zero carbon travel options

on their commute to local Sage offices.

Supporting colleagues to create more sustainable and efficient homeworking environments.

[Read more about colleagues on our glidepath on page 14](#)

Colleagues—continued



Case study: Integrating sustainability into our colleague rewards and benefits proposition

TPT 2.3, 3.1, 5.4

GRI 3-3-d

For colleagues to take effective climate action, they must be equipped with the correct tools. Behavioural change cannot be achieved solely through well-intentioned communications and engagements. To drive this, we must knock down the barriers to participation and make it easier for our colleagues to access the solutions that will help them to reduce their emissions.

In FY23, Sage developed a sustainable benefit proposition that makes it easier for colleagues to reduce their emissions from commuting and homeworking.

Sage's Sustainability and Benefits and Recognition teams partnered with Mercer Marsh Benefits (MMB) to design a multi-year benefits proposition that will support Sage to achieve our net zero goals, as well as supporting colleagues to live more sustainably in their day-to-day lives.

Through extensive research, Sage and MMB were able to shortlist potential initiatives that could be rolled out to help colleagues reduce their emissions. From this, Sage has initially prioritised several initiatives that we hope to pilot in FY24.

In the first half of FY24, we'll pilot an active travel initiative in selected UK sites. This workstream will help colleagues to find more sustainable ways of travelling into the office. In the medium term, we'll introduce new initiatives (e.g. access to home energy assessments) that will assist colleagues to make their homes more sustainable.



Case study: Colleague climate education and training

TPT 3.1, 5.5

GRI 3-3-d, f

Sage is making efforts to upskill our colleagues through climate and sustainability education and training. More informed colleagues find ways to integrate sustainability into their lives at work and act as climate catalysts in their teams.

In FY23, we delivered a series of activities aimed at upskilling colleagues at all levels of the organisation in sustainability topics. In February 2023, we held a session with our Board to bring them up to speed with the evolving ESG landscape, with a particular focus on climate. We plan to continue working with our Board, ELT and senior leadership to ensure they can stay abreast of developments in relevant climate topics.

Sage has concluded a training needs analysis to understand the sustainability skills and training requirements of colleagues across our organisation. In FY24, we'll start to roll out targeted and function-specific training opportunities for colleagues to plug gaps identified by this analysis.

We intend to build on the success of our carbon literacy pilot in the UK last year, to scale and reach 1,000 colleagues with climate training by the end of 2025.

Colleagues—continued

Engaging colleagues in climate action



Case study: Business travel

TPT 3.1, 5.5

GRI 3-3-d

Sage's Travel team, Global Data Office, and Climate teams have collaborated to produce a Travel Insights Dashboard, which provides colleagues with key insights into their own travel data using information provided by our corporate travel company, Egencia. Colleagues are presented with data related to the environmental impact of their personal business travel and are encouraged to reduce their impact where possible in the future.

We believe that, by empowering colleagues with insights into their own actions, we will be able to inform more responsible decision making, including encouraging switching to low-carbon travel alternatives that contribute directly to reducing Sage's emissions related to business travel.



“Seeing my personal travel data really hit me between the eyes ... seeing it represented visually in the Travel Insights Dashboard has been a game changer for me and has triggered me to think differently and make different choices. I feel like I’m tangibly contributing to our path to net zero.”

Jonathan Cowan
Chief of Staff



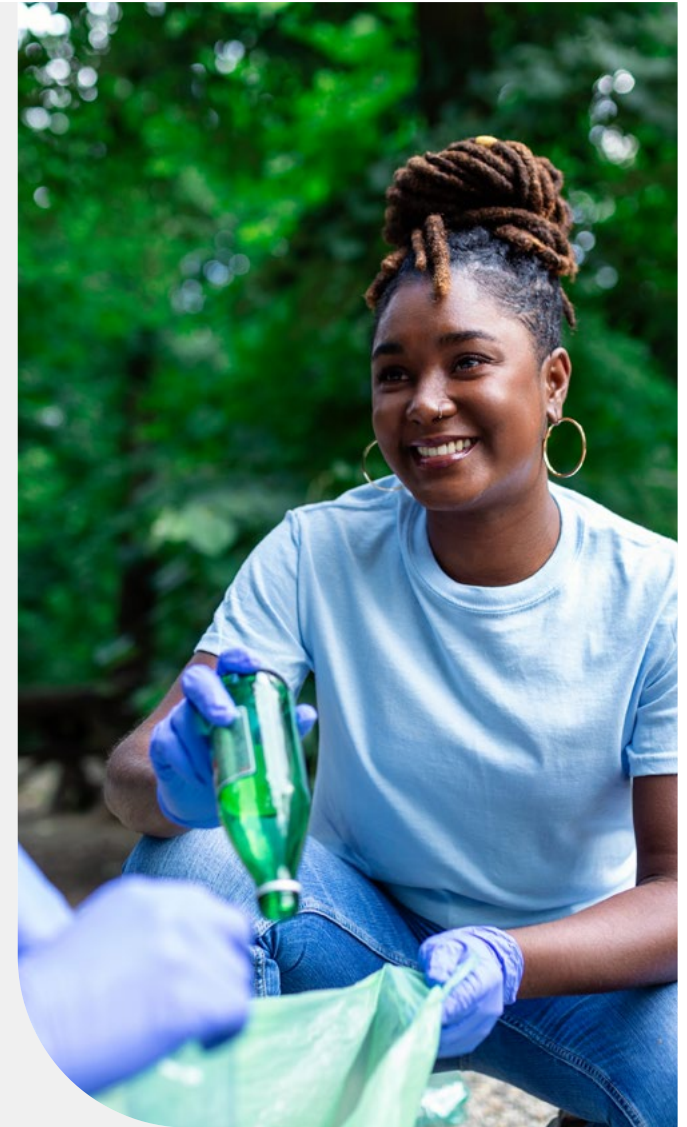
Case study: Environmental volunteering through Sage Foundation

GRI 3-3-d

As part of Sage Foundation's activities, we offer opportunities for colleagues to participate in local projects that contribute to protecting the planet. In FY23, this included Big Days Out and other events where volunteers picked up litter, cleaned beaches, planted trees, restored environments, and repaired buildings—benefitting charities such as Groundwork and The Conservation Volunteers.

Environmental volunteering does not contribute directly to reducing Sage's footprint, but we believe that it's important to engage our colleagues in environmental activities as it helps us to raise awareness and interest in the climate agenda more broadly.

In FY23, Sage Foundation has partnered with One Tree Planted to engage partners and colleagues in environmental volunteering projects, including tree planting and habitat restoration throughout the US and Canada. Sage's partners and colleagues have combined to volunteer nearly 400 hours and Sage Foundation has funded the planting of over 7,600 native trees appropriate for the local ecosystem.



Products

TPT 1.1-2, 2.2, 2.4, 4.3

GRI 3-3-d; 305-1, 2, 3, 4, 5

The indirect carbon emissions related to the use of our products account for a considerable proportion of our carbon footprint.

Overview

The carbon emissions related to the use of sold products (Scope 3, category 11) account for 45.3% of our carbon footprint. In FY23, however, emissions related to our products have declined by 14% from our 2019 base year in line with our glidepath for emissions reductions.

We estimate that the majority of emissions in this category are from customers running Sage solutions on their own hardware and premises, with our Sage 100, 200, and 300 product franchises being the largest contributors due to a broader customer base.

Our product strategy

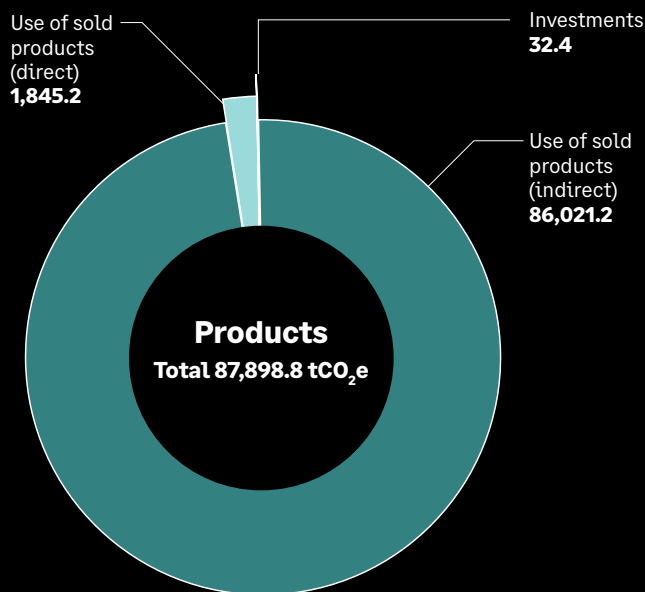
Sage's product strategy is well aligned with Sage's net zero ambition —by delivering on our business plan, and as we see our customers continue to adopt the benefits of the cloud, we expect our emissions associated with products to reduce in line with our 2030 commitment. But to reduce our carbon emissions even further and faster, Sage needs to a) support new/existing customers to adopt cloud-based products and/or b) encourage customers to use more efficient cloud hosting environments for their existing products. Both activities are already happening and are integrated into Sage's commercial strategy.

Our FY24 plans

In FY24, we will continue to intertwine sustainability into our product strategy. By embedding sustainability into our product proposition, we'll aim to share with our customers the environmental benefits of hosting our products and services within efficient cloud environments. We will additionally provide our customers with the information and tools to understand the carbon impact of our products.

We follow an independently assured methodology for calculating the emissions related to the indirect use of sold products. But we know there is more we can do to improve the accuracy of product emissions data—limitations such as accurate customer hosting data and operational run time introduce assumptions into the methodology. As a result, in FY23, we commenced work to develop a methodology to perform a Lifecycle Carbon Assessment of our software products.

We provide further details on our efforts to reduce our product-related emissions on the following page.



Actions to net zero



2019–2023

Mapped the carbon impact of our products and identified priority action areas for the future.

[Read more about products on our glidepath on page 14](#)



2023–2030

Encouraging the use of more efficient cloud-hosting solutions by customers.



Supporting adoption of Sage cloud-based product solutions for new and existing customers.

Products—continued



Case study: Developing a new methodology for product carbon accounting

TPT 1.1-2, 2.2, 3.2

GRI 3-3-d, f

Organisations increasingly rely on hybrid infrastructures, combining on-premises servers and cloud-based services. Given this, understanding and mitigating the carbon emissions associated with software solutions is of growing importance. The expansion of cloud computing has brought benefits in terms of scalability, cost efficiency, flexibility, and emissions reduction potential. Simultaneously, traditional on-premises servers continue to play a vital role in hosting and maintaining critical applications.

To date, Sage has measured the impact of our products in alignment with the Greenhouse Gas Protocol's recommended methodology for "the use of sold products". However, for an even more accurate picture of the "cradle to grave" climate impact of our products, Sage has undertaken a project with climate experts Eunomia and Small World Consulting to develop an innovative lifecycle assessment (LCA) methodology for software products. This could be replicated across our industry—encouraging a standardisation of emissions accounting methodologies.

We are currently in the process of finalising this collaborative project and, in FY24, we'll share our key recommendations with peers, engage in dialogue with industry, and see if this methodology is replicable in other businesses.



Products—continued

In conversation with Professor Mike Berners-Lee



MBL **Mike Berners-Lee**
Professor at the
Environment Centre at
Lancaster University



DH **David Harrop**
Climate Change Director

TPT 1.1-2, 2.2, 3.2

David Harrop, Sage's Climate Change Director, has recently been in conversation with Professor Mike Berners-Lee, Professor at the Environment Centre at Lancaster University, author, and Founder of Small World Consulting, about the environmental impacts of the tech sector, and what businesses can do now to more accurately measure and reduce their impact.

Q Information and communication technology (ICT) has an ever-increasing role in our lives. Can you put the associated carbon emissions into a global context?

MBL It is very hard to be accurate about ICT's direct climate impacts, but we think they stand at something like 4% of global greenhouse gas emissions, give or take 1% or 2%.

Q And how is that changing?

MBL The efficiency of all forms of computing is rapidly improving, but, as this is happening, so the value of ICT goes up and, as a result, our use of it is rising even faster than the efficiency improvements. So currently, the total carbon footprint is going up, despite—or arguably even because of—the efficiencies.

Q Should we be worried about ICT's impact?

MBL 4% of the global total is not trivial and we should be reducing it wherever we can. However, a bigger question is whether ICT can justify its footprint by enabling a more sustainable world economy.

Q And can it?

MBL ICT enables all kinds of things to be done better and more efficiently across society and the economy. It makes it possible to live well with much less impact. But the danger is that we just end up doing more as a result, so that the net effect is to stimulate rather than reduce global emissions. And indeed, as we speak, global emissions are going up not down. To give a simple example, video conferencing is thousands of times more efficient than flying to meetings, but the danger is that we fly to meet people we would never have connected with without video conferencing.

Q Where does the cloud fit in?

MBL The cloud, along with the networks that connect it to the machines that we use, is the most opaque but rapidly rising area of computing. Whilst it is easy to understand that it takes carbon and energy to make and run our end-user devices, for most people the cloud is just a mysterious abstract concept.

Q How can we best understand and manage the impact of cloud computing?

MBL The carbon in ICT is probably the most complex and difficult to understand of all the world's major industries. It stems partly from energy use at all stages in the system, from our own machines to cloud data centres, and partly from the embodied emissions in the hardware and other infrastructure.

It isn't possible to measure it accurately, but, with care, we can create meaningful best estimates that are still useful for most purposes.

Q How is that done?

MBL There are 3 key principles to follow. The first is to gain as much specificity as possible with the resources that are available. The second is to adopt consistent boundaries by always including everything in the supply chain, even where there is uncertainty. And the third is to be honest about that uncertainty. Specificity is often best achieved through detailed LCA in which emissions at key stages are assessed and aggregated. However, LCA inevitably leaves a lot out because the supply chain pathways are literally infinite, yet LCA resources are always finite. The resulting “truncation error” can easily be more than 50%. To achieve system completeness, the gaps can be filled by combining with a top-down approach known as input-output (IO) analysis. This is very generic but has the huge advantage of being system-complete—it estimates all the pathways. Between LCA and IO, a “hybrid” analysis can be constructed that is both system-complete and sufficiently specific to be useful. I'm not saying it is simple, but it is doable.

Q What would you like to see in terms of cloud computing emissions reporting in the future?

MBL Going forwards, we need to see emissions estimates that are good enough to allow the hotspots to be identified and managed. For each type of cloud usage, we all need to know, for example, the extent to which the biggest impact in the cloud is energy use—the building of the data centres in the first place, the end-use machines, or the networks that link everything up. And we need to understand the overall scale of every cloud application, so that we can put it into perspective alongside the other emissions of our businesses and in the economy as a whole. I'd like to see transparency of methodologies and data, and sufficient compatibility between those methodologies to allow comparisons.

Property

TPT 1.1, 2.1, 4.3

GRI 3-3-d; 305-1, 2, 3, 4, 5

Our global property portfolio, consisting of a mix of Sage-owned and landlord-managed properties, evolves with the needs of our business and colleagues.

Overview

Although our property emissions are only a small percentage of our overall carbon footprint (2%), they are more in our control to influence. By collaborating with landlords and partners, we aim to reduce our property-related emissions as far as possible.

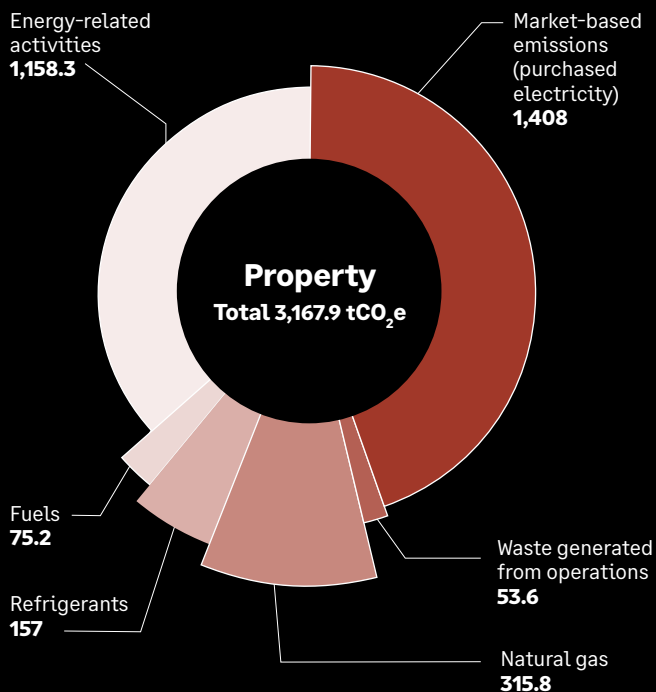
Sage has achieved significant emissions reductions across our property footprint. Since 2019, we have reduced our market-based property emissions by 84%. This has been achieved through transitioning our Sage-managed properties to certified renewable energy and consolidating our property portfolio to a reduced footprint. Over the past 4 years (since our 2019 base year), electricity from certified renewable sources has increased from 27% to 68% of our total electricity consumption.

Continuous reductions

In line with our transition glidepath, our property strategy will drive continued reductions in our emissions, whilst transitioning our sites to clean, low- and zero-carbon sources of energy. As of the end of FY23, 25 out of 51 office locations are on renewable energy contracts, accounting for 68% of our total electricity consumption.

Beyond our own properties

Where we are in landlord-managed properties, we will identify opportunities to engage with the landlords to reduce carbon emissions through action on energy efficiency and transition to low-carbon energy. We recognise the limitations regarding our landlord-managed estates and, as a result, we have not set a specific target for renewable energy provision across these properties, beyond a requirement for all locations to continue investigating the opportunity of transitioning to renewable forms of energy.



Actions to net zero



2019–2023

Transitioned to certified renewable energy

for our Sage-managed properties.

Streamlined and optimised our property portfolio

Requested more action on energy efficiency

from landlords of our landlord-managed properties.

[Read more about property on our glidepath on page 14](#)



2023–2030

Transition to renewable energy contracts

for our remaining Sage sites.

Optimising Sage-owned sites

to the highest levels of energy efficiency and sustainability.

Property—continued



Case study: Sustainability built into Sage's US HQ

TPT 1.1, 2.1, 3.1

GRI 3-3-d

Sage has recently announced our upcoming office relocation from our current US offices in Atlantic Station, Georgia, to the vibrant and prestigious 619 Ponce, a new mass timber loft building at Jamestown's Ponce City Market in Atlanta's Old Fourth Ward neighbourhood.

The move demonstrates Sage's commitment to minimise the environmental impact of our property portfolio. Our new building at 619 Ponce is being constructed with local, Georgia-grown timber and aims to be net zero carbon ready, with LEEDv4 Core and Shell certification, and Fitwel certification.

This relocation serves as a significant milestone in the Company's journey. The new location, which totals approximately 62,000 square feet, will provide an enhanced collaborative experience for hundreds of Sage's colleagues, fostering creativity and innovation, as well as offering new experiences for Sage customers, partners, and the community.



Supply chain

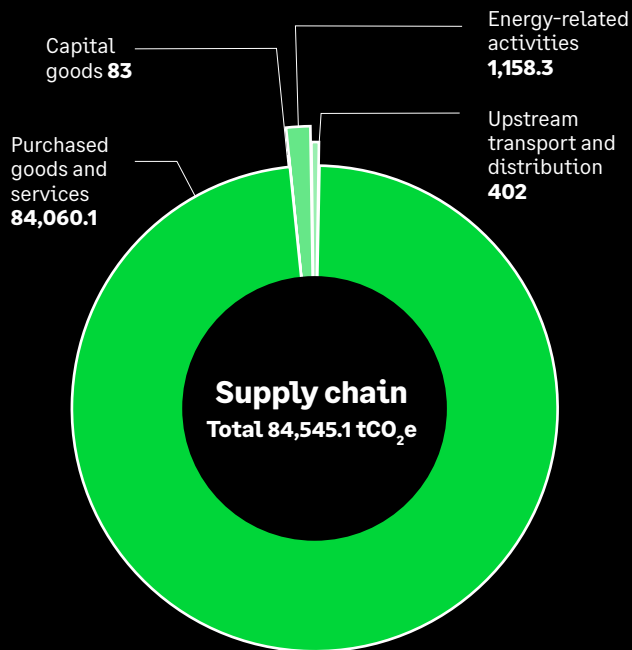
TPT 1.1, 2.3, 3.1, 4.3

GRI 3-3-d, f; 305-1, 2, 3, 4, 5; 308-2

In total, 44% of Sage’s carbon footprint is related to our supply chain, primarily through purchases for IT, Marketing, and Corporate Services.

Overview

In FY23, Sage evolved our Sustainable Supply Chain strategy to accelerate progress towards delivering our carbon reduction commitments by 2030, whilst recognising that supply chain reductions are not under our direct control.



Methodology

We currently calculate our supply chain emissions through a spend-based approach. This is a common and widely accepted approach; however, the only way to reduce emissions using this methodology is by reducing spend. Moving to primary data collection methods (e.g. collected directly from the Company and specific to Sage) is a key priority to enable Sage to benefit from the results of carbon-reduction activities. CDP (Carbon Disclosure Project) disclosures are starting to provide Sage with more robust and detailed primary data, but further efforts are required to improve access to this data.

Our Sustainable Supply Chain strategy

The strategy helps us to embed climate and other sustainability criteria as part of our supplier selection and contracting process, and aims to secure emissions reduction commitments from our high-emitting suppliers. An engagement programme is in progress for Sage’s largest 50 suppliers by emissions—these suppliers make up over 60% of our supply chain emissions, so by engaging with them as a priority, we have the potential to drive real change. This programme is designed to share our sustainable procurement objectives and promote our requirements for receiving verified and accurate carbon emissions data, as well as achieving alignment of products and services to Sage’s carbon-reduction targets.

Further detail on these initiatives can be found on the following page.

Actions to net zero



2019–2023

New Supply Chain strategy includes new sustainability requirements for the procurement process.



Engaged with our top 50 emitting suppliers and collaborated for greater climate action.



2023–2030

Better at using supplier data
Ensuring use of primary data as it becomes more readily available from suppliers.



Encouraging suppliers to set net zero targets
Increasing % of suppliers with SBTi-aligned net zero targets.



Focusing on our highest emitting suppliers and ensuring their climate commitments are aligned to Sage’s targets.

[Read more about supply chain on our glidepath on page 14](#)

Note: We currently calculate our emissions related to purchased goods and services (Scope 3, category 1) by applying an industry average carbon intensity factor associated with the level of spend, a common and widely accepted approach. However, the only way to reduce emissions using this methodology is by reducing spend.

Supply chain—continued



Case study: Evolving our Supply Chain strategy

GRI 3-3-d

Action to reduce emissions in our supply chain, in line with our Sustainable Supply Chain strategy, requires collaboration with our suppliers. In partnership, we can start to create the conditions for change and encourage businesses to take action to reduce their emissions and integrate sustainability into their operations.

Key to our action in the supply chain has been the introduction in FY23 of new sustainability requirements as part of our procurement process. Sage now expects all new and existing suppliers to annually disclose their carbon emissions to CDP, complete a sustainability assessment with EcoVadis, set reduction targets approved by the SBTi, switch to 100% renewables for electricity procurement, and, where relevant, switch to net zero data centres as per the EU Data Centre Pact.

By including these expectations in our procurement process, we can start to more effectively obtain Sage-specific verified primary data, drive the adoption of climate-reduction programmes amongst our suppliers, and continue to minimise Sage's supply chain emissions.

We acknowledge that SMBs might not be as advanced on their sustainability journeys as our larger suppliers. Our request for proposal process takes this into account to ensure that SMBs are not excluded from working with Sage.

In the strategy's first year, over 150 suppliers have completed the CDP disclosure, covering almost half our emissions, and we now have 108 suppliers with valid EcoVadis assessments.



Case study: Engaging with high-emitting suppliers

GRI 3-3-d

Having segmented our supply chain and reviewed our most strategic suppliers' progress against our strategy, we recognise that, if we are to achieve our net zero targets, we have to go further and faster.

Specifically, we're expecting that our 50 highest emitting suppliers will commit to achieving a reduction in carbon footprint of 50% by 2030, and net zero by 2040, in line with Sage's own emissions targets.

There is a wide variation in our suppliers' ability to do this right now, but we are encouraged by progress. For example, including such bold requirements in a recent multi-million pound marketing tender ensured that sustainability was an important factor in the decision-making process, and bidders brought innovative solutions to the table.

Feedback from suppliers has been encouraging, indicating that Sage is amongst the top 10% when it comes to sustainability asks and many have told us that they welcome our bold approach as it helps them secure internal investment for sustainability activities. Another example of collaboration is the way we are working closely with one of our hosting providers to develop their primary emissions data capability, which will enable us to drive emissions reduction in one of our highest-emissions categories.



Get SMBs to Net Zero

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Overview

TPT 1.1, 3.1 GRI 3-3-d

SMBs face significant barriers to decarbonising, such as lack of time, significant costs, overly complex reporting and guidance, and uncertainty about quantifying emissions. These barriers are preventing effective climate action amongst SMBs and are holding back wider society from making the changes that need to be achieved to transition to a low-carbon economy.

In FY23, Sage acquired Spherics, now branded Sage Earth, a carbon accounting software solution that enables SMBs to estimate their carbon footprint using data from their accounting solution, and to identify emissions hotspots in their activities and supply chains. Sage Earth allows a customer to track the evolution of their carbon footprint over time, so that they can see the impact of any emissions reduction strategies that they are taking.

From role modelling our own sustainability journey to sharing key knowledge and skills, we're working with SMBs to amplify and scale our impact together. We've had success this year with the continued roll out of Sage Earth and through our online Sustainability Masterclass series. Through these initiatives, we've been able to reach more SMBs and engage them in sustainability and climate topics—knocking down some of the barriers to effective climate action.



Sage Earth

In conversation with:



GS **George Sandilands**
Vice President Sage Earth



MK **Mathias Karady**
Head of ESG Products

George Sandilands, VP Sage Earth, and Mathias Karady, Head of ESG Products, discuss **Sage Earth's** progress over the past year and their ambitions for FY24.

Q In your own words, can you tell us what Sage Earth is trying to achieve?

GS Our mission is to support SMBs with their journey to reach net zero. We want to make it easy for SMBs to do the right thing and have a positive impact as they adapt, innovate, and grow. Sage Earth does this by highlighting where an SMB has its largest emissions hotspots, so they can act here first. Going forward, we will look to take this further and provide SMBs with mitigation solutions that are most relevant to their business, as well as access to funding to make that happen.

Q How has Sage Earth evolved in the past year after joining Sage?

MK Sage Earth has undergone a huge amount of development in the past year, including transitioning off the Spherics brand, integrating with wider Sage systems, and the creation of our standalone emissions estimation engine that we can license to third-party partners. We also ran an extensive pilot with Sage SMB customers, to better understand the needs of users, and which has allowed us to shape our product strategy for FY24 and onwards.

Q What achievement from FY23 are you most proud of?

MK One of the biggest achievements this year was the launch of our commercial partnership with the NatWest Group, which is using our emissions estimation engine within its Carbon Planner solution. This partnership will make it even simpler for UK businesses to understand their carbon footprint, reduce their emissions, and tackle climate change more effectively.

Q What is the focus for FY24?

MK We want to build upon what we learnt in FY23 and continue to enhance the product, scale the customer base, and explore new partnership opportunities to further increase our reach to even more SMBs.

Q What makes you most excited for FY24?

GS There are so many things that get me excited for FY24. The biggest news will come in the form of new and expanded partnerships. From a climate perspective, Sage cannot fight the battle alone, so it is our partnerships that will drive us furthest the quickest.



Case study: Working with NatWest

Sage and NatWest have joined forces to make it simpler for UK businesses to understand their carbon footprint, reduce their emissions, and tackle climate change more effectively.

NatWest's Carbon Planner is now powered by Sage Earth, automating a key part of the process of calculating a company's emissions. It does this by processing data from a company's accounting software and matching transactions to emission factors to create an estimate of the environmental impact of the company's purchases. The software then guides the business to refine its emissions estimate by submitting additional data (e.g. energy usage, employee commuting patterns).

The NatWest Carbon Planner is a free, tailored solution that provides personalised actions based on customer data and is designed to help UK businesses manage their future fuel and operational costs, and reduce their carbon footprint faster. As well as cutting emissions, the platform has the potential to reduce inefficiencies, save time and money, and help businesses become more competitive.

“By partnering with Sage to leverage the power of its emissions estimation technology through the NatWest Carbon Planner, we are enabling businesses across the UK to embrace sustainable practices with confidence. When small and medium-sized enterprises (SMEs) reduce their carbon emissions and harness the right tools, they not only contribute to a greener future but also unlock significant benefits for their own success, such as reducing inefficiencies, saving on operational costs, and gaining a competitive edge. We are committed to supporting businesses in their quest to tackle climate change while thriving in a sustainable economy.”

Darren Pirie

Climate Propositions Lead at NatWest Group

Upskilling SMBs



Case study: Sustainability Masterclass

GRI 3-3-d

Members of the Sage community receive automatic access to exclusive benefits, including talks, articles, and expert advice in our Member Masterclass sessions. This year, we helped SMBs discover how to create a sustainable, resilient business that can withstand uncertain times.

Our Masterclasses featured video interviews with leaders from the world of business and sustainability, including Tim Smit, Co-Founder of The Eden Project; Mike Berners-Lee, Professor at the Institute for Social Futures at Lancaster University and Director/Principal Consultant at Small World Consulting; John Khoo, former Head of Sustainability at flooring business Interface and currently Chair of Trustees at Surfers Against Sewage; and Paula Quazi, Founder of smol, a supplier of eco-friendly homecare products. Our expert speakers discussed a range of topics demonstrating how doing good is good for business.

We also launched articles to dig deeper into some of the topics featured in these interviews, enabling SMBs to get practical advice about how to take climate action.

Our Masterclasses content has had thousands of views from SMBs and continues to roll out across our operational footprint—it is currently available in the UK, the US, Ireland, and South Africa.



Case study: Sage Advice

GRI 3-3-d

Sage has created a [Sustainability Hub](#) on Sage.com for SMBs to help them access the latest guidance and advice from our internal sustainability experts. We regularly share easily accessible educational content to upskill SMBs in topics around creating more sustainable and resilient businesses, and to enable them to take action. Topics covered in recent articles include carbon footprinting and carbon offsets.

In FY24, we plan to launch even more content through our Sustainability Hub, making it the place to go for Sage customers who want to make more of a difference in the world.



Policy and Advocacy

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Overview

TPT 1.1, 3.2-3

GRI 3-3-d, f

We advocate for policies and standards that make it easier, more accessible, and more tangible for SMBs to take climate action.

To increase our reach and impact, we continued with our participation in the World Business Council for Sustainable Development (WBCSD). As a member of WBCSD, our aim is to provide a voice for SMBs and ensure that global policy frameworks take into consideration the opportunities and challenges that SMBs face in becoming more sustainable.

Sage is also representing SMBs at the All-Party Parliamentary Group on ESG, ensuring that SMBs are part of the climate conversation here in our home country of the UK. We also recently started collaborating with Bankers for Net Zero (B4NZ) to help unlock access to capital by automating GHG emissions reporting for SMBs in the UK.

Sage has been a vocal participator in recent COP climate conferences. During COP27, in Sharm el-Sheikh, Sage launched the **SME Climate Impact Report**, authored in collaboration with Oxford Economics and the International Chamber of Commerce. The findings of the report are a call to action for government and policy makers to help SMBs become more sustainable, given their climate impact and the influential role they play in the economy—alongside the key policy recommendations that will facilitate a low/zero-carbon transition.



COP27: SMB climate advocacy

In conversation with:



NT **Natasha Thomas**
VP Public Affairs and
Stakeholder Relations



RD **Rachel Dignam**
Public Affairs Director,
EU and International

Natasha Thomas, VP Public Affairs and Stakeholder Relations, and Rachel Dignam, Public Affairs Director EU and International, **reflect on COP27 in Sharm el-Sheikh and the launch of The Climate Impact of SMEs report.**

Q How was your COP27 experience and how was the report received?

RD I was very proud to represent Sage and bring the voice of SMBs to the UN Climate Negotiations in Sharm el-Sheikh.

For the second year running, we partnered with ICC, the official representative of business at the UN, to convene representatives from businesses, big and small, international organisations, and government trade associations for an enabling policy environment, where SMBs can be empowered with the right tools and support to take climate action.

Our report was so well received that, for the first time, at COP28, ICC with the support of Sage will be hosting an SMB Day—where the entire day's programme will be devoted to ensuring the SMB voice is represented and heard.

Q Why was it important that the report was commissioned?

NT While it is not news that business has a critical role to play in enabling our governments to reach net zero, until recently the focus has largely been on large businesses, failing to recognise the significant impact for SMBs.

SMBs are at the heart of our economies around the world, from the people they employ, to the products and services they produce for consumers. As the world faces the challenges brought on by climate change, we must acknowledge the vital role they play, but also that SMBs face unique barriers and will require more support.

We partnered with ICC and Oxford Economics to, for the first time, quantify the climate and economic footprint of SMBs, with a focus on the UK and South Africa. With this report, we have set out an analysis which will act as a bedrock to future recommendations and incentivise SMBs into more sustainable business models.

Q What were the key findings of the report?

NT The SME Climate Impact Report found that SMBs are significant players in the fight against climate change in the UK and South Africa. SMBs are generating 44% of the UK's non-household greenhouse gas emissions.

Many of these SMBs are looking to make sustainability a critical part of their operations, and some are even taking action to reduce their emissions. However, 9 in 10 say they face significant barriers on the path to meaningful change: obstacles like cash flow and confusion around what tools to use to manage their environmental impact stand in their way.

Due to their considerable influence in the economy and environment, governments can no longer afford to not address SMBs' unique and specific challenges on the path to greener economies.

So, in summary, the report identified 4 key recommendations.

Firstly, big businesses should help to close the knowledge and information gap to help SMBs understand their impact, identify opportunities to reduce it, and make sense of environmental legislation.

Secondly, existing and future environmental standards and reporting requirements should be tailored to SMBs.

Thirdly, SMBs should be equipped with adequate data, technology, and training to ensure they can easily measure and reduce their environmental footprint.

Finally, a comprehensive suite of fiscal interventions should be provided to SMBs to help them take more ambitious climate action.

Q What's next for Sage's approach to climate advocacy on behalf of SMBs?

RD Building on our contributions to COP26 and COP27, we are continuing to bring the voice of SMBs to COP28. We are partnering with PwC and ICC to provide new insights from SMBs on their motivations, challenges, and opportunities when it comes to sustainability reporting. Our new study takes stock of the current reporting landscape, the motivators and roadblocks along the SMB reporting journey, and provides guidance for standards setters on how to make sustainability reporting work for SMBs.



Driving policy change for SMBs



Case study: B4NZ—Perseus Project

GRI 3-3-d

As part of our ongoing relationship with B4NZ, Sage has collaborated with the organisation and Icebreaker One on its Perseus workstream, with a small group of Sage colleagues supporting B4NZ across all 5 of the project's advisory groups. Perseus enables automated sustainability reporting for every small business in the UK, so that we can reduce emissions faster. It will make it easy to share accurate, assurable data that sits behind emissions calculations—easing the challenge of reporting, and unlocking access to capital for small businesses.

Starting with SMBs, UK banks and energy companies, Sage is a key partner in the creation of rules and processes that will enable automated GHG emissions reporting for every SMB in the UK. As well as providing sponsorship and resources, Sage has engaged some colleagues throughout all elements of the project.

Perseus aims to create value across the economy. It intends to unlock more green finance by helping banks accurately understand the emissions of their customers and on their lending books. The underlying data infrastructure (mapped on existing open banking) will enable cross-industry net zero data sharing. For the country's SMBs, Perseus aims to help facilitate access to capital, reduce reporting burden, simplify reporting processes, and drive strong reputational value.

Perseus also supports the development of Sage's own climate capabilities. For Sage, and Sage Earth more specifically, the project could open up access to data that was previously harder to obtain, making the carbon accounting process easier and more accurate. The successful implementation of Perseus will ultimately help Sage customers to decarbonise their businesses quicker.



Case study: WBCSD—Partnership for Carbon Transparency (PACT)

GRI 3-3-d

Sage is a participant in and sponsor of the WBCSD PACT programme, which sets the foundations for standardised emissions data exchange. Based on the notion that no organisation can create emissions transparency on its own, PACT seeks to advance the agenda towards transparency by enabling collaboration between industry bodies and the harmonisation of different accounting technical solutions.

As a participant in the all-member group to develop the PACT Framework, Sage receives updates on how PACT is evolving, its activities for the year, and the key milestones that it's achieved.

Furthermore, Sage has signed up Sage Earth as a potential technical solution, to be integrated into PACT, for calculating product carbon footprints and facilitating data exchange with third parties—demonstrating that Sage Earth complies with PACT's technical specifications and the Pathfinder Framework.



TCFD

Climate Report Detailed Disclosure

In our Annual Report, we have reported our material TCFD disclosures against the requirements of the FCA Listing Rules and Companies Act. In this report, we provide further information about our TCFD programme and our approach to managing climate-related risks and opportunities.



Governance

GRI 201-2

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

Our Sustainability and Society strategy is supported by a robust governance framework. The Board is accountable for our approach to climate-related risks and opportunities, and approves sustainability policies. The Board is ultimately responsible for setting the Group's risk appetite and for risk management and internal control systems, delegating authority to the Audit and Risk Committee in setting the Group's risk appetite and implementing appropriate oversight of ESG risks. Updates on ESG matters, including as relevant to climate change, are provided to the Board and Audit and Risk Committee via management in addition to the regular updates provided by the CEO Board briefing.

The Board was updated in September on our Net Zero Transition Plan and progress against our Science-Based Targets. This year, the Board attended training on Sustainability, Environment, and Climate Change.

FY24 priorities:

We continue to monitor the training that is in place for the Board and ELT as part of our sustainability training plan.

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

The CEO and ELT are accountable for the Group's climate strategy and approach to TCFD. The Executive Vice President (EVP) of Sustainability and Foundation, is responsible for the implementation of Sage's Protect the Planet climate action plan, including the assessment and management of climate-related risks, with oversight from Sage's Sustainability and Society Committee.

Sage's Sustainability and Society Committee includes ELT members. The Board has also appointed Maggie Chan Jones, who joined as a Non-executive Director in December 2022 to provide specific oversight on the ESG agenda.

The management Sustainability and Society Committee meets quarterly and progress on the Protect the Planet pillar is a standing agenda item. The CEO and ELT receive a debrief after each Sustainability and Society Committee meeting covering key updates, matters discussed, and actions. This informs updates provided to the Board by the CEO.

A proportion of the Executive Directors' and ELT's Performance Share Plan (PSP) awards each year are driven by strategic non-financial measures; in FY23, this included a measure relating to climate.

FY24 priorities:

We will continue to consider how climate-related issues are integrated into budgets, business plans, performance objectives, capital expenditure, and our investment decisions. Furthermore, we consider climate in our due diligence approach, including our mergers and acquisitions, and energy procurement process.



Strategy

GRI 201-2

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

At Sage, we recognise that climate-related risks and opportunities have the potential to impact our business. We are therefore committed to taking the necessary steps to mitigate the impacts of climate risks on our business and capitalise on our climate opportunities, such as via our carbon accounting software, Sage Earth.

In FY22, we identified 6 climate-related risks and 5 climate-related opportunities as having the potential to materially impact our business (see table starting on [page 40](#), including information on how they impact our business, maturity of our assessment, relevant time horizons, and mitigation and adaptation plans).

In FY23, we conducted further analysis of 2 transition risks: the future cost of carbon offsets and the potential economic impact of climate change on the Sage global customers by sector and geography (Changing Customer Needs and Behaviours). The outputs of this work will strengthen Sage's understanding of the effects of climate-related risks on the Sage financial statement. The full results of this analysis will be shared in next year's FY24 TCFD disclosures within the Climate Report.

FY24 priorities:

We will conduct an updated risk and opportunity screening of all climate risks and opportunities categories outlined in the TCFD framework to ensure they are complete and relevant, and to verify underlying assumptions and scenarios.

The 4 risks that are most likely to be material to our business have been further analysed via Climate Scenario Analysis (Hosting Resilience; Damage to Facilities; Workforce Productivity; and Changing Customer Needs and Behaviours).

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

On [pages 40 to 44](#) of this report, we provide an overview of the business impacts of our climate risks and opportunities, and supporting mitigations.

We're working with SMBs to amplify and scale our impact from role-modelling through our own sustainability journey to sharing our lessons learnt and skills. This year, we continued to roll out Sage Earth and launched our online sustainability Masterclasses series. Through these initiatives, we've been able to reach more SMBs and engage them in sustainability and climate topics—knocking down some of the barriers they face to effective climate action.

In FY23, we developed a robust Net Zero Transition Plan outlining our pathway to meeting Scope 1, 2, and 3 emissions reduction targets, as shown on [page 14](#) of this report. Sage commissioned an independent review with ERM, a world-leading sustainability consultancy, to test its Net Zero Transition Plan and projections. This review concluded the plan was sufficiently ambitious, with realistic, achievable near-term 2030 and 2040 net zero targets. The review also identified risks and opportunities to strengthen and accelerate our Net Zero Transition Plan. These have been reviewed with the Sage Audit and Risk Committee, and will be monitored as part of the existing risk management process.

We have considered how our Transition Plan impacts our financial performance in the near term and, at present, we do not consider climate change to have a material impact on the Group's critical accounting estimates and judgements for the year ended 30 September 2023, noting no near-term material impacts. However, the impact from climate change and the associated risks are constantly evolving, and we will continue to monitor this risk and consequently impact. Further information can be found in the [Annual Report](#).

FY24 priorities:

- Continue to develop the financial impacts of our climate risks and opportunities, and integrate the outcomes into our strategy and financial planning.
- This report has followed the principles and guidance of the TPT. In FY24, we will further review our alignment to the TPT framework, including refining the climate sensitivity and scenario analysis to better understand the impact of climate on our business, and the monitoring the changes required to underpin our net zero commitments.

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

Climate modelling approach

Further progress has been made under this thematic area. In FY22, working with our environmental partners EcoAct, Climate Scenario Analysis was undertaken to evaluate our most material physical and transition risks under high- and low-carbon scenarios—these include:

- Hosting Resilience
- Damage to Facilities
- Workforce Productivity
- Changing Customer Needs and Behaviours

This year, we reviewed the outputs of the FY22 scenario analysis, finding no significant changes to the modelled impact of climate risks and opportunities since the prior year. We have set out the key modelling approach and listed the findings below. In FY23, further Climate Scenario Analysis was undertaken against the transition risk Changing Customer Needs and Behaviours to evaluate the relative impact of climate change against the different industry sectors and geographies Sage's customers operate in. Furthermore, we conducted an analysis evaluating the future cost of carbon offsets to understand available options to offset future residual emissions in support of our 2040 net zero ambition.

Strategy—continued

Scenario analysis supports assessment of our most material climate-related risks and opportunities, and how they will likely impact us and our operations in the future. It informs risk management strategies as well as the metrics and targets we use to monitor such issues, enabling us to become more resilient to risks and seize opportunities in the long term. However, we understand the limitations of the analysis being hypothetical and note that it does not provide a certain forecast. The scenarios have been chosen to provide a range of possible climate outcomes, including high- and low-carbon scenarios.

We have set out the modelling approach and identified summary findings below.

Physical risk scenario

To determine the exposure of Sage sites to climate risks (Hosting Resilience, Damage to Facilities, and Workforce Productivity), we used regional climate models RCP2.6 (1.6°C–2°C), and RCP4.5 (2.1°C–3°C), and RCP8.5 (3.1°C–4°C), for forecasting to 2050.

Our modelling approach used a range of physical indicators:

1. Cooling degree days
2. Heatwaves
3. Water stress
4. Cyclones
5. Coastal
6. River flooding

Transition risk scenario

For the transition risk (Changing Customer Needs and Behaviours), we used the Network for Greening the Financial System (NGFS) scenario framework, analysing results under both low- and high-carbon scenarios using the Below 2 Degrees (1.7°C+ temperature implied) scenario and the Current Policies scenario (3°C+ temperature impacted) forecasting impacts until 2100. The NGFS model uses these 2 scenarios to assess the impacts of GDP under low- and high-degree warming. The model results show a percentage of GDP change.

Analysis

Vulnerability interviews were performed with senior stakeholders from across the business, including the Property, Cloud Operations, People, and Product teams, to determine the sensitivity and adaptability of Sage sites/countries to the risks.

Results

Physical risk—Workforce Productivity and Damage to Facilities: Vulnerability across our office sites was determined to be low, with water stress the largest impact, under an RCP8.5 scenario.

Physical risk—Hosting Sites: Vulnerability across our hosting locations was determined to be low to medium, with water stress and extreme heat the largest impact, under an RCP8.5 scenario.

Transition risk—Changing Customer Needs and Behaviours: Sage, in collaboration with Oxford Economics, further examined the impact of climate change on our customers. The work, building upon the NGFS model in FY22 will allow Sage to better understand the level of adaptation our customers will be required to undertake to mitigate the macroeconomic impacts of severe climate change and inform future customer engagement and advocacy efforts. While Sage's customer base exhibits resilience, the sectoral implications of climate change are nuanced. The analysis concluded the economic performance of Sage's customer base, in a transition to a net zero scenario, would be consistent with projected economic growth of the global economy.

Transition risk—Increasing Cost of Energy and Carbon: Our plan is to be net zero by 2040. However, Sage expects to need to remove residual emissions in 2040. In FY23, we examined in more detail the medium- and long-term carbon removal options to support this commitment. This preliminary study examined a range of variables, including projections on the long-term cost of carbon, the current and future carbon market and SBTi net zero guidance on approved removal of residual emissions. This provides for a very limited amount of residual emissions that can be neutralised with high-quality carbon removals, at no more than 5–10%. This insight will inform our approach on residual emissions removal, considering the implications for our Protect the Planet and broader Sustainability and Society strategy.

Resilience of our strategy to climate risk

We have considered how our Transition Plan impacts our financial performance in the near term and, at present, we do not consider climate change to have a material impact on the Group's critical accounting estimates and judgements for the year ended 30 September 2023, noting no near-term material impacts. However, the impact from climate change and the associated risks are constantly evolving, and we will continue to monitor this risk and consequent impact. Further information can be found in the [Annual Report](#). Therefore, we will continue to assess how our Transition Plan impacts the financial statements and also our longer-term financial performance. Furthermore, our business strategy is informed by the outputs of the Net Zero Transition Plan.

FY24 priorities:

We will reassess which risks we conduct further detailed Climate Scenario Analysis on, including the frequency of update. In FY24, we will review our analysis on the 4 risks that have currently been modelled.

Risk management

GRI 201-2

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

Identification of climate risks is consistent with our approach to overall risk management. Climate change is considered a sub-risk to our ESG Principal Risk and is therefore managed in line with key operational risks.

In FY21, we identified a list of climate risks and opportunities, using a combination of regulatory guidance, risk, and TCFD best practice, and internal expert judgement, supported by our external environmental consultants EcoAct. All climate risks and opportunities are assessed against our ERM Framework, including inherent and residual risk. Our risk management approach is outlined within our [Annual Report on pages 68 to 73](#).

In FY22, we disclosed 6 climate-related risks and 5 climate-related opportunities, including information on the impact of our business, maturity of our assessment, relevant time horizons, and mitigation and adaptation plans. Those identified as the most material were taken forward for further Climate Scenario Analysis.

In FY23, we conducted a double materiality assessment that was informed by the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) that underpin the Directive. Climate change was identified as one of the eight most material topics to our strategy due to its considerable impact on society and the environment and/or on Sage.

This helped us to better understand Sage's broader impact on the environment as well as the related risks and opportunities.

FY24 priorities:

As outlined in our Strategy disclosure on [page 35](#), we will support the ongoing monitoring of climate risks at function level by conducting a detailed bottom-up review of all climate risks and opportunities categories outlined in the TCFD framework.

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

Our ERM Framework helps Sage manage ESG and related climate risks, enabling a consistent approach to the identification, assessment, management, and oversight of risks. This helps us to deliver our strategic objectives and goals consistently through risk-informed decisions.

We seek to continuously improve the use and adoption of Sage's ERM Framework, to ensure it is not a process which is applied to the business but instead something which is integral to how we make decisions and work day to day.

Using our ERM Framework, all regions and functions are expected to identify risks that could impact the successful execution of their strategy and operations while managing any risk exposure, ensuring appropriate controls and action plans are in place. The ERM Framework helps focus our efforts on the areas that matter most to Sage, providing clarity about risk tolerances and appetite in a way that facilitates effective business decisions and ensures that Sage is adequately prepared to manage risks.

FY24 priorities:

We will continue to consider how we engage with stakeholders across the full value chain to aid risk identification and management.

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

Climate-related risks are managed as part of our ERM Framework. This helps Sage manage strategic, operational, commercial, financial, compliance, change, and emerging risks, and enables a consistent approach to the identification and management of risks.

ESG is classified as a Principal Risk and, in FY22, we added climate change as a sub-risk. Supported by our central Sustainability and Society team, functions across Sage are responsible for integrating climate-related risks within their respective areas of responsibility.

For example, climate risks associated with cloud hosting are considered by the Sage Product team, whereas physical risks to the built environment resulting from extreme weather are considered by the Sage Property team as part of business continuity planning.

FY24 priorities:

As part of our broader Sustainability and Society strategy, we will continue to raise the awareness of colleagues on the impact of climate change, and what it means for Sage, for different parts of our business, and individually. Using the insights developed from Climate Scenario Analysis, the education campaign will support colleagues to practically consider climate risks and opportunities as part of ongoing risk management practices.

Metrics and targets

GRI 201-2

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

Sage has been reporting on energy and carbon emissions since 2019, providing us with a robust base year from which to plan our journey to net zero. Our carbon emissions calculations are also subject to independent limited assurance.

We continue to drive our net zero commitments. In this report, we published our first Net Zero Transition Plan, aligned to the TPT Framework, that sets a credible and realistic pathway to achieve our 2030 climate commitments, providing clarity on the levers and interim targets (see [page 14](#) of this report).

In FY23, we have made good progress on deepening our understanding of the impact of climate risks and opportunities, while establishing a range of appropriate metrics and targets specific to the individual climate risks and opportunities.

We are committed to providing stakeholders with transparency on progress to date, on net zero and the impact of climate risks and opportunities. More information can be found on our climate and net zero metrics, including progress on emissions reductions within the ESG Databook.

FY24 priorities:

We will continue to monitor the climate metrics we have in place, providing quantitative disclosures where appropriate. In addition, a review of internal carbon pricing will be completed to evaluate the role it can provide in supporting our strategy to achieve net zero.

Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against target.

In February 2022, our near-term commitment was submitted to the SBTi, and was later validated in December 2022. In June 2023, our net zero target was also submitted for validation, confirming our commitment to become net zero by 2040.

Our Net Zero Transition Plan on [page 14](#) outlines the specific actions that will be taken to achieve our near-term 2030 target.

In FY23, we carried out an exercise to reassess the metrics we have in place to monitor and measure our climate risks and opportunities. The review recommended several qualitative and quantitative metrics and targets, which are described on [pages 40 to 44](#) of this report.

In FY24, we will continue to monitor these metrics and, where appropriate, set out interim targets to support our ongoing management of climate-related risks and opportunities.

Executive remuneration

In FY22, we introduced a set of performance measures to include relevant ESG metrics. In FY23, the weighting of ESG measures increased from 15% to 20%, including progress in reducing carbon emissions against our SBTi-approved Net Zero Transition Plan, which now accounts for 7.5%.

Read more in our Directors' Remuneration Report on [pages 129 to 163 of the Annual Report](#).

Our most recent global emissions footprint can be found on [page 39](#) of this report.



Metrics and targets—continued

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

A full breakdown of our environmental and GHG emissions can be found within our associated ESG Databook, alongside a full overview of the methodology and assumptions underpinning the calculation.

Emissions data by activity	Activity	FY20– tonnes of CO ₂ e	FY21– tonnes of CO ₂ e	FY22– tonnes of CO ₂ e	FY23– tonnes of CO ₂ e	Year-on-year % change
Direct (Scope 1)	Natural gas	1,172.8	812.8	303.9	315.8	3.9%
	Refrigerants	167.3	187.6	187.2	157.0	-16.1%
	Fuels (diesel, kerosene, LPG)	–	8.3	186.0	75.2	-0.6%
	Company-owned vehicles	1,642.9	52.0	121.2	677.6	676.3%
	Subtotal	2,983.0	1,060.7	798.3	1,225.6	53.5%
Indirect (Scope 2)	Location-based emissions	7,107.3	4,326.3	3,505.1	3,255.5	-7%
	Market-based emissions	6,250.5	3,300.2	2,040.6	1,408.0	-31%
	Subtotal (location-based)	7,107.3	4,326.3	3,505.1	3,255.5	-7.1%
Scope 3	Cat. 1–Purchased goods & services	8,776.7	9,2613.0	8,8850.6	8,4060.1	-5%
	Cat. 2–Capital goods	1,766.7	7,974.7	100.7	83.0	-10%
	Cat. 3–Energy-related activities	1,740.3	1,624.8	1,098.4	1,158.3	5%
	Cat. 4–Upstream transport and distribution	380.1	493.5	390.3	402.0	3%
	Cat. 5–Waste	245.6	107.6	86.7	53.6	-38%
	Cat. 6–Business travel	6,363.9	411.3	5,304.2	7,583.1	43%
	Cat. 7–Employee commuting and homeworking	8,807.9	14,734.3	11,746.2	10,078.8	-14%
	Cat. 11–Use of sold products (direct)	2,144.3	2,133.5	1,953.4	1,845.2	-6%
	Cat. 11–Use of sold products (indirect)	95,308.4	97,736.3	92,426.3	86,021.2	-7%
	Cat. 15–Investments	30.4	35.0	41.2	32.4	-21%
Subtotal	204,555.3	217,863.9	201,998.0	191,317.8	-5.3%	
Carbon intensity ratio: Location-based CO ₂ e emissions per total GBP £1,000,000 revenue (Scope 1, 2, and 3) (tonnes/revenue)		112.8	120.9	105.8	89.7	-15.3%
Total gross emissions market-based (tCO ₂ e)		213,788.8	222,224.8	204,836.9	193,951.4	-5.3%
Total gross emissions location-based (tCO ₂ e)		214,645.6	223,250.9	206,301.4	195,798.9	-5.1%

Risks and opportunities

GRI 201-2

Key—Stakeholder groups



Our shareholders



Our colleagues



Our customers



Society

Key—Maturity of assessment



H High
Quantitative Climate Scenario Analysis performed



M Moderate
Good understanding, further work desirable



L Low
Further work is required to fully impact, mitigate, and adapt

Key—Risk assessment period

Short term
1–5 years



Medium term
5–15 years

Longer term
15–30 years





Sage has selected time horizons that are harmonised with those of national and international climate policy and goals including the 2015 international Paris Agreement and the three year strategic plan of the business.

Risk/Opportunity	Risk Description and Business Impact	Mitigation and Adaptation	Maturity	Metric	Target
Physical risks Hosting Resilience Time Horizon Short to medium term Stakeholder impact Sub-Type Acute and Chronic	Sage has a number of centralised public cloud providers, as well as hosting services. This infrastructure could be vulnerable to persistent and extreme weather events. These events could become more frequent, reducing service availability and customer experience.	Sage considers climate risk in the same way as other risks at hosting sites. As a cloud-based software provider, we recognise that the resilience and security of our services are of critical importance to our customers. Sage works with a variety of hosting providers to offer hosting services to our customers and to support our internal enterprise applications. We continue to assess the climate risk associated with our hosting sites via scenario analysis, in turn, reviewing possible mitigation strategies such as the geographical diversification of locations. Next steps <ul style="list-style-type: none"> Sage will continue to monitor the distribution of hosting services and associated climate risk. An updated climate resilience assessment of all key sites will be performed in FY24, outlining key dependencies for which metrics and targets are developed and to establish a baseline of reporting of performance against the metrics and targets. 	— H	Metric % of high-risk co-located/third-party sites demonstrating integration of climate risk within their risk management and business continuity plans.	Target Our focus in FY24 will be to engage with our hosting partners to baseline the above metric.
Damage to Facilities Time Horizon Short term Stakeholder impact Sub-Type Acute and Chronic	Extreme weather events have the potential to disrupt or damage Sage sites/facilities. Flooding, heatwaves, wild fires, droughts, and rising sea levels could all impact the business. Insufficiently prepared facilities could be unable to deal with more frequent and intense occurrences of such events.	The dynamic and long-term nature of climate change has implications for business continuity (BC) and our broader business objectives. The BC programme enables effective BC practices, so that our colleagues are better able to prevent, rapidly respond to, and help the organisation recover from operational disruptions, such as those caused due to climate change. In FY23, we set a target to implement extreme weather playbooks at our business-critical sites over the next few years to further mitigate physical climate risks for our facilities. Next steps <ul style="list-style-type: none"> Ensure climate risk indicators are included in site-level business continuity plans in line with the FY24 target set. Where the site is owned by a third party, engage to ensure appropriate mitigation measures are in place. 	— M	Metric % of business-critical sites with extreme weather playbooks.	Target We will focus on our priority sites during FY24, aligning with our broader business continuity management planning.



Risks and opportunities—continued

Risk/Opportunity	Risk Description and Business Impact	Mitigation and Adaptation	Maturity	Metric	Target
Physical risks continued					
<p>Workforce Productivity</p> <p>Time Horizon Short term</p> <p>Stakeholder impact</p>  <p>Sub-Type Chronic</p>	<p>An increasing number of extreme weather events may leave offices and homes unfit for work. This could reduce workforce productivity by making it difficult for colleagues to work during certain times.</p>	<p>We have invested in flexible working structures that support collaboration, whilst also creating and enhancing opportunities for teams to come together. Our business continuity plans and supporting technology infrastructure enabled a transition to homeworking across our organisation during the pandemic, demonstrating the flexibility of our workforce to adapt to extreme events, either at home or at a work location. We have built on this by delivering training to our colleagues to support hybrid working.</p> <p>In FY23, building upon existing business continuity plans, Sage has developed an ambitious and innovative sustainable benefit proposition, which aims to make it easier for colleagues to reduce their emissions and improve climate awareness and resilience, working and travelling sustainably.</p> <p>Next steps</p> <ul style="list-style-type: none"> • Moving forward, Sage will evaluate resilience measures for our home and hybrid workers, and how Sage can better enable a safe and sustainable hybrid working environment. • Ensure appropriate cooling in offices, in particular in any new/renovated buildings. • Develop location-specific extreme weather guidance to support colleagues in the event of localised/regional impact. 	—	Metric % of business-critical sites with extreme weather playbooks.	Target We will focus on our priority sites during FY24, aligning with our broader business continuity management planning.
Transition risks					
<p>Reputational Damage</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Transitional</p>	<p>Stakeholders' expectations regarding ambitious carbon targets and climate advocacy are increasing. They are applying greater scrutiny to how Sage aligns all business activities to its Net Zero Transition Plan. Sage may suffer reputational damage if targets are missed or if it is not sufficiently active in this space.</p>	<p>Our customers, colleagues, and society in general are increasingly climate conscious. Sage is committed to tackling the climate crisis, in line with its purpose of knocking down barriers so everyone can thrive.</p> <p>In FY23, we developed a robust Net Zero Transition Plan, outlining the actions we are taking to meet our net zero target. We are transparently reporting the key steps and initiatives we are taking to deliver this, in this Climate Report, to mitigate against reputational risk of not meeting our climate targets. Furthermore, we have carried out an independent review of our net zero strategy to assess the robustness of our plans. Sage's external comms policy ensures that we strike a balance between our eagerness to share our progress and our commitment to maintain the integrity of our brand.</p> <p>Next steps</p> <ul style="list-style-type: none"> • We continually monitor the impact we have on society, through our actions, tracking the outcomes of stakeholder engagement, and the progress towards our objectives. • We commit to transparently report on the progress we make towards our climate commitments. 	↑	Metric Progress in our Scope 1, 2, and 3 carbon emissions reductions, aligned to a 1.5°C pathway.	Target 50% reduction in Scope 1, 2, and 3 emissions by 2030.







Risks and opportunities—continued

Risk/Opportunity	Risk Description and Business Impact	Mitigation and Adaptation	Maturity	Metric	Target
Transition risks continued					
<p>Changing Customer Needs and Behaviours</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Market</p>	<p>The Sage business model is closely linked to economic activity and the success of SMB markets.</p> <p>However, SMB markets and businesses are more exposed and less resilient to the impacts of climate change.</p> <p>An increase in global disruption due to climate change could reduce economic activity and lead to a lower demand for Sage services.</p>	<p>Climate change will impact our customers in different ways, based on their location and the industry in which they operate. Through our Sustainability Hub, Sage will continue to support our customers' understanding of sustainability and adapting to the risks and opportunities of climate change. We will work with SMBs to ensure climate resilience measures are embedded in customer businesses, where possible, and continue to monitor trends in SMB markets over time. When climate regulations come into force, Sage will help and guide SMBs to adapt.</p> <p>In FY23, working with Oxford Economics, Sage examined in more detail the impact of climate change on our customers. An update on this work can be found on page 36 of this report.</p> <p>Next steps</p> <ul style="list-style-type: none"> We will continue to refine our Get SMBs to Net Zero strategy and more actively monitor how climate risk is impacting across our customer base. The analysis will help Sage target and support our customers in a more proactive manner. 	<p>—</p> 	<p>Metric</p> <p>% of our customer base in high, medium and low climate risk sectors.</p>	<p>Target</p> <p>We also continue to monitor how the transition to a low-carbon economy is impacting on our customer base and SMBs, evaluating appropriate targets as our insight and data develop.</p>
<p>Increasing Cost of Energy and Carbon</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Current Regulation</p>	<p>Opening offices, providing hosting services, and outsourcing data centres are energy-intensive operations. If the cost of carbon increases, this could make the Group's operating costs more expensive. Sage may need to mitigate costs and consider where these are absorbed.</p>	<p>Sage has limited exposure to high energy prices. However, we will continually monitor global prices and supply, including within our supply chain, and respond accordingly. At present, we do not have any short-term plans to offset our carbon emissions. However, we do recognise that carbon offsetting will potentially play a part to remove hard-to-abate residual emissions as we move towards our net zero goals. In FY23, Sage undertook an initial review of the future cost of carbon and the options available to offset residual carbon emissions in 2040.</p> <p>Next steps</p> <ul style="list-style-type: none"> Sage plans to undertake a more comprehensive review of our neutralisation approach to residual emissions in FY24, to allow us to develop a proactive approach to manage this risk. 	<p>↑</p> 	<p>Metric</p> <p>Continuous assessment of the carbon cost, factoring in investments necessary for mitigating residual emissions, in support of our 2040 net zero commitment.</p>	<p>Target</p> <p>We have not set a target for the cost of energy and carbon. Targets will be reconsidered following conclusion of our residual emissions neutralisation strategy.</p>

Risks and opportunities—continued

Risk/Opportunity	Risk Description and Business Impact	Mitigation and Adaptation	Maturity	Metric	Target
<h3>Transition opportunities</h3>					
<p>Retaining and Hiring Talent</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Efficient and Mindful Workforce</p>	<p>It is increasingly important for employers to demonstrate sustainability as a cultural value. This can help attract and retain environmentally-conscious talent. A more climate-informative hiring process can show how active Sage is in retaining and attracting talent.</p>	<p>We will continue to focus on Sage’s purpose of knocking down barriers so everyone can thrive. To do this, we will continue to create a more sustainable future for our colleagues, customers, shareholders, and society, through our Sustainability and Society strategy, delivering on our values and protecting the planet.</p> <p>Next steps</p> <ul style="list-style-type: none"> We understand our people will drive the success of our business. Sage will continue to seek opportunities to align our ESG and Talent strategies, strengthening our ability to retain and attract talent. 	—	<p>Metric</p> <p>As part of our broader Talent strategy, we will continue to monitor the drivers that attract and retain talent across our business.</p>	<p>Target</p> <p>We plan to further review targets related to Retaining and Hiring Talent, in FY24.</p>
<p>Strong Sage Brand</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Reputational</p>	<p>Sage has a unique opportunity to help our customers and SMBs fight climate change and be their voice for the future, supporting them when it comes to lobbying for change.</p>	<p>Sage has pledged to fight climate change by halving its own emissions by 2030 and becoming net zero by 2040, by supporting SMBs to get to net zero, and by advocating for policy and regulatory frameworks to support the transition to a low-carbon economy. We recognise that it is important we demonstrate progress against our commitments.</p> <p>In FY23, we continued our participation in the WBCSD. As a member of WBCSD, our aim is to provide a voice for SMBs and ensure the global policy frameworks take into consideration the opportunities and challenges that SMBs face in becoming more sustainable.</p> <p>Sage is also representing SMBs at the All-Party Parliamentary Group on Climate Change, ensuring that SMBs are part of the climate conversation here in our home country of the UK. We also recently started collaborating with B4NZ to help unlock access to capital by automating GHG emissions reporting for every SMB in the UK.</p> <p>Sage has been a vocal participant in recent COP climate conferences. During COP27 in Sharm el-Sheikh, Sage launched the SME Climate Impact Report, authored in collaboration with Oxford Economics and the International Chamber of Commerce. The findings of the report are a call to action for government and policy makers to help SMBs become more sustainable, given the influential role they play in the economy—alongside the key policy recommendations that will facilitate a low-/zero-carbon transition.</p> <p>Next steps</p> <ul style="list-style-type: none"> Sage will continue to support SMBs to net zero through our technology, Sage Earth, working collaboratively with industry and government to promote climate awareness, and removing the barriers to climate action for SMBs. 	—	<p>Metric</p> <p>We will continue to monitor how our Protect the Planet strategy is performing, including external stakeholder feedback. For example, our ambition is to improve our CDP annual climate disclosure rating to a leadership level.</p>	<p>Target</p> <p>We will continue to evaluate a range of measures that can demonstrate impact and the success of our climate ambitions, including supporting SMBs to net zero.</p>

Risks and opportunities—continued

Risk/Opportunity	Risk Description and Business Impact	Mitigation and Adaptation	Maturity	Metric	Target
<p>Transition opportunities continued</p> <p>New Products and Services</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Products and Services</p>	<p>Climate change demands are presenting a new opportunity for Sage to develop products and services for its SMB customers that will help them tackle the challenges of climate change and put sustainability at the core of their business.</p>	<p>Sage has a unique opportunity to help accelerate global climate awareness and action, whilst actively managing and reducing the long-term climate-related risks posed to the Group. Sage Earth is our carbon accounting solution to help businesses easily understand and reduce their environmental impact.</p> <p>In FY23, we updated our Executive Director and ELT remuneration targets to include enabling access to carbon accounting functionality via Sage suites (Sage for Small Business suite, Sage for Accountants suite, and Sage for Medium Business suite).</p> <p>Next steps</p> <ul style="list-style-type: none"> Review how Sage Earth has performed in its first year and detail plans for its future growth. Discuss how we are commencing internal measurement of revenue and usage of Sage Earth and other climate-related products with a view to reporting these externally in the future. 	— 	<p>Metric</p> <p>We have set further metrics and targets to enable access to carbon accounting functionality, as documented with our Executive Director and ELT remuneration PSP targets on page 157 of the Annual Report.</p>	<p>Target</p> <p>In FY23, the target will align to the published PSP targets Tech for Good: Enabling access to carbon accounting functionality via Sage suites. See page 157 of the Annual Report.</p>
<p>Renewable Energy Procurement</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Energy Source</p>	<p>Sage could ingrain renewable energy provision into our facility management plans. This would incentivise Sage building managers, landlords, and hosting services to develop and innovate more carbon-efficient buildings. The combined pressure from Sage, its peers, and society can help reduce carbon emissions and costs.</p>	<p>Working with our Property team and landlords, our Sustainable Property strategy will enable Sage to transition our property estate to clean, low-carbon sources of energy, supporting our ambition to reduce emissions by 50% by 2030 and achieve net zero by 2040.</p> <p>Next steps</p> <ul style="list-style-type: none"> Sage will continue to seek opportunities to transition to high-quality renewable energy sources. Where Sage does not have operational control of sites, we will continue to engage with landlords to influence a renewable transition where available. Since 2019, we have reduced Scope 1 and 2 property emissions by 80%. This has been achieved through transitioning our Sage-managed properties over to certified renewable energy and simplifying our property portfolio. Over the past 4 years (since our 2019 base year), electricity from certified renewable sources has increased from 27% to 68% of our total electricity consumption. 	— 	<p>Metric</p> <p>Number of sites under Sage’s operational control with renewable energy contracts.</p> <p>% of electricity from certified renewable sources.</p>	<p>Target</p> <p>Our ambition is to maximise the use of low-carbon energy across our portfolio and we will continue to identify opportunities to improve adoption across our portfolio of properties.</p>
<p>Site Strategy</p> <p>Time Horizon Short to medium term</p> <p>Stakeholder impact</p>  <p>Sub-Type Resource Efficiency</p>	<p>Our property strategy presents an opportunity to reduce the business’s carbon footprint, operational costs, and vulnerability to extreme weather events.</p>	<p>Sage will continue to review our property strategy to reflect changing business needs, including the risks and opportunities associated with climate change.</p> <p>Next steps</p> <ul style="list-style-type: none"> In line with our property Net Zero Transition Plan, our property strategy will seek to drive continuous improvements in the energy efficiency of our buildings, whilst continuing to transition our sites to clean, low-/zero-carbon sources of energy. As of the end of FY23, 23 out of 51 office locations are on renewable energy contracts, accounting for 68% of our total electricity consumption. 	— 	<p>Metric</p> <p>Internally, we will monitor energy and carbon performance metrics, including carbon intensity per full-time employee on each site, “work from home” emissions, and the carbon intensity per square foot on each site.</p>	<p>Target</p> <p>Sage will seek to benchmark comparative performance to identify opportunities to further drive efficiencies across our estate.</p>



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Sage

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