

# **EMPOWERING BUSINESSES STRENGTHENING TRUST**

**The Sage Group plc.** Annual Report and Accounts 2025

**Sage**

# EMPOWERING BUSINESSES STRENGTHENING TRUST

Sage is a leader in accounting, financial, HR, and payroll technology for small and mid-sized businesses (SMBs), enabling them to streamline operations, make more informed decisions, and be more productive.

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### Impact Book



### Non-Financial Statement



### Our solutions—focused on customer needs

Our products are mission-critical for our customers, providing accounting, HR, and payroll solutions that are vital to business operations.

➔ Read about this in action on pages 4 and 5



### Customer success stories

We're focused on delighting our customers with strong products and human support, which builds loyalty, encouraging them to grow with Sage.

➔ Read about this in action on pages 16 to 18



### Driving a high-performance mindset

Our purpose drives our day-to-day actions and our culture defines how we operate, behave, interact, make decisions, and get things done.

➔ Read about this in action on pages 24 to 29

# Our year in numbers

## Underlying total revenue

**£2,513m**

FY24: £2,290m

Underlying total revenue of £2,513m increased by 10%, driven by broad-based growth in cloud solutions.

## Statutory revenue

**£2,513m**

FY24: £2,332m

Statutory revenue of £2,513m grew by 8%, reflecting underlying growth in all regions, offset partly by a foreign exchange headwind.

## Underlying operating profit

**£600m**

FY24: £513m

Underlying operating profit grew by 17% to £600m, driven by revenue growth and an increase in underlying operating profit margin of 150 basis points (bps) to 23.9%.

## Statutory operating profit

**£530m**

FY24: £452m

Statutory operating profit increased by 17% to £530m, reflecting growth in underlying operating profit together with lower acquisition related expenses.

## Underlying basic earnings per share (EPS)

**43.2p**

FY24: 36.7p

Underlying basic EPS increased by 18% to 43.2p.

## Statutory basic EPS

**37.7p**

FY24: 32.1p

Statutory basic EPS increased by 18% to 37.7p.

## Dividend

**21.85p**

FY24: 20.45p

Total dividend proposed for the year increased by 7% to 21.85p.

## Net cash from operating activities

**£660m**

FY24: £649m

Net cash generated from operating activities increased by 2% to £660m, reflecting underlying cash conversion of 110%.

## About our non-GAAP measures and why we use them

Throughout this Strategic Report, we quote two kinds of non-GAAP measure: underlying and organic. Underlying measures are adjusted to exclude items that in management's judgement need to be disclosed separately by virtue of their size, nature, or frequency to aid understanding of the performance for the year or comparability between periods. Organic measures allow management and investors to understand the like-for-like performance of the business. Prior year underlying and organic measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations. Full definitions of underlying and organic are in note 2 of the financial statements. Reconciliations of statutory revenue, operating profit and basic EPS to their underlying and organic equivalents are included in the Financial review starting on page 48.

Sage at a glance

# Enabling high performance

## What we do

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses (SMBs) served by us, our partners, and accountants. Customers trust our finance, HR, and payroll software to make work and money flow.

## How we do it

By digitalising business processes and relationships with customers, suppliers, employees, banks and governments, our AI-powered platform connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology, and experience to tackle digital inequality, economic inequality, and the climate crisis.

## Our global reach<sup>1</sup>

**45%** North America

**29%** UKIA<sup>2</sup>

**26%** Europe

## Our strategic framework

### Our purpose

is to knock down barriers so everyone can thrive.



### Our ambition

is to create the world's most trusted, thriving network for SMBs, powered by AI.

### Our strategy

comprises three key focus areas that help us achieve our ambition and fulfil our purpose by guiding our operational and investment decisions.



#### Connect

Connecting SMBs through our trusted and thriving network.



#### Grow

Winning new customers and delighting our existing ones.



#### Deliver

Delivering productivity and insights driven by AI.

➔ See pages 15 to 18

## Sustainability and Society

Sage's role in society is a vital part of the equation. We seek to integrate sustainability into our everyday operations, helping to ensure Sage makes a positive societal impact through our three sustainability pillars.

1. Split of total underlying revenue of £2,513m.

2. United Kingdom, Ireland, Africa, and Asia-Pacific.

## Business highlights

**11%**

ARR growth

**97%**

recurring revenue

**76**

 eSAT<sup>1</sup>
**45%**

 internal fill rate<sup>2</sup>

## Non-financial highlights

**AAA**

MSCI ESG rating

**17**

 countries where  
we operate

**11,170**

 colleagues globally<sup>3</sup>
**80,036**

 volunteer hours spent  
helping our communities<sup>4</sup>

### Our stakeholders

are central to our business and we seek to align all our activities with their interests.



#### Customers

We build every experience with human insight and ingenuity.



#### Colleagues

We are committed to creating an environment where colleagues feel energised to contribute to the success of SMBs.



#### Partners

We collaborate with partners throughout our ecosystem to help deliver our ambition.



#### Shareholders

We target sustainable growth in shareholder value.



#### Society

We tackle digital inequality, economic inequality, and the climate crisis, using our time, technology, and experience.

➔ See pages 90 to 97

### Our Values

underpin our culture and drive our ways of working.

#### We do the right thing.

##### Human

We make connections with customers, partners, and colleagues, through empathy and care.

##### Bold

We are curious, courageous, ambitious, and creative.

##### Trust

We deliver our promises to customers, partners, colleagues, society, and shareholders.

##### Simplify

We strip away complexity.

➔ See pages 24 to 29



**Protect  
the Planet**



**Tech  
for Good**



**Human  
by Design**

➔ See pages 30 to 34 for more about Sage's sustainability approach and progress

1. eSAT is Sage's Group wide employee satisfaction score as at 12 September 2025.
2. Internal fill rate of 45% reflects percentage of roles filled by existing colleagues rather than external hires.
3. Headcount data of 11,170 including 84 contractors and excluding eight Non-executive Directors as at 30 September 2025.
4. Volunteer hours measured during working hours in FY25. In FY24 we reported on total volunteering hours, including those outside of work.

# Focused on customer needs

## Sage serves millions of small and mid-sized businesses around the world

Our products are mission-critical for our customers, enabling them to manage accounting, payroll, HR and core business operations seamlessly. By automating workflows, reducing manual admin, and delivering actionable insights, our solutions save our customers time and help them make better decisions.

### Small businesses

Owner-led businesses, where small teams or individuals manage both financial and HR responsibilities, often need smart, scalable tools to simplify accounting and stay compliant. We build our small business solutions to support their needs by helping businesses control costs, manage cash flow efficiently, and stay focused on growth while navigating changing regulations.

### Mid-sized businesses

Our solutions for mid-sized businesses empower finance and HR teams with intelligent automation and real-time insights by streamlining workflows, improving forecasting accuracy, and enabling strategic decision making. As these organisations evolve and scale, we help them achieve greater efficiency and resilience while supporting their growth.

### Integrated suites

Our integrated product suites combine core accounting capabilities with HR, payroll, and business management tools tailored to client specific needs. For mid-market companies, we offer industry-specific solutions to meet different sector requirements. These suites feature seamless functional integration, enabling smooth workflows and delivering the automation, insights, and compliance mid-market businesses require.

### Sage Platform

The Sage Platform is our foundational technology infrastructure, enabling rapid deployment of innovations such as Sage Copilot and AI agents across multiple products. It provides a unified interface for intelligent assistance within workflows, while AI helps automate complex, end-to-end processes. For developers, it offers shared tools, frameworks, and built-in security guardrails to accelerate delivery. The platform ensures scalability, security, and compliance, supporting trusted, human-first AI experiences.

## Sage Copilot

Sage Copilot is our AI-powered productivity assistant embedded across our products—streamlining tasks, automating administrative processes, and delivering accurate, actionable insights.

- For small businesses using Sage Accounting, Sage Active, and Sage 50, Sage Copilot helps automate invoicing, payments, and reporting, while monitoring real-time data to flag anomalies and track profitability. Customers report saving up to five hours per week and getting paid seven days faster, while improving cash flow.
- For accounting professionals, Sage Copilot generates client insights, automates communications, and streamlines practice management, to deliver greater strategic value.
- For mid-sized businesses using Sage Intacct, Sage Copilot helps automate month end close and subledger reconciliation processes and provides real-time variance analysis, enabling finance teams to focus on strategic insights. For Sage X3 customers, Sage Copilot delivers operational intelligence, surfacing real-time insights such as fulfilment issues, churn risk, and inventory delays. With natural language chat and a unified 360° view across operations, it empowers users to make faster, smarter decisions.

## Sage Ai

Sage Ai is our intelligence engine; a proprietary layer of AI services that powers Sage Copilot and our AI agents. Built on deep domain expertise and trained on trusted data, it delivers reliable outcomes for customers. Increasingly, specialist AI agents operate behind the scenes, taking action on the customer's behalf within permissioned boundaries, whether surfaced through Sage Copilot or embedded into product workflows or partner systems. Each agent is purpose-built for a specific process, freeing finance teams to focus on higher value work. Recent launches include Sage's Finance Intelligence Agent, as well as other agents, that help accelerate core tasks such as the month end close.

### Our philosophy: authentic intelligence

Our guiding philosophy is to build AI that is ethical, transparent, and human-first. We seek to create innovative solutions that are secure and reliable, with customers remaining in control of their data and decisions, underpinned by our commitment to transparency. We believe this authentic approach helps to strengthen customers' trust in our AI technology, in the decisions they take, and in their broader business relationships.

## Sage for Accountants

Sage for Accountants enables accountants to efficiently manage client data, accounts and compliance within a single solution. It streamlines practice management—from data capture to tax filing—helping accountants boost efficiency, and remain compliant.



### Further information





## Sage Accounting

Sage Accounting is designed to enable small businesses operating in any industry, as well as accountants and bookkeepers, to manage their customer data, accounts, and people in a single solution.

Further  
information



## Sage Active

Sage Active is an intuitive and multi-legislation solution for small businesses in Europe to automate accounting, sales, and purchasing processes.

Further  
information



## Sage 50 and Sage 200<sup>1</sup>

Our Sage 50 cloud and Sage 200 cloud franchises enable customers to control their business and gain improved visibility over their finances and operations. Sage 50 is designed for small businesses, while Sage 200 offers customisable solutions to meet the needs of mid-sized businesses.

Further  
information



## Sage Intacct

Sage Intacct helps growing mid-sized organisations thrive in today's digital world with proven solutions across accounting, planning, and analytics. The powerful platform offers deep multi-dimensional insight and AI-powered automation for organisational agility.

Further  
information



## Sage X3

Sage X3 provides fast, intuitive, and tailored business management capabilities for product-centric organisations, transforming how they manage people, processes, and operations with multi-language, multi-legislation, and multi-currency capabilities.

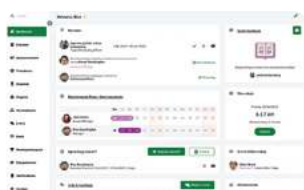
Further  
information



## Sage Payroll

Sage Payroll is an intuitive solution that helps small businesses to run their payroll reliably and flexibly, including capabilities such as pensions filing, tax submissions, and compliance.

Further  
information



## Sage HR

Sage HR is designed to make people management easier and help teams perform at their best. Sage HR is best suited to small and mid-sized businesses on site or on-the-go. For businesses that require a turnkey, modular, low-cost, and easy-to-install solution, Sage HR offers core record management, leave management, staff scheduling, and expenses services.

Further  
information



## Sage People

Sage People is an HR and people management solution for mid-sized businesses. It uses powerful automation, comprehensive analytics and flexible workflows to ensure global workforces can adapt and thrive.

Further  
information



1. The Sage 200 product family includes solutions branded Sage 100, Sage 200, and Sage 300.

# Our market opportunity

We have a strong global footprint, serving a diverse base of small and mid-sized businesses (SMBs) across North America, Europe, Africa, Middle East and Asia-Pacific. Our broad geographic reach and customer diversity provide a powerful vantage point for us to anticipate and respond to evolving business needs. As digital mega-trends and regulatory tailwinds reshape the business landscape, we are well positioned to empower SMBs through innovation, compliance, and productivity-enhancing solutions.

## Strategic outlook

SMBs represent an estimated 99%<sup>1</sup> of firms in our key markets and they play a vital role in the global economy. Despite ongoing macroeconomic and geopolitical challenges, SMBs remain agile and continue to invest in technology to help them thrive. Amid a complex regulatory landscape and accelerating digital transformation, we support SMBs with our trusted portfolio of accounting, HR, and payroll solutions. Through compliance capabilities, AI-powered innovation, and a connected ecosystem, we continue to unlock new opportunities for growth, productivity, and competitive advantage.

## Our addressable market

The addressable market for Sage (including organisations with up to 2,000 employees in all countries where we sell our solutions) is forecast to be £44bn in 2026 and to continue growing. This market includes accounting and financial

management, human capital management, enterprise resource planning, payroll, accountant taxation and compliance, and accounting practice management software across both cloud and on-premise deployments.

## Digitalisation through the ecosystem

SMBs are seeking to digitally transform workflows across their business ecosystem, reducing their administrative burden, and improving their working capital. This presents us with a significant opportunity, as businesses look to automate financial processes through services such as Accounts Receivable (AR) and Accounts Payable (AP) automation, integrated payments, and third-party applications. Our strategic partnerships with fintech and banking providers further extend our reach and enable us to deliver more personalised, scalable, and connected solutions.

## Our addressable market<sup>2</sup>



1. OECD estimates.

2. Company estimates based on external sources.

## Enabling responsible growth

Technology companies play a critical role in creating a more sustainable future, by driving innovation, enhancing efficiency, and providing tools and solutions that enable businesses to operate sustainably. We are committed to bringing powerful AI-based products to SMBs and underrepresented groups, ensuring they don't get left behind in the technology revolution, while helping them grow in an environmentally and socially responsible way.

## Regulatory tailwinds

Governments across Sage's key geographies are mandating digitalisation to drive growth and improve compliance. These mandates promote interoperability by encouraging the use of standardised digital formats and Application Programming Interface (API) driven ecosystems, while enabling seamless integration across platforms. We expect this regulatory momentum will drive widespread software adoption among SMBs.

The UK's roll out of Making Tax Digital (MTD) for Income Tax is expected to transform tax administration by digitalising quarterly reporting for over 1.7 million taxpayers by 2028, improving visibility of tax liabilities. Starting in April 2026, the mandate applies to self-employed individuals and landlords, expanding to lower income thresholds over time. This shift is accelerating demand for compliant software solutions and presents a strategic opportunity to support a diverse, underserved market segment.

The EU's VAT in the Digital Age (ViDA) legislation introduces mandatory e-invoicing, real-time reporting, and single VAT registration across member states. Phased from 2025 to 2035, ViDA simplifies compliance and is expected to generate substantial economic benefits, including an estimated €51 billion in savings for businesses. For Sage, ViDA presents a significant opportunity to support customers through this transition by delivering compliant, scalable solutions that automate invoicing, reporting, and VAT workflows.

**“With a presence across four continents, we help SMBs stay ahead of the curve as digital trends reshape the future of work.”**

In parallel, the emergence of Digital ID frameworks for individuals and businesses across the UK and EU presents an opportunity for Sage to embed trust and verification into everyday workflows. With Sage ID already used across our portfolio, Sage is well positioned to unify fragmented identity signals, such as VAT numbers and payroll IDs, into a secure, seamless experience.

## Trusted AI is driving transformation

Generative AI continues to reshape the technology landscape and influence the global economic agenda, with its impact accelerating. AI is advancing more rapidly than previous technology shifts, driven by greater accessibility, declining costs, and significant improvements in model capabilities. These developments are enabling the development of AI agents capable of executing complex, end-to-end workflow automation, and marking a transformative shift in how businesses operate and compete.

This AI evolution is strengthened by the rise of domain-specific large language models (LLMs), which allow businesses to differentiate at scale and at a competitive cost. We are capitalising on this opportunity by combining deep subject-matter expertise with rich proprietary datasets to train LLMs that power intelligent, embedded solutions.

Many of our customers are already realising the benefits of Sage's AI capabilities, which align with our technology vision of ending monthly cycles and delivering continuous accounting, assurance, and insights. This helps SMBs work smarter, faster, and with greater confidence.

At the same time, AI introduces new challenges around data accuracy, privacy, security, and intellectual property management. We embrace new technologies in a secure and ethical manner, ensuring customers remain in control of their data and decisions. Our commitment to responsible innovation is reflected in our AI and Data Ethics Principles, which guide the development and deployment of AI across our products. By embedding trust in our AI strategy, Sage aims to build long-term confidence in our solutions and ensure that innovation is aligned with customer values and regulatory expectations.

# Creating value for our stakeholders

## Inputs

### Customer base

The breadth of our customer base around the world gives us a unique insight into the needs of SMBs.

### Trusted advisor

Sage is a trusted brand, providing award-winning customer service, which generates loyalty and advocacy among customers.

### People

Caring and engaged colleagues are committed to driving success for our customers.

### Platform

The Sage Platform is our foundational technology infrastructure that accelerates the delivery of AI-powered innovation.

### Ecosystem

We expand Sage's scale and reach through our ecosystem of accountants, resellers, and technology partners.

## How we attract and retain customers



### 1. Awareness and land

Attract new customers to Sage through brand awareness, targeted campaigns, the sage.com website, referrals and partners. Offer guides and trials to prospective customers.

### 2. Adopt

Sign up new customers to Sage products on subscription. For some solutions, Sage or our partners provide training and onboarding to get customers started.

### 3. Service

Provide digital and human customer support to enhance customer experience, offering regular check-ins and conducting feedback surveys.

### 4. Expand

Enable Sage customers to benefit from our expanding portfolio of cloud-based solutions and AI-powered services. This increases the value of our product portfolio and enables Sage to deepen customer relationships.

### 5. Renew

Create a seamless experience for customers that drives higher satisfaction, helps to retain customers, and increases adoption of Sage solutions. Recommendations also help attract new customers to the network.

## Our enablers

### More customers

Adding customers, end users, and ecosystem participants drives the network effect and allows us to scale new value propositions. Ecosystem participants (attracted by customer volumes) amplify the network effect.

### More data

With more data and data types from network participants, we can capture data flows and transactions both within and outside the network.

### More insight

Data drives the development of AI-powered solutions through a combination of understanding customer problems and deploying data science capabilities. This is enabled by our culture of experimentation and innovation.

### More value

These solutions enhance the customer experience and create value for customers and Sage.

## A culture of innovation and experimentation

Our relentless ambition to help SMBs thrive drives continuous innovation. We encourage our colleagues to adopt an experimental mindset, helping to ensure our workforce remains fit for to an evolving technological landscape.

➔ See pages 24 to 29 to learn more about our culture

## Our Values

We do the right thing and deliver on our promises.

- Being **Human** through empathy, care, and strong connections.
- Being **Bold** by being curious, courageous, ambitious, and creative.
- Creating **Trust** by delivering our promises.
- **Simplify**ing by stripping away complexity.

➔ See pages 24 to 29 to learn more about our Values

## Outputs

### Customers

**101%**

renewal by value

### Colleagues

**76**

employee satisfaction (eSAT)

### Community

**80,036**

Sage Foundation volunteer hours spent helping our communities

### Shareholders

**18%**

underlying basic EPS growth

**21.85p**

total dividend for the year

**£300m**

share buyback announced

➔ See pages 90 to 97 to learn more about our stakeholders

# Empowering our customers



**“FY25 saw Sage achieve another year of strong progress and delivery against our strategy.”**

**Andrew Duff**  
Chair

## Introduction

FY25 saw Sage achieve another year of strong progress and delivery against our strategy. A continued, sharp focus on growth and operational efficiency has resulted in further significant revenue and earnings expansion. Over the last three years, Sage has delivered total underlying revenue growth of over 30%, while underlying earnings per share (EPS) has increased by an impressive 75%, on a constant currency basis. At the same time, we have substantially increased investment in our platform, our products, and our sales channels. In doing so, I believe we have laid a strong foundation for the Group's future success.

## Executing our strategy

Sage is a business that is driven by its purpose: to knock down barriers so everyone can thrive. Rapid advances in Artificial Intelligence have provided the means for us to deliver this for SMBs more effectively than ever before. The investment we've made in our infrastructure and our platform over recent years makes us exceptionally well positioned to do so.

Our ambition is to build the world's most trusted and thriving network for SMBs, powered by AI. Importantly, we brought Sage Copilot, our generative AI-based digital assistant, to market in selected products and geographies, and thousands of customers are already using it to guide their decisions and streamline their work. Increasingly, our next-generation AI agents are automating tasks intelligently, but always with the customer in control. Over time, AI will become the foundation of every experience we deliver.

Consistent with our Values, our focus is on delivering practical, safe, human-first AI that empowers our customers and their businesses, rather than replacing them—automating their workflows, removing administrative tasks, and creating more time for growth and innovation.

SMBs make up 99% of all businesses. They are the “beating heart” of developed economies and are significant employers and wealth creators. In contributing to their success, Sage is also helping to power the global economy, providing benefits to all our stakeholders while also supporting the long-term sustainability of the Group.

## Financial performance

Sage delivered a good financial performance for the year, as we continued to execute on our strategy and focus on efficient growth. Underlying revenue increased by 10% to £2.5bn<sup>1</sup>, while underlying operating margin improved by 150 basis points to 23.9%, thanks to continued strong cost control. With underlying earnings per share growing by 18% to 43.2 pence, Sage has now delivered three consecutive years of annual EPS growth in excess of 15%.

Cash generation remains a core strength of Sage, with 97% of revenues recurring and a strong working capital profile. We continue to carefully allocate our capital, including acquiring complementary technology and expertise through M&A. Recent acquisitions include ForceManager, a mobile workforce management solution, Fyle, an AI-enabled expense management platform, and Criterion, a provider of unified HCM software—broadening our capabilities and reach.

In line with our progressive dividend policy, the Board is proposing a final dividend of 14.40p per share, representing a total dividend of 21.85p per share, an increase of 7%. Since FY20, Sage has returned £2.8bn to shareholders via dividends and share buybacks, and alongside our FY25 results we are announcing the return of a further £300m via share buybacks in FY26.

## Colleagues and culture

Sage values its people above all, and the culture they embody is the driving force behind everything Sage does. Our culture and Values guide our decisions and shape our behaviours. We strive to create an environment where colleagues feel empowered to deliver exceptional outcomes, by fostering a culture of high performance, driven by strong, human leadership. Sage is committed to building a diverse and inclusive workforce, and I am proud that in 2025 we were named both as a European Diversity Leader and as one of the UK's Best Employers by the Financial Times.

## Governance and the Board

Our philosophy is that strong corporate governance underpins long-term success, and we seek to maintain the highest standards.

In February, we welcomed Lori Mitchell-Keller as a Non-executive Director. Lori brings a wealth of experience to the role, strongly complementing the wider Board's capabilities. Sangeeta Anand stepped down from the Board in February 2025 and did not stand for re-election at the 2025 Annual General Meeting.

In March, we announced that Jonathan Howell would step down as Chief Financial Officer and leave the Board at the end of the calendar year. I would like to thank Jonathan for his outstanding dedication and leadership during his tenure as both an executive and non-executive director over the past 12 years. He has played a pivotal role in shaping Sage's strategic transformation, and we wish him all the best for the future.

Jonathan will be succeeded by Jacqui Cartin, who currently serves as our Group Financial Controller, from January 2026. Jacqui has exceptional leadership qualities and a deep understanding of Sage's business and its success drivers, and I am looking forward to welcoming her to the Board.

Our Board Associate programme helps to ensure that the voice of colleagues is consistently heard in the Boardroom. Our current Board Associate, Amy Cosgrove, is coming to the end of her term in the role. We are in the process of appointing our next Board Associate, and I look forward to sharing details next year.

## Sustainability and Society

Our Sustainability and Society strategy supports our purpose, and underscores our commitment to serve all of our stakeholders, including our colleagues and communities. Our performance continues to be recognised externally. In the last year, Sage was ranked among the World's Most Sustainable Companies by TIME magazine, recognised as one of the World's Greenest Companies by Newsweek, and awarded CDP A List for both Climate Leadership and Supplier Engagement.

Colleague commitment to sustainability through Sage Foundation—which mobilises colleagues, partners, and customers through impactful programmes—is nothing short of extraordinary. This is a source of pride to colleagues and contributes to our positive culture. We celebrated 10 years of Sage Foundation this year, and during this time it has raised over \$5m globally and facilitated 1.4 million hours of volunteering to support local causes and communities. We continue to focus on how we can use our unique skills, resources and experience to deliver impact in areas where we can make the greatest difference.

## Looking forward to FY26

Sage has made remarkable progress over the last few years, with the pace of innovation and change only accelerating. On behalf of the Board, I want to thank all our stakeholders—including our shareholders, customers, partners, and, most of all, our colleagues—for your continued support. I am confident that we will celebrate many more achievements in the coming year, as we enter FY26 well positioned for further growth and success.



**Andrew Duff**  
Chair

18 November 2025

1. Statutory revenue increased by 8% to £2.5bn, reflecting growth in underlying revenue of 10% offset by a 2 percentage point foreign exchange headwind.

# Unlocking productivity and powering growth



**“We’re shaping a future where Sage eliminates the burden of admin for SMBs, freeing up time for them to grow their businesses.”**

**Steve Hare**

Chief Executive Officer

## Introduction

Sage delivered another good performance in FY25, extending our track record of strong, profitable growth and making significant strategic progress. Guided by our purpose—to knock down barriers so everyone can thrive—we’re driving innovation across our portfolio, enhancing and accelerating customer benefits, particularly through AI. As digital transformation changes the business landscape, our role in supporting small and mid-sized businesses (SMBs) is becoming more vital than ever—we’re shaping a future where Sage eliminates the burden of admin for SMBs to unlock productivity and power growth.

Over the last three years, we have increased underlying revenue at a 10% compound annual growth rate—testament to the ongoing strength of our offering, and evidence that our growth is durable, despite macroeconomic uncertainty. We have also significantly expanded our operating margin and cash flows, enhancing flexibility and driving shareholder returns.

Our operational performance is supported by our strong balance sheet, providing the strategic agility to invest in both organic and inorganic growth. Organic investment is focused on enhancing our products and platform, optimising our go-to-market motion and developing our people. M&A is also an important driver of technology and talent, and during FY25 we enhanced our portfolio with two acquisitions: ForceManager, a mobile sales force management tool; and Fyle, an expense management platform. Since year end, we also welcomed Criterion, a unified HCM software provider, to our platform.

Beyond our core products and services, we are committed to supporting SMBs with the issues they face more broadly. We advocate on their behalf with policy makers and champion initiatives such as simplifying carbon reporting. As vital contributors to the global economy, SMBs drive prosperity, and Sage is equipping them with tools to lead the way in a rapidly evolving landscape.

As ever, the constant force behind our achievements is our people. I would like to extend sincere thanks to our colleagues at Sage, and to the partners and accountants we work with, for their continued dedication as we build on our momentum and shape the future together.

## Financial performance

Sage increased underlying total revenue in FY25 by 10% to £2,513m. In North America, revenue grew by 12% to £1,138m, with a strong performance from Sage Intacct together with continued growth in Sage 200, Sage X3, and Sage 50. In the UKIA region, revenue increased by 9%, driven by Sage Intacct, and supported by further growth in cloud solutions for small businesses. In Europe, revenue increased by 7%, with growth across the portfolio.

Underlying operating profit grew by 17% to £600m, driving a strong margin increase of 150 basis points to 23.9%. This was driven by operating efficiencies together with disciplined cost management, supporting ongoing investment in the business. Reflecting this progress and the benefit of recent share buybacks, underlying basic EPS increased by 18% to 43.2p.

Growth was broad-based across the portfolio, driven by continued success in our cloud accounting, payroll, and HR solutions. Sage Intacct continued to perform particularly well, while other cloud native solutions, including Sage Accounting, Sage Payroll, and Sage HR, also performed strongly. In addition, Sage 200, Sage 50 and Sage X3 contributed significantly to growth.

As a result, Sage grew underlying annualised recurring revenue (ARR) by 11% in line with the prior year, to £2,574m. Our organic ARR growth rate of 10%, while slightly below last year's figure of 11%, still reflects a strong performance, with continued growth balanced between new and existing customers. In total, Sage added £200m of ARR through new customer acquisition in FY25. Our renewal rate by value of 101% was driven by strong retention rates and a good level of sales to existing customers, including customer add-ons and targeted price rises.

### Our strategy for growth

Our performance in FY25 reflects strong progress in delivering our strategy for growth, which aims to deepen customer relationships, expand our reach, and enhance the value we provide to customers. Our strategic framework includes three key focus areas: connecting SMBs through our trusted and thriving network, growing by winning new and delighting existing customers, and delivering productivity and insights driven through AI.

- **Connect:** The Sage Platform is the foundation for our trusted and thriving network for SMBs, connecting products, partners, and customers in an intelligent ecosystem. As we connect more customers to the platform, we are expanding the scale and scope of our services, delivering value and transforming customer workflows. We made good progress, expanding our offering to automate workflows across the Office of the CFO, including accounts payable and accounts receivable, expense management, payments, HR, and payroll.
- **Grow:** Our aim is to expand revenues across all products and services, with a focus on the greatest growth opportunities. We continue to drive new customer wins, led by Sage Intacct, where ARR grew by over 20% in the US and by around 50% in other markets, and supported by the rest of the portfolio. We also drove value through the expansion of specialist suites, while targeting the “in-life” growth of existing customers through focused cross-sell and upsell.
- **Deliver:** AI is enabling Sage to significantly accelerate customer benefits. During the year, we scaled Sage Copilot, our generative AI-powered assistant, in availability and usage across core products, enabling customers to streamline tasks and make better decisions. We are further developing our proposition with the introduction of AI agents to automate complex tasks across compliance, reconciliation, accounts payable, and tax. We are also leveraging AI to drive productivity internally, with benefits across business areas including engineering and customer support.

➔ **You can read more about our progress towards our strategic objectives, on pages 15 to 18**

## Investment case

### Building shareholder value

#### ● Diversified and differentiated

- Serving a wide range of SMBs across diverse geographies, with deep expertise across financials, payroll, and HR.
- Broad ecosystem of partners, accountants, resellers, and independent software vendors (ISVs) who enrich and expand the reach of our offering.
- Solutions backed by business advice and human customer support.

#### ● 17 countries

##### Focused on innovation

- Expanding global cloud solutions across our markets, led by Sage Intacct.
- Scaling and leveraging our AI-powered platform to transform the workflows of SMBs.
- Launching AI agents to deliver enhanced levels of automation for customers.
- Boosting productivity for SMBs by streamlining processes and delivering trusted business insights.

#### ● £379m R&D spend

in FY25

##### Delivering efficient, sustainable growth

- Focused on scaling the business, with growth creating headroom to increase investment and expand margins.
- Growth supported by favourable SMB drivers, including the need to raise productivity through digitalisation and compliance.
- Strong commitment to sustainability supporting the long-term performance of Sage.

#### ● ARR growth 11% in FY25

##### Robust financial model

- High-quality revenue base, which is 97% recurring, with 83% from software subscription.
- Highly cash generative, low capital intensity business, with underlying cash conversion consistently over 100%.
- Organic and inorganic investment balanced by dividends and additional capital returns to shareholders where appropriate.

#### ● Cash conversion 110% in FY25

# CEO's review continued

## Focusing on our customers

Building long-lasting and trusted relationships with customers and partners is crucial to the success of our business. Reflecting our commitment to customer success, Sage Intacct was again ranked first for customer satisfaction in the G2 Fall 2025 report for accounting software, while Sage was ranked Best Software Company for 2025 in the UK and in the top 25 globally, based on G2 user reviews.

We place significant focus on enhancing the customer experience, measuring sentiment and generating insights to deliver improvements across our platform. As a result, we increased our transactional Net Promoter Score (tNPS) from 73 in FY24 to 79 in FY25, while also improving our overall customer satisfaction (cSAT) score.

Contributing to customer experience is excellence in customer support. In FY25, AI-powered virtual agents handled more than 200,000 customer interactions, with a consistently high resolution rate. These agents not only streamline query routing, but also free up our human agents to focus on more complex cases. This is helping us deliver faster, smarter support while maintaining a strong focus on overall satisfaction.

Driving customer perception and brand awareness enhances our market presence while supporting both new customer wins and existing customer retention. During the year, we elevated existing relationships while forging new, high-impact partnerships, such as with the English Football League (EFL) and the Ladies Professional Golf Association (LPGA).

## Engaging and developing our colleagues

Colleagues drive the success of Sage, and at the heart of that success is our culture. High levels of motivation and engagement are key to delivering our goals, and I am proud that our employee satisfaction score remains high, in the upper quartile of the global benchmark.

During the year, we continued to support colleagues in building core skills, including investing in both our Leadership Academy and our Professional Skills Academy. More than 1,800 colleagues took part in culture enablement sessions designed to boost engagement, helping them build positive habits and take practical action to enhance performance. The strong uptake across these programmes reflects the curiosity, ambition, and drive of our workforce—qualities that are recognised and celebrated.

We aim to attract exceptional individuals to Sage. Knocking down barriers extends to expanding entry routes into the workplace and, in FY25, we welcomed nearly 400 graduates, apprentices, and interns. Through our Pathways programme, we also provide opportunities to those facing employment challenges, including people with disabilities, returning professionals, and military veterans. We remain committed to building a workforce that reflects the diversity of communities in which we live and work.

## Doing business sustainably

Growing sustainably is vital to the long-term success of Sage, as we seek to deliver extraordinary outcomes for all of our stakeholders. In FY25, we made good progress across our three pillars—Protect the Planet, Tech for Good and Human by Design—and embedded sustainability across our operations, products, and culture. We are proud of our continued recognition, including being ranked among the World's Most Sustainable Companies 2025 by TIME Magazine for the second consecutive year, as well as one of the World's Greenest Companies by Newsweek.

We are targeting net zero emissions by 2040, with an interim target of halving our emissions by 2030, against a 2019 baseline, and we continue to make good progress against these targets. However, our goal goes beyond our own footprint. We are also championing the role of SMBs in the global energy transition, advocating for simplified standards and providing the data and insights to help them manage their own sustainability journeys.

Underscoring our commitment to create equal access to skills and growth, we launched our biggest single social impact initiative to date—the Sage Impact Entrepreneurship programme. Delivered in partnership with Village Capital, this programme aims to empower 165 purpose-driven entrepreneurs over three years with access to funding, mentorship, training, and Sage products.

## Summary and outlook

Sage delivered a good performance in FY25. With our global platform, trusted brand, and focused innovation strategy, Sage is exceptionally well positioned to support small and mid-sized businesses as they adopt AI-enabled services. This drives confidence in our ability to deliver strong, sustainable growth and long-term value for all stakeholders.

In FY26, we expect organic total revenue growth to be 9% or above. Operating margins are expected to continue trending upwards in FY26 and beyond, as we focus on efficiently scaling the Group.

## Strategic Report

Our Strategic Report on pages 1 to 68 has been reviewed and approved by the Board.



**Steve Hare**

Chief Executive Officer

18 November 2025



# Our strategy for sustainable growth



## Connect

Connecting SMBs through our trusted and thriving network



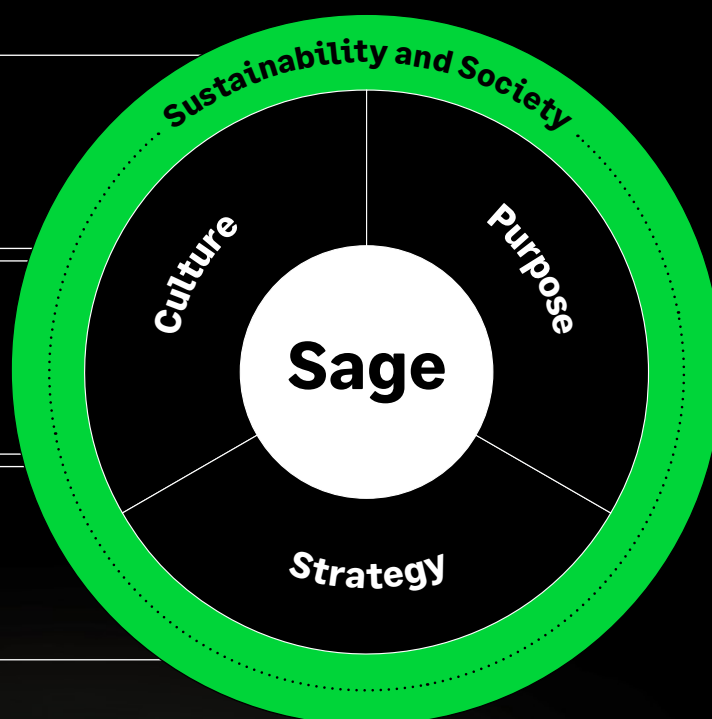
## Grow

Winning new customers and delighting our existing ones



## Deliver

Delivering productivity and insights driven by AI



## Our strategy continued



The Sage Platform is the foundation for our trusted and thriving network for small and mid-sized businesses, connecting our apps, APIs, developer tools and infrastructure into a unified experience. The platform simplifies and streamlines work, integrating third-party solutions such as payments together with Sage's own capabilities across areas such as Accounts Payable (AP) automation, Accounts Receivable (AR) automation and expense management, to address key customer challenges around cash flow, compliance and workflow automation. It also powers embedded services, extending Sage's core capabilities into external platforms through banking, lending and fintech partners, unlocking new monetisation models and partner routes to market. Every connection, transaction and data point makes the system smarter, creating network effects that scale AI innovation consistently across all Sage products and workflows.

### Progress in 2025

- Expanded our AP automation service, with the monthly value of invoices processed tripling over the past 12 months to \$2.3bn.
- Recognised as a "Major Player" by IDC for Accounts Receivable automation for SMBs.
- Formed strategic partnerships with MineralTree to strengthen our AP automation offering.
- Rolled out Tap to Pay in Sage Accounting across the UK and Canada, deepening our partnership with Stripe.
- Acquired Fyle, an AI-enabled expense management software.
- Sage Sales Management integrated with Sage Copilot and is now available to Sage 50 customers in Spain, the UK, and France, and Sage 200 customers in Spain.
- Launched the Sage e-Invoicing portal in France, preparing over 150,000 customers for e-invoicing.
- Strengthened our embedded services proposition including Tide (basic accounting), Monzo (MTD), and Artis Trade (US lending).

### Success measures

- Availability and adoption of platform services
- Sage Business Cloud revenue growth

### Focus for 2026

By accelerating adoption across the portfolio, we will drive customer value and unlock the network scale effect, creating a strategic advantage for Sage through smarter, more connected services.

### Case study

## Greenidge streamlines AP with AI-powered automation



Greenidge, a Nasdaq-listed energy and cryptocurrency company, has transformed its finance operations using Sage Intacct's AI-powered Accounts Payable automation service. Previously reliant on manual invoice processing, the Greenidge team faced inefficiencies and errors that slowed operations and strained resources.

Invoices are now processed by AI, where the system matches them to purchase orders, applies correct coding, and initiates workflows automatically.

AI also enhances internal controls through outlier detection, flagging unusual transactions before they escalate.

With streamlined operations and AI-enhanced controls, Greenidge's finance team doubled productivity while maintaining a lean structure. By using Sage Intacct, Greenidge is empowered to navigate market volatility and support multi-entity growth confidently.

**“We’re now handling more than twice the volume without expanding the team. And, more importantly, AI ensures that everything is consistent, traceable, and easy to audit.”**

**Christian Mulvihill,**  
CFO at Greenidge Generation Holdings



**For more information  
scan or click the QR code**

Ensuring Sage maximises its market opportunity and continues to deliver strong growth is fundamental to our strategy. Our overarching aim is to expand revenues across all products and services, throughout our geographical end markets. Key initiatives include scaling Sage Intacct in North America and UKIA, establishing Sage Intacct and Sage Active in Europe, growing our small business solutions (particularly through accountants) and accelerating growth through targeted cross-sell and upsell to existing customers.

A key feature of our growth strategy is the shift towards selling more integrated suite propositions, simplifying the customer experience and increasing overall lifetime value. We're also advancing our vertical strategy, tailoring solutions to industry-specific needs across both the medium and small business segments, powered by the Sage Platform and supported by ecosystem partners.

## Progress in 2025

- Sage Intacct continued its strong momentum, with ARR growth of over 20% in the US and c.50% in international markets.
- Replatformed Sage X3, to deliver a full cloud-native experience.
- Sage Active continues to accelerate in Europe.
- Sage Distribution and Manufacturing Operations (SDMO) launched in France, serving the distribution and manufacturing industries.
- Sage 50 and Sage 200 grew across all regions.
- Enhanced the commercial proposition for Sage Intacct through the expansion of specialist industry suites and introduction of multi-year contracts.
- Sage Intacct is scaling rapidly in the UK, with over 1,600 customers, and is gaining early traction in France and Germany.
- Expanded Sage Intacct Construction to the UK, following its success in US, Canada, and Australia.
- Launched Sage Intacct Accountants in Canada to support client advisory.
- Driving cross-sell and upsell through add-ons and deeper functionality across the portfolio.

## Success measures

- ARR growth
- Renewal rate by value
- Customer experience metrics

## Focus for 2026

Drive further momentum with new and existing customers and improve access to products and services through suites.



## Case study

### How Ansell Lighting transformed operations with SDMO



As Ansell Lighting expanded into new markets and outgrew its legacy systems, the company needed a modern cloud solution to streamline operations and support continued growth. Ansell Lighting implemented Sage Distribution and Manufacturing Operations (SDMO), seamlessly integrating it with the existing Sage Intacct financial system.

The results included faster processing, improved remote access, and more efficient bill of materials (BOM) management. Teams can now multi-task within the system, accelerating product development and decision making.

With SDMO, Ansell Lighting is not only operating more efficiently today but is also well positioned to scale and innovate for the future.

**Our technical department and the team raising the bill of materials are seeing the most significant improvement. Their day-to-day experience has been materially improved.**

**Chris Squire**

IT Project Manager at Ansell Lighting



**For more information, scan or click the QR code**

## Our strategy continued



AI is reshaping how businesses operate, and we are transforming SMB workflows with practical, accessible AI-powered solutions built for real-world needs. Through Sage Copilot, customers are using generative AI to discover insights and analyse financial information, speeding up processes such as the month-end close and improving confidence in financial data. We are also rapidly growing our portfolio of AI agents, each one purpose-built for a specific domain and process. This expanding network tackles specialised tasks, operating autonomously for our customers. Internally, we're adopting a strategic approach to AI across the organisation that empowers colleagues and drives transformation.

### Progress in 2025

- Sage Copilot is now available to customers across Sage Accounting, Sage 50, Sage for Accountants, Sage Active, Sage Intacct, and Sage X3.
- Launched agents including Sage's MTD for Income Tax Agent and Finance Intelligence Agent.
- Every Sage Accounting plan includes Sage Copilot and Sage Earth Carbon Accounting, alongside HR and payroll.
- Launched customer support AI agent, with a consistently high resolution rate.

- Partnered with the CPA.com, a subsidiary of the American Institute of Certified Public Accountants (AICPA), to explore licensing AICPA resources to train Sage Copilot.
- Payroll Salary Variance Detection launched in Sage Copilot for UK Small Business Suites and Accountants.
- Enhanced Sage 50 with AI-powered features such as natural language search for reporting, data extraction and classification and fraud detection.
- Sage People includes new tools such as Workforce Intelligence for AI-powered insights, and access to personalised learning and wellbeing through Uptime.
- Powered by Sage Copilot, Sage Intacct launched in the AI Agents and Tools category of the AWS Marketplace.

### Success measures

- Sage Copilot availability and engagement
- Internal adoption of AI tools to drive efficiency

### Focus for 2026

We will unlock the potential of intelligent autonomous agents in a wave of innovation, grounded in trust, transparency, and customer empowerment. Read more on pages 19 to 21.

### Case study

## Haneker gains clarity and control with Sage Copilot

Haneker, a high-end architectural joinery firm in London, turned to Sage Copilot to simplify financial oversight as the business scaled. With disconnected systems and growing complexity, Haneker needed real-time insights without the burden of manual reporting.

Sage Copilot now delivers instant visibility into cash flow, margins, and project spend, surfacing anomalies such as supplier cost increases before they escalate. Beyond numbers, Sage Copilot empowers the Haneker team with shared visibility, enabling faster, more confident decisions.



**For more information,  
scan or click the QR code**

**“I use it for visibility. I can check how we're tracking, what's outstanding, and where things look off. It helps me ask the right questions early. I don't need to chase numbers or wait for someone else to run a report. I can check in quickly and understand what's going on. It's not about replacing people, it's about making smarter decisions with confidence.”**

**Margaret Sadzynska**  
Managing Director, Haneker

Empowering our customers

# The agentic AI era for CFOs



**40,000**  
models in production

**3.5bn**  
predictions annually

**40m**  
documents processed

Our Chief Technology Officer discusses how Sage is now positioned to bring the potential of agentic AI and autonomous agents to SMBs in a wave of innovation.

**Q Where are we currently in our journey toward agentic AI at Sage?**

**A** We've embedded AI into our products for over seven years, so we're not at the beginning of this journey. Today, we're operating at scale with over 40,000 models in production, generating 3.5 billion predictions annually, and processing over 40 million documents over the past year. That depth matters: we're building on real use, not starting from zero.

We describe our AI journey in three waves. First was task automation, which we've done at scale for years to remove manual, repetitive work. Second is generative AI, already live through Sage Copilot. And the third—the wave we're in now—is agentic AI: autonomous agents that take insight-driven action on a customer's behalf.

We're focused on leading the agentic AI wave by building trusted agents for finance workflows and preparing our platform to integrate with the wider agent ecosystem. As customers adopt enterprise agents, we're standardising on Model Context Protocol (MCP) agent servers and putting governance in place to keep our products secure, scalable, and future-ready.

**Q Can you talk about the use cases we've identified for agentic AI?**

**A** We're focusing on areas that free up capacity and give finance leaders more flexibility, such as invoice coding, reconciliation, and cash flow forecasting. These are routine but critical to giving finance teams confidence in their numbers and the decisions that follow. Equally valuable, they free finance teams to focus on more important work. From there, we're expanding into areas uniquely suited to the power of agents, such as automating the monthly close, preparing Making Tax Digital (MTD) returns, and monitoring business performance to identify unseen opportunities and risks. As CFOs take on broader advisory roles, agentic AI powers forward-looking analysis and scenario planning, so finance can guide the business—not just report on it.

# Empowering our customers continued

## **Q Which products have already launched with AI agents?**

- A** We've already started embedding AI agents into live products, with a growing set now operating across finance and tax workflows. They work within clear boundaries, so teams get outcomes they can trust while staying in control. Every agent follows user-defined permissions, with full transparency and approvals. One example is our Finance Intelligence Agent. It allows customers to ask questions in natural language and get instant data, analysis, predictions and recommendations they can act on. By eliminating the need to run reports or analyse data externally, it simplifies decision-making and accelerates outcomes.

Across our products, we're rolling out agents to take care of core finance tasks. From managing compliance and reducing errors to accelerating the close and cutting out manual entry in accounts payable and expenses, these agents are arriving quickly across markets to help finance leaders do more with less effort.

## **Q How does Sage Copilot work with AI agents?**

- A** Sage Copilot is the experience layer, the way customers interact with AI in natural language across Sage products. It provides a single, consistent interface, while the intelligence and execution happen behind the scenes.

At its core is Sage Ai, our proprietary models, trained on trusted financial data, powering predictions and insights. Collaborating with it are our AI agents, acting on the customer's behalf within permissioned boundaries and with full customer transparency. Sometimes they're visible, surfaced through Sage Copilot when a customer requests a task. Other times they run quietly in the background or in partner environments, keeping critical workflows moving without human input.

Together, this creates a seamless system: customers interact with Sage Copilot, agents deliver, and the whole experience is explainable, secure, and designed for the demands of finance. Our AI Trust Label brings that to life, giving customers visibility into the principles on which our products are built and governed, from the data they draw on to the logic behind their decisions. It's a visible part of our authentic approach, and a reminder that while we're moving fast, we're doing it responsibly, with transparency and control at the centre.

## **Q And how do AI agents fit within the Sage Platform?**

- A** The Sage Platform is the foundation for all Sage Ai. It combines the financial data our customers already trust, with the infrastructure needed to build, deploy, and operate AI responsibly, and the reach to connect those capabilities across Sage products and the wider ecosystem.

At the heart of this platform is the Sage Ai Factory, our scalable infrastructure for developing models within a secure trust fabric. To support agentic AI, we've evolved this foundation into an Agentic AI core, powered by our LLM-backed proprietary reasoning engine and built on Model Context Protocol (MCP) agent servers. This core allows agents to draw on Sage-specific skills, tapping into product APIs and intelligence services, all underpinned by our Data Hub and Experience Services to maintain accuracy, control, and security, while creating a consistent experience across products. Together, these elements power a unified agent library, enabling agents to deliver consistent, precise responses across products. But the platform is more than tech—it's a long-term strategic moat. It connects businesses, accountants, and partners through a governed ecosystem that supports secure data sharing, regulatory compliance, and embedded AI services. Every transaction and integration strengthens the system, creating network effects that scale AI innovation across workflows.

Anchored in domain-specific data and extended through our partner network, the platform creates a durable competitive advantage and positions Sage to deliver agentic AI at scale with real business impact.

## Q What sets Sage apart from others in the AI market?

**A** Over 40 years of experience, trust, and deep domain expertise, with extensive, proprietary datasets, are just a few of Sage's strongest differentiators. Businesses want AI from providers they already rely on, and we have earned that position over decades. It's also what makes us an attractive partner. Our collaboration with the American Institute of CPAs (AICPA), for example, seeks to align Sage Ai with professional standards in the US, to produce accuracy that others can't match. Building that level of trust takes years, which is why it's out of reach for most challengers.

Equally important is how we build our AI. Guided by our authentic intelligence philosophy, it's designed for finance and built to deliver transparent, accountable outcomes. We customise and train our AI using real-world data from the millions of transactions that flow across our platform. Learning from actual customer activity—not synthetic scenarios—means we can continually refine our models to reflect the mission-critical finance workflows businesses run every day.

It's already delivering results—reducing manual data entry by up to 90%, helping to double productivity in accounts payable, and reviewing seven million transactions a month for anomalies.

And as we advance agentic AI, we haven't lost sight of the fundamentals. Systems of record such as the general ledger still matter. That's why we're committed to not only making Sage the best platform for human users, but also ensuring it's the most trusted, capable environment for agents to run the workflows that power SMBs.

**“We're committed to not only making Sage the best platform for human users, but also ensuring it's the most trusted, capable environment for agents.”**

**Aaron Harris**  
CTO

## Q What does success look like for Sage Ai?

**A** In the near term, success means leading the agentic AI wave by building trusted agents for accounting and finance workflows while continuing to develop the secure, scalable platform they run on. Our R&D is focused on meeting finance standards, creating models that are flexible and cost-effective, refining our machine learning infrastructure to support automation at scale, and delivering a consistent AI experience across our portfolio.

Our success is measured by the outcomes we deliver for customers, enabling real-time strategic decision making by freeing teams from manual, repetitive tasks.

Delivering these outcomes is about more than technology—it's also about leadership. Challengers may talk about what they intend, but real leadership is about execution at scale. The companies that win are those that prove resilient and set the pace. At Sage, we're doing just that. By building on trusted financial data, deep domain expertise, and the strength of our partner network, we're showing that incumbents with the right strategy don't get displaced—they lead.



Our key performance indicators

# Measuring our progress

Sage has four strategic KPIs that show the impact and progress of our strategic execution.

## Strategic KPIs

### Underlying ARR growth

|      |     |
|------|-----|
| 2025 | 11% |
| 2024 | 11% |
| 2023 | 11% |

**Description**  
ARR is the normalised reported recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by 12 (FY25: £2,574m). ARR growth is stated on a comparable foreign exchange basis, with the prior period ARR retranslated at the current year exchange rates, to neutralise the effect of currency fluctuations.  
For a full definition, see our Glossary on page 261.

**Why we are measuring this**  
Underlying ARR growth represents the annualised value of the underlying recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reported underlying recurring revenue growth.

**Performance**  
Underlying ARR increased by 11% in FY25, reflecting growth across all regions balanced between new and existing customers.

### Renewal rate by value

|      |      |
|------|------|
| 2025 | 101% |
| 2024 | 101% |
| 2023 | 102% |

**Description**  
Renewal rate by value is the ARR from renewals, migrations, upsell, and cross-sell of active customers at the start of the year, divided by the opening ARR for the year.

**Why we are measuring this**  
Since it does not include new customer acquisition or reactivation of off-plan customers, renewal rate by value is an important measure of the strength of our existing customer base.

**Performance**  
Renewal rate by value was 101% in FY25, reflecting strong retention rates and a good level of sales to existing customers.

## Other selected KPIs

### Efficient growth

Our objective is to grow the business in a way that is both balanced and efficient, prioritising not only expansion but also long-term sustainability. We aim to achieve this through a focus on high-quality revenue growth and progressive margin improvement, ensuring that, as the business scales, it does so with increasing efficiency. This approach enables us to expand profitably while continuing to reinvest in our products, our platform and our people, reinforcing the resilience and longevity of our business model.

Progress is measured using the Rule of 40, which combines underlying ARR growth and underlying EBITDA margin to provide a comprehensive view of both top-line performance and underlying profitability.

**Main metrics:** Rule of 40

➔ In addition to the KPIs outlined here, details of our environmental and additional employee-related metrics are provided in our Non-Financial Statement

### Customer experience

We aim to differentiate Sage by delivering unique experiences that delight customers and drive growth. By placing customer centricity at the heart of our strategy, we have continued to evolve our customer experience approach, measuring sentiment through transactional Net Promoter Score (tNPS). This methodology captures feedback across a broad range of touchpoints, spanning multiple solutions and services, and provides a granular view of the customer experience.

In FY25, we launched Medallia, our new Voice of the Customer (VoC) platform, which significantly enhances insight across every interaction. These insights empower our customer support teams across our regions and functions to make smarter, more informed decisions. Broader customer insights are also actively shaping our strategy and execution, helping us identify trends and drive continuous improvement across the organisation.

**Main metrics:** tNPS, customer experience improvements

## Our strategic objectives

→ See pages 15 to 18

### Sage Business Cloud penetration



#### Description

Sage Business Cloud penetration is the underlying recurring revenue from Sage Business Cloud solutions as a percentage of the underlying recurring revenue of the Future Sage Business Cloud Opportunity.<sup>1</sup>

#### Why we are measuring this

This metric measures progress in the transition of the business to Sage Business Cloud solutions.

#### Performance

Sage Business Cloud penetration increased to 90% in FY25, reflecting the further expansion of Sage's cloud solutions within the business mix.

### Subscription penetration



#### Description

Subscription penetration is the underlying software subscription revenue as a percentage of the underlying total revenue.

#### Why we are measuring this

This metric shows the progress Sage is making in migrating customers to subscription.

#### Performance

Subscription penetration reached 83% in FY25, reflecting continued growth from subscription contracts.

### Employee satisfaction

Understanding how our colleagues experience Sage is essential to nurturing our culture. One of the ways we monitor and understand how happy our colleagues are working at Sage is to conduct regular colleague surveys, including measuring employee satisfaction (see page 29).

High response rates and rich insights from these surveys help us track sentiment and ensure we take meaningful action to protect and strengthen our culture.

**Main metrics:** eSAT

### Sage Foundation volunteering

Sage Foundation is a valued part of life at Sage and colleagues tell us it is one of the reasons they enjoy working here. Every colleague has up to five days of paid volunteering leave each year, allowing them to make a difference locally and connect with the communities where we operate.

In FY25, we adopted a new methodology for measuring engagement, now focusing solely on volunteering during working hours. Previously, we reported on total volunteering hours, including those outside of work. This change enables more consistent and comparable impact measurement across peers and industry benchmarks.

**Main metrics:** Sage Foundation volunteering hours

1. In FY25, underlying recurring revenue from Sage Business Cloud solutions was £2,047m, while underlying recurring revenue from the Future Sage Business Cloud Opportunity (which includes solutions that are part of, or have a clear pathway to, Sage Business Cloud) was £2,282m.

# The Sage culture



**“Sage’s culture powers growth—uniting purpose, performance, and people to deliver exceptional outcomes.”**

**Amanda Cusdin**  
Chief People Officer

**Q Why is culture so important at Sage?**

**A** Our purpose is to knock down barriers so everyone can thrive: this defines what we do, while our culture defines how we do it. It’s a shared commitment—it’s not owned by any one team, and it shows up in how we work together, serve our customers, and live our Values: being Human, Bold, Trust, and Simplify. Together, our culture and Values guide our decisions, shape our behaviours, and create an environment where colleagues feel empowered to deliver exceptional outcomes.

In FY25, our employee engagement remained strong. We achieved an eSAT score of 76 (FY24: 76), with a response rate of 82%. Colleagues reported a strong sense of belonging, have a clear sense of the contribution they make to team goals, and say they value honest and constructive feedback. This reflects the positive impact of our continued focus on building a culture of feedback and accountability.

Our strong internal engagement is mirrored externally. Our Employer Brand Index improved by 15 points over FY25, and Sage was ranked #15 on the Financial Times’ Best Places to Work in the UK. These achievements demonstrate growing recognition of Sage as a Values-led organisation where people come first.

By putting people at the heart of everything we do, we are building a workplace where everyone can thrive—today and into the future.

**Q How is Sage’s culture brought to life?**

**A** We’ve built momentum by staying true to what we know works. The stability and continuity of our cultural priorities have provided a strong foundation for continued progress throughout FY25.

We’ve embedded our high-performance culture more deeply across the organisation—centred on customer centricity, accountability, and engaging, empowering, and recognising colleagues. Our monthly manager enablement sessions raise awareness, provide tools, and shift mindsets, with more than 71% of people managers attending these sessions. Deep dive culture interventions have been running across the business, with more than 1,800 colleagues participating in interactive culture enablement sessions designed to boost engagement and help them take practical action, build new habits, and support high performance.

All colleagues also have the opportunity to build core skills through the Professional Skills Academy, with a strong focus on feedback and accountability. We recorded more than 4,000 completions across the curriculum in FY25, reinforcing our culture and behaviours that drive performance and build trust. Critically, 86% of participants reported applying what they learned, and 84% said it helped them do their job better—demonstrating clear skill growth and real impact in the flow of work.

A key driver of our culture is strong, human leadership. In FY25, we continued to invest in building accountable, future-ready leaders at every level. Our Leadership Academy remains a powerful platform for leadership development, with 855 colleagues having completed a programme in FY25. From aspiring to senior leaders, we’re equipping our people with the skills and mindset to lead with impact, drive performance, and role model the behaviours that shape Sage’s culture.

Finally, we reinforced our commitment to doing the right thing, including by refreshing our Personal Data Protection training, with completion rates of 99%.

**“The Aspiring Leader Programme really helped me shift my internal framework from a “me” to “us” mentality. This helped me focus on the collective and how we can thrive as a team. It made the transition from individual contributor to managing a team a lot easier.”**

**Whitney Ragan**  
Product Design Manager

**Q How is Sage supporting colleagues to work in an AI world?**

**A** We are proud of our progress in Artificial Intelligence and the value it unlocks for our customers. Starting in FY24, we made a significant investment in the roll out of Sage Copilot, reflecting our commitment to AI product innovation. To stay ahead of the opportunity AI presents, we have focused on building AI literacy across our workforce, across all job roles. This investment is not only a strategic business imperative, but also a reflection of our belief that we should support every Sage colleague in adapting to the evolving world of work.

Starting in FY24, we made Microsoft Copilot Chat available to colleagues. Building on this momentum, in FY25 we launched our AI Academy—designed to help colleagues learn, act, and embed AI in their day-to-day roles. We’re taking both a global and functional approach, tailoring learning to areas such as Marketing, Customer Success, and Engineering.

The AI Academy combines foundational education, hands-on use cases, and deeper technical upskilling—including Microsoft and AWS Data & AI certifications on our AI tech stack. Data skills are core to this, helping colleagues use AI and data confidently together. So far, 15,703 AI Course completions have been recorded. Our growing AI Champions Network is also helping embed AI practices across Sage, with early signs of impact including a 45% increase in AI prompting confidence.

Staying true to our Value of Trust, we launched a global AI and Ethics e-Learning to help colleagues apply responsible AI principles in their work. Partnering closely with our Legal and Compliance teams, we provided clear guidance and robust processes for tool approval and use. We also reinforced the importance of human skills—such as critical thinking and ethical judgement—through the Professional Skills Academy and LinkedIn Learning. These efforts ensure colleagues are confident using AI responsibly and with integrity.

**Q What are your priorities for the year ahead?**

**A** As our business evolves, so too will our People strategy—ensuring we can meet both internal and external demands as a growing global technology company. In FY26, we will accelerate our efforts to build a future-fit workforce: one that moves at pace, embraces bold innovation, and adopts an AI-first mindset.

Central to achieving our ambition are our leaders. We will continue to focus on developing broader and deeper leadership capability across the organisation. At the same time, we will invest in and scale our Early Careers Programme, continue to develop and promote internal talent, and sharpen our understanding of the critical skills needed for long-term success.

These priorities will be underpinned by our Values and a commitment to fostering an inclusive, collaborative culture—one where colleagues feel empowered, supported, and proud to bring their whole selves to work.



# Our people and culture continued

## How we attract, develop, and engage talent to fuel Sage growth

Creating a workforce fit for the future—one that positions Sage to fuel future growth and deliver extraordinary outcomes for our customers—requires deliberate and sustained effort. At the heart of our ambition lies a simple but powerful principle: having the right talent, doing the right work, with the right skills, at the right time.

Prioritising talent attraction was important when we opened our new North American Flagship Office and Customer Discovery Centre in Atlanta this year. We launched a bold employer brand campaign to attract top sales talent. In just three and a half months, the campaign generated nearly 15 million impressions and almost 9,000 applications, representing a 123% increase in application volume. This surge in visibility and engagement significantly improved the quality of our candidate pool.

In FY25, we continued to invest in our direct sourcing model, confident that our Internal Hiring team is best placed to identify future Sage colleagues. This approach has enabled strong internal mobility, with many colleagues stepping into new roles that not only support business outcomes but also accelerate their personal growth. Our internal fill rate of 45% demonstrates this approach.

Expanding entry routes into Sage remains a strategic priority. A strong talent pipeline begins with attracting exceptional individuals into our Early Careers Programmes. In FY25, we welcomed 392 Early Careers colleagues into the business. While this is a positive step, we recognise the need to scale further to align with industry benchmarks. Supporting colleagues at the start of their journey is critical, and our Sage Ignite Development Programme—now operating across the Group—plays a central role. This year, the Ignite Graduate Programme was a finalist for Best Graduate Development Programme at the Institute of Student Employers' Annual Awards in June 2025. This recognition underscores our commitment to delivering structured, high-impact learning experiences and reinforces graduate development as a top strategic priority. In FY26, we plan to continue to invest heavily in this area and scale our early careers offering, ensuring our graduates have the skills, support, and opportunities they need to excel and lead confidently.

As part of our Colleague Engagement strategy, we remain deeply committed to building a workforce that reflects the diversity of the communities in which we live and work. We actively seek out and remove barriers to ensure everyone has the same opportunity for success. This year, Sage received the Best Diversity Recruitment Initiative of the Year award for our Partner Academy Programme at the CRN Women & Diversity in Channel Awards. This recognition highlights our use of the Pathways Programme to direct career returners and changers into the UK's tech partner ecosystem. The collaboration between Pathways and the Partner Academy demonstrates our commitment to creating accessible and inclusive routes into tech careers for underrepresented talent. Our Sage

Pathways Programme was also recognised with a Vercida Employer Excellence Award for Best Overall Initiative.

We move at pace, innovate constantly, and stay ahead of our customers' needs—which is why we invest in building a future-fit workforce ready to thrive. Through our Leadership Academy, we're developing capable, accountable leaders equipped to drive performance and lead through change. We're also building critical skills across the organisation via our Professional Skills Academy and AI & Data Academy—developing the human and digital capabilities needed for success. We are strengthening functional or “craft” skills through targeted academies in areas such as sales, marketing, and product, ensuring colleagues are equipped with the expertise to fuel business and personal growth.

We believe colleagues should be empowered to shape and own their careers. Now in its second year, our Talent Marketplace is delivering on its promise—enhancing talent mobility, increasing workforce agility, and supporting the growth of a skills-driven workforce aligned with our future strategy. Adoption rates reached 83% in FY25 and we now have 314 internal mentors who are ready to support their colleagues on their skills journey.

Finally, our annual talent cycle and succession planning processes continue to be vital mechanisms for identifying and developing future leaders. This year, we've seen strong internal succession success, including at the Executive Leadership Team level (Jacqui Cartin as incoming CFO).

## Case study

### Promoting internal talent

When promoted to Team Leader, Joleen Tarr, a Customer Services Team Manager based in Johannesburg, wanted to build the leadership skills needed to step into her new role with clarity and purpose. By enrolling in the Manager Essentials Programme, she developed a strong foundation in leadership, focusing on key areas such as clear communication, active coaching, and trust-based accountability.



**“The Manager Essentials Programme became a powerful space for reflection and growth, and deepened my leadership toolkit.”**

**Joleen Tarr**

Customer Services  
Team Manager



## Case study

### Our new Sales Academy fast-tracks onboarding and is already boosting performance

In FY25, we laid the foundation of the Sales Academy through pilot programmes to test onboarding pathways and gather feedback, starting in France with Sage Intacct Account Executives, followed by the US with Sales Development Representatives. Early results showed 100% satisfaction and 75% confidence across core topics, prompting expansion to other regions.

We have developed a global timetable, aligning foundational and activated skills across six onboarding weeks, from “Intro to Sage” to “Ready to Go”. This structure ensures consistency while allowing localisation and personalisation. The Sales Academy’s infrastructure includes blended learning journeys and role-specific activation, supported by a governance model and live feedback dashboards. Test cases in Atlanta mirrored the satisfaction scores, and early results suggest new hires will be hitting targets one week ahead of previous cohorts.

### Creating an environment where everyone can thrive

To realise our core purpose to knock down barriers so that everyone can thrive, we must be an inclusive, welcoming organisation—one where colleagues are respected and empowered to be their authentic selves, without fear of discrimination or exclusion. We bring this to life through three guiding principles:

- **Build diverse teams**  
Offer a range of voices, backgrounds, and experiences to help us innovate faster, see challenges earlier, and make the right decisions by better understanding our customers.
- **Inclusive culture**  
Our leaders serve as positive role models and colleagues feel safe and encouraged to share their experiences.
- **Equity by design**  
Our systems and processes ensure accountability for diversity, equity, and inclusion sits across the business, in the day-to-day decisions being made.

Our FY25 “All About Us” diversity self-declaration rates reached 60% across all active countries, following the onboarding of all our colleagues in India this year. This data gives us insights to better understand inequities and underrepresentation, and develop solutions to provide fair

access to opportunities at Sage. In India, the data has also shown us the proportions of colleagues who are care givers for one or more family members, prompting us to create a series of multi-language sessions to better promote our Employee Assistance Programme, Cleo, and Healthy Mind Coaches benefits and networks to support colleagues.

Our Colleague Success Networks continue to be a key driver in fostering an inclusive culture and bringing our Values to life, with membership now reaching 28% (FY24: 22%). In France, we have introduced the Pride Network. In North America, our Blacks United in Leadership and Development (BUILD) Network collaborated with our Foundation Partner, Access to Capital for Entrepreneurs (ACE) to host the second Annual Sage Small Business Expo. In the UKI region, our Embrace Network partnered with Cyber Security to sponsor the Black Tech Fest. Our Ability Networks across North America, UKI and South Africa have supported the launch of the Hidden Disability Sunflower scheme across over 4,000 colleagues, to reduce the stigma associated with the conversations around workplace adjustments. The launch of our Global Workplace Adjustments and Accommodations Policy has provided a consistent global framework to ensure colleagues can access the support they need to perform at their best.

## Our people and culture continued

Workplace wellbeing is not a standalone programme at Sage—it's part of our culture. We create an environment where every colleague feels safe to speak openly, supported to find balance, and empowered with the tools to thrive inside and outside of work. Our approach spans mental, physical, social, and financial health, enabling colleagues to bring their best selves to work and grow with confidence.

We deliver a consistent global monthly programme of health promotion, learning, and awareness that inspires change and builds the skills needed for sustainable high performance. Covering topics from stress management and suicide prevention to menopause, carer support, and mental health leadership training, we equip managers to provide tailored support and have doubled our Healthy Mind Coaches in Customer Support. Our Global Wellbeing Community now connects over 1,900 colleagues, with year-on-year growth embedding wellbeing deeper into our culture.

We remain focused on healthy finances, and in April, we were proud to receive the 2025 GEO Award for Best in Financial Education and Wellbeing (10,000–25,000 employees). This recognition celebrates our dynamic, human-centred approach to financial education—an approach that places colleague empowerment at the heart of our Share Plan strategy.



### Sage gender and ethnicity balance

As part of our commitment to equity and transparency, Sage tracks and publishes data on gender and ethnicity representation in the regions where it is legally possible to do so, across our global workforce. The table below highlights our current progress and areas of focus for the Board, Executive Leadership Team (ELT) and their next reporting level. For further DEI information please see page 106.

|                         |                                                                        | Board     | ELT <sup>1</sup> | ELT and direct reports <sup>2</sup> | All colleagues <sup>3</sup> |
|-------------------------|------------------------------------------------------------------------|-----------|------------------|-------------------------------------|-----------------------------|
| <b>Number of people</b> |                                                                        | <b>10</b> | <b>9</b>         | <b>70</b>                           | <b>11,094</b>               |
| <b>Gender</b>           | Female                                                                 | <b>4</b>  | <b>3</b>         | <b>27</b>                           | <b>4,687</b>                |
|                         | Male                                                                   | <b>6</b>  | <b>6</b>         | <b>42</b>                           | <b>6,289</b>                |
|                         | Non-Binary                                                             | –         | –                | –                                   | <b>29</b>                   |
|                         | Undisclosed                                                            | –         | –                | <b>1</b>                            | <b>89</b>                   |
| <b>Ethnicity</b>        | Asian                                                                  | <b>1</b>  | –                | <b>3</b>                            | <b>505</b>                  |
|                         | Black/African/Black S.African/Caribbean/Black British/African American | –         | –                | <b>3</b>                            | <b>240</b>                  |
|                         | I do not wish to self-identify my race or ethnicity                    | –         | –                | <b>2</b>                            | <b>200</b>                  |
|                         | Indigenous                                                             | –         | –                | –                                   | <b>8</b>                    |
|                         | Multiple Ethnic Groups                                                 | –         | –                | <b>1</b>                            | <b>103</b>                  |
|                         | Other Ethnic Group                                                     | –         | <b>1</b>         | <b>1</b>                            | <b>175</b>                  |
|                         | White                                                                  | <b>9</b>  | <b>8</b>         | <b>51</b>                           | <b>3,217</b>                |
|                         | Undisclosed                                                            | –         | –                | <b>9</b>                            | <b>6,646</b>                |

Data as of 30 September 2025.

1. ELT data reflects the information as at 30 September 2025 and includes the Executive Directors as well as Eduardo Rosini, who served as Chief Growth Officer and a member of the ELT throughout FY25. Steve Hare and Jonathan Howell are included in both the Board and ELT data. The gender balance of our ELT, excluding Steve and Jonathan, is three females and four males. The gender balance of both the Board and the ELT is expected to change on 1 January 2026 when Jacqui Cartin takes up her new role as CFO (after Jonathan Howell steps down on 31 December 2025).
2. ELT and direct reports include ELT members and those for whom they have direct line management responsibility, excluding administrative and support roles.
3. Total number of colleagues of 11,094 excludes 84 contractors and includes eight Non-executive Directors.

## Evolving how we work: a story of collaboration, creativity, and connection

We continue to learn that the most effective office moments are those centred on collaboration, connection, and community. These moments are not only essential to our culture but also critical to delivering better business outcomes. We want to empower colleagues to work in next-generation environments that inspire creativity, foster collaboration, and support high performance. Our industry moves at pace—and so must we. That means creating workplace conditions where work flows naturally, people feel energised, and teams are motivated to come together with purpose.

In FY25, we updated our Hybrid Working Policy to drive greater in-person collaboration. This strategic shift reflects our belief that purposeful time together drives faster decision making, strengthens relationships, and enhances overall impact.

We've also focused on building stronger, more collaborative teams through tools such as Strengthscope and TetraMap. In FY25, these helped over 600 colleagues better understand their own strengths and working styles, improving self-awareness, communication, and team effectiveness across the business. In September, we launched People Zone—a globally consistent, digital self-service and knowledge management platform that has simplified and modernised how we work, connect, and serve our colleagues.

In line with our ongoing Places strategy, FY25 marked a significant milestone with the opening of our North America flagship office in Atlanta. We also completed a series of office refurbishments, each designed to reflect our evolving ways of working. This is part of a broader, multi-year programme that will reach colleagues across all regions, with new projects in motion for FY26 and beyond.

### People measures & awards

Key metrics help us keep track of how we're progressing:

# 76

eSAT

How happy our colleagues are working at Sage (FY24: 76)



**#15 on Financial Times best places to work in the UK**

# 45%

Internal fill rate

How successfully we're providing colleagues the opportunities to develop their careers at Sage (FY24: 51%)



**#11 on FTSE Women Leader's review, and #3 in the Technology Sector**

# 40%

Gender diversity target

The number of leadership teams (ELT to ELT-4) meeting our gender diversity target of no more than 60% of men, women, or non-binary people in any leadership team (FY24: 41%)



**Best in Financial Education and Wellbeing**  
2025 GEO Awards

# 28%

Colleague Success Network

Colleague participation (FY24: 22%)



**Best Graduate Development Programme (Finalist)**  
2025 Institute of Student Employers' Awards

# The Multiplier Effect

## Snapshot of our 2025 highlights

- Sage was recognised by Newsweek in the 2025 World's Greenest Companies list, receiving a five-star rating.
- Sage ranked again amongst the 500 global companies in the World's Most Sustainable Companies 2025 list by TIME Magazine and Statista.
- For a third year running, Sage was in the 2025 Financial Times Europe Climate Leaders list, ranking in the top 30 companies.
- Sage won the 2025 edie award for Sustainability Reporting & Communications.
- Sage was awarded CDP A List for Climate Leadership and CDP A List for Supplier Engagement.
- Sage maintained its Gold medal on the 2025 EcoVadis rating.
- Sage ranked 15th out of 500 companies in the Financial Times 2025 Best Employers UK list.

**1,767**

**sustainability learnings delivered to colleagues in FY25, supporting increasing internal capability**

**91%**

**of entrepreneurs who report an increase in their confidence to scale and grow their business**

**49%**

**Sage Foundation Colleague Engagement Rate against 21.6% industry average**

**\$850,466**

**funds raised to help our communities thrive**

## Sharpening our sustainability strategic direction

In FY25, we continued to deliver on our Sustainability and Society strategy and Sage's purpose: knocking down barriers so everyone can thrive. We focused our efforts on progressing our commitments and targets across the three pillars of the strategy: Protect the Planet, Tech for Good, and Human by Design. And we continued to embed sustainability into our operations, products, and culture.

In FY25 we reviewed the effectiveness of the Sustainability and Society strategy due to evolving stakeholder expectations, shifting macroeconomic conditions, regulatory developments, and Sage's strategic direction. Collaborating with an external provider, we undertook a benchmarking exercise, reviewed our material issues and interviewed key stakeholders. This has helped us to prioritise and sharpen our focus even further.

In FY25 we focused on:

- **Review of our material topics:** Taking into consideration Sage's business strategy, AI and Data Ethics was classified as strategically significant for the business. We revised the definition of the topic Innovation to support customers and SMBs—to better focus our contributions to advancing social and environmental outcomes. Finally, the topic of Digital equality, including product accessibility, was merged respectively with DEI and Local community investment and support.
- **Streamline strategy and reporting:** Our Sustainability and Society strategy remains focused on the three pillars—Protect the Planet, Tech for Good and Human by Design, the delivery of which is supported by a number of enablers and our continuous commitment to embed sustainability across the business. This year, we have fully integrated reporting against the Sustainability by Design pillar within the content of the three main strategy pillars—demonstrating how we integrate further sustainability into our business and aligning better with regulations such as the EU Corporate Sustainability Reporting Directive (CSRD). Sage's FY25 Non-Financial Statement offers a comprehensive overview of our preparedness in relation to the CSRD.

- **Embedding sustainability:** In FY25, our material impacts, risks and opportunities (IROs) were signed off by the Sustainability, AI and Data Ethics (SAIDE) Committee and are now being integrated into our Enterprise Risk Management (ERM) system, which also holds our Principal Risks. We have continued to build internal capabilities, providing training on the evolving sustainability regulations and continuing to expand our anti-greenwashing awareness to the Legal team. Additionally, we have continued to embed sustainability into our policies and into our ongoing due diligence processes for suppliers, new partners and mergers and acquisitions.

- **Targets planning:** Many of our three-year targets were set when we created our Sustainability and Society strategy in FY22 and ended in FY25. For many areas of our strategy, FY26 is a transition year where we will focus on establishing a comprehensive baseline for key material areas. During this period, we will also model scenarios; set interim milestones; engage stakeholders and continue to report progress. By dedicating FY26 to these foundational activities, we will be better positioned to set and achieve meaningful long-term sustainability targets in subsequent years.

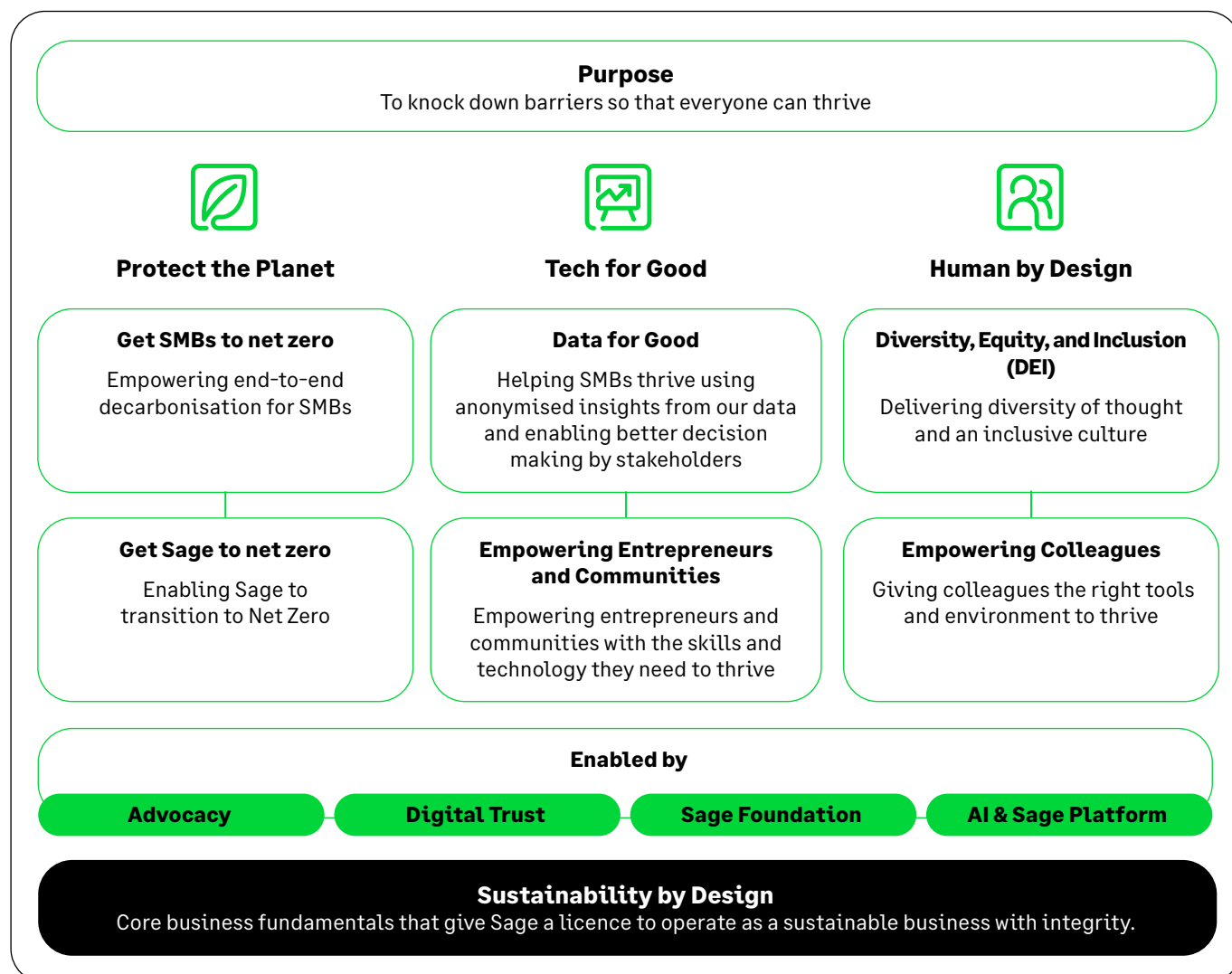


For further detail  
visit FY25 Non-  
Financial Statement



For further  
detail visit  
FY25 Impact Book

## The Multiplier Effect



# Sustainability and Society continued

## Protect the Planet

### Performance against targets

|                                           |                                                                                                                                     |          |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>Sage to net zero</b>                   | Achieve net zero by 2040 and reduce absolute Scope 1, 2, and 3 GHG emissions by 50% by 2030, from a 2019 base year, aligned to SBTi | On track |
| <b>Support SMBs in achieving net zero</b> | Help our customers reduce their GHG emissions by 2030 by providing access to carbon management solutions and expertise              | On track |
| <b>Policy and advocacy for SMBs</b>       | Put SMBs at the forefront of the transition to net zero by making sure their voice is heard and lobbying for simplified standards   | On track |

### Key FY25 achievements

#### Getting Sage to net zero

- We achieved a 'leadership' CDP Climate Change rating of A (2022: B) and joined the CDP Supplier Engagement A-list (2022: C).
- We have progressed well against our interim targets, which were validated by SBTi in 2023; 89% reduction in absolute Scope 1 and 2 GHG emissions (Target: 50% by 2030); 24% reduction in absolute Scope 3 GHG emissions (Target: 50% by 2030); 28% reduction in absolute scope 3 emissions from business travel, employee commuting and use of sold products.
- In FY25, emissions have reduced by a further 13.4%, keeping us aligned with our glidepath. This continued progress reinforces our confidence in the transition plan, while recognising that the path to net zero is not always linear.
- In FY25, we expanded our support for colleagues to reduce their Scope 3 emissions and formalised benefits associated with more sustainable colleague actions. We developed our partnership with MobilityWays to provide colleagues with access to tools that help them to reduce their commuting footprint. All colleagues at Sage have access to a Personal Travel Plan, with personalised recommendations to get into a local office using the most sustainable locally available option. Continuing our partnership with Deedster, we have launched more climate challenges to help colleagues better understand their personal carbon footprint and guide them on reducing their impact. To date, 724 Sage colleagues have taken 26,590 climate challenges, resulting in approximately 137 tonnes saved CO<sub>2</sub> emissions.
- In FY25, we expanded our use of the Microsoft Carbon Calculator to Cloud and Enterprise (Office 365 software).
- With Dentsu (our paid media partner) we are implementing a media carbon calculator, launching in H1 FY26 to support the carbon optimisation of our media placement strategy.
- Recognising the interconnected nature of environmental impacts and risks, in FY25, we progressed our LEAP (Locate, Evaluate, Assess, and Prepare) assessment in alignment with the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations.

#### Supporting SMBs in achieving net zero

- Our carbon accounting capabilities are now integrated into the Sage for Small Business suite, enabling hundreds of thousands SMBs to measure and manage their emissions.
- In 2025, we launched the Sage Carbon Accounting API, a milestone that represents the culmination of years of technical development and collaboration. Designed to accelerate the journey to net zero, the API gives financial institutions, fintechs, and other platforms direct access to Sage's advanced carbon engine via a secure, public developer portal.

#### Advocating for enabling policies and standards

- Through Project Perseus, we are supporting the development of the UK's physical and technical infrastructure for Scope 2 emissions data, laying the foundations for a more granular, automated, and reliable flow of energy data into accounting systems.
- We are active contributors to the Broadway Initiative whose goal is to help 'mainstream' sustainability into the UK economy, and supporters of Business for Net Zero (B4NZ), helping deliver the UK's new Voluntary SME Carbon Reporting Standard.
- In FY25, we were founding partners of Carbon Commons, a major new project with Small World Consulting to vastly improve the quality, accessibility, and transparency of emissions factors across the market.
- We are also founding members of the Carbon Accounting Alliance, a new trade body representing the sector's shared interests and advancing collaboration, interoperability, and policy influence.
- In FY25, we provided consultation responses to the European Financial Reporting Advisory Group (EFRAG) VSME and the work of the OECD Platform on Financing SMEs for Sustainability under the OECD Committee on SMEs and Entrepreneurship (CSME).
- Unlocking sustainable finance for SMEs <https://www.sage.com/en-gb/-/media/files/company/documents/pdf/sustainability-and-society/2024-reports/unlocking-sustainable-finance-for-smes-report-cop-29-final.pdf>, launched at COP29, urged global decision-makers to bridge the gap between SMB's growing sustainability ambitions and their ability to act, by calling for simplified reporting standards and access to green finance.

#### What's next

By deepening collaboration with our suppliers and improving the quality and granularity of our data, we aim to play an active role in driving decarbonisation where we can make the most impact. We are preparing regional rollouts of Sage Earth across France, Spain, and Germany, while expanding integrations across our product ecosystem, with an ambition to accelerate decarbonisation at scale and making carbon tracking a standard part of doing business.

## Tech for Good

### Performance against targets

|                                 |                                                                                                                                                                                             |           |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>Data for Good</b>            | Support SMBs and advance the UN Sustainable Development Goals (SDGs) by using our data to create visualisations (reports, trends, analytics) that can inform better decision making by 2025 | Completed |
| <b>Empowering entrepreneurs</b> | Raise \$5m for non-profits around the world by 2030                                                                                                                                         | On track  |
| <b>Build digital trust</b>      | Expand our Trust and Security Hub to support SMBs in going digital safely by 2025                                                                                                           | Completed |
|                                 | Embed AI and data ethics into the fabric of Sage by 2025                                                                                                                                    | Completed |

## Key FY25 achievements

### Data for Good

#### Innovation to empower customers and SMBs

- Working with Smart Data Foundry (SDF) and the Centre for Economics and Business Research (CEBR), we began building the infrastructure to securely and ethically share anonymised data about how small businesses are performing in the real economy. The Small Business Tracker is a quarterly report offering real-time insight into the health of UK SMBs. The last Tracker was published in Q2 2025: <https://www.sage.com/en-gb/company/digital-newsroom/2025/09/01/the-sage-small-business-tracker-q2-2025/>.
- In May 2025, we joined forces with Enterprise Nation and the Federation of Small Businesses to host an event at the House of Commons, where we presented the findings gathered by the Small Business Tracker to industry leaders and policymakers. This data has helped to convince policymakers on the need to take action to support the millions of small businesses and entrepreneurs in the UK, with the Government currently exploring technological solutions to overcome the barriers that stop business from flowing.

### Empowering Entrepreneurs

#### Local community investment and support

- Sage Foundation's strategy evolved with two key areas in focus: Multiply the impact of underserved small and medium businesses to advance a more sustainable world and empower our communities with the skills and technology they need to thrive.
- FY25 has been a baseline year to evaluate, learn and improve our own impact collection as we transition to measuring our success, as well as embedding it into our new governance and impact measurement frameworks.
- We launched our biggest single social impact programme—Sage Impact Entrepreneurship—a three year partnership with Village Capital, which will empower 165 purpose-driven entrepreneurs to scale and grow. In its first year, 56 businesses completed the program with access to funding, mentorship, training and product.
- Sage Foundation saw 80,036 hours volunteered and \$850,466 raised to help our communities thrive in FY25.

### Building digital trust

#### Cyber security and data privacy

- We continue to expand and improve our Trust and Security Hub. The Hub offers relevant cyber security, privacy, and AI and data ethics advice for UK, US, French, German, Portuguese and Spanish markets to help SMBs "go digital safely".
- We have integrated security throughout our product lifecycle, with regular training for developers, secure software design, and prompt vulnerability remediation. Our Security Champions act as force-multipliers within software development and engineering teams. They ensure that vulnerabilities are identified and remediated promptly and play a crucial role in recognising and addressing security threats early in the development process.



### AI and data ethics

- At Sage Future Atlanta we set out our vision for the Agentic AI era through the AI trust label. This initiative is designed to bring greater clarity and accountability to how AI is built and used in business software.
- We have included data accuracy and trustworthiness across key policies including our AI and Data Ethics Policy and Information Security Policy, reflecting our commitment to incorporating data management into our risk management process.
- All colleagues are required to complete mandatory training on data protection, focusing on relevant data privacy laws and regulations. By monitoring privacy risks, we can process personal data to create new and improved products and services and build our digital network.

### What's next

We will continue to evolve our AI and Data Ethics Policy and monitor compliance with our principles. Our ethics training will be launched in additional languages and uptake will be reported on. We will also continue to advocate for fair and simplified sustainability reporting standards ensuring SMBs are not left behind. Through Sage Foundation, we will scale our skills programmes further, to help equip more people with the skills and technology they need to thrive.

# Sustainability and Society continued

## Human by Design

### Performance against targets

|                              |                                                                                                                                         |              |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <b>DEI</b>                   | Achieve representation of no more than 60% of men, women, or non-binary people in any leadership team (ELT to ELT-4) by the end of FY26 | Behind track |
|                              | Achieve 20% ethnically diverse representation by the end of FY27 in senior leadership teams (ELT and ELT-1)                             | Behind track |
| <b>Empowering Colleagues</b> | Colleagues to complete 5,000 Future Fit learnings by 2025                                                                               | Completed    |
|                              | Achieve a 20% YOY increase in Pathways hires up to 2025, with 500+ people receiving work readiness training each FY                     | Completed    |
|                              | Double the number of Healthy Mind coaches by 2025                                                                                       | Completed    |
| <b>Product accessibility</b> | Cloud products to meet Web Content Accessibility Guidelines (WCAG) criteria by 2025                                                     | Behind track |

### Key FY25 achievements

#### Diversity, Equity and Inclusion

- Currently 40% of leadership teams are reaching our target to achieve representation of no more than 60% of men, women, or non-binary people in any leadership team (ELT to ELT-4) by the end of FY26.
- In line with the Parker Review—a framework for the ethnic diversity of UK boards—we have set ourselves a target of 20% of our Executive Leadership Team (ELT) and ELT-1 (their direct reports) to be from an historically underrepresented race or ethnic group. We finished FY25 at 11%.
- During FY25, we welcomed 474 colleagues in India to the All About Us programme, increasing this programme's reach to 94% of our colleague population.
- We conducted baseline maturity assessments with Lexxic to assess neuro-inclusion and Workplace Pride, and to better understand support available at Sage for LGBTQ+ colleagues.
- We developed action plans to close gaps identified in these assessments for full implementation in FY26.

#### Product Accessibility

- In FY25, 13 additional products reached the first milestone in our accessibility journey toward compliance. This brings Sage to a total of 17 products successfully passing automated accessibility tests using the Axe tool, aligned with the WCAG 2.1 AA standard.
- Over the past four years, Sage has also conducted 40+ manual audits to ensure full coverage of the WCAG requirements. We have reduced the number of accessibility issues identified during human audits — by roughly one-third to date.

#### Empowering Colleagues

- 1,767—sustainability learnings delivered to colleagues in FY25, supporting increasing internal capability.
- We introduced new structured learning paths and interactive bootcamps via The Cloud Academy, combining expert-led sessions with self-paced learning to develop cloud skills. AI confidence and skills were strengthened through new education and learning programmes across the business.
- We continued to invest in colleagues at the early stages of their careers—such as interns, apprentices, and graduates—with a focus on building confidence, capability, and supporting diverse talent development, and we are launching a new Commercial Graduate Programme in FY26 to strengthen this pipeline.
- 1,876 leaders went through the High-Performance Culture—Human Leader Programme, equipped to role model and cascade key behaviours, helping embed cultural change and build capability across teams.

### Wellbeing

- We continue to embed tools and resources that safeguard and strengthen mental health and wellbeing across our policies, processes, and day-to-day business practices. In 2025, this work has become more deliberate and strategic, with focused enhancements woven into our DEI programmes and planning—firmly establishing mental health and wellbeing as a vital component of equity by design.

#### What's next?

We are committed to building a high-performing, future-ready workforce by expanding leadership capability, strengthening critical skills, and embedding continuous learning. We aim to enhance equity in our policies, processes and practices by leveraging diversity data, colleague insights, and increasing focus on providing mechanisms for continuous feedback. We're focused on accelerating AI and data readiness, enabling commercial excellence, and growing a strong early careers pipeline. We will continue to reduce digital barriers by embedding accessibility deeper into our product development culture.



# The Task Force on Climate-related Financial Disclosures

## Compliance Statement FCA Listing Rules

In this report, we set out our climate-related financial disclosures consistent with all the Task Force on Climate-related Disclosures (TCFD) recommendations and recommended disclosures pursuant to Listing Rule 6.6.6 (8) R. This includes all four TCFD pillars and the 11 recommended disclosures in the “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” published in October 2021 by the TCFD. We have used TCFD guidance material including the TCFD technical supplement on the use of scenario analysis, TCFD Guidance on Metrics, Targets, and Transition Plans, the TCFD Guidance for All Sectors, Supplemental Guidance for Non-Financial Groups, TCFD Final Report and the Annex, TCFD Guidance on Risk Management Integration and Disclosure, and the Guidance on Scenario Analysis for Non-Financial Companies. We report against the TCFD Framework, in line with FCA Listing Rules.

In FY25, we continued our progress in understanding and reporting against all four pillars of TCFD. We further developed our understanding of how Sage’s climate risks and opportunities could financially and operationally impact the business and identified additional strategic and operational touchpoints

to better take advantage of climate opportunities and manage climate risks. We outline detailed information on our FY25 progress against TCFD in the table below, together with a summary of how we are consistent with TCFD recommendations.

➔ **Further detail on our transition plan and Sustainability and Society strategy can be found in our Non-Financial Statement—pages 22 to 30 and 6 to 7**

### Companies Act 2006

Our disclosure also meets the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amended sections 414C, 414CA, and 414CB of the Companies Act 2006.

### UK Climate-related Financial Disclosures (CFD)

We comply with the mandatory climate-related financial disclosure requirements under UK CFD. Our disclosures are consistent with the TCFD recommendations. Under our Strategy pillar, we outline the rationale for the chosen scenarios used to assess the resilience of our business to climate, and our timeline for refreshing the analysis undertaken, so that we continue to monitor how a changing climate may impact Sage over time.

## TCFD Compliance Status

**TCFD recommendation**   **Summary and FY26 priorities**

### Governance

#### a) Describe the board’s oversight of climate-related risks and opportunities.

Governance—  
page 69 to 73

#### Fully consistent with TCFD recommendations

The Board retains ultimate accountability for Sage’s approach to climate-related risks and opportunities, as well as the broader ESG agenda. It is responsible for setting the Group’s risk appetite and ensuring the effectiveness of risk management and internal control system. Oversight of ESG and climate-related risks is delegated to the Audit and Risk Committee (ARC), which receives regular updates from management and provides challenge and direction on key issues.

In FY25, the Board and ARC received four updates on sustainability matters through formal Board papers and Committee briefings. These included progress against Sage’s Sustainability and Society strategy, developments in the Protect the Planet action plan, and insights into emerging sustainability trends and their strategic implications for the business. The Board was also involved in setting climate related performance objectives. Maggie Chan Jones is Sage’s designated Non-executive Director for ESG, supporting Board oversight and providing specific challenge and guidance on the ESG agenda. The CEO provides regular updates to the Board, informed by either attending the quarterly Sustainability, AI, and Data Ethics Committee as a non-member, or debriefs following the Committee. The Committee membership comprises a subset of Executive Leadership Team (ELT) members and our Board ESG representative is also a regular non-member attendee.

#### FY26 priorities

We will continue to monitor the updates and training programmes for the Board and ELT as part of our Sustainability and Society strategy, including briefings, progress updates, and formal training sessions, ensuring they remain well informed on climate-related developments and risks.

# TCFD continued

## TCFD recommendation Summary and FY26 priorities

### Governance

#### b) Describe management's role in assessing and managing climate-related risks and opportunities.

Risk governance—page 58

Board activities—page 86

Directors' Remuneration report—pages 117 to 151

#### Fully consistent with TCFD recommendations

The CEO and ELT are accountable for Sage's Climate strategy and our approach to the TCFD recommendations. The Executive Vice President (EVP) of Sustainability and Sage Foundation have responsibility and oversight over the Protect the Planet strategy. Climate risks and opportunities have assigned owners, who receive strategic oversight from the EVP Sustainability and Foundation on a quarterly basis, during a sustainability risk review meeting coordinated by the sustainability function.

If further support on mitigation is needed, climate risks and opportunities are raised to the Sustainability, AI, and Data Ethics Committee. Chaired by the Chief Brand and Corporate Affairs Officer, the Committee meets quarterly, and reviews climate-related matters, monitors progress against key targets, and ensures alignment with Sage's strategic objectives. Key outcomes from these meetings are shared with the CEO and ELT and inform updates to the Board. The Committee uses Sage's Enterprise Risk Management Framework and the results of Sage's climate scenario analysis and double materiality assessments to assess climate-related risks. These insights inform strategic planning, investment decisions, and risk mitigation actions. We track progress through a dedicated KPI dashboard and climate-related performance is embedded in executive remuneration. In FY25, a proportion of the Executive Directors' and ELT's Performance Share Plan awards were again linked to strategic non-financial measures, including climate-related targets (see our Remuneration Policy on pages 127 to 131).

#### FY26 priorities

We will continue to enhance how we are integrating climate-related matters into strategic planning, performance management, reporting, and due diligence processes. We will also continue to monitor emerging climate-adjacent topics—such as nature and broader sustainability issues—to ensure consistent and effective oversight across all areas of impact.

## TCFD recommendation Summary and FY26 priorities

### Strategy

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

See climate risks and opportunities table on pages 42 to 44

Further information can be found in our Non-financial statement

#### Fully consistent with TCFD recommendations

Reflecting on our progress outlined in our previous disclosures, we continue to improve our understanding, through the use of climate scenario analyses of climate-related risks and opportunities across short-, medium-, and long-term time horizons, and aim to develop a holistic understanding of how climate change may impact aspects of Sage's business strategy, operations, and finances.

Through a qualitative climate scenario analysis, we identified climate-related risks and opportunities; our methodology is outlined in our FY22 Annual Report. Relevant internal stakeholders assessed risks and opportunities using Sage's Enterprise Risk Management (ERM) Framework, taking into consideration likelihood and impact, as well as setting a defined risk appetite (see page 56 to 66 for further details) and the potential impact to Sage (see Strategy pillar disclosure 'b' and 'c').

In FY25, our climate-related risks and opportunities remained consistent with previous years. We built on our previous assessment by undertaking a quantitative climate scenario analysis, to examine the potential financial implications of both physical and transition climate risks. To support this analysis, we used the "Resilience" climate modelling platform to simulate a range of climate scenarios and inform our strategic planning. As part of the assessment, we identified physical risks and six key categories of transition risks related to climate change that may impact our operations, value chain, and stakeholder relationships. These categories are linked to our existing climate risk profile, and are outlined below.

#### Physical risks

Exposure and related vulnerability of Sage's physical assets to selected climate hazards—coastal flooding, drought/water stress, flash flood, freezing, heatwave, riverine flood, temperate, and tropical windstorms.

#### Transition risks

- **Policy:** Anticipated increases in the cost of emitting greenhouse gases (GHGs) due to evolving climate-related legislation, including carbon pricing mechanisms and mandatory disclosure requirements.
- **Litigation:** Potential for legal action against companies perceived to be underperforming on climate commitments or failing to meet regulatory obligations.
- **Customer sentiment:** A shift in customer preferences towards more sustainable products and services could reduce demand for offerings perceived as carbon-intensive, particularly in markets with high climate awareness.
- **Investor/market sentiment:** Growing scrutiny from investors and financial institutions may lead to reduced access to capital or higher financing costs for businesses not aligned with net zero pathways or if a company's transition strategy is perceived as overly aggressive, diverging from investor expectations.
- **Reputation:** Increased public and stakeholder pressure on organisations seen as lagging in their climate transition could impact brand equity, employee engagement, and customer loyalty.
- **Technology:** The shift towards low-carbon technologies may result in increased operational costs, accelerated depreciation of existing assets, and delivery risks associated with new systems and platforms.

## TCFD recommendation Summary and FY26 priorities

### Strategy

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

See climate risks and opportunities table on pages 42 to 44

#### Fully consistent with TCFD recommendations

Reviewing the output of our FY25 TCFD-aligned climate change scenario analysis against our strategy, business plan, and operations, we have not identified any material risks on the Group's financial results, going concern, viability, businesses, or current strategy in the short, medium or long term. We evaluated these risks against our internal materiality threshold, defined as a substantive financial or strategic impact (see page 38 in strategy section 'c'). We assessed the potential impact on Sage's cumulative discounted cash flows over three years, assuming no mitigating actions are in place. The table below shows the risk categories and linked risks from our FY22 qualitative assessment that were assessed against three warming scenarios: no policy (>4°C), stated policy (2.5°C) and Paris ambition (1.5°C).

| Risk categories    | Linked risks from FY22 qualitative assessment    |
|--------------------|--------------------------------------------------|
| Policy             | Increasing cost of energy and carbon             |
| Consumer sentiment | Changing customer behaviour and needs            |
| Reputation         | Reputational damage                              |
| Investor sentiment | Reputational damage                              |
| Liability          | Reputational damage                              |
| Physical           | Damage to facilities                             |
| Technology         | New: Not identified as a risk in FY22 assessment |

Risks arising from climate change and its associated risks are constantly evolving, so we will monitor and evaluate climate-related impacts and review them in line with our evolving business strategy (see note 1 of the Group financial statements on page 182). In the table on pages 42 to 44, we provide an overview of our climate risks and opportunities. If we identify material climate-related risks, we will manage and prioritise these risks based on their financial materiality, as per our Risk Management Framework.

Climate change is considered as part of our strategy and operations. We are well positioned to support global climate awareness and action through our products such as Sage Earth (Sage's carbon accounting offering). In FY25, we continued to deliver against our Net Zero Transition Plan and Climate strategy, obtaining an A-List award from CDP in recognition of our environmental and climate leadership. This year, initiatives under our Net Zero Transition Plan included completing lifecycle assessments of selected products, to gain more granular data on how our products function and what activities are associated with their operations. This allowed us to map the detailed sources of our emissions from products, enabling more targeted decarbonisation actions. Further details are outlined in our Non-Financial Statement which can be found at [www.sage.com/en-gb/company/sustainability-and-society/](http://www.sage.com/en-gb/company/sustainability-and-society/).

#### FY26 priorities

We will continue to monitor and assess our climate-related financial risks, working to continuously improve our quantitative modelling.

# TCFD continued

## TCFD recommendation Summary and FY26 priorities

### Strategy

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

##### Fully consistent with TCFD recommendations

In FY25, we refreshed our climate scenario analysis to further evaluate Sage's strategic resilience to physical and transition risks under high and low carbon scenarios. We used five climate scenarios and emission pathways: Paris Ambition (1.5°C), Paris Agreement (2°C), Stated Policy (2.5°C), Current Policy (3°C), and No Policy (>4°C) with temperatures consistent with global warming above pre-industrial levels by 2100. We selected the five pathways to reflect the IPCC 6th Assessment Report (AR6), with each representing a broad narrative of future socio-economic development.

The assessment focused primarily on the short-term horizon (1–5 years), while also considering implications for the medium term (5–15 years) and long term (15–30 years). It was conducted on a 'no additional mitigation' basis, assuming no additional mitigations are in place.

Our main assumptions for the FY25 climate scenario analysis were: each emission pathway has a different probability of happening; No Policy (>4°C) and Paris Ambition (1.5°C) are opposite ends of the stress test. In reality, the future will be a mix of all scenarios. The basis was our current asset base without factoring in any potential changes over the analysed time horizons. Similarly, potential shifts in our cloud infrastructure providers or technology stack were not considered, as the software industry is highly dynamic and volatile, with projections of trends over the analysed time horizons not deemed robust enough. Where company-specific emissions or asset data was not available, industry-average values by sector and region were applied based on external datasets and default model parameters.

In line with previous disclosures, the additional analysis undertaken during FY25 did not identify that climate is a financially material risk to Sage in the short, medium or long term. As impacts arising from climate change are constantly evolving, we maintain a climate risk and opportunity register, to ensure a proactive risk management approach with early response.

The results of the FY25 assessment were raised to the Global Risk Committee, with members including General Counsel and Company Secretary, the Chief Executive Officer, and the Chief Financial Officer, to increase the level of understanding around the types and level of climate risk that Sage is exposed to.

We have a range of measures and activities in place to manage identified climate change impacts, as detailed between pages 21 and 32 of our Non-Financial Statement.

##### FY26 priorities

We will focus on gaining a better understanding of how climate interacts with various touchpoints across the business.

## TCFD recommendation Summary and FY26 priorities

### Risk Management

#### a) Describe the organisation's processes for identifying and assessing climate-related risks.

##### Fully consistent with TCFD recommendations

We fully align with TCFD recommendations and have embedded climate risk identification, assessment, and management within our established ERM processes. As above, the results of our FY25 climate scenario analysis indicate that climate-related risks are not currently financially material to Sage.

We manage climate change as a sub-risk under our ESG Principal Risk, ensuring we reach our desired risk appetite. An operational climate risk register feeds into our climate sub-risk and helps to monitor the individual climate risks and opportunities that are relevant to our business.

To address existing and emerging regulatory requirements and best practice, we have a formalised process to identify climate-related risks and opportunities, which includes:

- Yearly horizon scanning informed by regulatory guidance, climate science, and expert judgement.
- Using climate scenario analysis and double materiality assessment, to prioritise risks and opportunities.
- An operational climate risk register reviewed quarterly by the EVP Sustainability and Foundation, to assess if any risks need to be escalated to the Sustainability, AI and Data Ethics committee.

Our prioritisation process integrates the financial materiality component of the CSRD-related double materiality assessment, enabling us to focus detailed reporting and management on the highest priority risks. We monitor lower priority risks and revisit them periodically.

##### FY26 priorities

We will continue to refine identification and prioritisation processes, leveraging scenario analysis outcomes, and enhancing our climate risk register accordingly.

## TCFD recommendation Summary and FY26 priorities

### Risk Management

#### b) Describe the organisation's processes for managing climate-related risks.

##### Fully consistent with TCFD recommendations

Our ERM Framework provides a consistent methodology to manage all risks, including climate-related risks, supporting risk-informed decision making across the organisation. The Climate team in collaboration with key internal stakeholders, uses the ERM framework to decide whether to mitigate, transfer, accept, or control exposure for each risk. Risk owners across regions and functions are responsible for the day-to-day management of climate risks and implementing controls. For example, physical risks are managed by our property and crisis management teams with contingency and business continuity plans. Reputational damage is overseen by our Corporate Affairs team.

To strengthen risk management capabilities, we have delivered bespoke training to risk owners and key stakeholders on ESG risk management and regulatory requirements. This upskilling supports consistent and informed management of climate risks across Sage.

##### FY26 priorities

We plan to expand our training programme and deepen engagement with internal stakeholders to enhance our risk management practices.

## TCFD recommendation Summary and FY26 priorities

### Risk Management

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

Principal Risks and uncertainties—page 61 to 66

#### Fully consistent with TCFD recommendations

Climate-related risks are fully integrated within Sage's ERM Framework, which manages strategic, operational, commercial, financial, compliance, change, and emerging risks using a consistent methodology.

- ESG is a Principal Risk, with climate change a key sub-risk, ensuring that climate considerations are embedded at the highest levels of risk governance.
- Functional teams incorporate climate risks relevant to their domain, ensuring risk ownership is clear and embedded operationally. The sustainability function and the EVP Sustainability and Foundation provide strategic oversight quarterly.
- Our Sustainability team supports the integration by coordinating cross-functional risk assessments and aligning them with our strategic objectives.

#### FY26 priorities

We will focus on embedding our FY25 climate scenario analysis insights into broader business risk discussions and conduct an education campaign to help colleagues understand our impact on the planetary boundaries, including climate change, biodiversity, waste, and water, and the implications for their daily roles.

## TCFD recommendation Summary and FY26 priorities

### Metrics and Targets

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

Further information can be found in our Non-financial statement

#### Fully consistent with TCFD recommendations

Since 2018, we have measured and reported on energy and carbon emissions, providing us with a robust baseline from which to plan our journey to net zero. We monitor various metrics related to climate risks, such as the percentage of renewable energy used. These metrics and any related targets are subject to ongoing review and updates, with monitoring and target-setting aligned to the materiality of the risks.

#### Group net zero targets

Our carbon emissions calculations are also subject to independent limited assurance. In 2023, the SBTi validated our near-term 2030 commitment. In FY24, the SBTi validated our commitment to become net zero by 2040. Sage uses the SBTi definition of net zero for its targets (page 62, <https://sciencebasedtargets.org/glossary>).

We have continued to reduce emissions against our target commitment. Since FY19, our market-based emissions have fallen by 27.8%, against an SBTi glidepath of 27.2%, reducing from 231,957 tCO<sub>2</sub>e to 167,444 tCO<sub>2</sub>e in FY25. Our Non-Financial Statement [www.sage.com/en-gb/company/sustainability-and-society/](http://www.sage.com/en-gb/company/sustainability-and-society/) outlines the specific actions that will be taken to achieve our near-term 2030 target. We track our progress by targets and monitor through our climate risk register (our climate risks and opportunities can be found in the table on pages 42 to 44).

#### Related executive remuneration targets

In FY22, we introduced a set of three-year performance measures to include relevant ESG metrics. Every year since FY22, we have set three-year performance measure for reducing emissions, in alignment with our SBTi-approved Net Zero Transition Plan. In FY23 the weighting of ESG measures increased from 15% to 20%. Our FY23 performance measures vested this year achieving our stretch target.

Read more in our Directors' Remuneration Report on page 137.

Our most recent global emissions footprint is on page 36 of our Non-Financial Statement report.

#### FY26 priorities

We will continue to monitor and review our climate targets and metrics, providing quantitative disclosures where appropriate.

# TCFD continued

## TCFD recommendation Summary and FY26 priorities

### Metrics and Targets

#### b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Further information can be found in our Non-financial statement

#### Fully consistent with TCFD recommendations

Sage calculates and discloses emissions from Scope 1, Scope 2 and Scope 3, in compliance with Streamlined Energy and Carbon Reporting (SECR) regulations.

| Scope 1 and 2 emissions: UK and global <sup>1</sup>                                                                                                                 | Current reporting year<br>Oct 2024—Sept 2025 |                                         | Previous reporting year<br>Oct 2023—Sept 2024 |                                         | Previous reporting year<br>Oct 2022—Sept 2023 |                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------|-----------------------------------------------|-----------------------------------------|-----------------------------------------------|-----------------------------------------|
|                                                                                                                                                                     | UK and offshore area                         | Global (excluding UK and offshore area) | UK and offshore area                          | Global (excluding UK and offshore area) | UK and offshore area                          | Global (excluding UK and offshore area) |
| <b>Total GHG emissions data</b>                                                                                                                                     |                                              |                                         |                                               |                                         |                                               |                                         |
| Emissions from activities which the Company owns or controls, including combustion of fuel and operation of facilities (Scope 1)/tCO <sub>2</sub> e                 | 435                                          | 714                                     | 834                                           | 554                                     | 196                                           | 1,030                                   |
| Emissions from the purchase of electricity, heat, steam, or cooling by the Company for its own use Scope 2 (Indirect) location-based emissions (tCO <sub>2</sub> e) | 679                                          | 2,399                                   | 878                                           | 2,357                                   | 738                                           | 2,518                                   |
| Scope 2 (Indirect) market-based emissions (tCO <sub>2</sub> e)                                                                                                      | 39                                           | 268                                     | 14                                            | 1,864                                   | 13.3                                          | 1,395                                   |
| Total gross Scope 1 and location-based Scope 2 emissions (tCO <sub>2</sub> e)                                                                                       | 1,114                                        | 3,113                                   | 1,713                                         | 2,911                                   | 933                                           | 3,548                                   |
| Energy consumption* used to calculate above emissions (kWh)                                                                                                         | 4,530,170                                    | 10,151,427                              | 4,921,509                                     | 9,539,260                               | 4,217,496                                     | 12,202,282                              |
| Carbon intensity ratio: location-based CO <sub>2</sub> e per total GBP £1,000,000 revenue (Scope 1 and 2)** (tCO <sub>2</sub> e/revenue)                            | 2.1                                          | 1.6                                     | 3.6                                           | 1.6                                     | 2.2                                           | 2.0                                     |
| Scope 3 emissions (indirect) WTT, T&D and WTT (T&D)                                                                                                                 | 289                                          | 818                                     | 315                                           | 702                                     | 268                                           | 891                                     |

1. The table sets out Sage's mandatory reporting on GHG emissions and global energy use pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

\* Energy consumption includes all energy use related to Scope 1 and 2.

\*\* Global revenue in FY25 is £2,513m for Sage during the reporting period. It was £2,332m for the previous year's reporting period.

Sage also screens and discloses emissions across all relevant Scope 3 categories as covered within our SBTi target.

In FY25, limited assurance of our GHG report has been provided by Bureau Veritas; a copy of the statement can be found in the Appendix of our Non-Financial Statement. Further detail on our Scope 1, 2, and 3 GHG emissions and protocol aligned methodology, and emissions can be found in our Non-Financial Statement on pages 90 to 104. The Non-Financial Statement can be found here: [www.sage.com/en-gb/company/sustainability-and-society](http://www.sage.com/en-gb/company/sustainability-and-society).

#### Energy-efficiency actions

**Business travel:** We continue to manage the risks associated with increased business travel while monitoring external factors, including rising carbon intensity. In FY25, we enhanced our carbon emissions travel dashboard. Building on the addition of a shadow carbon price (£200 per tonne) in FY24, we developed a Travel Insights Dashboard with up-to-date travel data, providing colleagues with key insights into their own travel data. Contextualising travel behaviours alongside peers helps us to work directly with those colleagues to track emissions, to educate, and support the decarbonisation of business travel.

**Colleague engagement:** We recognise the critical role that our colleagues play in reducing our carbon emissions. In FY25, we continued to roll out the launch of the programme with Deedster to combine education and action. Colleagues can complete carbon-saving quizzes and challenges on the Deedster app. To date, 724 Sage colleagues have taken 26,590 climate challenges, resulting in approximately 137 tonnes of CO<sub>2</sub> emissions saved. Additionally, we have continued to expand the reach of our active travel scheme to five additional countries. In partnership with Liftshare, we are providing colleagues with tools to reduce emissions derived from colleague commuting and incentivising more sustainable modes of travel. At present, 276 colleagues are actively Liftsharing, resulting in approximately 32,000 road miles and 7.1 tonnes CO<sub>2</sub> emissions saved.

**Property related:** We continued to manage our sites effectively and efficiently in FY25 via our Sustainable Property strategy, which seeks to improve the environmental characteristics and efficiency of our property estate. We saw an increase in the use of certified renewable energy sources, reaching 86% of our total electricity consumption for FY25, compared with 54% in FY24. In FY25, we entered into a performance-based energy efficiency partnership with a global commercial real estate services firm, at our global headquarters in Cobalt, Newcastle. This initiative, involving the implementation of sub-metering and energy management software, achieved a 6.6% reduction in electricity consumption, despite an increase in the occupancy rate due to changes in our Working from Home policy.

**Reuse, Resell, Recycle:** The IT department continued its "Reuse, Resell, Recycle" policy. This involves collecting old equipment and ensuring it is upcycled and recycled. Sage sells the equipment to an external party and donates the proceeds to charity.

## TCFD recommendation Summary and FY26 priorities

### Metrics and Targets

#### b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. Continued.

Further information can be found in our Non-financial statement

#### Methodology

Our methodology underlying our disclosed emissions remains consistent with the previous year and is based on the “Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance” (March 2019) issued by the Department for Business, Energy & Industrial Strategy (BEIS), the predecessor to DESNZ. This methodology is consistent with the World Resources Institute’s Greenhouse Gas Protocol (GHGP) Corporate Accounting and Reporting Standard. We have also used the UK government emissions factors for company reporting (published by DESNZ in 2023), combined with the most recent International Energy Agency (IEA) international conversion factors (2022) for non-UK electricity within our reporting methodology. We have also used EcoAct’s emission factors tool for Well to Tank (WTT) and Transport & Distribution (T&D) for non-UK sites as DESNZ/DBT no longer publishes them. These emission factors are based on the specific fuel mix of each country’s electricity generation. For Scope 3 emissions sources, we have used a combination of the Comprehensive Environmental Data Archive (CEDA version 6) and UK government GHG emission factors. As our data collection improves, we aim to collect more supplier specific data.

Our purchased goods and services calculation has used supplier-specific data from the CDP Supply Chain questionnaire where relevant. Working with CDP and other partners, we aim to increase the proportion further in subsequent years as more suppliers make use of this service. In some cases, we have extrapolated total emissions by using available information from part of a reporting period and extending it to apply to the full reporting year. For example, this has occurred where supplier invoices for the full reporting year were unavailable prior to the publication of this year’s Annual Report and Accounts. Extrapolations have taken place based on a hierarchy of data availability in line with the GHGP guidance for carbon accounting. For further details, our methodology document can be found at [www.sage.com/investors/](http://www.sage.com/investors/).

#### Reporting period

Our mandatory GHG reporting period is 1 October 2024 to 30 September 2025 and is aligned with our financial reporting year.

#### Organisational boundary and responsibility

We report our emissions data using an 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 and the UK Streamlined Energy & Carbon Reporting (SECR) regulations 2019 in respect of the energy consumption and emissions for which we are responsible. Under this approach, we have accounted for 100% of GHG emissions from operations over which Sage has control.

#### Carbon intensity

To express our annual emissions in relation to a quantifiable factor associated with our operational activities, we have used “annual revenue” in our intensity ratio calculation as this is the most relevant indication of our growth and provides for a good comparative measure over time.

## TCFD recommendation Summary and FY26 priorities

### Metrics and Targets

#### c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

See climate risks and opportunities table on pages 42 to 44

See Protect the Planet targets on page 32

Further information can be found in our Non-financial statement

#### Fully consistent with TCFD recommendations

##### Targets related to net zero

We have committed to net zero by 2040, and to reduce absolute Scope 1, 2, and 3 emissions by 50% by 2030 against a 2019 baseline. We are also committed to the SBTi, the UN climate change Race to Zero, and the UN Global Compact Business Ambition for 1.5°C.

We continue to work towards our SBTi-validated carbon targets. Since FY19 our market-based emissions have fallen by 27.8%, against an SBTi glidepath of 27.2%, reducing from 231,957 tCO<sub>2</sub>e to 167,444 tCO<sub>2</sub>e in FY25. See Non-Financial Statement [www.sage.com/en-gb/company/sustainability-and-society/](http://www.sage.com/en-gb/company/sustainability-and-society/) for more detail on our 2030 target, 2040 targets, and Net Zero Transition Plan.

##### Targets and metrics related to our climate risks and opportunities

Our Protect the Planet strategy outlines our core climate-related targets, which includes our Net Zero Transition Plan, our target to support of SMBs in reducing their emissions, and our advocacy for SMBs to enable them to align to sustainability standards. We have included further detail on these in our FY25 Non-Financial Statement where our Protect the Planet strategy is discussed in relation to our double materiality assessment, found here: [www.sage.com/en-gb/company/sustainability-and-society/](http://www.sage.com/en-gb/company/sustainability-and-society/). We have established metrics to monitor the progress of our targets and manage or climate related risks. For example, the opportunities for renewable energy procurement have been via the percentage of electricity sourced from renewable energy contracts. When these contracts approach renewal, we seek to procure renewable energy.

#### FY26 priorities

We will continue to monitor the climate targets we have in place, providing quantitative disclosures against targets where possible.

# Our key climate-related risks and opportunities

## Key

### Risk assessment period

Short term 1-5 years    Medium term 5-15 years    Long term 15-30 years

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

### Maturity

-  **High maturity**  
Quantitative climate scenario analysis performed
-  **Medium maturity**  
Good understanding, further work desirable
-  **Low maturity**  
Further work is required to fully impact, mitigate, and adapt

| Quantification risk categories | Risk                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Maturity                                                                              | Time horizon         | Climate scenario analysis                                                                                   |
|--------------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------|
| <b>Transition risks</b>        |                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                       |                      |                                                                                                             |
| <b>Consumer sentiment</b>      | <b>Changing Customer Behaviour and Needs</b> | Sage is closely linked to economic activity and the success of SMB markets. However, SMB markets are more exposed and less resilient to the impacts of climate change. An increase in global disruption due to climate change could reduce economic activity and lead to a lower demand for Sage services.                                                                                                                                                                                                                                                                                                                                                                                            |    | Long term            | <br>(2023 & 2025)        |
|                                | <b>Sub-type</b><br>Market                    | <b>FY25 update</b><br>We have strengthened our role as a trusted partner by equipping sales teams with clear, insight-driven sustainability resources. We developed a one-stop suite of sales enablement assets helping colleagues confidently engage customers. Tailored messaging and targeted training ensure we support SMBs effectively amid climate challenges, reinforcing our commitment to trusted guidance on sustainability.                                                                                                                                                                                                                                                               |                                                                                       |                      |                                                                                                             |
| <b>Policy</b>                  | <b>Increasing Cost of Energy and Carbon</b>  | Offices, hosting services, and data centres are energy-intensive operations. If the cost of carbon increases, this could make the Group's operating costs more expensive. Sage may need to mitigate costs and risk through increased carbon efficiency, and/or consider where these costs are absorbed.                                                                                                                                                                                                                                                                                                                                                                                               |  | Long term            | <br>(2023, 2024, 2025) |
|                                | <b>Sub-type</b><br>Regulation and Technology | <b>FY25 update</b><br>We are minimally impacted by high energy costs and prioritise absolute emissions reductions aligned with the SBTi Corporate Net-Zero Standard, while recognising that high-quality carbon removals may support future efforts to address residual emissions.<br><br>We are closely tracking updates to the SBTi framework, as well as evolving carbon market regulations and potential future carbon prices. These insights will inform our approach to residual emissions and long-term Carbon Removals strategy <a href="https://www.sage.com/en-gb/company/sustainability-and-society/#reports">https://www.sage.com/en-gb/company/sustainability-and-society/#reports</a> . |                                                                                       |                      |                                                                                                             |
| <b>Reputation</b>              | <b>Reputational Damage</b>                   | Stakeholders' expectations regarding ambitious carbon targets and climate advocacy are increasing. They are applying greater scrutiny to how Sage aligns all business activities to its Net Zero Transition Plan. Sage may suffer reputational damage if targets are missed or if it is not sufficiently active in this space.                                                                                                                                                                                                                                                                                                                                                                        |  | Short to Medium term | <br>(2025)             |
|                                | <b>Sub-type</b><br>Reputation                | <b>FY25 update</b><br>We worked closely with our External Communications team to integrate sustainability into our reputation monitoring programme to better assess how our Sustainability and Society strategy influences brand sentiment and stakeholder trust <a href="https://www.sage.com/en-gb/company/sustainability-and-society/#reports">https://www.sage.com/en-gb/company/sustainability-and-society/#reports</a> .<br><br>We continue to monitor stakeholder sentiment on sustainability and climate-related matters, extending alongside global partners including WBCSD and Bankers for Net Zero.                                                                                       |                                                                                       |                      |                                                                                                             |
| <b>Investor sentiment</b>      |                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                       |                      |                                                                                                             |
| <b>Liability</b>               |                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                       |                      |                                                                                                             |

| Quantification<br>risk categories | Risk                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Maturity                                                                              | Time<br>horizon      | Climate<br>scenario<br>analysis                                                                           |
|-----------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------|
| <b>Physical risks</b>             |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                       |                      |                                                                                                           |
| <b>Physical</b>                   | <b>Workforce Productivity</b>        | An increasing number of extreme weather events may leave offices and homes unfit for work. This could reduce workforce productivity by making it difficult for employees to work during certain times.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |    | Short term           | <br>(2022 & 2024)      |
|                                   | <b>Sub-type</b><br>Chronic & Acute   | <b>FY25 update</b><br>We continue to invest in flexible working structures that support collaboration and adaptability, balancing local colleague needs with business priorities to ensure a safe working environment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                       |                      |                                                                                                           |
| <b>Physical</b>                   | <b>Damage to Facilities</b>          | Extreme weather events have the potential to disrupt or damage Sage sites/facilities. Flooding, heatwaves, droughts, and rising sea levels could all impact our facilities. Insufficiently prepared facilities could be unable to deal with more frequent and intense occurrences of such events.                                                                                                                                                                                                                                                                                                                                                                                                                                               |    | Short term           | <br>(2022, 2024, 2025) |
|                                   | <b>Sub-type</b><br>Chronic and Acute | <b>FY25 update</b><br>In FY24, our Climate team conducted a climate scenario analysis across all global office locations. This assessment identified North America as a high-risk region.<br><br>In response, Sage's Business Resilience team developed and implemented an Extreme Weather & Natural Disasters Playbook for the North America Executive Management Team (NA EMT). The Playbook was tested through a tabletop exercise in May 2025, simulating the impact of a major hurricane on our Atlanta and Lawrenceville offices. The exercise validated the Playbook, reinforced NA EMT roles and responsibilities, and tested decision making under pressure. The event also served to strengthen regional preparedness and resilience. |                                                                                       |                      |                                                                                                           |
| <b>Physical</b>                   | <b>Hosting Resilience</b>            | Sage has a number of centralised public cloud providers, as well as hosting services. This infrastructure could be vulnerable to persistent and extreme weather events. These events could become more frequent, reducing service availability and customer experience.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  | Short to Medium term | <br>(2022)           |
|                                   | <b>Sub-type</b><br>Chronic & Acute   | <b>FY25 update</b><br>We work with multiple hosting partners and regularly engage with our most critical providers to understand how they incorporate climate risks into their continuity and recovery plans.<br><br>In FY25, we continued these engagements, noting that many key providers adhere to ISO 22301:2019, which supports climate-related risk management through robust business continuity practices.                                                                                                                                                                                                                                                                                                                             |                                                                                       |                      |                                                                                                           |

# TCFD continued

|                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Maturity                                                                              | Time horizon         |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------|
| <b>Opportunities</b>                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                       |                      |
| <b>Retaining and Hiring Superior Talent</b><br><br><b>Sub-type</b><br>Efficient and mindful workforce      | <p>It is important for employers to demonstrate sustainability as a cultural value. This can help attract and retain environmentally conscious talent. A more climate-informative hiring process can make Sage more attractive to talent.</p> <p><b>FY25 update</b></p> <p>In FY25, we introduced a new sustainability onboarding presentation to engage and inspire new hires from the start, helping them understand Sage's climate goals and their role in achieving them.</p> <p>We continued to develop our colleague benefits, including electric vehicle schemes, low-carbon commuting incentives and hybrid working support. Our partnership with MobilityWays offers personalised travel plans, while our car-sharing app 'Liftshare' has expanded to more sites, reducing commuting emissions.</p> <p>We also advanced our sustainability learning, with many colleagues completing courses through Sustainability Unlocked and taking part in Climate Fresk workshops, enabling them to support our decarbonisation efforts.</p>                                                       |    | Short to Medium term |
| <b>Renewable Energy</b><br><br><b>Renewable Energy Procurement</b><br><br><b>Sub-type</b><br>Energy source | <p>Sage could ingrain renewable energy provision into our facility management plans. This would incentivise Sage building managers, landlords, and hosting services to develop and innovate more carbon-efficient buildings. The combined pressure from Sage, its peers, and society can help reduce carbon emissions and costs.*</p> <p><b>FY25 update</b></p> <p>We are making progress in transitioning to clean energy in support of our 2030 emissions reduction and 2040 net zero targets. In FY25, we secured a carbon-free energy contract for our largest UK site, Cobalt, and opened our new Atlanta office at Ponce City Market, a low-carbon building with strong sustainability credentials.</p> <p>We continue to face challenges in expanding renewable energy use across our global estate, particularly in leased sites and regions with limited access to green tariffs, such as North America and South Africa. Despite these constraints, we remain committed to working with landlords and monitoring market developments to identify further procurement opportunities.</p> |    | Short to Medium term |
| <b>New Products and Services</b><br><br><b>Sub-type</b><br>Products and services                           | <p>Climate change demands are presenting a new opportunity for Sage to develop products and services for its SMB customers that will help them tackle the challenges of climate change and put sustainability at the core of their business.</p> <p><b>FY25 update</b></p> <p>In FY25, we continued to roll out Sage Earth, our carbon accounting solution designed to help small and mid-sized businesses measure, report, and reduce their emissions. Available in the UK and US, Sage Earth uses advanced AI and partners with financial institutions, fintechs, and energy providers to expand its reach.</p> <p>We continue to advocate for simpler climate standards that support SMBs in their net zero journey. Through collaboration with colleagues, partners, and customers, we aim to align our products and operations with the Paris Agreement and create lasting climate impact.</p>                                                                                                                                                                                               |  | Short to Long term   |
| <b>Enhanced Brand</b><br><br><b>Sub-type</b><br>Reputation                                                 | <p>Sage has an opportunity to help SMBs fight climate change and be their voice for the future, supporting them when it comes to lobbying for change.</p> <p><b>FY25 update</b></p> <p>Our sustainability leadership continues to be externally recognised. We upheld our EcoVadis Gold rating, were once again named one of the UK's most sustainable companies by TIME, and achieved an A rating from CDP, reflecting strong progress and transparency on climate action.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  | Short to Medium term |

\* Site strategy, an opportunity identified in Sage's Annual Report 2024, has been integrated into renewable energy procurement, to help streamline initiatives and reporting.

# Ethics and governance



## Human rights

We respect the most fundamental of human rights including no child labour, no forced labour or modern slavery and the freedom of association. We pay special attention to addressing the human rights identified as potentially higher impact to our sector, through Respecting privacy and protecting data; Developing inclusive and accessible products; Responsible development and use of Artificial Intelligence (AI); and Protection from modern slavery and promoting sustainable supply chain practices. We conduct appropriate due diligence on our partners, and all of our partners and suppliers are required to adhere to the principles set out in the Supplier and Partner Code of Conduct, including on human rights. Details on our due diligence processes continue to be reported in our Modern Slavery Statement available at [www.sage.com/investors/governance](http://www.sage.com/investors/governance).



## Governance and oversight

We recognise that assurance over our business activities and those of our partners and suppliers is essential. During FY25, we monitored and reported on the completion of our mandatory Code of Conduct training for all new colleagues. The training is then mandatory for all colleagues at regular intervals thereafter. You can read more about our risk management and Principal Risks from pages 56 to 66.



## Tax strategy

We publish our tax strategy on our website ([www.sage.com/investors/governance/tax-strategy](http://www.sage.com/investors/governance/tax-strategy)) and are committed to managing our tax affairs responsibly and in compliance with relevant legislation. Our tax strategy is aligned to our Code of Conduct and Sage's Values and behaviours and is owned and approved by the Audit and Risk Committee annually.



## Anti-Financial Crime

The Board and ELT remain fully committed to upholding our key value of 'we do the right thing', which includes having a zero-tolerance approach to fraud and other forms of financial crime. In alignment with the Economic Crime and Corporate Transparency Act 2023, we continue to take proactive steps to ensure that we have reasonable and proportionate procedures in place to prevent fraud by persons associated with our business. Our anti-financial crime policy and accompanying procedure make it clear that Sage expects colleagues to recognise and report any concerns or suspicious activity they encounter via our internal reporting and whistleblowing mechanisms, so that they can be thoroughly investigated. Any investigations concerning incidents of fraud or other financial crime are reported to the Audit and Risk Committee, which reviews the outcomes of each case.



## Anti-bribery and corruption

Sage has an anti-bribery and corruption policy which details our zero-tolerance approach to all forms of bribery and corruption. We use Transparency International's Corruption Perceptions Index to inform our risk based approach to our due diligence on customers, suppliers and partners, which is codified in our third-party due diligence policy.

Our dedicated Business Due Diligence team supports colleagues in fulfilling their third-party due diligence obligations. We also require our partners to adopt our position on bribery and corruption and we support them in doing so by clearly setting out our expectations in our Partner Code of Conduct.

Sage's anti-bribery and corruption policy, together with associated whistleblowing procedures and grievance mechanisms, are designed to ensure that colleagues and other parties, including contractors and third parties, are able to report any instances of poor practice safely through internal channels or an independent organisation. All reports received via this or any other reporting mechanism are thoroughly investigated and reported to the Audit and Risk Committee, which reviews each case and its outcomes. None of our investigations during FY25 identified any systemic issues or breaches of our obligations under the Bribery Act 2010.

The anti-bribery and corruption policy is supported by our gifts & hospitality and conflicts of interest policies and their supporting declaration and approval procedures, as well as periodic checks and reminders. Further details on our policies and procedures in this area can be found in the Appendix of the Non-Financial Statement available at [www.sage.com/en-gb/company/sustainability-and-society](http://www.sage.com/en-gb/company/sustainability-and-society).

## Non-financial and Sustainability Information Statement

Information as required by regulation can be found on the following pages:

|                                         |                              |
|-----------------------------------------|------------------------------|
| <b>Environmental matters</b>            | pages 30 to 32, and 35 to 44 |
| <b>Our employees</b>                    | pages 24 to 29, and 94       |
| <b>Social matters</b>                   | pages 30 to 34, 45 and 96    |
| <b>Human rights</b>                     | page 45                      |
| <b>Anti-corruption and anti-bribery</b> | page 45                      |
| <b>Climate-related disclosures</b>      | pages 35 to 44               |
| <b>Business model</b>                   | pages 8 and 9                |
| <b>KPIs</b>                             | pages 22 and 23              |
| <b>Principal Risks</b>                  | pages 61 to 66               |

# Section 172(1) statement

The Directors of The Sage Group plc. confirm that, throughout the year, they have acted in good faith and in a manner they consider most likely to promote the success of the Company for the benefit of all its shareholders as a whole. In fulfilling this duty, they have given due consideration to the interests of Sage's wider stakeholder community, safeguarded the Company's reputation, and supported its long-term sustainability. This duty is outlined in section 172(1)(a) to (f) of the Companies Act 2006 ('section 172').

Engagement with our stakeholders plays a vital role in ensuring that our Directors fully understand their needs and make well-informed decisions that consider different priorities. However, the Board recognises that stakeholder priorities may sometimes compete. The Board therefore seeks to make decisions that best support Sage's strategy and deliver

sustainable value over time. Stakeholder views are considered in all matters of strategic significance, and the principles of section 172 are embedded throughout the organisation, from Board-level decisions to operational culture.

Details of the principal decisions made during the year can be found on pages 88 to 89. Alongside the key decisions outlined, the table opposite highlights other sections of this report which explain how the Directors have had regard to section 172 factors in FY25.

Board members have undertaken numerous stakeholder engagement activities throughout the year to understand stakeholder perspectives and interests. Further information on these activities can be found on pages 90 to 97.

## Section 172 factors



**a)** The likely consequences of any decision in the long term



**b)** The interests of the company's employees



**c)** The need to foster the company's business relationships with suppliers, customers, and others



**d)** The impact of the company's operations on the community and the environment



**e)** The desirability of the company maintaining a reputation for high standards of business conduct



**f)** The need to act fairly as between members of the company



Further information on how section 172 has been applied by the Directors can be found throughout the Annual Report.

| Section 172 factors                                                           | Pages           | Section 172 factors                                                    | Pages       |
|-------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------|-------------|
| <b>Likely consequences of decisions in the long term</b>                      |                 | <b>Impact of operations on the community and the environment</b>       |             |
| Chair's statement                                                             | 10 and 11       | Chair's statement                                                      | 10 and 11   |
| Our strategy                                                                  | 15 to 18        | CEO's review                                                           | 12 to 14    |
| Sustainability and Society                                                    | 30 to 34        | Sustainability and Society                                             | 30 to 34    |
| TCFD                                                                          | 35 to 44        | TCFD                                                                   | 35 to 44    |
| Principal Risks and uncertainties                                             | 61 to 66        | Non-financial and sustainability information statement (NFSIS)—        | 45          |
| Viability Statement                                                           | 67 and 68       | Ethics and governance                                                  |             |
| Corporate governance report—                                                  | 86 and 87       | Principal Risks and uncertainties                                      | 61 to 66    |
| Board activities                                                              |                 | Corporate governance report—                                           | 86 and 87   |
| Stakeholder engagement                                                        | 90 to 97        | Board activities                                                       |             |
| Nomination Committee Report                                                   | 102 to 108      | Stakeholder engagement—Society                                         | 91 and 96   |
| Directors' Remuneration Report                                                | 117 to 151      |                                                                        |             |
| Directors' Report                                                             | 152 to 158      |                                                                        |             |
| <b>Interests of our colleagues</b>                                            |                 | <b>Maintaining a reputation for high standards of business conduct</b> |             |
| Chair's statement                                                             | 10 and 11       | Chair's statement                                                      | 10 and 11   |
| CEO's review                                                                  | 12 to 14        | CEO's review                                                           | 12 to 14    |
| Our people and culture                                                        | 24 to 29        | Our people and culture                                                 | 24 to 29    |
| Principal Risks and uncertainties                                             | 61 to 66        | Sustainability and Society                                             | 30 to 34    |
| Chair's introduction to governance                                            | 72 and 73       | TCFD                                                                   | 35 to 44    |
| Corporate governance report—Board activities                                  | 86 and 87       | NFSIS—Ethics and governance                                            | 45          |
| Stakeholder engagement—Colleagues                                             | 91 and 94       | Corporate governance report—                                           | 86 and 87   |
| Stakeholder engagement—                                                       | 95              | Board activities                                                       |             |
| Board Associate                                                               |                 | Stakeholder engagement                                                 | 90 to 97    |
| Corporate governance report—                                                  | 98 and 99       | Corporate governance report—                                           | 98 and 99   |
| Embedding culture                                                             |                 | Embedding culture                                                      |             |
| <b>Fostering business relationships with suppliers, customers, and others</b> |                 | Corporate governance report—                                           | 100 and 101 |
| Our business model                                                            | 8 and 9         | Board performance review                                               |             |
| Chair's statement                                                             | 10 and 11       | Audit and Risk Committee Report                                        | 109 to 116  |
| CEO's review                                                                  | 12 to 14        |                                                                        |             |
| Our strategy                                                                  | 15 to 18        | <b>Acting fairly between members of the Company</b>                    |             |
| Sustainability and Society                                                    | 30 to 34        | Corporate governance report                                            | 70 to 101   |
| NFSIS—Ethics and governance                                                   | 45              | Corporate governance report—                                           | 86 and 87   |
| Principal Risks and uncertainties                                             | 61 to 66        | Board activities                                                       |             |
| Corporate governance report                                                   | 70 to 101       | Stakeholder engagement—                                                | 91 and 97   |
| Corporate governance report—                                                  | 86 and 87       | Shareholders                                                           |             |
| Board activities                                                              |                 | Directors' Remuneration Report                                         | 117 to 151  |
| Stakeholder engagement—                                                       | 90 to 92 and 96 | Directors' Report                                                      | 152 to 158  |
| Customers and Society                                                         |                 |                                                                        |             |

# Financial review



**“Sage delivered another good performance in FY25, with strategic focus driving strong, sustainable growth. Disciplined capital allocation continues to support margin expansion, investment, and shareholder returns.”**

**Jonathan Howell**

Chief Financial Officer

The Financial review provides a summary of the Group's results on a statutory and underlying basis, alongside its organic performance. Underlying measures allow management and investors to understand the Group's financial performance adjusted for the impact of foreign exchange movements and recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals.<sup>1</sup>

## Introduction

Sage performed well in FY25, with continued growth across all regions. Disciplined cost management together with operating efficiencies supported strong operating profit and margin expansion, driving double-digit growth in earnings per share and robust cash flows.

Underlying total revenue increased by 10% to £2,513m, with all regions contributing to growth, including North America at 12%, the UKIA region at 9%, and Europe at 7%. Growth was driven by strong demand for our solutions as SMBs continue to digitalise their accounting, HR, and payroll functions.

Sage's growth was underpinned by a strong performance in underlying ARR, which increased by 11% to £2,574m (FY24: £2,329m), reflecting good levels of growth from new and existing customers and strong retention rates.

This led to an increase in underlying recurring revenue of 10% to £2,436m. As a result, 97% of Sage's total revenue is recurring, reflecting the high-quality and resilient nature of the Group.

On an organic basis, total revenue grew by 9% to £2,506m (FY24: £2,296m), while ARR grew by 10% to £2,560m (FY24: £2,329m).

Underlying operating profit grew by 17% to £600m, leading to a strong increase in operating margin of 150 basis points to 23.9%. This was driven by strong revenue growth and operating efficiencies, with disciplined cost management supporting ongoing investment.

Reflecting this progress and the impact of recent share buybacks, underlying basic EPS increased by 18% to 43.2p.

The Group remains highly cash generative. Underlying cash flow from operations increased by 2% to £660m, underpinned by cash conversion of 110%, which was mainly driven by further growth in subscription revenue.

In line with our disciplined approach to capital allocation, we continue to invest in both organic and inorganic growth, while delivering shareholder returns. The Board is proposing a final dividend of 14.40p per share, representing a total dividend in respect of FY25 of 21.85p per share, an increase of 7%. We have also announced a share buyback programme of up to £300m, to be executed in FY26, reflecting strong cash generation, our robust financial position, and the Board's confidence in Sage's future prospects.

1. Figures provided on an underlying basis unless otherwise stated. Underlying and organic revenue and profit measures are defined in the Glossary.

## Statutory and underlying financial results

| Financial results                | Statutory      |         |          | Underlying     |         |          |
|----------------------------------|----------------|---------|----------|----------------|---------|----------|
|                                  | FY25           | FY24    | Change   | FY25           | FY24    | Change   |
| North America                    | <b>£1,138m</b> | £1,052m | +8%      | <b>£1,138m</b> | £1,018m | +12%     |
| UKIA <sup>2</sup>                | <b>£729m</b>   | £670m   | +9%      | <b>£729m</b>   | £668m   | +9%      |
| Europe                           | <b>£646m</b>   | £610m   | +6%      | <b>£646m</b>   | £604m   | +7%      |
| <b>Group total revenue</b>       | <b>£2,513m</b> | £2,332m | +8%      | <b>£2,513m</b> | £2,290m | +10%     |
| Operating profit                 | <b>£530m</b>   | £452m   | +17%     | <b>£600m</b>   | £513m   | +17%     |
| <i>Operating profit margin %</i> | <b>21.1%</b>   | 19.4%   | +1.7 pts | <b>23.9%</b>   | 22.4%   | +1.5 pts |
| Profit before tax                | <b>£484m</b>   | £426m   | +14%     | <b>£555m</b>   | £486m   | +14%     |
| Profit after tax                 | <b>£369m</b>   | £323m   | +14%     | <b>£423m</b>   | £370m   | +14%     |
| Basic EPS                        | <b>37.7p</b>   | 32.1p   | +18%     | <b>43.2p</b>   | 36.7p   | +18%     |

2. United Kingdom and Ireland, Africa, and Asia-Pacific (APAC).

The Group achieved statutory and underlying total revenue of £2,513m in FY25. Statutory total revenue increased by 8%, reflecting underlying total revenue growth of 10%, offset by a 2-percentage point foreign exchange headwind, with sterling strengthening against key currencies.

Statutory operating profit increased by 17% to £530m, reflecting a 17% increase in underlying operating profit to £600m, together with a £7m decrease in recurring and non-recurring items<sup>3</sup>, mainly relating to lower acquisition-related expenses.

Statutory and underlying basic EPS increased by 18%, to 37.7p and 43.2p respectively, mainly reflecting higher underlying profit, with an increase in net finance costs, offset by a reduction in the weighted average number of shares as a result of recent share buybacks.

### Revenue

The Group increased underlying total revenue by 10% to £2,513m (FY24: £2,290m), with all regions contributing to growth. In North America, revenue grew by 12%, with a strong performance from Sage Intacct together with continued growth in Sage 200 and Sage 50. In the UKIA region, revenue increased by 9%, driven by Sage Intacct together with cloud solutions for small businesses including Sage 50. In Europe, revenue increased by 7%, with growth across our accounting, payroll, and HR solutions.

Our aim is to efficiently grow revenues across all products and services, by attracting new customers and delivering more value to existing customers. Sage Business Cloud, comprising our cloud native<sup>4</sup> and cloud connected<sup>5</sup> solutions, helps customers benefit from a growing range of cloud and AI-powered services via the Sage Platform, leading to deeper customer relationships and higher lifetime values.

As a result, Sage Business Cloud total revenue increased by 13% to £2,083m (FY24: £1,837m), driven by growth in cloud native revenue of 23% to £885m (FY24: £718m) primarily through new customer acquisition, and by growth in cloud connected revenue from both existing and new customers.

Underlying recurring revenue increased by 10% to £2,436m (FY24: £2,215m), with software subscription revenue up by 12% to £2,093m (FY24: £1,876m), leading to subscription penetration of 83% (FY24: 82%). As a result, 97% of the Group's revenue is recurring.

On an organic basis, total revenue grew by 9% to £2,506m (FY24: £2,296m), whilst recurring revenue grew by 9% to £2,429m (FY24: £2,221m).

3. Recurring and non-recurring items are defined in the Glossary and detailed in note 3.6 of the financial statements.

4. Cloud native solutions run in a cloud environment enabling access to up-to-date functionality at any time, from any location, via the internet.

5. Cloud connected solutions are deployed on premise with significant functionality delivered through the cloud.

# Financial review continued

## Revenue by region

| <b>North America</b>            | <b>FY25</b>    | FY24    | Change | Organic change |
|---------------------------------|----------------|---------|--------|----------------|
| US                              | <b>£997m</b>   | £891m   | +12%   | +11%           |
| Canada                          | <b>£141m</b>   | £127m   | +11%   | +11%           |
| <b>Underlying total revenue</b> | <b>£1,138m</b> | £1,081m | +12%   | +11%           |

In North America, underlying total revenue increased by 12% to £1,138m, with growth across Sage's key accounting solutions, particularly among mid-sized businesses. Recurring revenue grew by 12% to £1,110m (FY24: £994m), while subscription penetration increased to 82%, up from 81% in the prior year.

In the US, total revenue increased by 12% to £997m. Sage Intacct, which now represents over 45% of US revenue, grew by 23% to £461m (FY24: £374m), driven by strength across key industry verticals, particularly construction and real estate, financial services and not-for-profit, together with an enhanced commercial proposition through the expansion of suites and introduction of multi-year customer contracts. Revenue was also driven by growth in Sage 200, with good levels of upsell to existing customers and higher pricing, together with further growth in Sage X3 and Sage 50.

In Canada, total revenue grew by 11% to £141m, with good performance from Sage Intacct driven by new customers, together with growth in Sage 50. In addition, Sage HR continued to gain momentum, particularly through cross-sell to existing customers.

Adjusting for the acquisitions of Fyle in FY25 and Anvyl in FY24, organic total revenue grew by 11% in the US, and by 11% in the North America region as a whole.

| <b>UKIA</b>                      | <b>FY25</b>  | FY24  | Change | Organic change |
|----------------------------------|--------------|-------|--------|----------------|
| UK and Ireland (Northern Europe) | <b>£554m</b> | £505m | +10%   | +10%           |
| Africa and APAC                  | <b>£175m</b> | £163m | +7%    | +7%            |
| <b>Underlying total revenue</b>  | <b>£729m</b> | £668m | +9%    | +9%            |

In the UKIA region, underlying total revenue increased by 9% to £729m, with further strength across Sage's accounting, HR, and payroll solutions. Recurring revenue also grew by 9% to £714m (FY24: £653m), while subscription penetration was 89%, in line with the prior year.

In the UK and Ireland, total revenue grew by 10% to £554m. Sage Intacct continued to scale rapidly, driven by accelerating new customer acquisition. Sage 50 also contributed strongly, together with Sage 200, supported by a strong renewal rate and higher pricing. In addition, Sage's cloud native solutions for small businesses, including Sage Accounting, Sage Payroll, and Sage HR, delivered good levels of growth. The recent launch of Sage Copilot supported the strong performance of both Sage 50 and Sage Accounting. Revenue was also driven through the continued growth of Sage for Accountants.

In Africa and APAC, total revenue grew by 7% to £175m, with continued growth in Sage Accounting and Sage Payroll, driven by new customer acquisition and higher pricing, together with a strong performance from Sage Intacct. Sage X3 and local products in the Sage 50 franchise also continued to contribute to growth.

| <b>Europe</b>                   | <b>FY25</b>  | FY24  | Change | Organic change |
|---------------------------------|--------------|-------|--------|----------------|
| France                          | <b>£324m</b> | £306m | +6%    | +6%            |
| Central Europe                  | <b>£155m</b> | £146m | +6%    | +6%            |
| Iberia                          | <b>£167m</b> | £152m | +10%   | +7%            |
| <b>Underlying total revenue</b> | <b>£646m</b> | £604m | +7%    | +6%            |

Europe achieved underlying total revenue growth of 7% to £646m, reflecting a strong performance particularly in Sage 200, Sage X3, HR, and payroll solutions. Recurring revenue grew by 8% to £612m (FY24: £568m), while subscription penetration increased to 79%, up from 76% in the prior year.

In France, total revenue grew by 6% to £324m, driven by accounting solutions. Sage X3 was a significant contributor of growth, with continued strong customer demand, while Sage 200 also performed well. In addition, Sage Intacct continued to see early traction as the solution starts to scale.

Central Europe achieved a total revenue increase of 6% to £155m. HR and payroll solutions, which represent almost half the region's revenue, grew strongly, driven by upsell to existing customers together with new customer wins. Growth was also driven by Sage 200, mainly through sales to existing customers.

In Iberia, total revenue grew by 10% to £167m, reflecting strength across Sage 200 and Sage 50, driven by renewals, higher pricing, and new customers. Growth was also driven by ForceManager, a mobile workforce management solution acquired in October 2024. In addition, Iberia achieved good levels of growth from accountants, following the recent introduction of Sage for Accountants into the region.

Adjusting for the impact of the ForceManager acquisition, organic total revenue grew by 7% in Iberia, and by 6% in the Europe region as a whole.

## Revenue—underlying and organic reconciliation to statutory

| Total revenue bridge      | FY25           | FY24    | Change |
|---------------------------|----------------|---------|--------|
| <b>Statutory</b>          | <b>£2,513m</b> | £2,332m | +8%    |
| Impact of FX <sup>6</sup> | —              | (£42m)  |        |
| <b>Underlying</b>         | <b>£2,513m</b> | £2,290m | +10%   |
| Disposals                 | —              | —       |        |
| Acquisitions              | (£7m)          | £6m     |        |
| <b>Organic</b>            | <b>£2,506m</b> | £2,296m | +9%    |

6. Impact of foreign exchange (FX) retranslating FY24 revenue and costs at FY25 average rates.

Statutory and underlying revenue was £2,513m in FY25. Underlying revenue in FY24 of £2,290m reflects statutory revenue of £2,332m retranslated at current year exchange rates, resulting in a foreign exchange headwind of £42m. Organic revenue in FY25 was £2,506m, reflecting underlying revenue of £2,513m adjusted for £5m of revenue from the acquisition of ForceManager and £2m from the acquisition of Fyle during the year. Organic revenue in FY24 of £2,296m reflects underlying revenue of £2,290m, adjusted for £6m of revenue from Anvyl and Infineo, which were acquired at the end of FY24.

## Operating profit

The Group increased underlying operating profit by 17% to £600m (FY24: £513m), resulting in a strong increase in underlying operating margin of 150bps to 23.9% (FY24: 22.4%). This was driven by revenue growth and operating efficiencies, with disciplined cost management supporting ongoing investment. On an organic basis, adjusting for the impact of acquisitions in FY24 and FY25, operating profit increased by 16% to £600m (FY24: £515m) while margin was in line with underlying.

## Operating profit—underlying and organic reconciliation to statutory

| Operating profit bridge              | FY25             |                  | FY24             |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | Operating profit | Operating margin | Operating profit | Operating margin |
| <b>Statutory</b>                     | <b>£530m</b>     | <b>21.1%</b>     | £452m            | 19.4%            |
| Recurring items <sup>7</sup>         | £73m             |                  | £82m             |                  |
| Non-recurring items                  |                  |                  |                  |                  |
| • Reversal of property restructuring | (£2m)            |                  | —                |                  |
| • Reversal of employee-related costs | —                |                  | (£3m)            |                  |
| • Reversal of restructuring costs    | (£1m)            |                  | (£2m)            |                  |
| Impact of FX <sup>8</sup>            | —                |                  | (£16m)           |                  |
| <b>Underlying</b>                    | <b>£600m</b>     | <b>23.9%</b>     | £513m            | 22.4%            |
| Disposals                            | —                | —                | —                | —                |
| Acquisitions                         | —                | —                | £2m              | —                |
| <b>Organic</b>                       | <b>£600m</b>     | <b>23.9%</b>     | £515m            | 22.4%            |

7. Recurring and non-recurring items are defined in the Glossary and detailed in note 3.6 of the financial statements.

8. Impact of retranslating FY24 revenue at FY25 average rates.

The Group achieved a statutory operating profit in FY25 of £530m. Underlying and organic operating profit of £600m in FY25 reflects statutory operating profit adjusted for recurring and non-recurring items.

## Financial review continued

Recurring items of £73m (FY24: £82m) comprise £42m of amortisation of acquisition-related intangibles (FY24: £48m) and £31m of M&A-related charges (FY24: £34m). Non-recurring items in FY25 comprise a £2m reversal of property restructuring costs (FY24: £nil) and a £1m reversal of other restructuring costs (FY24: £2m). Non-recurring items in FY24 also comprised a £3m reversal of employee-related charges for French payroll taxes relating to previous years. Together, recurring and non-recurring items reduced by £7m compared with the prior year.

In addition, the retranslation of FY24 underlying and organic operating profit at current year exchange rates has resulted in an operating profit headwind of £16m. This has led to a 30-basis point margin headwind from foreign exchange to 22.4% (FY24 underlying as reported: 22.7%).

Organic operating profit of £515m in FY24 reflects underlying operating profit of £513m adjusted for £2m of operating profit from Anvyl and Infineo, which were acquired at the end of FY24.

### Underlying EBITDA

Underlying EBITDA was £694m (FY24: £605m) representing a margin of 27.6%. The increase in underlying EBITDA principally reflects the growth in underlying operating profit.

|                                    | FY25         | FY24  | Margin |
|------------------------------------|--------------|-------|--------|
| <b>Underlying operating profit</b> | <b>£600m</b> | £513m | 23.9%  |
| Depreciation and amortisation      | <b>£48m</b>  | £47m  |        |
| Share-based payments               | <b>£46m</b>  | £45m  |        |
| <b>Underlying EBITDA</b>           | <b>£694m</b> | £605m | 27.6%  |

### Net finance cost

The underlying net finance cost for the FY25 increased to £45m (FY24: £27m), mainly reflecting higher interest expense following the new debt issuance (see page 54) together with lower interest income on cash and cash equivalents during the year. The statutory net finance cost of £46m (FY24: £26m) is broadly in line with the underlying net finance cost.

### Taxation

The underlying tax expense for FY25 was £132m (FY24: £116m), resulting in an underlying tax rate of 24% (FY24: 24%).

The statutory income tax expense for FY25 was £115m (FY24: £103m), resulting in a statutory tax rate of 24% (FY24: 24%).

### Earnings per share

|                             | FY25          | FY24   | Change |
|-----------------------------|---------------|--------|--------|
| <b>Statutory basic EPS</b>  | <b>37.7p</b>  | 32.1p  | +18%   |
| Recurring items             | <b>5.7p</b>   | 6.3p   |        |
| Non-recurring items         | <b>(0.2)p</b> | (0.5)p |        |
| Impact of foreign exchange  | <b>–</b>      | (1.2)p |        |
| <b>Underlying basic EPS</b> | <b>43.2p</b>  | 36.7p  | +18%   |

Underlying basic EPS and statutory basic EPS increased by 18% to 43.2p and 37.7p, respectively, mainly reflecting higher underlying operating profit.

### Cash flow

Sage remains highly cash generative, with underlying cash flow from operations increasing by 2% to £660m (FY24: £649m), representing underlying cash conversion of 110% (FY24: 123%). This strong cash performance reflects growth in subscription revenue and strength in receivables collection, partly offset by increased capital expenditure due to workplace investment together with the timing of certain payments to third parties. Free cash flow of £517m (FY24: £524m) reflects robust underlying cash conversion, offset by higher net interest and income tax.

|                                                         | FY25         | FY24<br>(as reported) |
|---------------------------------------------------------|--------------|-----------------------|
| <b>Cash flow APMs</b>                                   |              |                       |
| Underlying operating profit                             | £600m        | £529m                 |
| Depreciation, amortisation and non-cash items in profit | £44m         | £44m                  |
| Share-based payments                                    | £46m         | £45m                  |
| Net changes in working capital                          | £26m         | £55m                  |
| Net capital expenditure                                 | (£56m)       | (£24m)                |
| <b>Underlying cash flow from operations</b>             | <b>£660m</b> | <b>£649m</b>          |
| <i>Underlying cash conversion %</i>                     | <b>110%</b>  | 123%                  |
| Non-recurring cash items                                | (£8m)        | (£5m)                 |
| Net interest paid and derivative financial instruments  | (£34m)       | (£25m)                |
| Income tax paid                                         | (£101m)      | (£91m)                |
| Profit and loss foreign exchange movements              | –            | (£4m)                 |
| <b>Free cash flow</b>                                   | <b>£517m</b> | <b>£524m</b>          |

|                                                              | FY25         | FY24<br>(as reported) |
|--------------------------------------------------------------|--------------|-----------------------|
| <b>Statutory reconciliation of cash flow from operations</b> |              |                       |
| Statutory cash flow from operations                          | £675m        | £625m                 |
| Recurring and non-recurring items                            | £41m         | £44m                  |
| Net capital expenditure                                      | (£56m)       | (£24m)                |
| Other adjustments including foreign exchange translations    | –            | £4m                   |
| <b>Underlying cash flow from operations</b>                  | <b>£660m</b> | <b>£649m</b>          |

## Net debt and liquidity

Group net debt was £1,189m at 30 September 2025 (30 September 2024: £738m), comprising cash and cash equivalents of £390m (30 September 2024: £508m) and total debt of £1,579m (30 September 2024: £1,246m). The Group had £1,020m of cash and available liquidity at 30 September 2025 (30 September 2024: £1,138m).

The increase in net debt in the period is summarised in the table below:

|                                              | FY25             | FY24<br>(as reported) |
|----------------------------------------------|------------------|-----------------------|
| <b>Net debt at 1 October</b>                 | <b>(£738m)</b>   | <b>(£561m)</b>        |
| Free cash flow                               | £517m            | £524m                 |
| New leases                                   | (£28m)           | (£26m)                |
| Acquisition of businesses                    | (£87m)           | (£34m)                |
| M&A and equity investments                   | (£33m)           | (£41m)                |
| Dividends paid                               | (£207m)          | (£199m)               |
| Share buyback                                | (£605m)          | (£348m)               |
| Purchase of shares by Employee Benefit Trust | –                | (£55m)                |
| FX movement and other                        | (£8m)            | £2m                   |
| <b>Net debt at 30 September</b>              | <b>(£1,189m)</b> | <b>(£738m)</b>        |

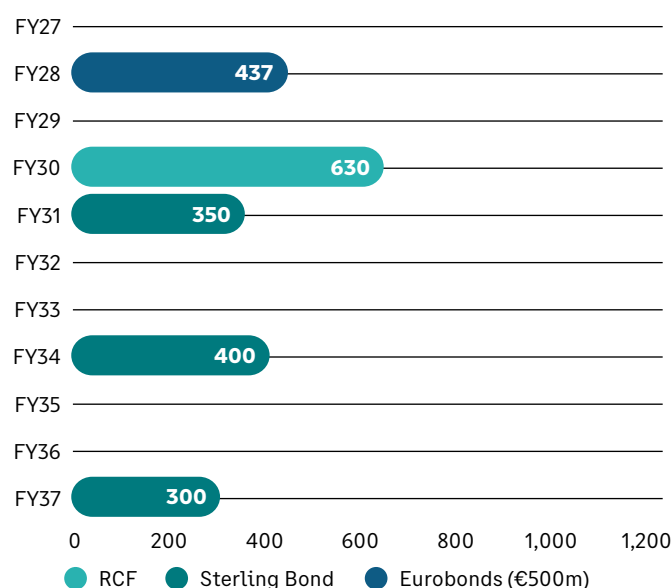
The Group's debt is sourced from sterling and euro denominated notes, together with a syndicated multicurrency revolving credit facility (RCF).

## Financial review continued

The Group's notes include £300m 12-year notes issued in March 2025 with a coupon of 5.625%, and €500m 5-year notes issued in February 2023 with a coupon of 3.82%, under the Group's Euro Medium Term Note programme. Sage's other notes comprise £400m 12-year notes issued in February 2022 with a coupon of 2.875%, and £350m 10-year notes issued in February 2021 with a coupon of 1.625%.

The Group's RCF of £630m expires in December 2029 and was undrawn at 30 September 2025 (FY24: undrawn). Sage has an investment grade issuer rating assigned by Standard and Poor's of BBB+ (stable outlook).

### Sage debt maturity profile (£m)



### Capital allocation

Sage's disciplined capital allocation policy is focused on accelerating strategic execution through organic and inorganic investment and delivering shareholder returns. During FY25, Sage completed the acquisition of Tritium Software, the developer of ForceManager (now branded Sage Sales Management), a mobile workforce management solution for field-based sales teams, and Fyle, an AI-powered expense management platform that transforms how SMBs track and manage expenses.

Sage has a progressive dividend policy, intending to grow the dividend over time while considering the future capital requirements of the Group. The final dividend proposed by the Board is 14.40p per share, taking the total dividend for the year to 21.85p, up 7% compared with the prior year (FY24: 20.45p).

The Group also considers returning surplus capital to shareholders. On 30 July 2025, Sage completed a share buyback programme, commenced on 20 November 2024 and extended on 15 May 2025, under which a total of 48.2m shares were purchased for an aggregate consideration of £600m and subsequently cancelled.

Alongside these results, we have announced a further share buyback programme of up to £300m, reflecting Sage's strong cash generation, robust financial position, and the Board's confidence in the Group's future prospects. Sage continues to have considerable financial flexibility to drive the execution of its growth strategy.

|                                         | FY25           | FY24<br>(as reported) |
|-----------------------------------------|----------------|-----------------------|
| Net debt                                | <b>£1,189m</b> | £738m                 |
| Underlying EBITDA (last 12 months)      | <b>694m</b>    | £622m                 |
| <b>Net debt/underlying EBITDA ratio</b> | <b>1.7x</b>    | 1.2x                  |

The Group's underlying EBITDA over the last 12 months was £694m, resulting in a net debt to underlying EBITDA leverage ratio of 1.7x, up from 1.2x in the prior year. Sage intends to operate in a broad range of 1x to 2x net debt to underlying EBITDA over the medium term, with flexibility to move outside this range as business needs require.

Return on Capital Employed (ROCE) for FY25 was 31% (FY24 as reported: 26%)<sup>9</sup>. A reconciliation of ROCE to our reported measures is set out below.

## Going concern

The Directors have robustly tested the going concern assumption in preparing these financial statements, taking into account the Group's strong liquidity position at 30 September 2025 and a number of downside sensitivities, and remain satisfied that the going concern basis of preparation is appropriate. Further information is provided in note 1 of the financial statements on page 181.

## Foreign exchange

The Group does not hedge foreign currency profit and loss translation exposure, and the statutory results are therefore impacted by movements in exchange rates. The average rates used to translate the consolidated income statement and to normalise prior year underlying and organic figures are as follows:

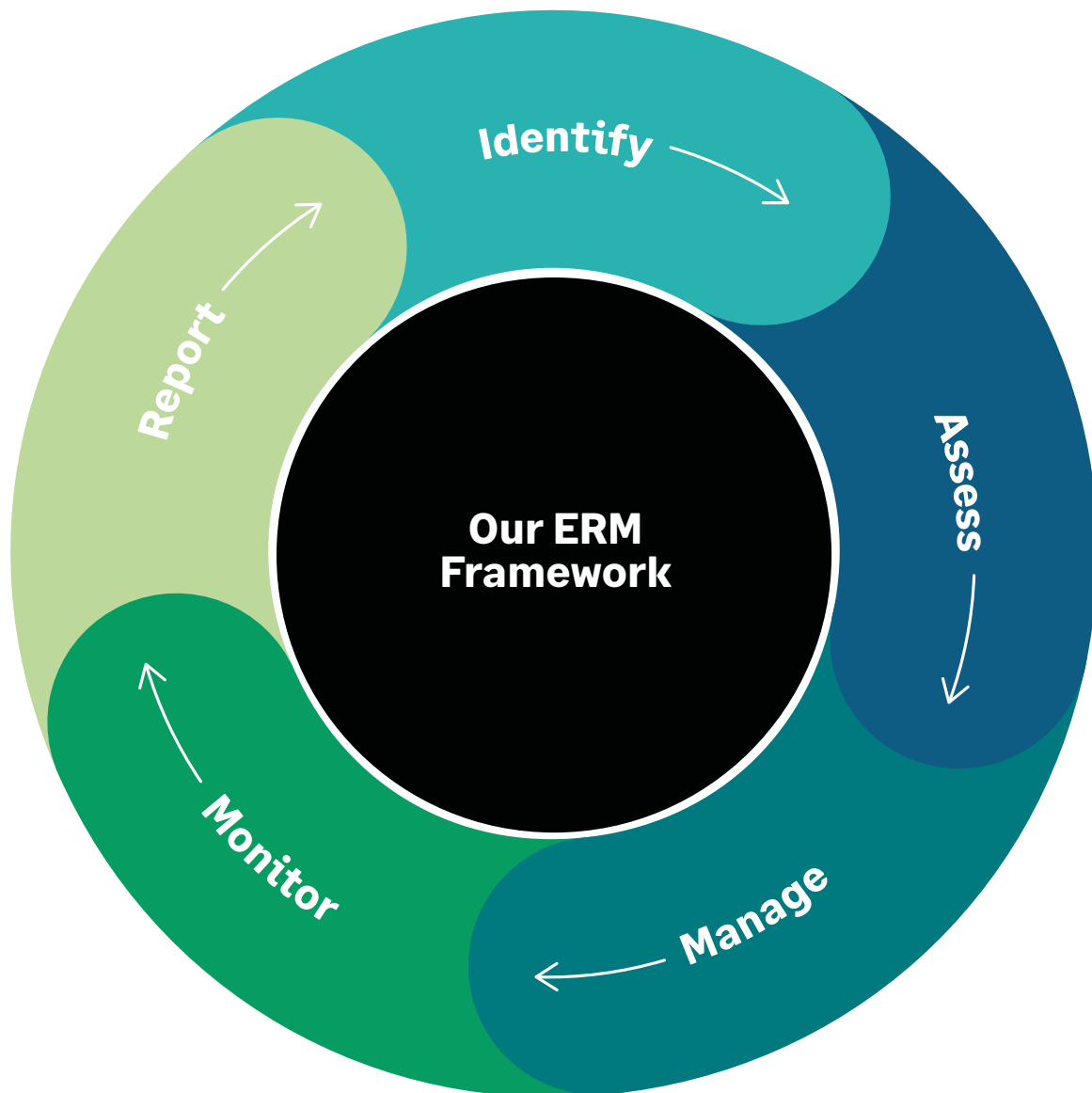
| Average exchange rates (equal to GBP) | FY25  | FY24  | Change |
|---------------------------------------|-------|-------|--------|
| Euro (€)                              | 1.18  | 1.17  | +1%    |
| US dollar (\$)                        | 1.31  | 1.27  | +3%    |
| Canadian dollar (C\$)                 | 1.83  | 1.73  | +6%    |
| South African rand (ZAR)              | 23.61 | 23.50 | +0%    |

9. A reconciliation of ROCE to our reported measures is set out below.

| Reconciliation of Return on Capital Employed                            | FY25    | FY24<br>(as reported) |
|-------------------------------------------------------------------------|---------|-----------------------|
| Underlying operating profit net of amortisation of acquired intangibles | £558m   | £481m                 |
| Net assets less borrowings and cash                                     | £1,909m | £1,832m               |
| Less:                                                                   |         |                       |
| • Derivative financial instruments                                      | (£32m)  | (£17m)                |
| • Provisions for non-recurring costs                                    | £6m     | £16m                  |
| • Financial liability for the purchase of own shares                    | £8m     | £4m                   |
| • Tax assets or liabilities                                             | (£49m)  | (£54m)                |
| Adjusted net assets                                                     | £1,842m | £1,781m               |
| Average adjusted net assets                                             | £1,811m | £1,870m               |
| Return on Capital Employed                                              | 31%     | 26%                   |

# Risk Management Framework

Our Enterprise Risk Management Framework helps us to manage a wide range of risks, enabling a consistent approach to identifying, managing, and overseeing risks to support effective decision making and enhance long-term resilience.



We seek to improve continuously the use and adoption of our ERM Framework. It isn't a process that we merely apply to the business—it is integral to how we make decisions and work every day, and helps us to achieve our strategic objectives through risk-informed decision making.

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



## How we identify risks

Our risk identification process follows an enterprise-wide “top-down, bottom-up” approach, as follows:

- Top down, we focus on Principal Risks; these are the most significant risks to our ability to achieve our strategic objectives.
- Bottom up, we focus on strategic, commercial, operational, compliance, and change risks (“business risks”) that arise at regional and functional levels. These risks pose the greatest threat to the success of business activities across the Group.

## How we assess risks

We analyse all risks for likelihood and impact using a tailored risk assessment methodology that considers a range of impacts, including on our customers and colleagues, as well as potential financial implications. The analysis considers risk before any mitigations (inherent risk) and after all current mitigations (residual risk). The key benefit of assessing inherent risk is that it highlights the potential risk exposure if mitigation were to fail completely or not be in place.

## How we manage risk

We recognise that eliminating risk is often unfeasible or undesirable. Instead, we define risk appetite for each Principal Risk, to provide our leaders with guidance so they can make decisions on the level of risk to achieve their strategic objectives. We set our Board-approved risk appetite statements in collaboration with relevant leaders, and use their expertise to ensure these statements align to our strategy and priorities.

Each Principal Risk is assigned an executive owner, who is responsible for overall management, ensuring adequate controls are in place and implementing action plans if the risk falls outside risk appetite.

In addition to Principal Risks, we consider business risks at a regional or functional level. These risks are owned and managed within their respective management structures and reviewed on an ongoing basis. Formal risk review takes place quarterly with regional and functional leaders.

## Risk reporting and monitoring

To fully understand our risk landscape, we consider risks both individually and collectively. By analysing the correlation between risks, we can identify those with the potential to trigger, amplify, or influence other risks. This exercise informs our scenario analysis, particularly those scenarios in the Viability Statement on pages 67 and 68.

We monitor Principal Risks against our risk appetite targets using measures and tolerances, which we evaluate throughout the year to ensure they align with our strategic objectives. Business risks are considered from a Group-wide perspective with input from our senior leaders, who provide their own strategic, functional, and emerging-risk perspectives. They are escalated in line with the Risk Management Policy and via our ERM Framework to Regional or Functional leaders and then to the Global Risk Committee. This escalation process provides organisational visibility to emerging, strategic, commercial, operational, financial, and compliance risks while reinforcing accountability for risk management and driving action. As part of the escalation process, we evaluate whether risks should be included in the current set of Principal Risks, or whether a new Principal Risk should be created.

➔ **Read more about our Principal Risks on pages 61 to 66**

## Risk culture

Culture underpins the effectiveness of our ERM Framework and supports an effective control environment. Our Values help ensure that a culture of managing risks effectively is linked to our daily business activities and outcomes. Our Code of Conduct reinforces these Values and sets clear expectations across Sage for compliance with ethical standards. Values form a significant part of our colleague performance management process, and, in FY25, we continued to manage culture as a Principal Risk.

## Risk governance

**Top down** Oversight, accountability, and assessment of Principal Risks, significant operational risks, and emerging risks

**Bottom up** Identification and assessment of risk exposures at regional and functional level

### The Board

The Board has overall responsibility for risk management and internal control, including setting the Group's risk appetite and ensuring appropriate governance arrangements are in place. It promotes a strong risk culture and monitors the internal and external risk environment to ensure the Group's Principal Risks remain relevant and aligned with strategic objectives.

For more information on the responsibilities of the Board, please refer to page 80.

### Audit and Risk Committee (ARC)

The ARC supports the Board in setting our risk appetite and ensuring that processes are in place to identify, manage, and mitigate our Principal Risks. At each meeting, ARC reviews the Principal Risks and their associated appetite targets and metrics, to assess if they are relevant, effective and aligned to achieving our objectives, and within an acceptable tolerance.

For more information on the responsibilities of the ARC, please refer to page 110.

### Global Risk Committee (GRC)

The GRC is responsible for providing direction and support for managing risk across Sage, including setting and monitoring risk appetite for Principal Risks and driving action to align risk exposure to strategy. The GRC provides the ARC with information to enable them to discharge their responsibility for reviewing the Company's risk management and internal control systems, including regarding financial reporting.

For more information on the membership and responsibilities of the GRC, please refer to page 81.

### Regional and Functional Reviews

The Regional and Functional Reviews monitor key operational and strategic risks that could impact strategic plans or Sage's Principal Risks, together with other key strategic, operational, financial, and compliance risks. All business areas are required to adopt the ERM Framework. Key risks that could affect the execution of regional or functional strategic plans are reviewed at least quarterly with senior leaders, while ensuring that appropriate mitigations are in place. Where necessary, risks are escalated to the GRC via the ERM framework.

## Three lines model

Our three lines governance model defines clear roles and responsibilities for all colleagues and establishes accountability for actions and decisions. It also describes how we ensure appropriate oversight, challenge, and assurance over our business activities.



### 1. First line All colleagues Identify, own, operate

**First Line** comprises all our colleagues who are at the forefront of the business. They hold the skills and knowledge needed to help identify and manage risks within our business. Colleagues in the first line have ultimate accountability for the management and ownership of risk, while ensuring we manage risks within the ERM framework.



### 2. Second line Sage Risk and Controls Guide, support, oversee

**Second Line** is our Risk and Controls team, which is responsible for setting the ERM framework, policies, tools, and techniques to enable the First Line to manage risk effectively. As part of this role, the team provides support, guidance, and oversight of First Line risk management, to ensure that we maintain a consistent approach to managing risk. This includes supporting the Global Risk Committee, and our Regional and Functional leaders in fulfilling their responsibilities.



### 3. Third line Sage Assurance Independent and objective

**Third Line** is our Internal Audit and Assurance team, whose primary role is to provide independent assurance to ensure the first two lines are operating effectively. They achieve this by conducting risk-based reviews of the effectiveness of risk management, internal controls, and governance. The Internal Audit and Assurance team is also accountable to the Audit and Risk Committee, to provide comfort to Sage leadership that appropriate controls and processes are in place and are operating effectively.

## Risk management continued

### Horizon scanning

Global conflicts (e.g. Russia-Ukraine, Israel-Gaza), evolution in global economic strategies such as US tariffs, energy shortages, rising interest rates, and inflation are just some events that may have a material impact on Sage and our customers.

To maintain resilience in this continually changing external landscape, we operate an ongoing horizon scanning process. This allows us to monitor external events and trends, identify associated risks, and assess their potential impact on our colleagues, customers, and partners. We review external risks at every Global Risk Committee meeting to ensure we are responding proactively to material events.

Part of our horizon scanning also involves looking beyond the present by considering emerging risks, via workshops with representatives across business functions including Marketing and Customer Experience, Product, Security, Sustainability, People, Finance, and Strategy.

During these workshops, we consider current external mega-trends and global threats and opportunities over the short, medium, and long term. This process enables us to define a set of key risk scenarios that may have an impact on Sage, as well as the potential time horizon of each scenario. We then evaluate the extent of planning and mitigation required to ensure Sage is adequately prepared and protected for our key emerging risks. The Global Risk Committee considers the plans and mitigations, and provides updates to the Audit and Risk Committee for oversight.

| Emerging risk scenario                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Time horizon                                                                          |                                                                                       |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1–2 years                                                                             | 3–5 years                                                                             | Over 5 years |
| 1. Rapid advances in AI, including agentic systems, intelligent workflows, and ubiquitous AI-powered tools, may change the role of the general ledger, reshape SMB operating models, and introduce powerful new competitors. If Sage fails to adapt and differentiate its offerings, it risks loss of relevance, market share, and profitability.                                                                                                                                                                                                                                     |                                                                                       |  |              |
| 2. Intense competition across the tech industry for top experts makes it difficult to attract and retain the skills needed to drive innovation and maintain product leadership. Without sustained access to this talent, AI initiatives risk delay or failure, creating operational, strategic, reputational, and intellectual property vulnerabilities.                                                                                                                                                                                                                              |  |                                                                                       |              |
| 3. The rapid integration of AI and automation is reshaping job roles and required skills. Many routine tasks are being automated, while demand is rising for digital, analytical, and creative skills. This shift could lead to reskilling at scale, talent shortages, and changes in workforce structure.                                                                                                                                                                                                                                                                            |                                                                                       |  |              |
| 4. Increasing data localisation requirements, divergent AI regulations, and emerging technology laws may restrict Sage's ability to manage and share data, develop and deploy AI solutions, and deliver on its product strategy. These changes could drive increased compliance costs, legal and intellectual property risks, and potential competitive disadvantage.                                                                                                                                                                                                                 |                                                                                       |  |              |
| 5. Rising tensions between major economies may disrupt global supply chains, introduce new trade barriers, drive increasing wage-price inflation or contribute to a global economic downturn. This could impact Sage's ability to serve customers in multiple regions and require rapid adaptation to shifting regulations; it may also result in increased default of SMBs, an increase in customer churn, and a reduced ability to sell to new or existing customers. Additionally, increased labour costs in key markets could hamper Sage's ability to retain and attract talent. |  |                                                                                       |              |

# Principal Risks and uncertainties

The Board and the Audit and Risk Committee conducted a robust and ongoing assessment of the principal and emerging risks facing the Group throughout FY25. This assessment considered the risks that would threaten Sage's business model, future performance, solvency or liquidity, and reputation, and ensured that the risks continued to align with Sage's business strategy.

The Board retains overall responsibility for setting Sage's risk appetite and for risk management and internal control systems.

In accordance with the UK Corporate Governance Code 2018 (the "Code"), the Board is responsible for reviewing the effectiveness of the risk management and internal control systems and confirms that:

- There is an ongoing process for identifying, evaluating, and managing the Principal Risks faced by the Company.
- The systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts.
- They are reviewed regularly by the Board.
- The systems accord with the FRC guidance on risk management, internal control, and related financial and business reporting.

There were no instances of significant control failing or weakness in FY25.

➔ **Read more about our risk management and internal control systems on pages 56 to 60, and about the associated work by the Audit and Risk Committee on pages 109 to 116**

The following table provides an overview of the Group's Principal Risks and the way we manage these.

| Key—Stakeholder groups                                                              |              |                                                                                       | Risk exposure change |                                                                                       |            |
|-------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------|------------|
|  | Customers    |    | Colleagues           |    | Partners   |
|  | Shareholders |    | Society              |  | Stable     |
|                                                                                     |              |  | Decreasing           |  | Increasing |

| Principal Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Risk context                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Management and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1. Customer experience</b><br><b>If we fail to deliver ongoing value to our customers by focusing on their needs over the lifetime of their customer journey, we will not be able to achieve sustainable growth through renewal.</b><br><b>Trend</b><br><br><b>Stakeholder alignment</b><br>   <br><b>Link to viability scenario</b><br>Data breach<br>Existing or new market disruptor<br>Global economic shock<br>Cloud operations failure | We must maintain a sharp focus on the relationship we have with our customers, offering the products, services and experiences they need for success. If we meet or exceed their expectations, customers will stay with Sage, increasing lifetime value and becoming our greatest advocates. By aligning our people, processes and technology with this focus in mind, all Sage colleagues help our customers be successful and in turn improve financial performance. | <ul style="list-style-type: none"> <li>• Brand-health surveys to provide an understanding of the customer perception of the Sage brand and its products, used to inform and enhance our market offerings.</li> <li>• Our Market and Competitive Intelligence team provides insights that guide our strategy and support our growth.</li> <li>• Proactive analysis of customer activity and churn data, to improve customer experience.</li> <li>• Customer Advisory Boards, call listening, and closed-loop feedback to constantly gather information on customer needs.</li> <li>• Customer-journey mapping to ensure appropriate strategy alignment and alignment to our target operating model.</li> <li>• "Customer for life" roadmaps, detailing how products can fit together, any interdependencies, and migration pathways for current and potential customers.</li> <li>• Continuous Net Promoter Score (NPS) surveying to identify customer challenges and respond in a timely manner to emerging trends.</li> <li>• Sage Membership for all customers, providing customers with access to curated resources, tools, and a connected community of business leaders.</li> </ul> |

# Principal Risks and uncertainties continued

## Key—Stakeholder groups



Customers



Colleagues



Partners



Shareholders



Society

## Risk exposure change



Stable



Decreasing



Increasing

| Principal Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Risk context                                                                                                                                                                                                                                                                                                            | Management and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2. Execution of product strategy</b></p> <p>If we fail to deliver the capabilities and experiences outlined in our product strategy, we will not meet the needs of our customers or commercial goals.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p> </p> <p><b>Link to viability scenario</b></p> <p>Existing or new market disruptor</p> <p>Global economic shock</p> <p>Cloud operations failure</p>                                                                                  | <p>Sage needs to adapt continuously its approach to new technologies and challenges. This requires a clear direction and strategic guardrails to support our go-to-market offerings. By simplifying our product portfolio and partnering with the right businesses, we can enhance our solutions and drive success.</p> | <ul style="list-style-type: none"> <li>• Robust product organisation and governance model, supported by strategic interlock with our Routes to Revenue (RtR) teams, aligning the way we deliver product to meet the needs of SMBs.</li> <li>• Migration Framework in key countries to support our customers as they move to the cloud.</li> <li>• Continued expansion of Sage Intacct outside North America and for additional product verticals.</li> <li>• Enhancing accessibility of Sage cloud products to meet Web Content Accessibility Guidelines.</li> <li>• Focus on accountants through a tailored Sage for Accountants proposition.</li> <li>• Ongoing deployment of Sage Copilot AI-powered assistant into existing Sage products, including Sage Intacct and integration into Sage Sales Management.</li> <li>• Developing AI agents for use in our core products.</li> </ul>                                                                                                                                                         |
| <p><b>3. Developing and exploiting new business models</b></p> <p>Sage is unable to develop, commercialise, and scale new business models to diversify from traditional Software as a Service (SaaS), especially consumption-based services and those that leverage data.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p> </p> <p><b>Link to viability scenario</b></p> <p>Data breach</p> <p>Existing or new market disruptor</p> <p>Global economic shock</p> <p>Cloud operations failure</p> | <p>Sage must be able to identify, design and deploy new innovations to create new or enhance existing products and capabilities. Unlocking the ability to do this at pace will enable access to new markets and/or customers early, driving new revenue and opportunities for the business.</p>                         | <ul style="list-style-type: none"> <li>• Business unit focused on the Sage Platform to realise the opportunities with automation of accounting processes (like Accounts Payable and Accounts Receivable).</li> <li>• Sage Platform integrating Sage's products with AI and digital services to enhance workflows, improve customer experiences, and accelerate innovation.</li> <li>• Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Experience Platform.</li> <li>• A team focused on the product strategy and assessing new business opportunities in emerging ecosystems to identify those that may align with our vision.</li> <li>• Acceleration of Embedded Services by expanding Sage's Fintech and Payments ecosystem through strategic partnerships with Stripe, Monzo and Tide.</li> <li>• Managed growth of the API estate, including enhanced product development that enables access by third-party API developers and optimisation of API integrations to improve efficiency.</li> </ul> |

## Key—Stakeholder groups



Customers



Colleagues



Partners



Shareholders



Society

## Risk exposure change



Stable



Decreasing



Increasing

| Principal Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Risk context                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Management and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>4. Route to market</b></p> <p>If we fail to deliver a globally consistent blend of route to market channels in each market, Sage will miss the opportunity to efficiently deliver the right capabilities and experiences to our current and future customers.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p> </p> <p><b>Link to viability scenario</b></p> <p>Data breach</p> <p>Existing or new market disruptor</p> <p>Global economic shock</p> <p>Cloud operations failure</p> | <p>We have a blend of channels to communicate with our current and potential customers and ensure our customers receive the right information, on the right products and services, at the right time. Our sales channels include selling directly to customers through digital and telephone channels, via our accountant network and through partners, and we will adapt our approach to target customers in our key verticals. We use these channels to maximise our marketing and customer engagement activities. This can shorten our sales cycle and ensure we improve customer retention, maximising our market opportunity.</p>                                                           | <ul style="list-style-type: none"> <li>• Our Global Routes to Revenue team drives a consistent approach to taking Sage's products to market.</li> <li>• Deployment of an enhanced reporting tool to track go-to-market metrics using standard definitions across geographies.</li> <li>• Acceleration of strategic partnerships to strengthen the Sage Platform.</li> <li>• Three strategic pillars focused on delivery to the market to align priorities across Sage.</li> <li>• Centre of Excellence to support our indirect sales and third-party approach.</li> <li>• Sage Discovery Centre at our North American headquarters in Atlanta reaffirms our commitment to helping entrepreneurs, communities, and customers to thrive in the age of AI.</li> </ul>                                                                                                                  |
| <p><b>5. People and performance</b></p> <p>If we fail to ensure we have engaged colleagues with the critical skills, capabilities, and capacity we need to deliver on our strategy, we will not be successful.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p></p> <p><b>Link to viability scenario</b></p> <p>Data breach</p> <p>Global economic shock</p>                                                                                                                               | <p>As we evolve our priorities, the capacity, knowledge, and leadership skills we need will continue to change. Sage will not only need to attract the right talent to navigate change but will also need to provide an environment where colleagues can develop to meet these new expectations.</p> <p>By empowering colleagues and leaders to make decisions, be innovative, and be bold in meeting our commitments, Sage will be able to create an attractive working environment. By addressing what causes colleague voluntary attrition, and embracing the Values of successful technology companies, Sage can increase colleague engagement and create aligned high-performing teams.</p> | <ul style="list-style-type: none"> <li>• Focus on hiring channels to ensure we are attractive in the market through our enhanced employee value proposition and enhanced presence through social media such as Glassdoor, Comparably, X, LinkedIn, and Facebook.</li> <li>• Reward mechanisms to incentivise and encourage the right behaviour, with a focus on ensuring fair and equitable pay in all markets.</li> <li>• Series of Leadership Academies and talent programmes to support the development of internal talent.</li> <li>• OKR Framework defines measurable goals and tracks outcomes of colleague success.</li> <li>• Enhancing skills and talent technology ecosystem to identify capabilities and skills gaps, talent pipeline, development, and career pathways and mentoring.</li> <li>• Strategic Workforce Planning Framework across the business.</li> </ul> |

# Principal Risks and uncertainties continued

## Key—Stakeholder groups



Customers



Colleagues



Partners



Shareholders



Society

## Risk exposure change



Stable



Decreasing



Increasing

| Principal Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Risk context                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Management and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>6. Culture</b><br><p>If we do not define, shape and proactively manage our culture in line with our brand Values, we will be challenged to deliver our strategic priorities and purpose; we will risk disengaging colleagues, increasing attrition, and impacting our ability to attract and retain diverse talent.</p> <p><b>Trend</b><br/> </p> <p><b>Stakeholder alignment</b><br/> </p> <p><b>Link to viability scenario</b><br/> Data breach<br/> Global economic shock</p> | <p>The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business and improve innovation is critical to Sage's success. Devolution of decision making, and the acceptance of accountability for those decisions, will need to go hand in hand as the organisation develops and sustains its shared Values and Behaviours, and fosters a culture that provides customers with a rich digital environment.</p> <p>We will also need to create a culture of empowered leaders that supports the development of ideas, and that provides colleagues with a safe environment allowing for honest disclosures and discussions. A trusting and empowered environment can help sustain innovation, enhance customer success, and encourage the engagement that results in increased market share.</p> | <ul style="list-style-type: none"> <li>Integration of Values and Behaviours into all colleague priorities including talent attraction, selection, and onboarding as well as OKRs.</li> <li>All colleagues encouraged to take up to five paid Sage Foundation days each year, to support charities and provide philanthropic support to the community.</li> <li>DEI strategy focused on building diverse teams, an equitable culture, and fostering inclusive leadership. This is supported by strategic plans to track progress, ensuring we meet our commitments, including no tolerance of discrimination and equal chances for everyone.</li> <li>Code of Conduct training for all colleagues (including anti-bribery and corruption requirements) delivered as snippets, so we can signpost relevant training at colleagues' point of need.</li> <li>Core e-learning modules, with regular refresher training.</li> <li>Whistleblowing and incident-reporting mechanisms so issues can be formally reported and investigated.</li> <li>Scaling Sage culture initiatives, including target culture measurement framework, leadership assessments, and alignment of people processes.</li> </ul> |
| <b>7. Cyber security</b><br><p>If we fail to ensure an appropriate standard of cyber security across the business, we will not be able to combat cyber threats and will fail to meet our regulatory obligations and lose the trust of our stakeholders.</p> <p><b>Trend</b><br/> </p> <p><b>Stakeholder alignment</b><br/> </p> <p><b>Link to viability scenario</b><br/> Data breach<br/> Cloud operations failure</p>                                                             | <p>Stakeholder trust is central to Sage's growth and cyber security is an essential component of that. Failure to safeguard customer and colleague data and ensure the availability of our products and critical services could have severe reputational, legal, and financial consequences. This means we must be confident our cyber security controls, and the culture and awareness of our colleagues are sufficient to mitigate the dynamic and evolving cyber risk environment, while also supporting the agility and innovation of the business.</p>                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Multi-year cyber security programmes in IT and Product to ensure we are continuously improving, and reduce cyber risk across technology, business processes, and culture.</li> <li>Accountability within both IT and Product for internal and external data being processed by Sage.</li> <li>Formal certification schemes maintained across the business include internal and external validation of compliance.</li> <li>Sage colleagues are required to undertake regular cyber security awareness training.</li> <li>A Cyber Security Risk Management Methodology and standards are deployed to provide clear requirements and objective risk information on our assets and systems.</li> <li>Sage Security Champions, who help amplify and embed a secure culture.</li> <li>An in-house Cyber Defence Operations team to proactively detect, respond to, and prevent cyber threats 24/7.</li> <li>Continued investment in strengthening business resilience and elevating crisis management capabilities.</li> </ul>                                                                                                                                   |

➔ **Read more about our recent crisis management exercise on page 66**

## Key—Stakeholder groups



Customers



Colleagues



Partners



Shareholders



Society

## Risk exposure change



Stable



Decreasing



Increasing

| Principal Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Risk context                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Management and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>8. Data and AI governance</b></p> <p>If Sage fails to collect, process, store, and use data in a way that is compliant with regulation, internal policy, and our ethical principles, we will lose the trust of our stakeholders.</p> <p>If we fail to recognise the value of our data and deliver effective data foundations, we will be unable to realise the full potential of our data assets.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p></p> <p><b>Link to viability scenario</b></p> <p>Data breach</p> <p>Existing or new market disruptor</p>                                                                                                                                                                      | <p>Data is central to the Sage strategy and our ambition to deliver sustainable growth by leveraging AI and expanding the Sage Platform. Our strategy is underpinned by our ability to innovate customer propositions, improve insight and decision making, and create new business models and ecosystems. The successful ability to use data will accelerate our growth and will be key in helping customers transform how they run and build their businesses, and we must do this in a way that is compliant with laws and regulations, and in line with our Values.</p> | <ul style="list-style-type: none"> <li>• Our AI and Data Ethics Principles ensure the responsible use of customer data in support of our strategy, with an ethics checklist in place to assess adherence to these principles.</li> <li>• Governance policies, processes, and tooling to enhance and manage data quality, trust, and privacy.</li> <li>• The implementation of our AI Governance Framework, supported by an AI Inventory and AI assurance process, to ensure that the development and use of AI align with our risk appetite and meet legal, regulatory, ethical, and security requirements.</li> <li>• Data Privacy Framework governing the collection, use, and protection of personal data in compliance with applicable laws and regulations.</li> <li>• Our Sustainability, AI, and Data Ethics Committee, which includes members from the Executive Leadership Team and Sage Board, governs activities relating to data and AI ethics.</li> <li>• We require all colleagues to undertake awareness training for data protection, with a focus on all relevant data privacy laws and regulations.</li> <li>• Our Trust and Security Hub supports our customers and their understanding of cyber security, data privacy, and AI and data ethics in Sage products.</li> </ul> |
| <p><b>9. Readiness to scale</b></p> <p>As Sage's ambition grows, if it fails to ensure its cloud products can build and operate at an industrial, global scale, it will erode its competitive advantage.</p> <p>The hosting of its products must achieve economies of scale, aligned to ambition, in parallel with the ability to accelerate to market with quality. Both must be achieved with reduced environmental impact and zero customer impact.</p> <p>If not addressed, Sage's cloud products would be less resilient and less able to respond to its customer expectations.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p></p> <p><b>Link to viability scenario</b></p> <p>Data breach</p> <p>Cloud operations failure</p> | <p>As Sage continues to build sustainable growth, we continue to focus on scaling our platform services environment in a rigorous, agile, and speedy manner to ensure we provide a consistent and healthy cloud platform and associated network. We must provide the right infrastructure and operations for all our customer products, and a hosting platform, together with the governance to ensure optimal service availability, performance, security protection, and restoration (if required).</p>                                                                   | <ul style="list-style-type: none"> <li>• Cost optimisation of cloud native products and continued migration of legacy footprint to public cloud.</li> <li>• Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects.</li> <li>• Formal onboarding process through ongoing portfolio management.</li> <li>• Incident and problem management change processes adhered to for all products and services, with new acquisitions onboarded in a timely manner.</li> <li>• Service-level objectives including uptime, responsiveness, and mean time to repair.</li> <li>• Defined real-time demand-management processes and controls, and disaster-recovery capability and operational-resilience models.</li> <li>• A governance framework to optimise operational cost base in line with key metrics.</li> <li>• All new acquisitions required to adopt Sage cloud operation standards.</li> </ul>                                                                                                                                                                                                                                                                                                                                        |

## Principal Risks and uncertainties continued

Key—Stakeholder groups

 Customers

 Colleagues

 Partners

 Shareholders

 Society

Risk exposure change

 Stable

 Decreasing

 Increasing

| Principal Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Risk context                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management and mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>10. Environmental, social, and governance</b></p> <p>If Sage is unable to respond to evolving stakeholder expectations and ESG regulation, Sage could face fines and potential legal action, damaging Sage's reputation and brand, and diminishing stakeholder trust and credibility.</p> <p>In addition, if Sage fails to respond to the range of opportunities and risks associated with Sustainability and Sage Foundation, it would be less resilient, less competitive, and could put its licence to operate at risk.</p> <p><b>Trend</b></p> <p></p> <p><b>Stakeholder alignment</b></p> <p>  </p> <p><b>Link to viability scenario</b></p> <p>Global economic shock</p> <p>Cloud operations failure</p> | <p>We invest in education, technology, and the environment to give individuals, SMBs, and our planet the opportunity to thrive.</p> <p>Internally, it is essential that Sage understands the potential impact of climate change on its strategy and operations and considers appropriate mitigations.</p> <p>Societal and governance-related issues are integral to Sage's purpose and Values and to the achievement of Sage's strategy.</p> | <ul style="list-style-type: none"> <li>Sage's Sustainability and Society strategy, informed by a rigorous materiality assessment, focusing on three pillars: Protect the Planet, Tech for Good, and Human by Design.</li> <li>Ensuring adequate executive oversight through the Sustainability, AI, and Data Ethics Committee.</li> <li>Enabling accountability through integration of ESG measures within long-term incentive plans.</li> <li>An integrated framework to manage ESG-related risk and physical and transitional climate risks, as detailed by TCFD.</li> <li>External limited assurance obtained over selected metrics to ensure accuracy of sustainability data and claims.</li> </ul> |

### Case study

#### Strengthening Crisis Readiness and Resilience

In April 2025, Sage conducted a comprehensive cyber security simulation exercise for the Crisis Management Team (CMT) which included the CEO, members of Executive Leadership Team, and functional leaders. The exercise was developed by our Business Resilience team in partnership with a leading UK crisis consultancy. This scenario was selected due to the credible threat that cyber-attacks pose to Sage, a risk that is considered within the Cyber Security Principal Risk. We delivered

a four-day crisis simulation where participants faced dynamic challenges, including ransom demands from attackers, customer inquiries, and media scrutiny, designed to replicate the intensity and unpredictability of a cyber crisis. The outcomes tested and validated our Crisis Management Framework and strengthened our risk readiness to ensure we remain well-prepared to navigate disruption.

## Viability Statement

# Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors set out how they have assessed the Group's prospects, the period covered by the assessment, and the Group's formal Viability Statement.

The Directors have assessed the prospects of the Group by considering the Group's current financial position, its recent and historic financial performance and forecasts, its business model and strategy (pages 8 and 9, and 15 to 18) and the Principal Risks and uncertainties (pages 61 to 66).

The Group's operational and financially robust position is supported by:

- A high-quality recurring revenue base
- Resilient cash generation and a robust liquidity position, with strong underlying cash conversion of 110%, reflecting the strength of the subscription business model
- A well-diversified small and medium customer base

The Directors have reviewed the period used for the assessment and determined that three years remains suitable. The Directors believe that projections over a three-year period remain appropriate given the relative predictability of cash flows associated with Sage's subscription business during this period. This period aligns our Viability Statement with our three-year strategic planning horizon and is appropriate given the nature and investment cycle of a technology business. Projections beyond this period are less reliable due to the evolving technology landscape in which Sage operates.

No scenario modelled over the three-year period leads to insufficient liquidity headroom. The Directors have no reason to believe the Group will not be viable over a longer period.

## Assumptions

The financial forecasts contained in the Group's three-year plan make certain assumptions about the composition of the Group's product portfolio, and the ability to acquire new customers and maintain a strong renewal rate by value by providing additional functionalities to our existing customers. The plan also assumes that the Group continues to generate resilient cash conversion of more than 100%, pays debt and interest instalments as they fall due, and that the existing borrowing facilities remain available to the Group. Based on the Group's current liquidity profile, debt maturing during the forecast period is assumed to be refinanced on similar terms.

## The assessment process

In forming the Viability Statement, the Directors conducted a robust assessment of the Principal Risks and uncertainties facing the Group which could impact the business model, future performance, solvency or liquidity and reputation. These are reviewed by the Board and the Audit and Risk Committee quarterly, and are a foundation for the Group's strategic plan. The risk process is outlined in more detail on pages 56 to 60.

As part of the assessment, the Group stress-tested the three-year plan using various severe but plausible scenarios. Management reviewed the Principal Risks and considered which might threaten the Group's viability. None of the individual risks would in isolation compromise the Group's viability, and so we considered several different severe scenarios where Principal Risks arose in combination. These scenarios were developed with input from our Global Risk Committee, which has members from key functions across the business.

Under the stress scenarios, churn assumptions were increased by up to 75% and a reduction by up to 50% of new customer acquisition and sales to existing customers considered.

In all stress scenarios, the Group continues to have sufficient resources to operate without triggering the need to renegotiate debt. Scenarios modelled reflect our latest assessment of the anticipated impact of the risks identified in line with the prior year.

The scenarios considered to be the most plausible and significant in performing the assessment of viability and the combination of Principal Risks involved are shown on the next page.

# Viability Statement continued

| Viability scenario                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Linked Principal Risks                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>i) Data breach</b></p> <p>The deliberate targeting or accidental release of customer data that breaches data privacy laws and/or societal expectations in any region could have a significant impact on Sage's reputation in the market, as well as impact its regulatory compliance with the various data protection laws to which Sage is subject.</p>                                                                                                                                       | <ul style="list-style-type: none"> <li>• Customer experience</li> <li>• Developing and exploiting new business models</li> <li>• Route to market</li> <li>• People and performance</li> <li>• Culture</li> <li>• Cyber security</li> <li>• Data and AI governance</li> <li>• Readiness to scale</li> </ul>    |
| <p><b>ii) Existing or new market disruptor</b></p> <p>The entry of a new player, or the expansion of an existing market player in the financial and accounting management space with a free or very low-cost offering or leveraging AI in a new way to disrupt the accounting software category, that significantly disrupts Sage's total market share.</p>                                                                                                                                          | <ul style="list-style-type: none"> <li>• Customer experience</li> <li>• Execution of product strategy</li> <li>• Developing and exploiting new business models</li> <li>• Route to market</li> <li>• Data and AI governance</li> </ul>                                                                        |
| <p><b>iii) Global economic shock</b></p> <p>The crystallisation of a global economic shock that leads to a global economic downturn or an inflationary wage-price spiral, resulting in increased default of small and medium-sized businesses.</p> <p>This could lead to a significant increase in customer churn and a reduced ability to sell to new or existing customers. Additionally, increased labour costs in key markets could make it difficult for Sage to retain and attract talent.</p> | <ul style="list-style-type: none"> <li>• Execution of product strategy</li> <li>• Developing and exploiting new business models</li> <li>• Route to market</li> <li>• Customer experience</li> <li>• ESG</li> <li>• People and performance</li> </ul>                                                         |
| <p><b>iv) Cloud operations failure</b></p> <p>The risk of an event that causes the live services environment to be brought down due to the operating environment being changed internally through product or system changes, external or internal cyber-attack, or a key third-party provider being compromised. The risk also considers the extent to which hosting infrastructure supporting Sage's cloud operations could be physically damaged through an adverse climate event.</p>             | <ul style="list-style-type: none"> <li>• Execution of product strategy</li> <li>• Developing and exploiting new business models</li> <li>• Route to market</li> <li>• Customer experience</li> <li>• Cyber security</li> <li>• Readiness to scale</li> <li>• ESG</li> <li>• Data and AI governance</li> </ul> |

A cross-functional group of senior leaders, including representatives from Finance, Risk, ESG, Cloud Operations, IT, Product Marketing, and Legal, estimated the monetary impact of each scenario and evaluated the possible consequences on the Group should each scenario arise.

As set out in the Audit and Risk Committee's report on pages 109 to 116, the Directors reviewed and discussed the process undertaken by management and also reviewed the results of reverse stress testing performed to provide an illustration of the level of churn and deterioration in new customer acquisition which would be required to exhaust cash down to minimum working capital requirements. The result of the reverse stress testing has highlighted that such a scenario would only arise following a catastrophic deterioration in performance, well in excess of the assumptions considered in the viability scenarios set out above.

If the scenarios set out above were to arise, management would have several options available to maintain the Group's financial position, including cost reduction measures, the arrangement of additional financing and a review of the sustainability of the dividend policy.

## Confirmation of longer term viability

Based on the assessment explained above, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for at least the next three years.