BYTES
Technology
Group

**Sustainability
Framework
2023/24**

Doing the right thing

Contents

Cover image: the Surrey Hills near the
Bytes Software Services office in Leatherhead

This page: the view from Sutton Bank near the
Phoenix Software office in Pocklington

Bytes Technology Group plc
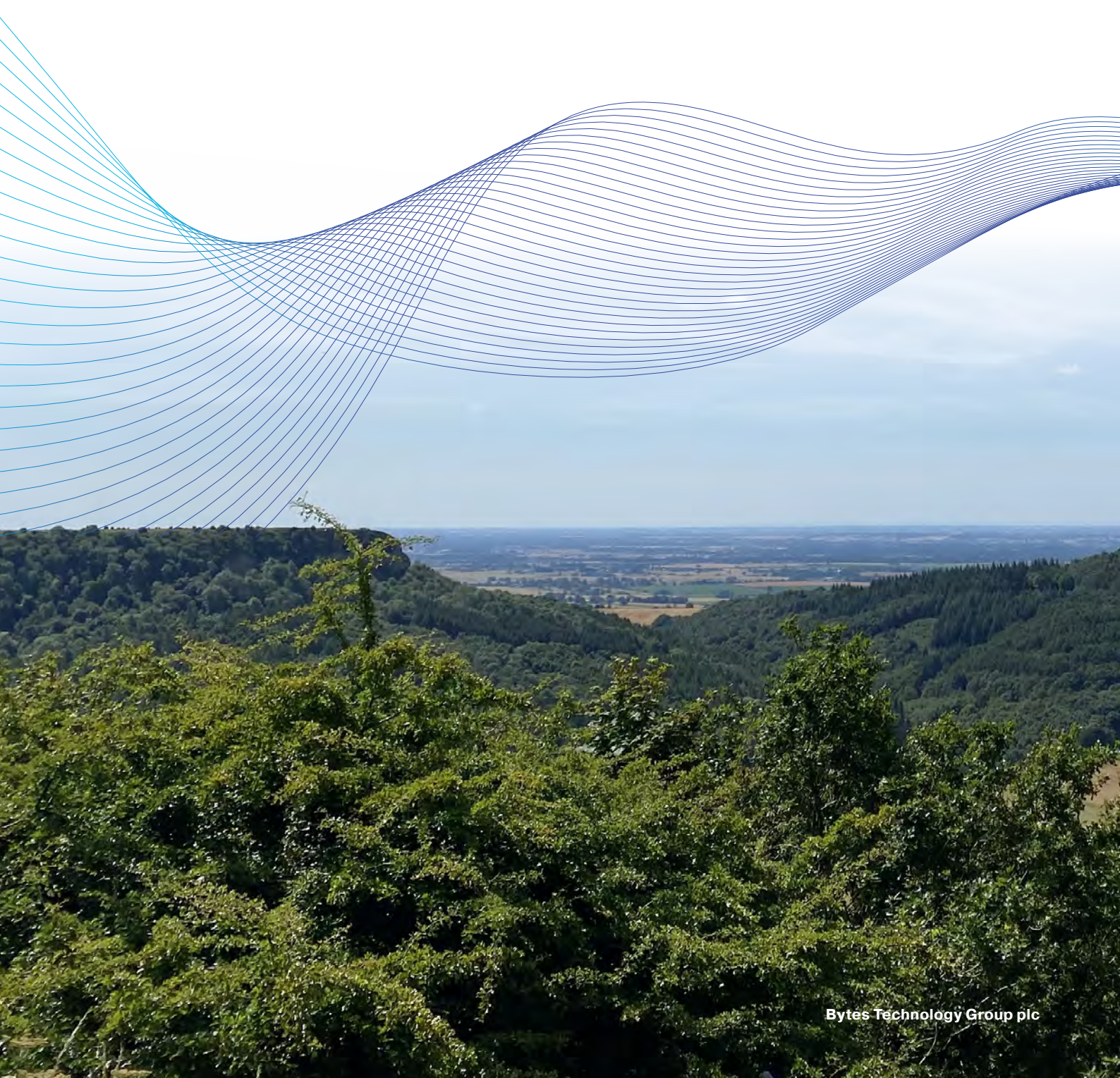
Bytes Technology Group plc (BTG) is one of the UK and Ireland's leading software, security, AI and cloud services specialists.

We believe that everyone has a part to play in caring for our planet – including BTG.

BTG at a glance

What we do

We're a value-added IT reseller, focusing on cloud and security software developed by leading vendors. We also provide professional and managed IT services, and hardware, to deliver complete tailored solutions.

Bytes Technology Group

comprises two independent and complementary operating companies.

BYTES

Bytes Software Services

focuses on corporate enterprise clients, small to medium-sized businesses and public sector customers.

BYTES

Phoenix Software

serves mainly public sector customers.

PHOENIX

Our corporate centre drives strategy and provides guidance and support on finance, governance, legal compliance, and sustainability, ensuring our organisation's smooth operation and success.

Why we're different

We build lasting, mutually beneficial partnerships with our employees, customers and vendors – this enables us to achieve consistent growth.

Our people

We employ people who are passionate about technology and our customers, including many who are long serving and have a high level of technical skills.

Our experience and expertise

With more than 30 years of serving the UK IT market, we have accumulated vast knowledge and expertise. Our leadership team is highly experienced.

Our vendors and broad product portfolio

We have deep relationships with many of the world's biggest software companies. We were one of Microsoft's first resellers in the UK, and are one of its largest UK partners by revenue.

Our trusted relationships with a broad base of customers

We serve customers across the corporate and public sectors, many of whom have been with us for a long time. Our strategy is to grow by doing more with our existing customers each year, and to win new ones.

How we do it differently

We live by our values in all we do: be passionate, act with integrity, work together, be kind and respectful, get business done and have fun doing it.

Putting customers first

We're trusted because we understand our customers and always act in their best interest. We work with them to provide the right advice for their needs so they can make smarter buying decisions and meet their business objectives through technology.

Unique team culture

We're proud of our dynamic, enjoyable and supportive culture. Our people foster talent, enthusiasm, confidence and team spirit.

Continual investment in our people and technology

We empower and inspire our employees to fulfil their potential, training them on the latest technologies and providing a clear career path. We strive to stay ahead of the technology curve by developing new solutions to meet customers' emerging needs.

Sustainable approach

Our commitment to sustainability goes beyond our concerted efforts to cut carbon emissions: volunteering and fundraising for good causes is an integral part of our culture.

How this creates value

Customers

Engaged partnerships, supporting customers' growth aspirations

NPS
82

Employees

Fulfilled, engaged employees in an enjoyable, healthy and ethical workplace

eNPS
71

Shareholders

Consistent dividends in line with policy and attractive returns from special dividends

18.5%
3-year CAGR

Communities

Contribution to local employment and communities

1,500
hours volunteered

Vendors

Trusted partnerships and shared knowledge

A view from the Board

Patrick De Smedt
Chair

Sam Mudd
Chief Executive Officer

Andrew Holden
Chief Financial Officer

Dr Erika Schraner
Senior independent director

Shruthi Chindalur
Independent non-executive director

Ross Paterson
Independent non-executive director

Anna Vikström Persson
Independent non-executive director

The Board embraces the principles of the UK Corporate Governance Code, especially those aimed at promoting transparency around stakeholder engagement.

We consider the interests of Bytes Technology Group's (BTG or Group) investors, customers, suppliers, vendors and communities, and the environment, in our decision-making and in how we deliver our strategy to achieve long-term, sustainable success.

Our targets

By 2025/26 (from 2020/21 baseline)	By 2028/29 (from 2020/21 baseline)	By 2030/31 (from 2022/23 baseline[2])	By 2040/41
Reduce Scope 1 emissions by 50%	**Maintain a reduction of Scope 2 emissions by** 100%	**Reduce Scope 1 emissions by** 60%	**Reach** net zero emissions across the value chain
Reduce Scope 2 emissions by[1] 50%		**Reduce Scope 3 emissions by** 50%	

1 We achieved our Scope 2 target in 2021/22 by completing a Group-wide switch to renewable energy for all our electricity at our owned offices.
2 2022/23 baseline applies only to Scope 3 target. Both Scope 1 targets are from a 2020/21 baseline.

We have set ambitious goals and strategic priorities and are committed to achieving these in a sustainable manner. This means that we take a holistic approach to how we do business, considering more than just financial prosperity. It means we provide a diverse and inclusive place to work, that we are genuine towards our vendors and customers, and that we live up to the high expectations of our stakeholders – and ourselves – to always conduct business with integrity, kindness and respect. And it means that our organisation must be built on good governance practices, that we comply with legislative and regulatory requirements, and that our conduct is ethical.

Being a responsible business needs decision-making that is informed by balanced and integrated information. To build resilience and make sure BTG is here for the long term, we must fully understand the environment we operate in, the legitimate needs and interests of our stakeholders, and our risks and opportunities. Taking a sustainable approach to business helps to make our operations more efficient and to differentiate our products – and that improves our processes and profitability.

That's why we've developed a sustainability framework that highlights the values that drive our business and the matters material to it, and that guides how we monitor our sustainability impact and performance. This framework lets us understand the holistic performance of our organisation and to report on it in a balanced and integrated way.

Sustainability remains core to BTG's strategy. This is not just the responsibility of leadership – it is embedded at every level of the organisation, within our growth and social impact areas, our product and service segments, and in all our stakeholder engagements and decisions.

Our approach

Our approach to sustainability is rooted in the idea of shared prosperity within the Group, which means we aim to deliver positive outcomes for our customers, colleagues and communities across four key themes of sustainability:

- Financial
- Environmental
- Social, including culture
- Governance.

Sustainability relies on business practices that are environmentally, socially and financially responsible – and on good governance and ethical decision-making that is transparent and for the long term. Our approach to sustainability is defined through this sustainability framework, which we refine and update as our sustainability focus matures and evolves.

The framework's purpose is to detail our sustainability drivers, performance and targets as our business adapts to change. It highlights our strategic objectives and leadership accountability for each material matter, supports how we determine targets for those matters, and outlines our activities to meet our objectives and progress towards our goals.

The framework is used internally to inform BTG employees as part of their induction process, to increase general sustainability literacy and to help those working directly with customers deliver the Group's message and core principles. We also reference the framework in our Annual Report to provide more detail to investors and other stakeholders about our sustainability priorities.

Our commitment

We are committed to achieving our strategy in a sustainable manner: building our business on good governance practices, ethical conduct and legislative compliance, improving our environmental impact and creating long-term value for the Group and our stakeholders.

> 66 As a responsible business that is committed to protecting the planet, we are reducing our carbon emissions and helping our customers to do the same.
>
> **Lisa Prickett,** Group Sustainability Manager

Our ESG strategy

At BTG we strive to do more than is demanded and expected of us. We believe that business can be a force for good, which is why we value all our stakeholders – internal, external and environmental – and why environmental, social and governance (ESG) issues are so important to our business and our values.

ESG is about making a difference for the external environment and for our business – that is, creating sustained outcomes for environmental and societal good. We also know that ESG factors affect the financial performance and sustainability of BTG as an investment over the long term.

Although ESG is presented as separate areas, the overlap between them means good governance is needed to progress initiatives in the other areas. Environmental concerns have a big impact on mental health, for example, and we know this can affect our employees and society at large. Doing our bit for the planet also supports the health and wellbeing of our employees, customers and communities.

Employee-led sustainability teams within each of the Group's businesses undertake environmental and social initiatives, to give back to the community and reduce our impact on the environment. These initiatives are driven by BTG's core values and have already produced significant change.

50%

targeted reduction in Scope 1 emissions by 2025/26
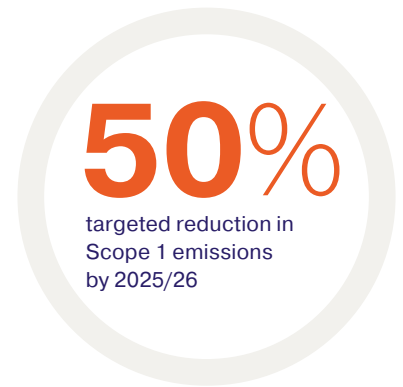
The Board

- Overall responsibility for the effective delivery of our sustainability targets
- Considers reports from the ESG Committee
- Our CFO is BTG's executive director for sustainability
- The Board, with senior leadership, also oversees governance aspects of ESG

ESG Committee

- Reviews progress against sustainability targets
- Monitors the changing regulatory requirements and trends in ESG
- Reviews climate-related risks and opportunities
- Considers sustainability as part of our engagement with stakeholders

Executive Committee, management and Group sustainability manager

- Operational management of environmental targets and stakeholder engagement
- Review and monitor climate-related risks and opportunities

Sustainability Steering Committee

- Members drawn from senior leadership and across the business
- Considers progress against targets and assesses operations from a sustainability viewpoint
- Meets quarterly

Operational teams (Better Bytes team and Phoenix Sustainability Network)

- Champion practical environmental and social activity, including volunteering
- Raise awareness of local social and environment issues
- Meet regularly

Our sustainability governance and management structure

BTG's Board is accountable and responsible for sustainability and is supported by the CEO and other senior leaders in ensuring that sustainability remains core to our strategy.

The Board provides a strategic and oversight role and monitors our sustainability performance. It delegates authority to our new Board-level ESG Committee, which monitors the implementation of BTG's ESG and sustainability strategy.

The leadership teams are responsible for determining the strategic objectives and targets for each material matter and for supporting business operations to identify and implement activities to achieve these targets. Relevant performance information is reported to the Board and the ESG Committee on a half-yearly basis, with any material matters discussed and actions identified, as necessary. Activities and performance against targets are also reported in our Annual Report.

The Group sustainability manager is responsible for reporting sustainability activities.

Stakeholder engagement

Our stakeholders – our employees, customers, suppliers and vendors, the environment and communities in which we operate, and investors – have an important role to play in the successful operation of our business, and our Board takes its responsibilities to these stakeholders seriously.

We believe it appropriate to consider the potential impact on our stakeholders when considering BTG's strategy or other actions. Indeed, these responsibilities are rooted in our culture, values and company purpose. The Board continues to consider our stakeholders in its decisions and actions – and in a way that will continue to promote the success of BTG for the benefit of its members as well as all other stakeholders.

As our approach to measuring carbon emissions matures, for example, we are engaging more widely in our value chains to understand how our suppliers and customers are working to reduce their own carbon footprints, which also affects our own.

Our material matters

Our approach to responsible business is informed and shaped by the ESG issues that matter most to our stakeholders. We combine this with our own assessment of what has the greatest impact on our business and our ability to create long-term financial and non-financial value. As social norms and stakeholder priorities evolve over time, we take an iterative approach, engaging with stakeholders and adapting as necessary.
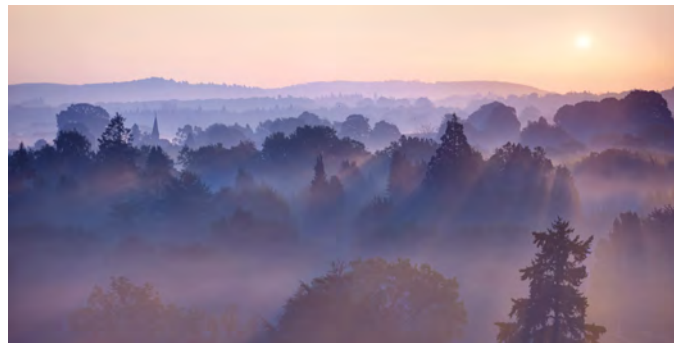
Our values

- Be passionate about our employees, vendors and customers
- Act with integrity at all times
- Work together and collaborate across teams
- Be kind and respectful to all people, all of the time
- Get business done and have fun doing it

Environment

The environment pillar includes our use of natural resources, directly and through our value chain. This encompasses carbon emissions, waste, water use and biodiversity. How we and other businesses respond to environmental impacts will affect current and future generations.

Social

The social pillar addresses the relationships we have and the reputation they foster with people and institutions in the communities where we do business. This includes labour relations, employee development, diversity and inclusion, responsible sourcing practices, and our relations with the broader community and society.

Governance

Governance is the internal system of practices, controls and procedures that we adopt to govern the company transparently and with integrity. This pillar includes board diversity, shareholder rights, executive compensation and how this compensation aligns with sustainability goals.

Our sustainability framework

Our sustainability framework identifies the four value drivers – financial sustainability, environmental, social and governance – that promote our strategy, purpose and values, and the material matters that could affect our ability to create value over time.

Sustainability framework			
Financial sustainability	**Environment**	**Social**	**Governance**
Sales growth	Risks and opportunities	Human rights	Board structure
Profitability	Carbon and climate	Labour, health and safety	Compensation
Investor relations	Natural resources	Stakeholders and society	Shareholder rights
	Waste and toxicity	Product safety, quality and brand	Audit/risk

These value drivers are underpinned by governance practices, integrity, risk and reputation management, and compliance requirements. The material matters related to each value driver have specific owners and defined strategic objectives. Those objectives are linked to our KPIs, providing a means of measuring, tracking and benchmarking performance – and are realised through the activities and initiatives we describe on the following pages.

This structure provides a high-level, strategic perspective of our sustainable business priorities, while also offering details of our progress.

Reviewing and updating the framework

Our framework will evolve as we continue to engage with stakeholders and regulators – and as our approach to sustainability evolves. Since the framework's previous iteration, we have been through a full Scope 3 reporting exercise to identify all our carbon responsibilities and have submitted our carbon reduction targets to the Science Based Targets initiative (SBTi). We have also created more avenues for formally reporting our environmental and social progress.

Activities, targets and accountability for performance will increasingly be embedded within our day-to-day operations, through workshops and one-to-one engagements. Although the framework will be updated regularly, it will be formally documented and reviewed annually, and signed off by senior leadership.

UN Sustainable Development Goals

Led by the UN, world leaders have agreed to implement strategies that aim to help the way countries use resources to be more sustainable. The UK Government has committed to the Sustainable Development Goals (SDGs) and has stated that local government can support delivery against two-thirds of the targets.

BTG has committed to seven SDG goals – around poverty, hunger, health, education, equality, work and climate. These seven goals align with areas where we believe we can make an impact and work to improve within our own business, and where we can support initiatives in our communities and further afield through volunteering and donations. We also support climate action projects with financial contributions, which meet many of these goals (see page 11).
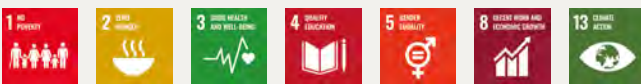
Measuring, monitoring and reporting

The executive team is responsible for determining the strategic objectives and targets for each material matter and for supporting business operations to identify and implement activities to achieve these targets. Relevant performance information, including any performance discrepancies, are reported to the Board at regular intervals during the year.

Regulatory and voluntary codes and standards

The framework is also used to support content and performance disclosure for BTG's Annual Report, which we prepare in line with the UK Corporate Governance Code.

Partnerships and alignments

We have aligned to several initiatives and regulatory frameworks to guide and provide transparency on our actions. These include the UN SDGs, ISO 14001, CDP, SBTi and the Task Force on Climate-related Financial Disclosures (TCFD).

We will strengthen our disclosure with CDP and have submitted our carbon reduction targets to the SBTi for validation.

Targets and initiatives

In our own actions, and by supporting our customers to use IT more sustainably, we're helping to protect the planet for future generations. In 2023/24, we made major progress being able to measure all relevant Scope 3 emissions, and submitted our carbon reduction targets to the SBTi for validation.

Adding to our science-based targets

This year we continued working towards our aim of reaching net zero emissions by 2040 at the latest, ten years ahead of the UK goal of 2050 – and, for the first time, submitted a set of targets to the SBTi, the global organisation that helps businesses set emissions reduction targets in line with climate science.

Our 50% reduction targets for Scope 1 and 2 by 2025/26 have been maintained and additional interim targets submitted to the SBTi. These are a 60% reduction in Scope 1 emissions by 2030/31 and maintaining a 100% reduction in Scope 2 by 2028/29.
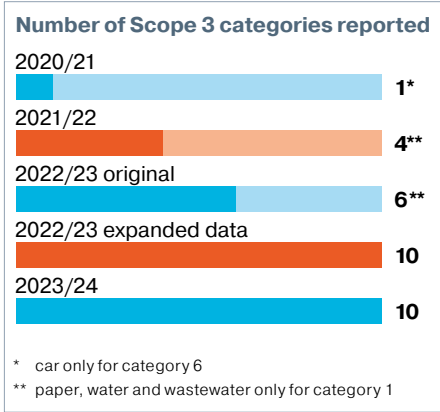
We also made major progress in more fully measuring our Scope 3 emissions – the indirect emissions across our value chain.

We are now able to report on all ten of the Scope 3 categories relevant to our business (see table below), which makes a considerable difference to our overall footprint.

This comprehensive Scope 3 reporting is a significant milestone for us and the culmination of several years of work.

Our Scope 3 categories[1]

1	Purchased goods and services
2	Capital goods
3	Fuel and energy-related activities
4	Upstream transportation
5	Waste generated in operations
6	Business travel
7	Employee commuting (including working from home)
8	Upstream leased assets
11	Use of sold products
12	End-of-life treatment of sold products

1 Categories as defined by the Greenhouse Gas Protocol.

Number of Scope 3 categories reported

2020/21 — 1*

2021/22 — 4**

2022/23 original — 6**

2022/23 expanded data — 10

2023/24 — 10

* car only for category 6
** paper, water and wastewater only for category 1

Revising our Scope 3 baseline year

For Scope 3, our previously stated aim was to reduce our emissions by half by 2030/31, but without articulating a baseline year. We made a submission to the CDP in July 2023 in which we used different baseline years depending on when each category, or subset of a category, was first measured.

While we've kept the same 2030/31 goal, we decided to adjust the base year to 2022/23 – the first year for which we had data for all the relevant Scope 3 categories. This change applies to all Scope 3 categories, even those we measured in previous years, to give us a baseline year that is consistent and realistic.

In our original low-carbon action plan in 2021/22, we had set interim targets for category 5 (waste), and a subset of category 1 (paper, water and wastewater), of a 50% reduction by 2025/26. These are now incorporated in the overall Scope 3 reduction targets for 2030/31 and 2040/41.

Our emissions reduction targets

- 2025/26 – reduce Scope 1 and 2 emissions by 50%

- 2028/29 – maintain a reduction of Scope 2 emissions of 100%

- 2030/31 – reduce Scope 1 emissions by 60%, and reduce Scope 3 emissions by 50%

- 2040/41 – reach net zero emissions across the value chain.

For more detail, see the graphic on page 4.

Each of our businesses – Bytes Software Services and Phoenix Software – has its own Carbon Reduction Plan, outlining its activities and initiatives to reach these Group targets (see bytes.co.uk and phoenixs.co.uk).
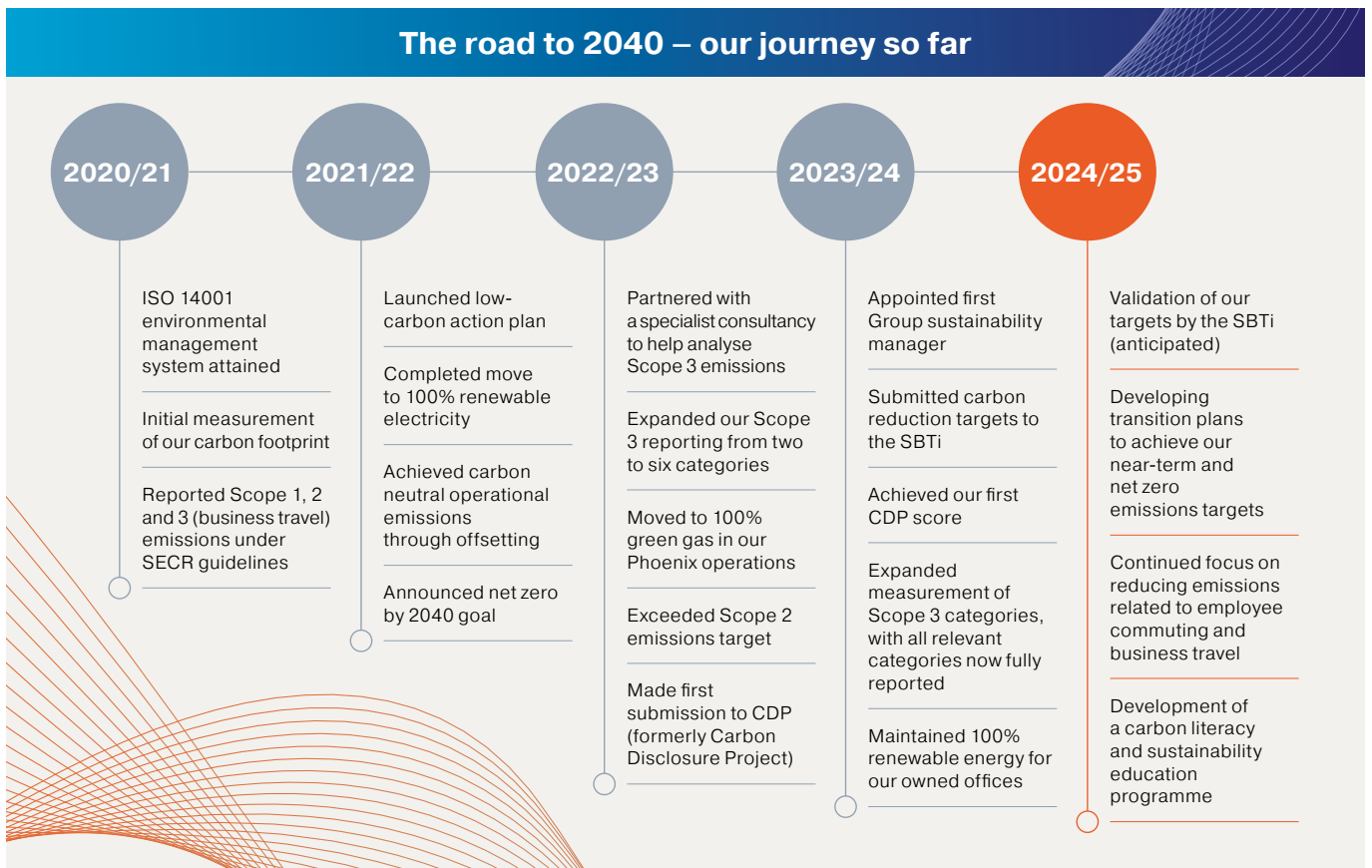
Investment in carbon action projects

At BTG, our focus is on reducing our carbon emissions. However, as we progress on this journey, we recognised that the impacts of climate change aren't shared equally, with the global south expected to suffer more extremes. We take this responsibility seriously and, for the past few years, have invested in global carbon avoidance, carbon reduction and community projects through Ecologi, using Gold Standard and Verra credits.

In 2023/24, we started investing in carbon removal projects to meet the value of our Scope 1 and 2 emissions, and with a focus on nature restoration – in particular, a Blue Carbon project to restore mangroves in Pakistan.

We've also invested in climate and community action projects to:

- protect the Tambopata-Bahuaja Biodiversity Reserve in Peru

- provide fuel-efficient cooking stoves in Uganda

- avoid methane emissions from landfill in Brazil

- contribute to a solar-power project in Morocco.

The road to 2040 – our journey so far

2020/21
- ISO 14001 environmental management system attained
- Initial measurement of our carbon footprint
- Reported Scope 1, 2 and 3 (business travel) emissions under SECR guidelines

2021/22
- Launched low-carbon action plan
- Completed move to 100% renewable electricity
- Achieved carbon neutral operational emissions through offsetting
- Announced net zero by 2040 goal

2022/23
- Partnered with a specialist consultancy to help analyse Scope 3 emissions
- Expanded our Scope 3 reporting from two to six categories
- Moved to 100% green gas in our Phoenix operations
- Exceeded Scope 2 emissions target
- Made first submission to CDP (formerly Carbon Disclosure Project)

2023/24
- Appointed first Group sustainability manager
- Submitted carbon reduction targets to the SBTi
- Achieved our first CDP score
- Expanded measurement of Scope 3 categories, with all relevant categories now fully reported
- Maintained 100% renewable energy for our owned offices

2024/25
- Validation of our targets by the SBTi (anticipated)
- Developing transition plans to achieve our near-term and net zero emissions targets
- Continued focus on reducing emissions related to employee commuting and business travel
- Development of a carbon literacy and sustainability education programme

Reporting mechanisms

We follow an approach to responsible business informed and shaped by the ESG issues that matter most to our stakeholders. This is combined with our own assessment of what has the greatest impact on our business and our ability to create long-term financial and non-financial value.

ISS ESG reporting

	Element/value driver
Financial sustainability	1. Sales growth 2. Profitability 3. Investor relations
Environmental (76)	1. Risks and opportunities (10) 2. Carbon and climate (45) 3. Natural resources (5) 4. Waste and toxicity (16)
Social (116)	1. Human rights (24) 2. Labour, health and safety (45) 3. Stakeholders and society (42) 4. Product safety, quality and brand (5)
Governance (109)	1. Board structure (45) 2. Compensation (32) 3. Shareholder rights (12) 4. Audit/risk (20)

Note: Figures in brackets denote number of assessment points under each element/value driver, with a total of 301 points (excluding Financial sustainability).

Lower Governance Risk = 1
Higher Governance Risk = 10
Higher E&S Disclosure = 1
Lower E&S Disclosure = 10

Our current combined ESG score of 2.67/3 meets our internal goal, and is made up as follows (as at 1 March 2024):

ESG Quality Score

Area	Score
Environment	2
Social	1
Governance	5

The scoring for ISS ESG is tracked monthly, and we continue to work on improving our score. As a stretch goal, we aim to be at or under a combined score of 3 across these areas. We will publish the score annually in this framework, at the end of each financial year.

Other disclosures

Annual Report and Streamlined Energy and Carbon Reporting (SECR)

Each year, we work with a third-party consultancy to assess our carbon emissions against Scope 1, 2 and, as of our 2023/24 Annual Report, all relevant Scope 3 categories. As discussed on pages 10 to 11, this has expanded into the other areas of Scope 3, which have been identified as relevant to our business. For more detail and our full emissions reporting, see our Annual Report and Accounts 2023/24 (pages 38 to 43).

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information. It focuses on analysing risks to the business that could affect strategy, stability and governance. See our Annual Report and Accounts 2023/24 (pages 44 to 52) for our full response to the TCFD recommendations. We are also keeping up to date on the future adoption of the ISSB S1 and S2 standards under the proposed UK Sustainability Disclosure Standards, which will expand TCFD reporting in the coming years.

Energy Savings Opportunity Scheme (ESOS)

This is a mandatory energy assessment scheme for BTG, because we meet the ⩾250 employees' criteria. Reporting is once every four years.

Phase 3 reporting was due in December 2023 but postponed until June 2024, and has now been completed. As with our last submission, we worked with a third-party consultancy to assess our energy audit and ESOS assessment.

CDP (formerly Carbon Disclosure Project)

CDP is a voluntary scheme to enable disclosure on climate change, forests and water security. It is aligned with the TCFD recommendations. BTG considers it a key tool in becoming more transparent as we continue to reduce our carbon emissions, by tracking and benchmarking our progress. We submitted our first disclosure on climate change to CDP in 2022/23. Our second submission, in July 2023, was the first to be scored and the result was in line with our industry.

Ecovadis

Ecovadis is a well-respected and recognised ESG assessment and rating tool. For Bytes Software Services, we submit data to Ecovadis every year, with the primary outcome of sharing our scorecard and data with customers and other stakeholders. The assessment is divided into four areas: Environment, Labour and Human Rights, Ethics and Sustainable Procurement. The next submission is due in August 2024 for Bytes Software Services. For the first time, Phoenix Software is also looking to disclose through this mechanism in 2024.

100% renewable electricity and green gas in owned offices

Additional information

Corporate policies

Our sustainability framework complements our corporate policies and procedures, as listed below, which we continually review and update. More Group policies are available at bytesplc.com

Bytes Software Services

Fraud, bribery and money laundering policy

Equality and diversity policy

Business terms and conditions

Sanctions policy

GDPR

Health and safety policy

ISO standards/certification

Modern slavery statement

Supplier code of conduct

Social engineering fraud

Phoenix Software

Fraud, bribery and money laundering policy

Equality, diversity and inclusion policy

Business terms and conditions

Sanctions policy

Data protection

Health and safety policy

ISO standards/certification

Modern slavery statement

Supplier code of conduct

Social engineering fraud

Sustainability initiatives, partnerships and associations

- ISO 14001 Environmental Management

- Octopus electric vehicle salary sacrifice scheme

- Living Wage Employer

- onHand volunteering

- Ecologi for funding carbon action projects

- Microsoft Partner Pledge

- Prompt Payment Code

- Great Place to Work

- Tech Talent Charter

- IEMA Associate membership

- The Prince's Regeneration Trust

- Mental health first aiders

- Food bank scheme

- Signatory to Time to Change Employer Pledge

- Multidiscipline apprenticeship scheme

- Women in IT membership

- Signatory to the Race at Work Charter

- Disability Confident employer

- Armed Forces Covenant

- Greater Manchester Good Employment Charter

- Community Outreach and Charity Partnerships