

Contents

03	What we do and why we do it
04	Innovation in learning: a message from our ESG committee Chair
05	ESG Targets
07	Aligning with the Sustainable Development Goals
09	Environment
12	Carbon Footprint
15	Social
17	Governance
18	Looking forward to 2023

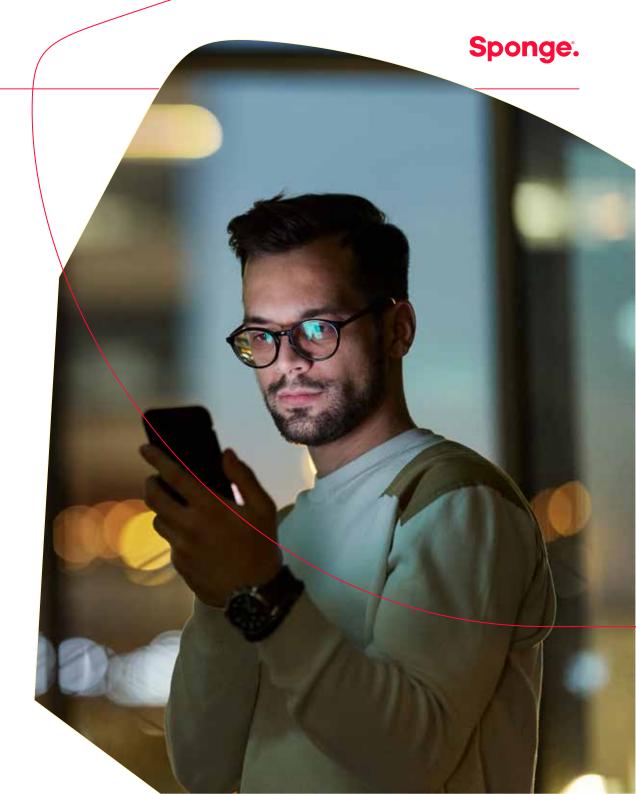


What we do and why we do it

Sponge creates elearning solutions for global businesses. With more than 15 years of experience in bespoke content development, Sponge has evolved from a purely custom elearning organisation to a full-service digital learning provider that promises to deliver unforgettable learning to clients. Sponge makes learning that sticks by blending creativity and science, magic and logic, to create a multitude of offerings: bespoke digital learning, off-the-shelf modules, learning consultancy, learning platforms and learning analytics, as well as highly tailorable services that are capable of rapid development and deployment.

We're on a mission to lead the pack in digital learning. Sponge was founded in 2004, and in 2019 our award-winning creative expertise joined forces with cutting-edge technology experts Bolt Learning. We have since been joined by microlearning experts Skill Pill, now Skill Pills by Sponge, and have partnered with Temple Grange Partners, a leading financial crime and compliance consultancy practice, to develop innovative elearning solutions. In the past year, we also expanded our offering in European-related compliance by establishing the Germany-based Sponge Compliance.

Sponge Group has approximately 202 staff working across our offices in the UK, Berlin, and Brussels. Our digital learning is used in more than 124 countries worldwide, and we continue to grow and strengthen our library of market leading, digital learning content. We strive to embed environmental, social, and corporate governance (ESG) best practice into our own operations, and we help our customers to improve their own performance in these areas through our elearning solutions.





66

I am pleased to share with you Sponge's third annual ESG Impact Report. We have made good progress against our targets from previous years."

Adam Poulter, CEO

Innovation in learning: a message from our ESG committee Chair

A key focus for Sponge over the past year has been evolving our core delivery alongside our environmental, social, and corporate governance (ESG) agenda. We are in the process of re-setting our strategy and re-aligning the ways in which we address and deliver content with a stronger focus on governance, risk management, and compliance (GRC). Alongside this process, we have developed a range of credentials to help our clients improve their ESG performance. Our strategic re-structure and internal changes are part of our building for growth.

Our current offering includes GRC learning and training that supports many social and governance aspects of ESG. These include code of ethics, anti-bribery and corruption, anti-modern slavery, risk management, and health and safety. However, we want to help other organisations to move beyond compliance to implement environmental as well as social and ethical governance learning into their business strategies, and we always seek opportunities to support strategic environmental leadership through elearning. As part of this aim, we have launched modules addressing key ESG topics including Protecting the Environment, equal opportunities awareness, and cyber security.

In April 2022, our successes were recognised by the Fosway 9-Grid™ move from 'core challenger' to 'core leader'. To have the industry's foremost analysts name us as leaders in this space is testament to the integrity of our forward-leaning strategy, but primarily to the dedication, commitment, and intellectual horsepower of our fantastic team. Moving from strength to strength, we built on last year's EcoVadis Bronze Medal to achieve Silver, placing us in the

top 25% of more than 90,000 companies scored in 160+ countries. EcoVadis assessments rate companies' environmental, social, and ethical performance, and our improvement was partly thanks to our history of reporting on our ESG impacts, including setting out our targets and strategy to achieve improvement across these areas.

As such, I am pleased to share with you Sponge's third annual ESG Impact Report. We have made good progress against our targets from previous years. However, this year we wanted to move away from broad targets and objectives and further refine our ESG agenda to reflect our core areas of impact. Our alignment with the ISO suite of external, globally recognised certifications has guided most of our target-setting for the year ahead.

This year's reporting period looked very different from last year's, and I am sure I'm not alone in feeling a sense of opportunity and optimism about the future. Sponge will continue to innovate, delivering industry leading e-learning to our clients, and challenging ourselves to improve our own operations wherever we can.

Adam Poulter, CEO

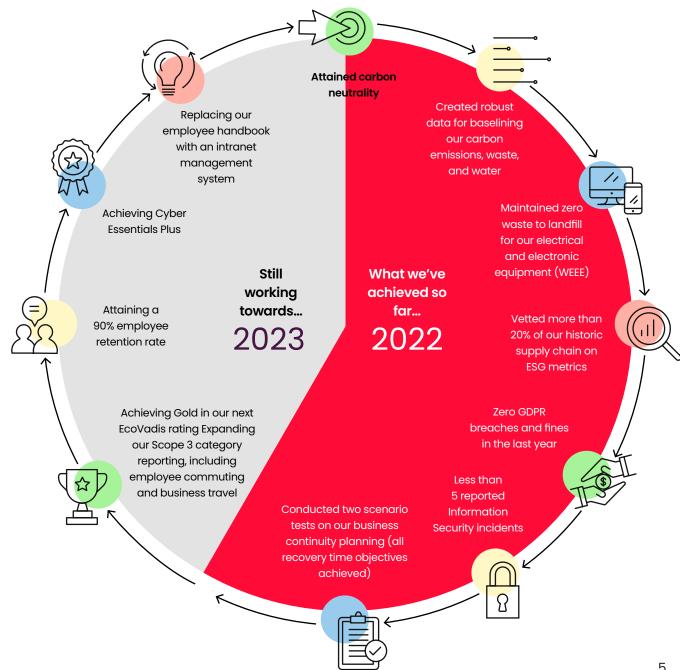


ESG Targets

Environmental

We continue to work hard to improve our environmental impacts. However, to set ambitious but appropriate targets, we first need to clearly understand our energy, waste, and water baseline usage. The changing work landscape over the peak pandemic years, as well as our recent office move and international expansion, have all meant that the parameters for our baseline data have shifted each year. As such, in the coming year we plan to solidify our data reporting processes and achieve a solid baseline, so that, in future years, we can plan our net zero pathway to reduce our carbon emissions across electricity, gas, and transport, as well as looking to set targets to reduce our waste and water impacts.

As a digital learning provider, we take seriously the need to reduce the impact of waste electrical and electronic equipment (WEEE). We will continue to divert all WEEE from landfill within the organisation.



Social

In addition to expanding awareness of our downstream impacts, we have set the target to better understand our upstream impacts. We have committed to vet our existing supply chain on ESG metrics and have already engaged 100% of our critical suppliers. Our supplier evaluation questionnaire assesses suppliers across a range of ESG issues from business continuity and modern slavery to their carbon commitments.

Our people are our biggest asset, and we have set the ambitious target of achieving 90% employee retention across the company. To achieve this, we are already scaling up our employee engagement and strengthening our health and wellbeing provision for staff. We continue to expand the ways in which we embed diversity, equity, and inclusion both across the organisation, and in the learning content that we offer to our clients.

Governance

Cyber security is a major concern for any digital company. Our risk management and business continuity planning ensure best practice within and beyond GDPR and Information Security, and we have set rigorous targets to ensure we maintain our high standards in these areas. We also aim to achieve Cyber Essentials Plus, best practice in cyber security management, by the end of March 2023.

We aim to complete the process of moving away from our employee handbook and fully implementing a more dynamic intranet management system delivered by SharePoint. This will improve the visibility of key and mandatory policies, while making policies which need to be available on a more ad-hoc basis more accessible.



Aligning with the Sustainable Development Goals

Developed by the United Nations, the Sustainable Development Goals (SDGs) are 17 overarching goals that provide a global framework for peace and prosperity in consideration of the environment. We have identified four of the UN SDGs which most closely reflect our key areas of impact and seek to demonstrate our contribution and alignment in these areas. This year, further developing our alignment over the past three years, we have dug deeper to identify the specific targets within each goal where our alignment is strongest. These goals and targets provide a framework to drive our ESG improvements and embody the key areas of focus that have been identified by world leaders.







Good health and wellbeing

Ensure healthy lives and promote well-being for all at all ages.

Target 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all.

Our Contribution:

- Health is a fundamental human right and a key indicator of sustainable development. By ensuring that employees have safe working conditions and access to health services, companies establish healthier employees and better relationships which in many cases has positive effects on productivity.
- We continue to strengthen the support we offer our employees and have established a Wellbeing Team to promote health and wellbeing initiatives across the company. Most recently, this includes the launch of our health cash plan, which offers additional health and wellbeing benefits to employees.



Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.

Our Contribution:

- Ensuring inclusive and equitable quality education is central to who we are as a learning provider.
- In June 2022, we launched our new youth programme which gives colleagues access to both internal and external mentorship opportunities and resources.
- We have two employees completing apprenticeships which started in the summer 2022.



Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Target 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Our Contribution:

- Through developing and deploying cutting-edge e-learning content, our core purpose is to strengthen the availability of a skilled workforce, equipped for challenges in the 21st century.
- Our GRC offering helps our customers to comply with ethical business practice and decent working conditions, including code of ethics, antibribery and corruption, anti-modern slavery, and health and safety.



Reduced inequalities

Reduce inequality within and among countries.

Target 10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Our Contribution:

- We embed inclusivity within our hiring, promotion, and retention policies and practices.
- Our Diversity Squad educates colleagues about workplace issues relating to equity, diversity, and inclusion, and helps embed our inclusive ethos throughout the employee life cycle.
- We developed 17 courses focused on creating a welcoming workplace for all, with topics including racism, microaggressions, and unconscious bias.

Sponge.

Environment

Digital Carbon Footprint

The digital sector currently accounts for between 2% and 7% of GHGs globally and this is set to double by 2025. The replacement of devices (at company level and product user level) and the energy used by data centres make up most of these emissions. One study showed that the environmental footprint of a user of a company's IT system is roughly equivalent to the air pollution of a 1,926-mile car ride (around 788 kg of CO₂), the energy usage of charging 100,540 smartphones (about 1,520 kWh of energy) and taking 428 showers (23,555 litres of water)¹.

Global spending on the 'digital transformation' is expected to reach \$6.8 trillion by 2023². Digital transformation is the process of using digital technologies to create new — or modify existing — business processes, culture, and customer experiences to meet changing business and market requirements. The UK government is committed to decarbonising the economy and achieving national Net Zero status by 2050³. Companies need to begin developing and improving their Net Zero pathways to stay ahead of legislative and regulatory requirements which will increase in the coming years.

In addition to meeting legal requirements, digital and technology service and product providers who ensure best practice throughout their operations can improve their impact on the environment while also increasing business opportunities. Many organisations, including branches of government such as Defra, choose suppliers that demonstrate sustainability both in terms of their own practices and those of their suppliers. Areas of best practice that customers look for in their supply chain include monitoring and reducing GHGs and using renewable or green energy, increasing resource efficiency, reducing and minimising waste, and reducing energy and fuel consumption.

At Sponge, we recognise that our digital footprint is our most significant environmental impact, and we need to find a way to measure and tackle it.

This will be the pivotal element of the next phase of our ESG strategy.

lhttps://defradesa.blog.gov.uk/2019/10/14/how-to-reduce-your-digital-carbon-footprint/ 2https://www3.weforum.org/docs/WEF_Bridging_Digital_and_Environmental_Goals_2021.pdf 3https://www.gov.uk/government/publications/net-zero-strategy

Utilities

Energy

UK	01/05/19 –	01/05/20 -	01/05/21 -
operations	30/04/20	30/04/21	30/04/22
Electricity	38,207	32,547	32,582
(kWh)	kWh	kWh	kWh
Gas (kWh)	-	11,499 kWh	23,911 kWh
Total	38,207	44,046	56,493

In September 2021, we moved to 100% renewable electricity for our site in Plymouth, which was our biggest site during the reporting period. Although our business extends into operations in Germany and Belgium, this year we are continuing to report on our operations in the UK while we develop our data gathering processes across the business internationally.

Waste

In the UK, we use a mobile shredding and recycling service at our Bristol site. Over the course of 2021, 267 kgs of paper waste were recycled. This saved the equivalent of 2.7 trees from being felled for making paper and prevented 0.89 cubic metres of waste from going to landfill.

Based on feedback from our working group, we removed all desk bins to cut back on single-use plastic bin liners. We have kitchen bins with recycling and general waste bins on each floor. We also have confidential waste bins next to printers.

We prevent 100% of our waste electrical and electronic equipment (WEEE) from winding up in landfill. Our old IT equipment is collected and refurbished by an organisation that sells it on to schools and local businesses at a lower price. We also return our Mac equipment back to Apple to refurbish and sell on.

At our sites in Plymouth, Edinburgh and Berlin, we have a management cost which covers water alongside grounds maintenance, internet access, and other facilities-related charges. We have information relating to our Plymouth waste, but all other sites are covered by a monthly waste, energy, and water facilities charge. As such, our aim over the coming year is to find ways to measure our waste more accurately.

100% of our waste electrical and electronic equipment (WEEE) is diverted from landfill.

Transport

Employee mileage	01/05/19 – 30/04/20	01/05/20 - 30/04/21	01/05/21 – 30/04/22
Total Employee miles reclaimed (diesel/ petrol)	17,861	5,295	21,015
Number of Employees reclaiming	17	8	25

Group business travel mileage

	Mileage	tCO ₂ e
Rail travel total	47,678	2.7 tCO ₂ e
Air travel	36,799	14.5 tCO ₂ e

Per employee, mileage has decreased 33%.

This has been achieved primarily through moving many of our meetings and some aspects of our customer delivery online.

Review of the year

Our Learning Designers, Project Managers, and Sales team need to travel to service our customers where online consultations and delivery are not possible. We gather data about the mileage our employees are reclaiming during their business travel. Last year, our operations were heavily impacted by the Covid-19 pandemic, meaning our travel was reduced significantly. We have therefore used our first year of reporting, 2019 – 2020, as a more accurate baseline.

The first national lockdown in March 2020 meant that travel was significantly reduced for the last two months of our baseline reporting period. This year is therefore our first report that includes a full year without national lockdowns impacting our business travel. If accounting for the travel that would likely have occurred in our baseline year if not for Covid-19, our travel has reduced 2% overall and 56% per employee.

As we continue to expand as a business, we believe setting a target to reduce emissions per employee is the most realistic way to encourage company-wide carbon reductions while allowing for company growth. Since our baseline reporting period, our workforce has grown approximately 43%, while our mileage reclaim has increased 15%. This means that per employee, mileage has

decreased 33%. This has been achieved primarily through moving many of our meetings and some aspects of our customer delivery online.

We have also had a significant amount of air travel between The UK and Berlin this year, which has been critical for integrating our new Sponge Germany colleagues into the Group. While we do not foresee the current level of international air travel continuing in future years, it has been an important part of successfully creating a shared purpose and culture across the group.

Plan for next year

We have created a number of fantastic office spaces, perfect for growing relationships and providing opportunities to foster an environment focused on wellbeing with our colleagues, we plan to encourage employees to combine working and collaborating in person in our offices alongside working remotely.

One of the key considerations for the selection of our new Bristol headquarters was making sure the location was central and easily accessible by public transport. We have not historically gathered data about our employee commuting patterns, but we intend to implement an employee survey in the coming year to understand how colleagues commute to work, and how this impacts our carbon footprint.

Carbon Footprint

To attain global emissions targets and retain relevance in the net-zero economy, all organisations need to drastically rethink and reform current business practices. 2022 saw record breaking temperatures worldwide, with the UK experiencing its hottest day since 1884⁴. This, combined with a sweep of devastating natural disasters, reinforced the urgent need for organisations to act swiftly to mitigate the impact of a warming planet.

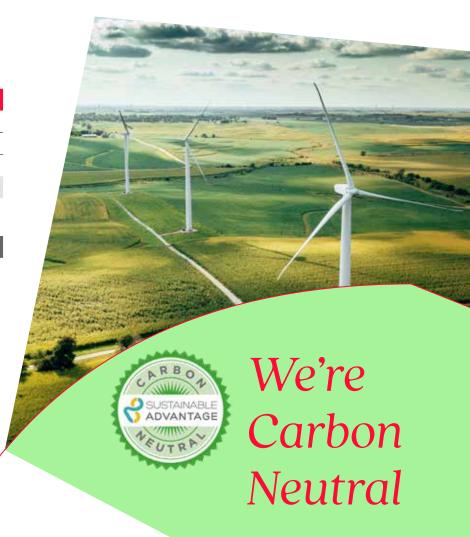
In 2022, Sponge repeated our carbon footprint calculations. Once again, we assessed the emission areas where we have direct control and the greatest impact to drive positive change. This includes our Scope 1 (natural gas) and Scope 2 (purchased gas) emissions for Sponge's UK sites, in addition to our partial Scope 3 (employee mileage) emissions.

In the coming year, we plan to expand on our Scope 3 emissions reporting, delving into our wider emissions areas. This includes our employee's homeworking impact, looking at the emissions generated by our remote working employees. It's expected that this will have a significant impact on the base-level emissions as we begin to measure and include more sources of greenhouse gas emissions.

Our UK Carbon Footprint

	01/05/21 - 30/04/22		
Scope 1	4.4 tCO ₂ e	26%	
Scope 2	6.9 tCO ₂ e	40%	
Scope 3	5.8 tCO ₂ e	34%	
Gross Total	17.1 tCO ₂ e	100%	
Renewable electricity	(-4.6 tCO ₂ e)	-	
Net Total	12.5 tCO ₂ e	-	

While bringing down our emissions is the primary goal, we understand that some emissions output is unfortunately inescapable. To mitigate our impact, Sponge purchased 30 tCO2e of verified carbon credits, investing in a climate impact project located in Zimbabwe. This offset our UK Scope 1 and 2 emissions to attain carbon neutral status. Additionally, we partially offset our wider Scope 3 emissions categories, including our UK employee mileage and group-wide air and rail travel emissions.



4https://www.statista.com/statistics/1033492/top-ten-warmest-years-united-kingdom/





Kariba Forest Protection, Zimbabwe

Located on the southern shores of Lake Kariba, near the Zimbabwe-Zambia border, the Kariba Forest protection project is one of the largest REDD+ projects. Since its founding in 2011, the project has protected nearly 785,000 hectares of forests and wildlife, including many endangered species, amongst them the African elephant, lion, hippo, lappet-faced vulture, and southern ground hornbill.

The project also offers a sustainable livelihood for the communities living in Northern Zimbabwe, a region facing challenges such as poverty, drought, land degradation and deforestation. The project nurtures local community independence and wellbeing through alternative sustainable employment, generating USD 249,000+ income by the local community.

In turn, this has led to enhanced healthcare and infrastructure such as new roads, boreholes and school subsidies, whilst mitigating more than 30 million tonnes of CO₂e.



USD 249,000+ income generated by the local community from beekeeping, moringa tree and community garden sales



Supports health infrastructure – 19 health clinics have been supported by the project since 2011.



Empowers women – 40% of project participants are women, involved in areas including agriculture, education and project management.



Improves access to safe drinking water – 85,000 people have benefitted from borehole maintenance.



Trains local people – 215 sessions have been delivered local people including improved agriculture (143), beekeeping (38) and tree planting (34).



Mitigates emissions – 3,000,000 tCO₂e mitigated on average annually, from 2011 to 2016.



Promotes biodiversity and protecting local wildlife – 784,987 hectares of

land have been conserved or protected.











Supply Chain

Last year, we set ourselves the target to engage with 100% of our supply chain, and we have achieved this target with all critical suppliers since September 2021. During the reporting period, we improved the way we vet and onboard our suppliers, to increase the ESG content we gather. When vetting and on-boarding new suppliers, we issue a supplier evaluation questionnaire which includes questions on what the supplier is doing to reduce waste and energy usage, how they support local communities and charities, and what policies they have in place e.g. health and safety, information security, anti-slavery etc.

We are also working through historic suppliers to understand how their operations align with Sponge values. Because our suppliers number in the hundreds, we are taking the approach of prioritisation based on how critical the supplier is to our operations. We aim to vet approximately the top 20% of our historic suppliers, based on spend.

100% critical supplier engagement since September 2021





Social

This year, our focus for our people has been on wellbeing, diversity, equity, and inclusion (DE&I).

Health and Wellbeing

We have a wellbeing team made up of volunteers across the business who plan and deliver initiatives based around different themes each month. Topics have included stress awareness and On Your Feet Britain, a national awareness day encouraging desk-based workers to be healthier by moving their bodies throughout the workday. Our wellbeing champions are easily identifiable across the business and hold three mindfulness sessions per week, which all employees are welcome to participate in.

We have an employee assistance programme (EAP) which offers both over-the-phone and face-to-face counselling sessions. On the 1st of June 2022, we launched our health cash plan with additional health and wellbeing benefits for employees. We have a monthly subscription to an occupational health provider and make referrals where necessary.

Coming out of the periods of lockdown resulting from the Covid-19 pandemic, we worked with our employees to design a return-to-office hybrid working model that felt safe and comfortable. We offer flexible working in terms of hours and location, and from the 1st of September 2022, we will be implementing a hybrid working approach alongside our core hours model.

Diversity, Equity, and Inclusion

Over the past year, we have continued to update our hiring and people management processes to make them as inclusive as possible. Our equal opportunities and diversity policy guides our approach to inclusive staffing. To understand how widely our job adverts are reaching and to flag any barriers to diversity, we have a detailed, voluntary equal opportunities survey which is completed through our application tracking system. We collect information about our current employees' ages and gender breakdown. We gender decode all job adverts.

In 2021, we created a Diversity Squad whose vision and purpose is to ensure all employees feel safe and included. They inform and educate colleagues about workplace issues relating to equity, diversity, and inclusion, and help embed an inclusive ethos throughout the employee life cycle, including at events and other points of contact between colleagues. The Squad is made up of volunteers throughout the business and meets at least once a month to plan and deliver initiatives.

Our management team is made up of more women than men, while our senior leadership team comprises one third women and two thirds men. Although we do not meet the government threshold to be required to report on our gender pay gap, we see pay parity as a vital element of inclusion, and we are gathering the necessary data to begin reporting. As part of this process, our People team is looking at how we report on gender within the organisation and how to make this inclusive, for example by recognising non-binary identification.

We help our customers to be more inclusive too. We offer a 17-course series focused on creating a welcoming workplace for all. With topics including racism, microaggressions, and unconscious bias, our series teaches right from wrong and helps to change hardwired behaviours.

Learning and Development

We have identified a strategic priority to focus on our own organisational Learning & Development framework, deploying our team of Learning Experience Consultants to define an L&D model using our group library of learning content and leveraging our own learning platform. In doing so, we will be able to offer employees the chance to grow, while also enabling the organisation to more effectively attract and retain employees. All our employees undertake induction which includes Basic First Aid, Basic Health and Safety, Fire Safety and GDPR compliance training.

Our annual performance reviews focus the conversation on development and progression, and we have many success stories of colleagues joining our graduate schemes and advancing up to senior and management levels. In June 2022, we launched our new youth programme which gives colleagues access to both internal and external mentorship opportunities and resources. We had two apprenticeships starting in summer 2022.

Employee Engagement

We use a variety of platforms to engage and communicate with our colleagues. These include monthly all-hands video calls and regular communications via Microsoft Teams and email. Recently we ran our first all company engagement survey and have fed back results and trends to employees along with our plan to address areas of development.

Community Engagement

To coincide with World Health Day we ran a charity campaign, Our Planet, Our Health, Our Contribution. To celebrate achieving Core Leader on the Fosway 9 grid, we suggested 9 ways employees could support the planet, their health and the people of Ukraine – ranging from switching one of our cosmetics to an environmental alternative, having a digital detox over a lunch break and to buying an item from a Ukrainian seller.

This year we will be focusing on more charity and community initiatives, such as gifting some of our learning modules to charitable organisations and supporting those struggling with food poverty.



Sponge.

Governance

Our ESG practices are underpinned by rigorous governance measures to maintain the standards expected by our stakeholders. To ensure we continue to meet both legislative and operational requirements, we are also in the process of maturing some of our processes, such as corporate criminal risk assessments and contract reviews.

Policy Review

At Sponge we have a continuous improvement methodology behind everything we do, and we are constantly making changes to improve the quality of our service and products every step of the way. Over the past year, we have worked on reviewing our contracts, and HR policies, to ensure that we are meeting our legal requirements and aligning operations across the business. We are in the process of replacing our employee handbook with applicable policies, processes, and toolkits.

Over the past year, we have undertaken an annual policy review of all policies. This included clarifying which policies must be signed by different levels of seniority within the organisation; streamlining where policies are kept and how they are shared; and the on-boarding of our German colleagues leading to translation and issuing of policies on a different platform.

We are in the process of moving away from our employee handbook towards a more dynamic intranet SharePoint management system. This will enable our employees to more easily differentiate between our mandatory policies – for example grievance and disciplinary – and those policies which need to be accessible when people need them (e.g. maternity).

Certifications

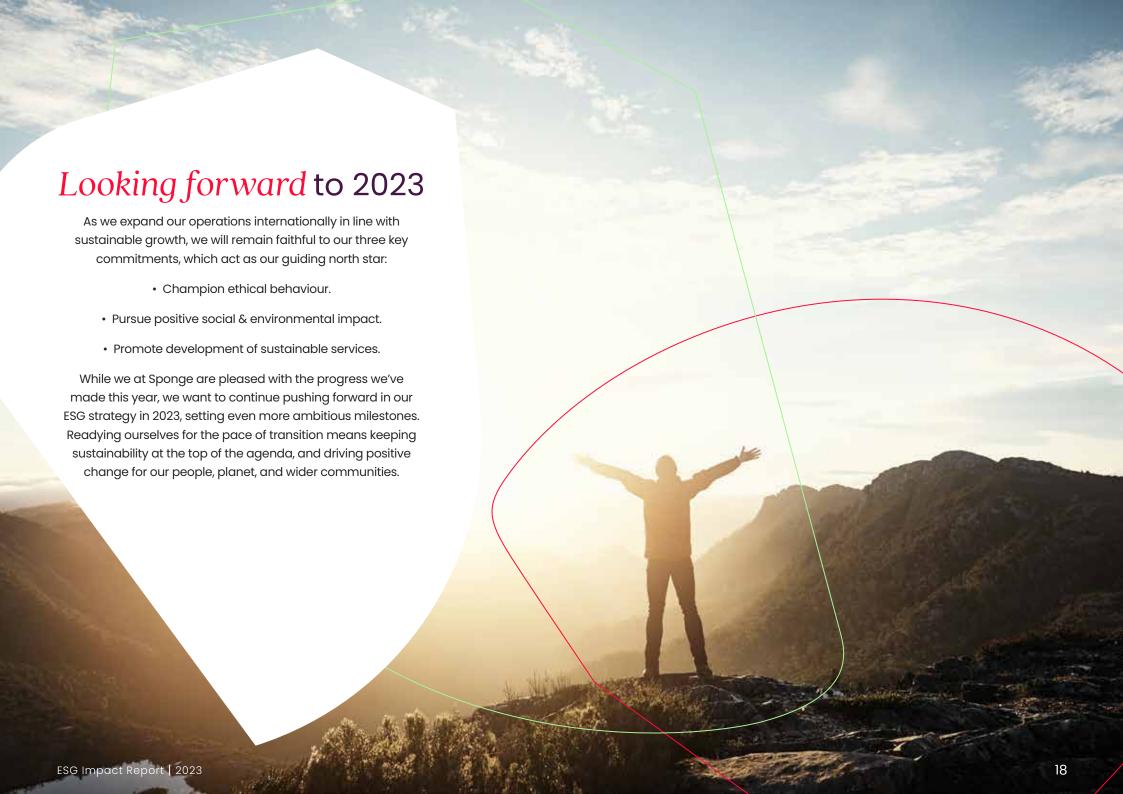
Our governance practices are bolstered by external audits, maintaining internationally recognised standards for our processes and procedures. This includes ISO 27001:2017, conducting due diligence on the protection of our critical systems. We are also accredited for ISO 9001 (Quality), 22301 (Business Continuity) and ISO 14001 for our environmental management system, to underpin our environmental commitment.

Delivering a quality product

Sponge's group quality policy ensures we provide our clients with an industry-leading product.

From delivering on time to enhancing our client's business, our policy ensures we maintain the highest service standards in line with agreed processes, timescales and budgets.









An intelligent approach to energy, waste 8 sustainability

Sustainable Advantage
Hersham Place Technology Park
Molesey Road
Hersham
Walton-on-Thames
Surrey
KT12 4RS

info@sustainable-advantage.com 0203 544 2030

