Sage Group plc – 2020 Greenhouse gas emissions reporting period

Reporting Methodology document

Contents

Document Information

Version Control

Version	Date of Change	Originator of Change	Comments
1.0	06/11/202020	Sage	Finalisation of 2020 methodology document
1.1	09/11/2020	Sage	Update to scope assessment section

Overview and methodology

In March 2019, the United Kingdom (UK) Department for Business, Energy & Industrial Strategy (BEIS) published an update to the environmental reporting guidelines. The Streamlined Energy and Carbon Reporting (SECR) guidelines, requires quoted companies in the UK to report global energy consumption and associated carbon emissions from all activities within its control. Sage reports our emissions in-line with the requirements of SECR and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

This document outlines the rationale behind the methodologies and assumptions used in our 2019/20 SECR disclosures. Our calculations are based upon our reporting year of 1st October 2019 to 30th September 2020. Our calculations include all relevant greenhouse gases (GHGs) [carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O)] presented as carbon dioxide equivalent (CO_2e). Our reporting year has been established to align with our fiscal reporting year.

We have used BEIS 2020 conversion factors, combined with the most recent International Energy Agency (IEA) international conversion factors (2017) for all non-UK electricity within our reporting boundary.

Sage is an enterprise software company, headquartered in the UK. We have offices in Australia, Austria, Belgium, Botswana, Brazil, Canada, France, Germany, India, Ireland, Kenya, Malaysia, Morocco, Namibia, Nigeria, Poland, Portugal, Romania, Singapore, South Africa, Spain, Switzerland, United Arab Emirates (UAE) and United States (US).

Boundary & Scope assessment

Boundary assessment

Sage reports on all material emission sources that we are deemed to be responsible for within our operational control approach to define our organisational boundary which meets the definitional requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 in respect of those emissions for which we are responsible. We do not have responsibility for any emission sources that are beyond the boundary of our operational control.

We report data for the following GHG emission inventory items:

1. *Scope 1 emissions* - Generated from the gas and oil used in all buildings where the Group operates; emissions generated from Group-owned vehicles used for business travel; and fugitive emissions arising from the use of air conditioning and chiller/refrigerant plant to service the Group's property portfolio;
2. *Scope 2 emissions* - Generated from the use of electricity in all buildings from which the Group operates;
3. *Scope 3 emissions* - Business travel (air, private vehicle, hotel nights, rail); waste and water.

Scope assessment

Emissions data from all our global Group operations within scope has been reported, including operations in Australia, Austria, Belgium, Botswana, Brazil, Canada, France, Germany, India, Ireland, Kenya, Malaysia, Morocco, Namibia, Nigeria, Poland, Portugal, Romania, Singapore, South Africa, Spain, Switzerland, the UAE, UK and the US.

Table 1 outlines the data that has been included/excluded in the 2019/20 reporting period. A breakdown below has been provided for where data has not been reported either because this was not available or is not applicable to the specific country.

Table 1: Locations included and excluded in the reporting of each inventory item, categorised by emission scope.

Emission Scope	Inventory item	Locations included in reporting	Locations excluded from reporting
Scope 1	Refrigerants	India, UK.	Australia, Austria, Belgium, Brazil, Canada, France, Germany, Ireland, Israel, Kenya, Malaysia, Morocco, Nigeria, Poland, Portugal, Romania, Singapore, South Africa, Spain, Switzerland, UAE, United States.
Scope 1	Natural gas	Canada, France, UK, United States.	Australia, Austria, Belgium, Brazil, Germany, India, Ireland, Israel, Kenya, Malaysia, Morocco, Nigeria, Poland, Portugal, Romania, Singapore, South Africa, Spain, Switzerland, UAE.
Scope 2	Electricity	Australia, Austria, Belgium, Brazil, Canada, France, Germany, India, Ireland, Kenya, Malaysia, Morocco, Nigeria, Poland, Portugal, Romania, Singapore, South Africa, Spain, Switzerland, UK, United States.	Belgium (Liege), Brazil (Americana, Recife and Rio de Janeiro), France (Olonnes), Germany (Karlsruhe), Israel (Tel Aviv), Nigeria (Lagos), Spain (Molorussa), UAE (Dubai), United States (Reston, Chicago and San Francisco), UK (Reading).
Scope 3	Water	Belgium, Brazil, Canada, France, India, Ireland, Morocco, Portugal, Singapore, South Africa, Spain, UK, US.	Australia, Nigeria, Poland, UAE, Romania, Israel, Germany, Kenya, Switzerland, Malaysia, Austria.
Scope 3	Waste	India, Ireland, South Africa, Spain, UK.	Australia, Austria, Belgium, Brazil, Canada, France, Germany, Israel, Kenya, Malaysia, Morocco, Nigeria, Poland, Portugal, Romania, Singapore, Switzerland, UAE, United States.
Scope 3	Hotel nights	Australia, Belgium, Canada, France, Germany, Ireland, Malaysia, Poland, Portugal, Singapore, Spain, Switzerland, UK, United States.	Austria, Brazil, India, Israel, Kenya, Morocco, Nigeria, Romania, South Africa, UAE.
Scope 3	Air travel	Australia, Belgium, Canada, France, Germany, India, Ireland, Malaysia, Poland, Portugal, Singapore, Spain, Switzerland, UK, United States.	Austria, Brazil, Israel, Kenya, Morocco, Nigeria, Romania, South Africa, UAE.
Scope 3	Vehicle travel	Australia, Belgium, Canada, France, Germany, Kenya, Malaysia, Portugal, Singapore, South Africa, Spain, Switzerland, UAE, UK, United States.	Austria, Brazil, India, Ireland, Israel, Morocco, Nigeria, Poland, Romania.

Activity data methodology

Estimations and proxies

Where complete information is not available, estimates are made by extrapolation. This is undertaken by calculating daily consumption for periods where actual usage is known and applying to periods of unknown consumption in the reporting period.

Intensity ratio

We use an intensity ratio based on our revenue as this is the most relevant indication of our growth and provides for a good comparative measure over time. This is normalised to tonnes of CO_2e per total GBP £1,000,000 revenue.

Building energy consumption

Sage's building emissions comprise of total mains gas and electricity consumed. The data was collected from local management and collated at a Group level. Where Sage was a tenant in an office during the 2019/20 reporting year, we relied upon data supplied by the landlord or head lessor. For shared offices, gas and electricity data was calculated by obtaining total data for the office building and pro-rated based upon the number of floors occupied by Sage within the building.

Natural gas

Natural gas consumption is measured in total kilowatt hours (kWh) and multiplied by the (gross calorific value) natural gas conversion factor from the 2020 BEIS conversion factor tables. Where gas has been reported in different units, the following conversions are performed:

$$1 \text{ gigajoule} = 277.78 \text{ kWh}$$

$$1 \text{ therm} = 29.31 \text{ kWh}$$

Gas consumption data was obtained from a combination of bills and information provided by landlords/managing agents.

Electricity

Sage uses two approaches to report emissions from the consumption of electricity, disclosing location-based and market-based emissions. This is known as 'dual reporting':

- A *location-based method* reflects the average emissions intensity of grids on which energy consumption occurs and does not reflect the purchasing decisions made by Sage to procure low-carbon electricity.
- A *market-based method* any renewably sourced electricity is given a conversion factor of zero, when calculated using a market-based approach.

Emissions from the consumption of electricity are calculated based on total kWh's consumed, multiplied by the 2020 BEIS conversion factor tables. The most recent IEA (2017) emission factors for non-UK electricity, have been applied where relevant, to calculate emissions from non-UK electricity.

Electricity consumption data was obtained from a combination of bills and information provided by landlords/managing agents. For shared services buildings, electricity data was calculated by obtaining total data for the office building and pro rating the data based upon the number of floors occupied by Sage within the building.

Refrigerant consumption

Refrigerant data comprises refrigerant gas usage from office air conditioning units. Refrigerant usage data was calculated using the quantity of replacement gas used in the period. This assumes that the top-up gas is replacing gas lost to the atmosphere through usage or leakage.

Maintenance records are used to collate this data. Air conditioning refrigerant is calculated based on the kg charge multiplied by the default annual leakage rate. This is then multiplied by each relevant refrigerant conversion factor from the 2020 BEIS conversion factor tables, to convert this into emissions.

Water

The volume of water consumed in cubic meters on a property by property basis and multiplied by the 2020 BEIS conversion factor to convert this into emissions.

Waste

The volume of waste sent or diverted to/from landfill in cubic meters, converted to tonnes of waste taken/diverted to landfill. The total weight by waste type is multiplied by the appropriate 2020 BEIS conversion factor to convert this into emissions.

Business travel

We have collected data in relation to Sage's business travel emissions sources from air, rail and car travel, in addition to hotel stays.

Air travel

Air travel is gathered from across the business and is provided in kilometres, broken down by class type and journey distance. Total distance for each class is applied to the appropriate 2020 BEIS conversion factor (also split by destination type i.e. domestic, to/from UK or to/from non-UK).

Rail travel

This is the first time we have reported emissions from rail travel, because data has not previously been collected centrally. We have instructed our travel supplier, Egencia, to build carbon and mileage reports for rail with each country however, this is not yet available. Therefore, only UK-specific data has been included this year. Total distance (in kilometres) for each journey type (UK domestic or international rail) and the appropriate 2020 BEIS conversion factor is applied to convert this into emissions.

Business car travel

Business car travel refers to journeys undertaken by employees for business purposes in vehicles not owned or controlled by Sage (these may be leased by Sage or employee-owned). Data is provided as a distance (in kilometres) or by the amount of fuel consumed, claimed by the employee via expenses (typically for vehicles fuelled by petrol, diesel or liquid petroleum gas. Note, there are also some electric vehicles for which the associated electricity consumption is accounted for here). These have been converted using the 2020 BEIS conversion factor tables.

Where business travel distances are reported in miles, these are converted to kilometres using the following conversion:

1 mile = 1.6093 kilometres

Hotel stays

Hotel stays are broken down by destination and the appropriate 2020 BEIS conversion factor is applied to convert this into emissions.