Vendor Profile

IDC Europe Sustainable Strategies and Technologies Index for Software Providers: Sage Group Profile

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IDC OPINION

The increasingly digital economy has a dark side, represented by rising energy consumption levels and their ensuing environmental impacts (in the form of carbon emissions). The energy crisis and its associated costs only heighten the need for organizations to improve the efficiency of their operations.

Environmental, social, and governance (ESG) awareness in Europe is high, as most organizations recognize the connection between efficiency and sustainability. Investing in efficiency not only decreases carbon footprints; it also pays dividends in terms of lower costs and increased profitability. Cost reductions became significantly more important to European businesses in 2022 due to the Russia-Ukraine War and the numerous resultant disruptions, such as inflated energy prices.

In this context, IT can be leveraged to improve energy use and enhance enterprise efficiency. While software-led infrastructure will play an increasingly important role, applications that help organizations meet sustainability objectives will add critical value. Software vendors must pay greater attention to sustainable practices that respect the "greening of IT" concept. This concept refers to whether sustainability practices are used throughout all stages of the software life cycle – from development and deployment to management – with the objective of minimizing carbon footprints.

IDC regularly assesses the roles of major ICT players in making the world more sustainable. During its recent assessment of software vendors, IDC found that Sage outperforms the market average in terms of sustainability practices. In fact, Sage ranks among the top 5 of 23 software vendors assessed using IDC's sustainability framework.

IN THIS VENDOR PROFILE

This IDC Vendor Profile presents Sage's performance against 130+ parameters contained in IDC's European Sustainable Strategies and Technologies (ESST) Index for software vendors. It identifies the areas in which Sage outperforms the industry average and provides a view of the vendor's sustainability best practices. The document examines three areas:

- The vendor's ESG achievements
- The vendor's portfolio of products and solutions designed to help customers on their sustainability journeys
- The vendor's altruistic efforts to provide technology solutions and skills for good causes

IDC selects vendors for profiles based on their overall sustainability performance (measured against certain criteria), their proactiveness in sustainability issues, and their transparent provision of information.

The following vendors were assessed for the purposes of this analysis: Adobe, Benchmark ESG, BMC Software, Eset, Genesys, Goby, IBM, IFS, Logo, Microsoft, MobileXpense, NetApp, OneTrust, Oracle, Persefoni, Sage, Salesforce, SAP, ServiceNow, SoftwareAG, Sphera, TietoEvry, and Wolters Kluwers.

SITUATION OVERVIEW

Introduction to the IDC ESST Index

IDC's ESST Index seeks to answer the following questions:

- How well do IT vendors and service providers perform in terms of setting and achieving their ESG indicators?
- How do vendors and service providers help clients/customers achieve their sustainability goals via their portfolios of products and solutions?
- How do IT vendors and service providers behave as altruistic parties that support good causes and assume social responsibility?

IDC's ESST Index provides a view into the sustainability and social impact of the European ICT industry. The index was created to reflect the ICT market's maturity in terms of sustainability initiatives and achievements.

IDC measures ICT players' ESG impact across three pillars, as illustrated below:

FIGURE 1

IDC's Sustainability Framework — The Three Pillars
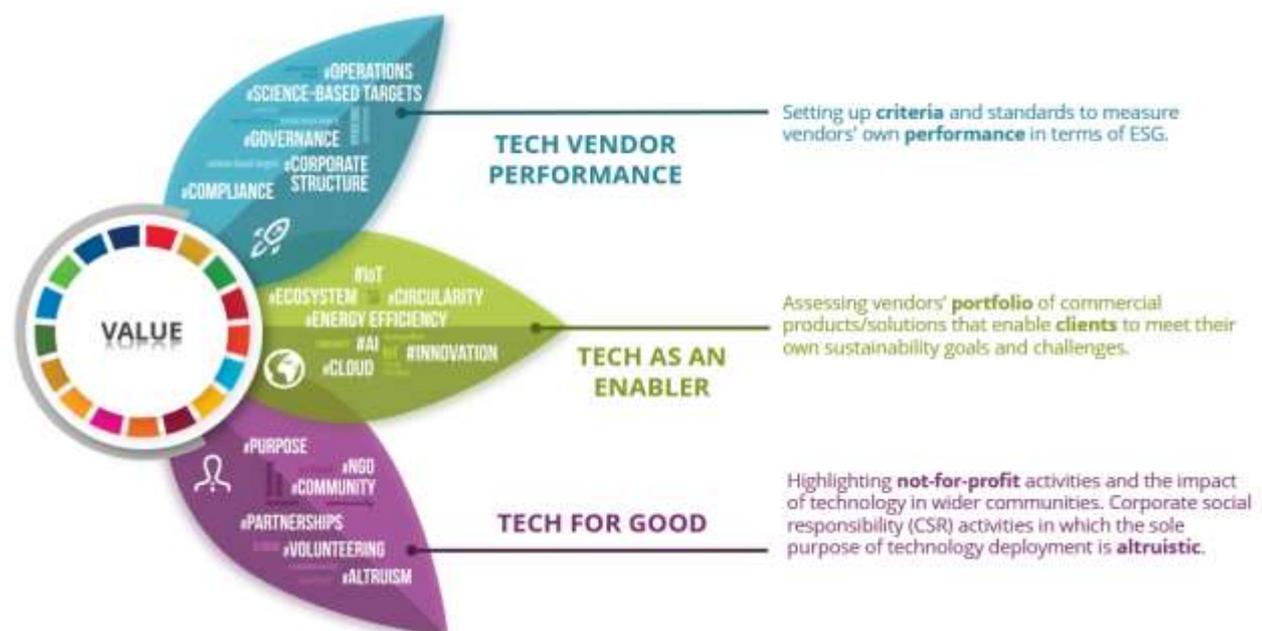
Source: IDC, 2021

Tech Vendor Performance

This pillar focuses on vendor performance in terms of ESG. It uses a defined set of parameters to monitor, measure, compare, and report ESG performance. The pillar assesses how software providers perform against their stated ESG goals and objectives and evaluates what they aim to achieve in terms of sustainability in the coming years.

Tech as an Enabler

This pillar highlights the use of technology as a tool for achieving sustainability goals. It assesses whether a vendor's products, services, and solutions are relevant to a client's sustainability practices.

The pillar enables software providers to demonstrate the sustainability value of their products and solutions to customers.

Tech for Good

This pillar focuses on the altruistic side of vendors. The objective is to highlight the good deeds achieved through technology deployments, including altruistic activities and partnerships that positively impact communities in need. Such initiatives usually relate to organizations' corporate sustainability reporting policies.

Company Overview

Sage is a leading cloud provider of accounting and business management software and services. The company also offers a diverse range of complementary finance, human resources, and payroll solutions. Since 1981, the company has grown in prominence through acquisitions and the constant development of its product portfolio. Sage currently services over 2 million business users across 19 countries. In 2022, Sage Group generated $2.48 billion in revenue.

Sage's solutions are tailored to the needs of small and medium-sized businesses (SMBs), and the company increasingly focuses on developing partnerships with accountancy firms and managed services providers. Sage's rapidly developing business cloud portfolio, which consists of cloud-native and cloud-connected solutions, provides several business process benefits. The portfolio supports workflow automation, delivers better business insights, and ensures compliance with regulatory requirements.

The Sage Sustainability Strategy

In 2021, Sage introduced its "Sustainability and Society Strategy" centered around three main pillars:

- **Protect the Planet**: Via this pillar, Sage aims to become a net-zero organization by 2040 and support SMBs in achieving the same. The company will also advocate for appropriate policies that support the low-carbon economy.

- **Tech for Good**: This pillar addresses digital inequality. The vendor's intent is to ensure everyone has equal opportunities to access data and technology while championing data protection, security, and the ethical use of customer data.

- **Fuel for Business**: This pillar tackles economic inequality by supporting under-represented groups.

The strategy was informed by Sage's first materiality assessment in 2021, when ESG was identified as a principal risk and integrated into its long-term incentive plans. Since then, Sage has developed a broader climate strategy with three priorities: 1) halving emissions by 2030 and achieving net zero by 2040, 2) supporting SMBs to get to net zero, and 3) advocating enabling policies and standards that support the transition to a low-carbon economy.

In December 2022, Sage's science-based targets were validated and approved by the Science Based Targets Initiative (SBTi). Sage is now committed to reducing Scope 1, Scope 2, and Scope 3 carbon emissions by 50% by 2030. In 2022, Sage also strengthened its performance against regulatory and voluntary reporting frameworks, achieving alignments with the Global Reporting Initiative's 2016 Standards: Core Option, the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TCFD), and the United Nations Sustainable Development Goals.

Sage's business model is closely linked with the economic activity and success of SMBs, which tend to be more exposed and less resilient to the impacts of climate change. Indeed, Sage is aware that its client base may be severely impacted by sustainability risks (e.g., physical relocation risks stemming

from climate change). Accordingly, the vendor invests resources into understanding and modelling these risks in detail, alongside other macroeconomic and market factors.

FIGURE 2

Sage's Performance in IDC's ESST Index for Software Providers
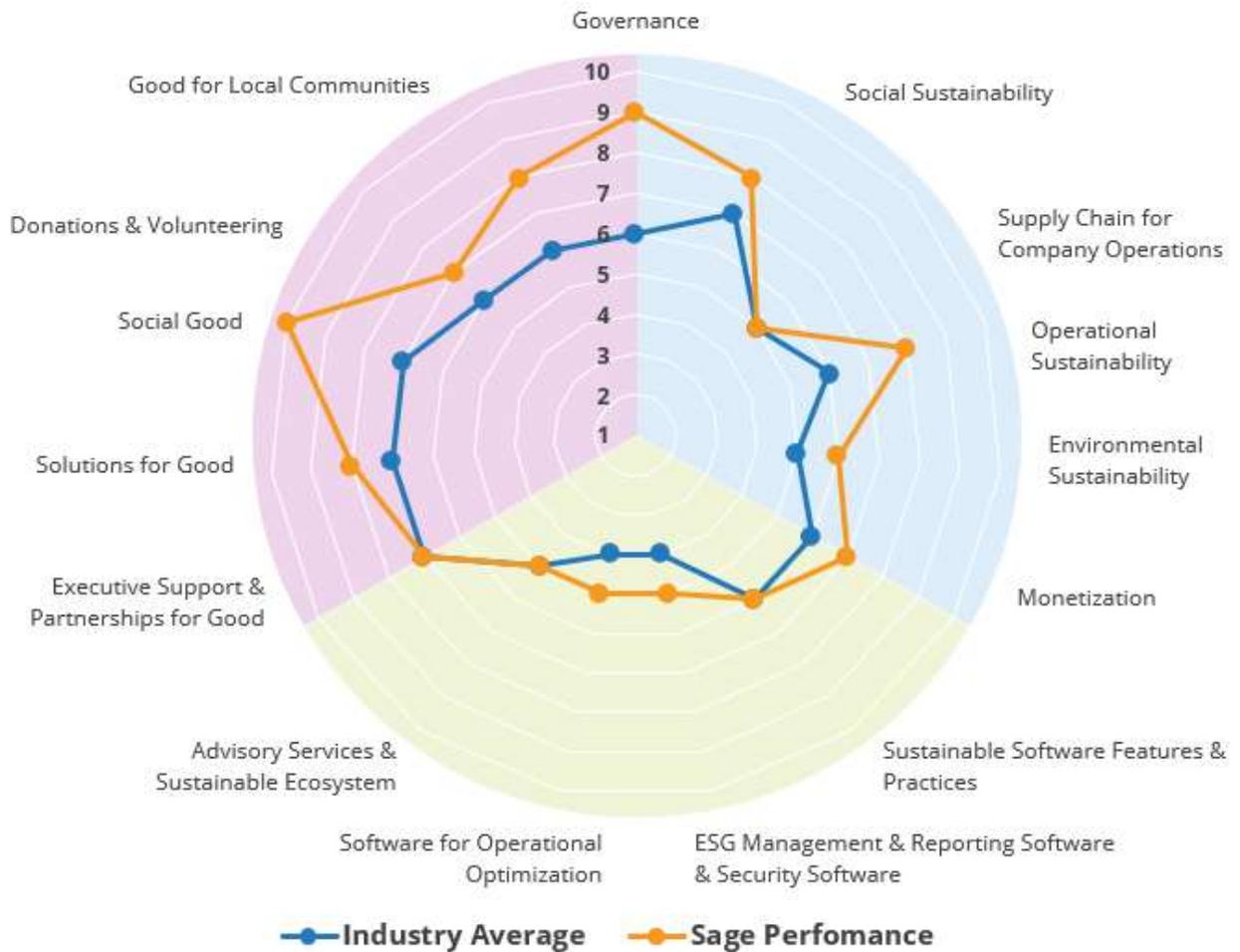
Source: IDC, 2023

Sage's Overall Performance Against IDC's ESST Index

Figure 2 illustrates Sage's performance against the industry average for every category of the ESST Index. Sage has performed relatively well, outperforming the industry average in each of the three pillars and most of the categories within the index. The vendor ranks among the top 5 of the 23 companies measured in IDC's framework for software vendors.

Pillar One: Tech Vendor Performance

Sage outperformed the market average and ranked among the top 5 companies for the Tech Vendor Performance pillar. The vendor performed very well in several categories of this pillar, particularly governance and operational sustainability.

Governance

Sage has established a robust sustainability governance structure that ensures constant oversight and assigns responsibility for the development of relevant sustainability priorities. The following groups and executives are part of this structure:

- The CEO and the executive leadership team are held accountable for the company's sustainability and society strategy. The remuneration incentives of the team are linked to strategic priority areas – protect the planet, tech for good, and diversity, equity, and inclusion (DEI).
- The executive vice president for sustainability, together with the vendor's Sustainability and Society Committee, which is chaired by the chief people officer, oversees the performance of cross-functional working groups. The committee meets every two months.
- Working groups incorporate members of the sustainability team and subject matter experts from relevant business functions. They report to the Sustainability and Society Committee every six weeks.
- Sage's Global Risk Committee liaises between the Sustainability and Society Committee and the executive leadership team. It also promotes certain matters to the vendor's Audit and Risk Committee.
- The company's board oversees the direction and progress of sustainability commitments and approves certain ESG policies. Of the board members, the chief people officer is the executive sponsor of sustainable development strategies.

Sage is shaping its ESG activities at the global and local levels, with dedicated members of the ESG corporate team and Sage Foundation providing local representation. These members have their own budgets and can initiate their own sustainability-related initiatives and projects, both locally and across other teams in the organization.

The company follows the most widely accepted frameworks and principles of non-financial reporting, including those of the Global Reporting Initiative, SASB, TCFD, the Climate Disclosure Project, and the Value Chain Carbon Transparency Pathfinder mission of the World Business Council for Sustainable Development. It also aligns with the United Nations Global Compact, the United Nations Sustainable Development Goals, and the United Nations Climate Change Race to Zero initiatives.

Social Sustainability

This category covers corporate policies and strategies for fostering diversity and inclusion, attaining social goals, and promoting education – all of which are necessary for driving mindset changes among stakeholders, including company employees.

Sage's areas of action in this category include the following:

- DEI initiatives that enable employees to detect and report discrimination of any kind, support external whistleblowing services, and open communication lines between employees and the company board. Sage also has a program to support jobseekers who face barriers in finding employment. This program increases their readiness to work. In addition, Sage aims to have no more than 60% of one gender in any leadership team by the end of fiscal year 2026.
- Sage continuously invests in providing learning and development opportunities to employees. Its efforts enhance succession planning, boost the mobility of internal talent, and enable employees to better plan their careers. In terms of sustainability-related training, the vendor ensures relevant resources are available at all business levels, actively communicates sustainability progress to employees, and provides training on sustainability topics.
- Employee health, safety, and wellbeing are a high priority of the vendor, and mandatory training sessions are in place. Employees across Europe can receive training in mental health from specialized Healthy Mind Coaches. A Colleague Assistance Program is also available to 80% of employees. (Sage aims to increase accessibility to 100% by the end of 2023.) Furthermore, Sage has a health and safety policy and a wellbeing policy. A range of additional

- health and wellbeing programs that are culturally relevant are available to staff in different countries.
  - ▪ Every Sage employee enrolls in a personal data protection training session to familiarize them with the risks associated with sharing data and the measures they can take to protect themselves and their colleagues. Teams that process sensitive or higher volumes of personal data receive more advanced training sessions. As part of Sage's Data Privacy Accountability Framework, data privacy impact assessments must be carried out for high-risk data processing activities.

Supply Chain for Company Operations

Sage expects its suppliers to follow due diligence standards and be mindful of their impact on society and the environment. To ensure all material ESG topics are considered by suppliers, the company developed a sustainable supply chain strategy. This strategy is complemented by an updated supplier code of conduct, which demands detailed ESG information from new and existing suppliers. In addition, the company does not apply a formal ESG weighting to SMBs, which gives SMBs an equal opportunity to be selected as suppliers. SMBs that get onboarded are expected to meet Sage's standards and are given support in the alignment process.

Sage aims to halve its emissions by 2030 via direct reductions rather than offsets. Through its membership in the Carbon Disclosure Project's Supply Chain Program, which makes it easier for companies to track the climate impacts of their supply chains and take joint action toward decarbonization, Sage has started gathering more accurate carbon emissions data related to its supply chain. Sage's objective is to monitor and reduce the emissions of 27 suppliers that currently generate 52% of the vendor's total carbon emissions.

Environmental Sustainability

Under its Protect the Planet ESG pillar, Sage has outlined three key actions: achieving net-zero carbon emissions by 2040 (with a 50% reduction by 2030 against a 2019 baseline), helping SMBs attain net zero targets, and enabling policies and standards that contribute to a transition to a low-carbon economy. To strengthen its path to net zero, Sage submitted its carbon reduction targets to the SBTi in 2022.

The company is tackling its emission reduction goals in four key areas: supply chain, property, colleagues, and products. By establishing renewable energy certificates, improving energy efficiency, and simplifying its property portfolio, Sage reduced its Scope 1 and Scope 2 emissions (2% of its total emissions) by 75% between 2019 and 2022. Emissions stemming from home working, commuting, and business travel constituted 8.4% of total emissions in 2022. To improve climate change awareness and lower emissions, Sage conducts engaging campaigns and incentivizes employees to make more sustainable travel decisions and understand their travel footprints.

Sage aims to reduce its Scope 3 emissions via supply chain and product enhancements. Since the supply chain – which mainly consists of IT, marketing, and corporate services – accounts for 42% of its carbon footprint, Sage decided to closely monitor the environmental performance of its vendors. The company will also support the energy optimization initiatives of vendors.

Sage's hardware products and facilities customers also generate significant carbon emissions. The company therefore actively educates customers on the environmental benefits of hosting products and services in the cloud and provides information about the carbon footprints of its products.

Pillar Two: Tech as an Enabler

In the Tech as an Enabler pillar, Sage outperforms the market average in most categories, particularly monetization, ESG management and reporting software and security software, and software for operational optimization.

Monetization

Sage's sales and marketing teams are actively pushing sustainability-related solutions to the market. The vendor is actively expanding the capabilities of its sustainability-related solutions and services and integrating them with existing SMB offerings. It is also focusing on collaborating with existing clients and members of its partner ecosystem.

At present, Sage's sustainability solutions have limited geographic coverage. Sage's sales and marketing teams are implementing diverse go-to-market strategies to expand its geographic coverage.

Sustainable Software Features and Practices

The Sustainable Software Features and Practices category measures Sage's resolve to produce sustainable software and, ultimately, to contribute to a lower carbon footprint. The following metrics are considered important: software design and development, software energy efficiency, software carbon intensity, accessibility features, and certifications and compliance.

The energy efficiency improvements of Sage's portfolio can be mainly attributed to the performance of cloud platform providers (mainly, Microsoft Azure and Amazon Web Services [AWS]) and the rising number of customers transitioning to cloud solutions. Sage's IT policy, which is being applied across all solutions, is to implement sustainability-related practices during software development and maintenance. (These practices include optimizing data structures and shutting down development environments when not in use.) As the company gradually shifts software design, development, and testing processes to the cloud delivery model, it will build capabilities to track the carbon intensity of underlying infrastructure provided by Microsoft and AWS.

ESG Management and Reporting Software and Security Software

The acquisition of Spherics (now branded as Sage Earth) marked Sage's entrance into the sustainable software solutions market. Sage Earth uses accounting solutions to estimate carbon footprints and identify emission-intensive activities in the supply chain or SMB operations. These estimation approaches are aligned with the Greenhouse Gas Protocol.

Sage Earth allows customers to track their carbon footprints over time, enabling them to see the impact of any emission reduction strategies that are underway. The solution estimates the carbon footprint of procurement categories or transactions, such as postage, accommodation, electricity, and travel. It also enables data to be aggregated and consolidated for internal business purposes. As such, it provides insights into decision making, organizational steering, and external non-financial reporting.

Software for Operational Optimization

This category consists of various specialized sub-categories: 1) the availability of different types of sustainable supply chain management software; 2) the characteristics of sustainable supply chain management software; 3) energy intelligence optimization software; 4) sustainable human resource (HR) management and ethical business software; and 5) software with a substitution effect to eliminate environmentally harmful activities.

Sage ranks among the top 5 vendors in this category, based on its strong portfolio of applications that improve visibility into supply chain, transport, logistics, and warehousing processes. For example:

- Sage X3 enables the management of the end-to-end procurement processes.
- Sage X3 Warehousing is a versatile warehouse management system designed for middium-size manufacturers and distributors.
- Sage X3 Distribution includes transportation and logistics functionalities.
- ProcessWeaver's Integrated Shipping solution provides a comprehensive shipping platform for Sage Business Cloud X3 customers, and its HR management solutions support all required

functionalities (e.g., unbiased recruitment; health, safety, and wellbeing; and training and skills development).

Pillar Three: Tech for Good

In IDC's third pillar, Tech for Good, Sage recorded above average scores in most sub-categories, with the strongest performance in the Social Good and Good for Local Communities categories.

Social Good

Sage scored maximum points in this category. Sage's volunteering activities are centrally organized, and employees can freely support any cause, with funds and incentives provided by the company. Sage employees are encouraged to use their Sage Foundation days (i.e., paid volunteering days), and rewards and incentives programs are in place to drive volunteering.

Sage promotes the volunteering-related actions of employees via Sage Foundation, which has a dedicated team that supports this effort globally, as well as a network of Sage Foundation ambassadors at the country level.

Donations and Volunteering

Sage Foundation focuses on supporting sustainable businesses and overcoming barriers to entrepreneurship in the developing world. It also strives to boost access to science, technology, engineering, and math (STEM) skills (e.g., by volunteering at events and providing mentorship in schools). By 2030, Sage intends to raise $5 million for global non-profit institutions.

Sage provides paid volunteering leave to its employees. (Sage employees accomplished 149,000 volunteering hours in 2022.) It also offers discounted software and free financial management tools and training to qualifying non-profit organizations and social enterprises. In addition, the vendor funds regional not-for-profit organizations and maintains a small number of high-investment partnerships. These high investment partnerships, which may be global or local in nature, focus on facilitating entrepreneurship and improving young people's access to STEM education. In addition, each employee's fundraising efforts are matched by Sage. Employees can also access larger allowances if they fundraise in groups.

Good for Local Communities

Sage supports local communities through several initiatives. For example, the Sage Pathways program provides employment opportunities to individuals with disabilities, military veterans, and women returning to the workforce. Via its partnership with Lego League, the vendor provides young people with STEM resources and training in different locations.

Fuel for Business is a component of Sage's sustainability strategy that focuses on eliminating economic inequality. The vendor partners with several organizations to positively impact local communities, such as Access to Capital for Entrepreneurs, Kiva and Ashoka, and Bringing Out Successful Sisters Network.

FUTURE OUTLOOK

Scope 3 Reporting: A Need for Supply Chain Transparency

In Europe, companies are under pressure to provide visibility into ESG key performance indicators (KPIs) and publicly disclose other non-financial indicators. The European Commission's forthcoming Corporate Sustainability Reporting Directive (CSRD) requires a large amount of new qualitative and quantitative information to be disclosed. The Commission uses European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group. ESRS require companies to disclose their Scope 1, Scope 2, and Scope 3 greenhouse gas emissions (where

relevant). This requirement will have a ripple effect on organizations throughout Europe, since data about upstream and downstream operations must be collected. Some 49,000 organizations have already been impacted by the directive.

Businesses in Europe are preparing to fulfill these requirements. According to IDC research, approximately 17% of businesses in Europe are implementing technology solutions to track sustainability-related KPIs. However, even these businesses are not fully ready to comply with forthcoming Scope 3 disclosure requirements.

IT Efficiency as the Leading Priority for a Sustainable Enterprise

Cost reduction has risen in importance as a driver of sustainable operations since the outbreak of the Russia-Ukraine War. The quest to improve energy efficiency, driven by energy shortages and high prices, has a positive side effect on environmental sustainability. It ultimately leads to a decrease in carbon emissions — a key component of a sustainable future.

Technological innovations that improve overall energy efficiency will be essential for lowering costs and reducing carbon footprints. IT efficiency will be particularly crucial, since it ultimately lowers energy bills and generates cost savings. Improved IT efficiency is central to the business case for investing in sustainability initiatives, particularly in times of uncertainty and crisis.

Improvements in IT efficiency stem from a complex and often interdependent set of technological factors, spanning hardware, software, and services. However, software is an often-overlooked factor that is increasingly coming into focus. Software-led infrastructure — which is used to manage and control servers, storage, and networking devices — is now playing an increasingly important role. Software vendors will be under greater pressure to enable the operation of energy-efficient/low-carbon-intensity application workloads that respect sustainable best practices throughout the software product life cycle (architecture, development, code choice, and testing).

ESG Data Integration Platforms

Enterprises today face many challenges that complicate ESG reporting, including data access issues, lack of dependable data sources, and inefficient non-digitalized or non-integrated data platforms. Currently, ESG data is scattered across various processes, operations, and systems. ESG data is also generated from multiple departments and locations in a variety of formats; as such, reporting is inefficient, prone to flaws, and costly.

Demand for ESG data consolidation platforms will rise because the future enterprise will increasingly have digitalized and/or automated business processes. ESG data must be consolidated in a centralized manner and made available for KPI monitoring via dashboards. Organizations that master ESG performance metrics monitoring in a holistic manner and integrate ESG insights into their strategy execution stand to gain a competitive advantage.

ESSENTIAL GUIDANCE

Expand Sustainability-Related Capabilities of Existing Solutions

The need to track sustainability-related data and drive sustainability insights will continue to grow in Europe and across the world. The European Commission's CSRD, which will accelerate demand for carbon accounting solutions, will be gradually implemented by all organizations, including SMBs.

The introduction of Sage Earth — the carbon accounting solution that calculates carbon emissions based on financial transactions — was a major step toward building capabilities that unlock and enable sustainability business use cases for SMBs. Sage's portfolio includes other solutions that are closely related to other sustainability use cases, such as supply chain visibility and people management solutions. Apart from adding sustainability data consolidation platforms, such as Sage Earth, software

vendors – including Sage – need to continue developing sustainability functionalities within existing software, unlocking sustainable procurement practices via enterprise resources management platforms and engaging suppliers to achieve sustainability targets (e.g., by selecting suppliers based on sustainability KPIs).

Unlock Sustainable IT Capabilities of Sage Solutions

IT is often a critical part of a sustainable business strategy, particularly for organizations in the finance sector and other technology-intensive industries. For example, boosting the adoption of digital technologies helps manufacturing organizations monitor sustainability KPIs at a plant or machine level. Moreover, technology users are increasingly looking at the impact of technology solutions on their carbon emissions. They are actively seeking vendors and solutions that can automatically monitor the carbon emissions from underlying infrastructure, such as the facilities running software applications.

In certain locations, Sage collaborates with partners such as Microsoft Azure and AWS to deploy cloud-based solutions. Microsoft and AWS have strong capabilities in provisioning carbon emissions data per infrastructure unit (e.g., a virtual machine or workload). Sage may consider building on these capabilities by providing application functionalities for sustainable business (carbon accounting per type of business operation/process) and unlocking the capabilities of sustainable IT (emissions accounting for Sage solutions) for clients.

LEARN MORE

Related Research

- *2023 Key Sustainability Trends and Developments in EMEA* (IDC #EUR150470123, March 2023)
- *Organizations in Western Europe Optimizing Energy Efficiency to Limit the Impact of Rising Energy Prices* (IDC #EUR250468623, March 2023)
- *Amazon Web Services to Be Water Positive by 2030* (IDC #EUR149987822, January 2023)
- *Which Sustainable IT Related Skills and Expertise are Organizations Investing In?* (IDC #EUR149987123, January 2023)
- *What Sustainability Challenges Are Organizations in the Middle East, Turkey and Africa Facing?* (IDC #META49820922, November 2022)
- *IDC FutureScape: Worldwide Sustainability/ESG Predictions* (IDC #US48709922, October 2022)
- *Drivers of Sustainability Initiatives in European Organizations* (IDC #EUR249166422, May 2022)
- *IDC Europe Technology for Sustainability and Social Impact Index Market Maturity Report: Cloud Infrastructure and Data Center Providers* (IDC #EUR248552021, January 2022)

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