RISKS, IMPACT AND MITIGATIONS CONTINUED

RISK AREA	IMPACT	MITIGATION OF RISK
Environmental **Operational** **Movement:** Stable	As awareness on the climate challenge increases, it is expected there will be increasing legislation and customer pressure to provide sustainable business operations	• The group has set targets to become net zero by 2035 • An ISO 14001 certified Environmental Management System (EMS) has been implemented, and is managed by a committee (dotgreen) made up of representatives from around the business • A newly created role of Sustainability Lead has been created to ensure adequate resource is available to drive the EMS forward with continual improvement • Using the Oxford Offsetting Principles, we continue to develop our carbon offsetting and mitigation strategy. We operate carbon neutral and we have included further scopes in our carbon offsetting which now includes GHG emission scopes 1, 2 and 3 (business travel, data centres, remote workers, worker commuting and transmission and distribution losses related to office electricity) • Marketing and promotion of our sustainability achievements, including the creation of a new dedicated sustainability area on the corporate website. Various initiatives and events held to continue to foster a green culture both internally and externally with customers and partners.
Evolving technology and customer requirements **Operational** **Movement:** Stable	Failure to anticipate, respond to evolving messaging channels and customer requirements, to introduce competitive enhancements or maintain existing products may impact growth and customer retention.	• Remaining a credible provider of customer engagement SaaS solutions through constant investment in development and monetisation of new solutions, partnerships and enhancements • Implementation of a strong product vision to deliver unique selling points, adding customer value and solving customer problems • A product roadmap that facilitates the implementation of rapidly changing technologies, new enhancements and maintaining the existing products to a high standard both for new business acquisition and retention • Dedication to continuing to remain relevant in maturing B2C commerce, B2C non-commerce and D2C verticals, reducing risk through the relevancy of the platform to the challenges these customer face • Continued focus on combining marketing and automation capabilities with the market-driven need for supporting more conversational channels and leveraging customer data, machine learning and orchestration to drive decisions • Continued evaluation and optimisation of product performance in the technology landscape to reduce maintenance overheads • A constant focus on enabling customer growth through the breadth, ease of use and flexibility of our integrations. The launch of our Integration Hub and new integration development strategy enabling rapid development of new integrations (including to third party platforms such as Eventbrite, Zoom, Typeform and Google Docs) • Review technology acquisition opportunities that can further strengthen our go-to-market.
Competitive environment **Strategic** **Movement:** Increased	The sector we operate in is competitive. The impact of competitors having more features, new solutions, increased financial backing, lower pricing, better brand recognition and better global coverage increases the risk to our business. The increasing number of competitors adds further risk. We focus on customers operating across different verticals - e.g. retail, commerce, higher education, not for profit, charities and D2C – by definition make for a large competitive landscape.	• Continually evaluate the maturity curve of our market to be ahead of the competition and develop products that add differentiation and offerings for markets that are less mature • Investment in new product features, best-in-class 24/7 customer support and service offerings, enhanced brand recognition and improved service delivery • A global marketing presence and PR strategy to attract new customers • Further improvement of the products' renowned user experience • Continued focus on increasing content, delivery and personalisation capabilities across established and emerging messaging channels • Continued investment on our data, AI, reporting and machine learning capabilities and applying these to surprise and delight existing and prospective customers • Continuing to listen to our customers and the market to solve real customer problems in an intuitive way.

"We try to the best of our ability to align with the most sustainable suppliers out there. Dotdigital made perfect sense for us with their commitment to sustainability which aligns with our own brand identify values, and culture."

Jarvis Smith | Co-founder, MyGreenPod.com

CARBON NEUTRAL

Last year marked Dotdigital's first year of being carbon neutral. We will extend this into the future, always offsetting our measured Scope 1, Scope 2, and select Scope 3 emissions with high quality offsets that follow the Oxford Offsetting Principles.

This year, we've decided to continue offsetting all of our measured emissions with Climate Care, who recently merged with Natural Capital Partners to give access to an increased range of projects to reduce carbon emissions.

We are also maintaining our corporate membership with our long-standing customer The Woodland Trust, providing additional carbon mitigation and combating the ecological emergency.

BROADENED SCOPE 3 ACCOUNTING

Last year, we calculated our Scope 3 GHG emissions from business travel, data centres and hosting.

We've added to this list this year to include GHG emissions from remote workers, worker commuting, and transmission and distribution losses. The first two items were particularly pertinent in a year in which our working patterns remained drastically altered as a result of the Covid-19 pandemic.

We aim to continue adding and calculating major Scope 3 emissions sources and offsetting these in line with our carbon neutral claim.

NET ZERO BY 2030

We are treating carbon neutrality as a step on the way to net zero. Becoming net zero means reducing our emissions to a level where only truly unavoidable emissions remain.

We will then offset these "residual" emissions with GHG removal projects, which remove GHG emissions directly from the atmosphere and store them for long periods of time, for example as rock or biochar.

This is in contrast to the GHG reduction projects that enable us to claim or carbon neutral status, which involve supporting projects around the world that reduce the level of emissions compared to a hypothetical world without those projects.

We are pleased to announce that we aim to be net zero by the end of our financial year in 2035, a full 15 years ahead of the timeline set out in the Paris Agreement to limit global heating to 1.5°C. We continue to look out for standards for net zero that will hopefully be announced at COP26 in late 2021. For now, we are using information from the Science Based Targets initiative to guide our net zero ambition.

RESPONSIBLE MARKETING

We have made a commitment to responsible marketing, focusing on the imperatives for a customer-centric approach to marketing. We believe that now more than ever that building trust with customers through responsible marketing, focused on data privacy, security, and sustainability, is central to retention and life-time value. We are proud to be the world's first carbon neutral, ISO14001, ISO 27701 and ISO27001 certified marketing automation platform.

RENEWABLE ENERGY

One great leap to meeting our new ambition to reach net zero by 2035 is in shifting our London Bridge headquarters to 100% renewable energy, which took effect from 1 July 2021. This will single-handedly reduce our annual Scope 2 emissions by 46% (compared to our first year of measurement in 2019/20).

Efforts are also under way to transition our Sydney and Melbourne offices to use 100% renewable energy in the next financial year, further reducing our Scope 2 emissions, and to power our platform with 100% renewable energy globally. It remains the case that our platform is powered only by renewable energy in Europe.

ISO 14001

We have maintained ISO 14001 certification with zero non-conformities raised (for the second time!). ISO 14001 defines an environmental management system and provides third-party verification that we measure our environmental impact and continually improve our environmental performance.

TERRA CARTA

As the first anniversary of our green journey approached in April 2021, we were thrilled to see discussions about sustainable business practices making their way onto the world stage. To reaffirm our pledge to protect the environment, we've signed the Terra Carta, a charter that puts sustainability at the heart of the private sector. This is part of the Sustainable Markets Initiative and was announced by HRH The Prince of Wales.

APPOINTED OUR FIRST SUSTAINABILITY LEAD

For the first time, Dotdigital has a Sustainability Lead pushing forwards our green initiatives and steering us towards our sustainability goals.

STRATEGIC REPORT

The Strategic Report was approved by a duly authorised committee of the Board of Directors on 16 November 2021 and signed on its behalf by:

MILAN PATEL

Chief Executive Officer

REPORT OF THE DIRECTORS CONTINUED

INDEMNITY OF OFFICERS

The Group purchases Directors' and officers' insurance against their costs in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

FINANCIAL INSTRUMENTS

Details of the Group's risk management objectives and policies together with its exposure to financial risk are set out in note 23 to the financial statements.

The purpose of the policies is to ensure that adequate cost-effective funding is available to the Group and exposure to financial risk – interest rate, liquidity and credit risk is minimised.

STREAMLINED ENERGY AND CARBON REPORTING

The Group is committed to reducing its environmental impact. The new Streamlined Energy and Carbon Reporting (SECR) regulations require us to report on our energy use.

GHG Emissions and Energy Use

The Group's Scope 1 and 2 GHG emission sources are from office building energy use as the Group has no business fleet vehicles.

GHG Impact Areas	Total/kWh	Total/kg CO2e
Scope 1 (Gas & Fuel Oil)	260,534	58,544
Scope 2 (Electricity)	215,145	61,084
GROSS SCOPE 1&2	475,679	119,628
GROSS SCOPE 1&2 / FTE	1445	364
GROSS SCOPE 1&2 / £1000 REVENUE	8.18	2.06
Scope 3		127,364
Purchased green tariff		-17,441
Purchased carbon offset		-279,000
NET SCOPE 1, 2, 3 & OFFSETS		-49,449

The Group are in serviced offices with little visibility on energy consumption from landlords and property managers. The energy use and GHG emissions were calculated using a combination of:

- mean averages from provided data;
- extrapolation of provided data considering seasonal trends;
- mean observed reduction in energy usage from reduced office occupation due to Covid-19;
- as a last resort, using UK average per staff member office gas and electricity use.

In all cases, national emissions factors were applied to the electricity use, but a consistent UK value was applied to natural gas use. Office variation was also considered in terms of use of mains gas.

The Group is gathering data on Scope 3 GHG emissions sources from business travel, data centres and hosting, remote workers, employee commuting, and transmission and distribution losses.

The Group is compliant with the Streamlined Energy and Carbon Reporting requirements as a Quoted company. This is the second year of reporting.

BASE YEAR RECALCULATION

The Group's first reporting year (2019-20) uses only the last of the above-mentioned methods for estimating emissions and a smaller set of Scope 3 emissions sources. For consistency, the energy consumption and GHG emissions have been recalculated with the new methods, new emissions sources, and correction of Warsaw staff members from an erroneous value of 39 to 7 (total correction of FTEs from 343 to 311).

GHG Impact Areas	Total/kWh	Total/kg CO2e
Scope 1 (Gas & Fuel Oil)	261,589	58,796
Scope 2 (Electricity)	407,728	118,333
GROSS SCOPE 1&2	669,317	177,129
GROSS SCOPE 1&2 / FTE	2152	570
GROSS SCOPE 1&2 / £1000 REVENUE	14.12	3.74
Scope 3	290,451	
Purchased green tariff		-26,301
Purchased carbon offset		-329,000
NET SCOPE 1, 2, 3 & OFFSETS		112,279

TRENDS

Compared to the base year of FY 2019/20:

GHG Impact Areas	kWh % of kg base year	CO2e % of base year
Scope 1 (Gas & Fuel Oil)	99.6	99.6
Scope 2 (Electricity)	52.8	51.6
GROSS SCOPE 1&271.0	67.5	
GROSS SCOPE 1&2 / FTE	67.1	63.9
GROSS SCOPE 1&2 / £1000 REVENUE	57.9	55.1
Scope 3	43.9	

Consumption of gas and fuel oil has been assumed to remain largely the same because of insufficient data to extrapolate a potential reduction in use through the Covid-19 pandemic while all staff were working from home. This reflects a "worst case" scenario and we would expect to see a reduction if we had real-world data.

Electricity consumption per FTE has halved largely because of lower office occupancy.

Despite all staff working from home, the Group observed a large reduction in Scope 3 emissions due to the lack of business travel and employee commuting.

GHG OFFSETS

The Group offsets all GHG emissions measured in a given financial year. This commitment naturally covers all Scope 1 and 2 emissions, but also includes Scope 3 emissions sources originally considered in that reporting year.

Following recalculation of emissions sources in the base year of 2019/20, there were approximately 49 t CO2e of additional GHG emissions to consider. These emissions have been offset with a one-off additional purchase in this financial year (2020/21).

The Group's total offset for 2020/21 was therefore 279 t CO2e, comprised of 230 t CO2e to offset all measured emissions for 2020/21 and an additional 49 t CO2e to offset additional GHG emissions for 2019/20 following recalculation.