

Bytes Technology Group plc

# **Sustainability** and **ESG Reporting** Manual

2021



# Sustainability and ESG Reporting Manual 2021

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# BYTES AT A GLANCE

## WHAT WE DO

We are a value-added IT reseller, focusing on security and cloud software developed by leading vendors. To deliver complete tailored solutions, as well as selling software, we also provide professional and managed IT services and hardware.

## OUR PURPOSE

We empower and inspire our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology.

## OUR VALUES

- Being passionate about our employees, vendors and customers
- Acting with integrity at all times
- Working together and collaborating across teams
- Being kind and respectful to all people, all of the time
- Getting business done and have fun doing it

## OUR STRATEGY

- To grow organically by winning new customers and growing business with existing customers, complemented, as appropriate, by carefully selected acquisitions that improve our value.
- With this strategy we aim to keep delivering double-digit growth.

## OUR DRIVERS

- Our network of IT vendor partners
- Long-standing, trust-based customer relationships
- Investment in engaged, expert employees
- Dynamic, customer-focused culture



# A VIEW FROM THE BOARD



The Board embraces the principles of the UK Corporate Governance Code, including those aimed at promoting transparency around stakeholder engagement. We consider the interests of Bytes Technology Group’s (‘Bytes’ or ‘the Group’) investors, customers, suppliers and vendors, and communities and the environment in our decision-making and in how we deliver our strategy to achieve long-term, sustainable success.

We have set ambitious goals and strategic priorities and are committed to achieving these in a sustainable manner. This requires that we implement a holistic approach to the way we do business that takes into consideration more than just financial prosperity, but also ensures that we provide a diverse and inclusive place to work for all, that we illustrate our passion towards vendors and customers and that we live up to the high expectations of our stakeholders, and that we set for ourselves, to at all times conduct business with integrity, kindness and being respectful towards others. Furthermore, it requires that our organisation is built on good governance practices, that we comply with legislative and regulatory requirements, and that our conduct is ethical.

We strive to embed sustainability in everything we do. This includes creating a positive impact on the communities in which we operate through innovative solutions that support safety and security, skills development, financial inclusion and health management. Our approach to sustainability enables us to increase efficiency, product differentiation and promotes long term value creation through our growth areas and product and service segments.

This requires decision making that is informed by balanced and integrated information. It necessitates us to fully understand the environment that we operate in, the legitimate needs and interests of our stakeholders, our risks and opportunities and to build the necessary resilience to ensure that Bytes can stand the test of time.

We have therefore developed a sustainability framework that highlights our value drivers and material matters and guides us in monitoring our sustainability impact and performance. It enables us to understand the holistic performance of our organisation and to report on this in a balanced and integrated manner. As our business evolves, we will continue to review and update this framework to ensure it remains relevant and impactful.

In business, sustainability approaches tend to result in increased operational efficiency and increased product differentiation, all of which help to improve our corporate processes and profitability.

For Bytes to be truly sustainable, we undertake to ensure that sustainability remains core to our strategy, that it is underpinned by our values, and that we remain accountable to both current and future generations. This is not just the responsibility of leadership, but is embedded at every level of the organisation, within our growth and social impact areas, our product and service segments, all stakeholder engagements and decision making.

We have set ambitious goals and strategic priorities and are committed to achieving these in a sustainable manner.

## OUR APPROACH TO RESPONSIBLE BUSINESS

Our sustainability is rooted in our approach to shared prosperity within Bytes, which aims to deliver positive impact for customers, colleagues and communities across four key themes most relevant to our stakeholders and our purpose. Within each theme, set ourselves commitments that we will focus on and which drives our underlying activities. These are underpinned by our purpose, culture, values and commitment to responsible business conduct.

This manual provides a guide to those responsible for implementing and maintaining sustainable business practices and activities.

Sustainability is a business approach to create long term value for Bytes and its stakeholders. It requires the implementation of business practices that are environmentally, socially and financially responsible, as well as good governance and ethical decision making that promotes organisational transparency and longevity. Sustainability is core to our strategy and enables us to be responsible corporate citizens.

Bytes' approach to sustainability is defined through our sustainability framework. The framework will be continuously refined and updated as our sustainability focus matures and evolves. This manual highlights strategic objectives and leadership accountability per material matter and supports in determining targets for each material matter, as well as activities to meet its strategic objectives. It creates a platform for identifying financial and non-financial KPIs to measure and monitor progress, identify data owners, and to reflect Bytes' performance in a balanced, integrated and responsible manner.

This manual provides a guide to those responsible for implementing



and maintaining sustainable business practices and activities. It is intended to create awareness and understanding of the framework, its value drivers and the material matters that could impact our ability to create value over time. This manual can be used for internal training purposes to support employees in better understanding the sustainability framework and its alignment to the group's strategy. It is also aimed at supporting our Board in identifying and understanding performance areas for which they offer an oversight role. In addition, the manual is also intended to be used as a reference document to inform report content and performance disclosure for Bytes' Annual Report and Accounts.

## OUR COMMITMENT TO SUSTAINABILITY AND ESG

We are committed to achieving our strategy in a sustainable manner - building our business on good governance practices, ethical conduct and legislative compliance, maintaining our good reputation and creating long term value for Bytes and our stakeholders.

## OUR ESG STRATEGY

### AN ESG PROPOSITION FOR HIGHER VALUE CREATION

ESG factors impact the financial performance and the sustainability of Bytes as an investment over the long-term.

We appreciate that consumers, employees, and investors are demanding that companies do more than simply check a regulatory box - they want businesses to make sustainable improvements for the good of the environment and society. We recognise that meeting stakeholders' growing ESG demands and expectations will require new ways of thinking, and companies will need to make changes across all dimensions of the organisation, from making strategic choices to implementing the business initiatives to reporting progress and outcomes.

ESG is about making a difference, for the external environment and for our business - creating sustained outcomes for environmental and societal good. In this regard, we set out to governing our business responsibly and inclusively to build long-term resilience.

We recognise that meeting stakeholders' growing ESG demands and expectations will require new ways of thinking.

### WHEN WE SAY “ESG”

The **E** in ESG, environmental criteria, includes the energy our operation takes in and the waste it discharges, the resources it needs, and the consequences for living beings as a result. Not least, E encompasses carbon emissions and climate change. As every other company, we use energy and resources and as a results affects, and is affected by, the environment.

**S**, social criteria, addresses the relationships we have and the reputation it fosters with people and institutions in the communities where we do business. S includes labour relations and diversity and inclusion, with Bytes operating within a broader, diverse society.

**G**, governance, is the internal system of practices, controls, and procedures we adopt in order to govern the company, make effective decisions, comply with laws and regulations, and meet the needs of our external stakeholders.

OUR UNDERLYING ESG ELEMENTS

incorporated into our sustainability framework

	Element/value driver	Function/data owner
Financial Sustainability		
	1. Revenue Growth	Chief Executive Officer
	2. Profitability	Chief Financial Officer
	3. Investor relations	Bytes Software Services Managing Director Phoenix Software Managing Director
Environmental (88)		
	1. Risks and Opportunities (10)	Chief Executive Officer
	2. Carbon and Climate (44)	Chief Financial Officer Bytes Software Services Managing Director Phoenix Software Managing Director Operational directors Operational working committees External consultants
Social (110)		
	1. Human Rights (32)	Chief Executive Officer Chief Financial Officer
	2. Labour, Health and Safety (41)	Group Company Secretary Bytes Software Services Managing Director Phoenix Software Managing Director
	3. Stakeholders and Society (32)	Operational directors Information security officers
	4. Product Safety, Quality and Brand (5)	Human resource heads Operational working committees
Governance (91)		
	1. Board Structure (33)	Chief Financial Officer
	2. Compensation (34)	Group Company Secretary
	3. Shareholder Rights (10)	Bytes Software Services Managing Director Phoenix Software Managing Director
	4. Audit/Risk (14)	Information security officers Human resource heads Operational working committees

Note: Figures in brackets denote number of assessment points under each element/value driver, with a total of 289 points (excluding Financial Sustainability).

CURRENT STATUS

as at August 2021

	Environment	
	Risks and Opportunities	1
	Carbon and Climate	4
	Natural Resources	3
	Waste and Toxicity	2
	Social	
	Human Rights	7
	Labour, health and Safety	4
	Stakeholders and Society	Focus area for improved disclosure
	Product Safety, Quality and Brand	5
	Governance	
	Board Structure	Focus area for improved disclosure
	Compensation	5
	Shareholder Rights	1
	Audit/Risk	Focus area for improved disclosure

**Key:**  
Lower Governance Risk = 1 - Higher Governance Risk = 10  
Higher E&S Disclosure = 1 - Lower E&S Disclosure = 10



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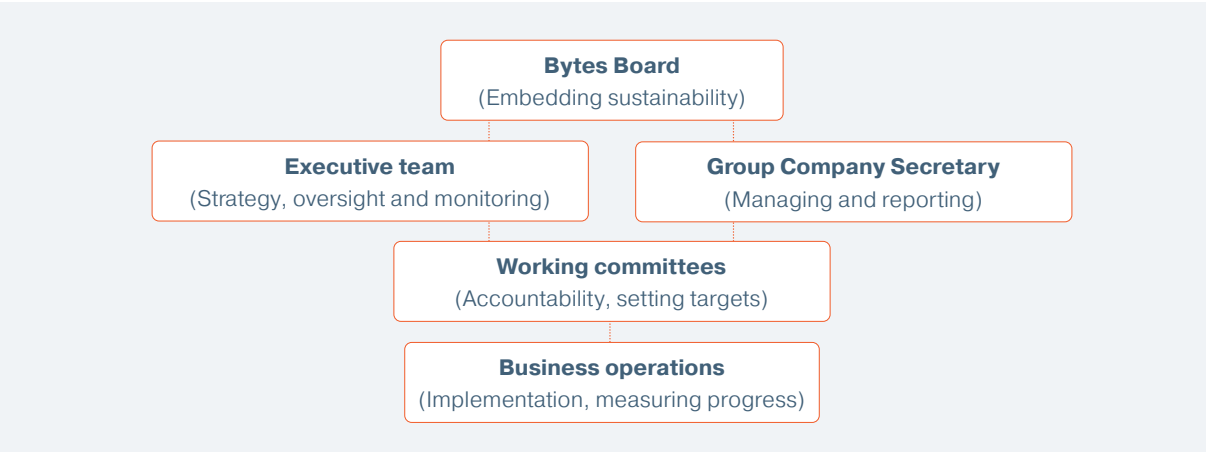
Our sustainability framework

## OUR SUSTAINABILITY GOVERNANCE AND MANAGEMENT STRUCTURE

The Bytes Board assumes accountability and responsibility for sustainability and is supported by the Chief Executive Officer and other senior leadership in ensuring that sustainability remains core to our strategy.

The Board provides a strategic and oversight role and monitors our sustainability performance.

The Board provides a strategic and oversight role and monitors our sustainability performance. The leadership teams are responsible for determining the strategic objectives and targets for each material matter and supporting business operations in identifying and implementing activities to achieve these targets. Data owners have been identified for each activity and metric to track and record progress. Relevant performance information is reported to the Board and any material matters are discussed, with actions identified, as necessary. Activities and performance against targets are also reported in our Annual Report and Accounts.



## BUILD TRUST TODAY TO SECURE A SUSTAINABLE FUTURE

An ESG program needs to be supported by a framework that clearly outlines where our organisation’s vision and purpose meets our ESG priorities. In FY22 we have taken steps to formalise our ESG and sustainability framework, building on the Corporate Responsibility policies already in place within our operating companies.

On carbon emissions, Bytes is committed to and aligned with the UN’s net-zero emissions aspirations and in this regard, continues to take appropriate action internally and engaging with its community of stakeholders in striving towards this. We set out to publish our carbon net zero targets at [Bytesplc.com](https://bytesplc.com).

## ESG IN BYTES SUPPORTS OUR BUSINESS MODEL AND FINANCIAL KPIs IN FIVE IMPORTANT WAYS

- 1) Facilitating top-line growth
- 2) Reducing costs
- 3) Minimising regulatory and legal interventions
- 4) Increasing employee productivity
- 5) Optimising investment and capital expenditures

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## STAKEHOLDER ENGAGEMENT

Our stakeholders have an important role to play in the successful operation of our business. We have identified our key stakeholders as our employees, customers, suppliers and vendors, the environment and communities in which we operate, and investors. Our Board is fully aware of, and take seriously, our responsibilities to Bytes’ stakeholders. We believe that it is appropriate to consider the potential impact on our stakeholders when considering Bytes’ 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 - in a way that will continue to promote the success of Bytes for the benefit of its members as a whole, while having regard to all other stakeholders.

...these responsibilities are rooted in our culture, values and company purpose.

## OUR MATERIAL ISSUES

We follow an approach to responsible business informed and shaped by the ESG issues that matter most to our stakeholders, 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. As social norms and stakeholder priorities evolve over time, we take an iterative approach, engaging with stakeholders and adapting as necessary. At present we believe these are among the most material ESG issues which could substantively affect our ability to create financial and non-financial value:

1. Financial capabilities
2. Data privacy and security
3. Customer engagement
4. Business conduct
5. Culture based on employees, diversity and inclusion
6. Our supply chains and partner engagements
7. Corporate governance
8. Our carbon footprint

### TOWARDS SHARED PROSPERITY

Our sustainability framework is based on the following value drivers:

- a) Financial sustainability
- b) Corporate responsibility (E)
- c) Inclusive growth through stakeholder engagement (S)
- d) Governance (G)

### MEASURING OUR PROGRESS

Our sustainability framework has been developed to enable the measurement of the underlying valued drivers based on: Material themes, strategic objectives, targets/KPIs and measurement Year-on-Year.

Based on -

- a) Sustainability & Business Objectives
- b) Leadership & Accountability
- c) Risk & Opportunity Management
- d) Stakeholder Engagement & Collaboration
- e) Sustainability Governance & Management
- f) Reporting, Transparency & Communication of ESG

OUR MATERIAL ISSUES contd

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 United Nations Sustainable Development Goals (SDGs) and have stated that local government can support delivery against two thirds of the targets.

Bytes have committed to 7 UN SDG goals (below), which are detailed in our Corporate Social Responsibility (CSR) policy. Having a CSR strategy allows us to share our goals with our colleagues, customers and communities. Read more about the goals and our strategy in the CSR Policy.



Our sustainability framework is complementary to existing Corporate Policies and Procedures, which are continuously reviewed and updated, namely -



OUR MATERIAL ISSUES contd

SUSTAINABILITY INITIATIVES, PARTNERSHIPS AND ASSOCIATIONS

- World Land Trust partnership, as part of the Carbon Balances Programme
- The Female Social Network partnership
- Cycling the World association
- Childcare Voucher scheme
- Fairtrade, Rainforest Alliance Certified coffee
- Cloud First business approach and customer engagement
- IEMA Associate Membership
- ISO 14001 Environmental Management
- Food Bank Scheme
- Signatory to 'Time to Change Employer Pledge'
- Technical Apprenticeship' scheme
- Awareness among customers around options available to them through programmes such as the Microsoft UK Digital Skills Hub
- Women in IT Network membership
- Signatory to the Race at Work Charter
- Disability Confident Committed employer

TCFD DISCLOSURE

The Task Force on Climate-related Financial Disclosures ('TCFD') has developed a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. The TCFD Recommendations provide guidance for companies to disclose information to investors and other stakeholders. This provides a foundation to improve investors' and others' ability to appropriately assess and price climate related risks and opportunities. The TCFD Recommendations are built around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

We are working with environmental consultants to draft our response to the TCFD

Climate-related risks –

Two types of climate change-related risks have been identified by the TCFD:

- Physical risks caused by climate change can be categorised into two types:
  - (i) event driven (acute) and
  - (ii) longer-term shifts (chronic) in climate patterns.
- Transition risks may arise as a consequence of the extensive changes in policy, legal, technology, and market during the transition to a lower-carbon economy. These changes are aimed to address mitigation and adaptation requirements related to climate change.

We are working with environmental consultants to draft our response to the TCFD, which we will include in our future annual reporting.

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## OUR SUSTAINABILITY FRAMEWORK

### CONTEXT AND PURPOSE

To be a truly sustainable business, we need to take cognisance of the socio-economic and environmental landscape, the regulatory environment in which we operate and the legitimate needs and interests of stakeholders. This context is considered in the determination of risks and opportunities, as well as value drivers and material matters that are housed within our sustainability framework.

Our Chief Executive Officer assumes responsibility for ensuring that we achieve our strategy in a sustainable manner. The framework is endorsed and driven by our senior leadership who are responsible for managing the connectivity and interdependence of multiple activities that collectively contribute to long term value creation. The framework structure aims to support internal measurement, reporting, target setting and accountability, as well as enhance our ability to communicate with substance and integrity to our external stakeholders. The framework is essential to our ongoing delivery of our strategy.

The framework is reviewed and updated as our operating context, stakeholder needs, risks and opportunities and business focus changes to ensure that we adapt and build resilience within our business model.

### INTRODUCTION TO THE FRAMEWORK

The structure of the framework shows the direct correlation between the value drivers and Bytes’ strategy. The value drivers in turn are underpinned by material matter, each of which has a designated owner and a clearly defined strategic objective. Each strategic objective is then accompanied by outcomes-orientated KPIs which provide a means of measuring, tracking and benchmarking performance. In addition, the strategic objectives are realised through the roll-out of activities and initiatives, which too are assigned designated owners and implementation-oriented performance figures. The structure therefore a high-level strategic perspective of sustainable business priorities, whilst enabling a drill down to granular details of operational progress.

## OUR SUSTAINABILITY FRAMEWORK contd

Bytes’ sustainability framework identifies the four value drivers which promote our strategy and performance as well as material matters that could impact our ability to create value over time.

Our value drivers and material matters are underpinned by governance practices, integrity, risk and reputation management and compliance requirements.

For each material matter we have identified the following:

- Leadership accountability: Accountability/Ownership for the material matter at executive level
- Strategic objectives: The material matter’s long-term goal
- Targets: The desired level of performance for each material matter
- Activities: Focused initiatives to achieve strategic objectives
- Measure of activity: A metric to assess progress made in implementing activity
- Performance / target: The target / level of performance for each activity
- Data owner: Person responsible for tracking and measuring performance

The table below highlights the value drivers, material matters, leadership accountability and strategic objectives. Targets, activities and performance against targets are reported in our Annual Report and Accounts.

The Chief Executive Officer assumes responsibility for the integration of the sustainability framework within our business conduct and decision making, supported by senior leadership.

<b>OUR PURPOSE</b> We empower and inspire our people to fulfil their potential, so they can help our customers make smarter buying decisions and meet their business objectives through technology.	<b>OUR STRATEGY</b> To grow organically by winning new customers and growing business with existing customers, complemented, as appropriate, by carefully selected acquisitions that improve our value  With this strategy we aim to keep delivering double-digit growth	<b>OUR VALUES</b> Being passionate about our employees, vendors and customers  Acting with integrity at all times  Working together and collaborating across teams  Being kind and respectful to all people, all of the time  Getting business done and have fun doing it	
Value drivers			
 <b>Financial Sustainability</b>	 <b>Environmental</b>	 <b>Social</b>	 <b>Governance</b>
Revenue Growth Profitability Investor relations	Risks and Opportunities Carbon and Climate	Human Rights Labour, Health and Safety Stakeholders and Society Product Safety, Quality and Brand	Board Structure Compensation Shareholder Rights Audit/Risk



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### REVIEWING AND UPDATING THE FRAMEWORK

The framework is a dynamic structure that will evolve through engagement with management and during the annual reporting process. Activities, targets and accountability for performance will increasingly be embedded within the day-to-day operational practices of the business, through workshops and one-on-one engagements to ensure that it remains responsive to:

- Bytes' operating context
- The legitimate needs and interest of its stakeholders
- Risk and opportunities
- Any changes to our strategy, leadership, business model and operations

Although the framework will be updated continually, it will be formally documented and reviewed annually by the leadership team. The framework is approved and signed-off by the Bytes Board.

### MEASURING, MONITORING AND REPORTING

The executive team is responsible for determining the strategic objectives and targets for each material matter and supporting business operations in identifying and implementing activities to achieve these targets. For each activity and metric data owners have been identified to track and record progress. Relevant performance information, including any performance discrepancies, are reported to the Bytes Board on a half-yearly basis.

### REGULATORY AND VOLUNTARY CODES AND STANDARDS

The framework is also used to support content generation and performance disclosure for Bytes' Annual Report and Accounts.

We prepare our Annual Report in accordance with the UK Corporate Governance Code. We are aligned to the principles of the United Nations Global Compact (UNGC) as well as relevant Sustainable Development Goals. Where we can, we are taking actions to support these global commitments. We also ensure that we contribute to and support national growth and socio-economic development goals such as promoting good health and wellbeing, quality education, gender equality, decent work and economic growth, and climate action.

**On behalf of the Board.**

**November 2021**