Softcat

CONNECT

Softcat plc
Annual Report and Accounts 2023

CREATING OPPORTUNITIES TO GROW AND CONNECT

Every year we pick a 'word for the year'. The word is our anchor point for our values and behaviours which we promote and encourage throughout the year. Our word this year is 'connect' and it feels so important to us for several reasons. As Softcat expands, it would be easy for connections to be lost, between geographies, offices, colleagues, teams and departments.

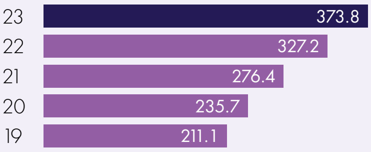
We are determined that no matter how big we get, we will not lose the DNA that got us here, and connection with each other plays a huge part in that. Connecting is about bringing colleagues together, whether that is for special events, such as our annual Kick Off for all of our employees, or simply in the flow of work. Reminding everyone to connect is vital.

SUSTAINED PERFORMANCE

Financial highlights

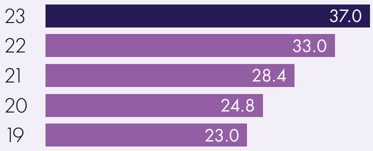
Gross profit £m

£373.8



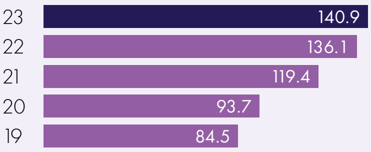
Gross profit per customer £'000[2]

£37.0



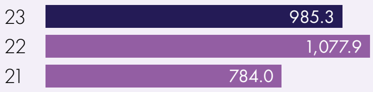
Operating profit £m

£140.9



Revenue £m[1]

£985.3



Customer base '000[2]

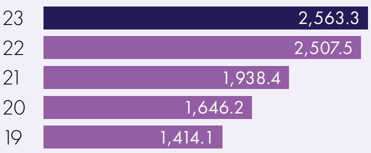
10.1

Cash conversion %[3]

93.2

Gross invoiced income £m[3]

£2,563.3



Operational highlights

- Gross profit growth: 14%
- Operating profit growth: 3.5%
- Cash conversion: 93%
- Employee engagement: 92%
- Customer satisfaction: 97%
- Customer base up by: 200
- Gross profit per customer growth: 12%

1. During FY2022, there was a change in accounting policy for the IFRS IC agenda decision – IFRS 15 Revenue from Contracts with Customers, treatment of software revenue as agent revenue. This resulted in the restatement of the FY2021 comparatives during the prior period. As a result, revenue is only available on a comparable basis for 2021 to 2023.
2. Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.
3. Gross invoiced income (GII) and cash conversion are alternative performance measures. Please see page 35 for further definitions and reconciliations.

Pages 1 to 78 form the Strategic Report of Softcat plc for the financial year ended 31 July 2023. The Strategic Report has been approved by the Board of Softcat plc and signed on behalf of the Board by Graham Charlton, CEO, and Katy Mecklenburgh, CFO.

Contents

For more information visit:
www.softcat.com

A 30 YEAR JOURNEY...

1993

Founded by Peter Kelly

1995

First profitable year of trading

We've come a long way; from selling PCs out of a High Wycombe shed in 1993 to delivering transformative solutions to a global customer base.

2002

Software catalogue became Softcat

2013

Softcat launches eCat: its online purchasing platform for customers

2014

6th Best Workplace in Europe

Turnover reached

£500m

2015

Listed on the London Stock Exchange

2017

99%

Customer satisfaction for seven years in a row

2019

Ranked 6th as Rate my Apprenticeships Top 100 Employers

2020

Launched the Softcat Community Network

2004

Moved to Marlow

Turnover reached

£50m

35

Employees built an orphanage in Fiji

2007

2008

Second office opened in Manchester

Turnover reached

£100m

2010

Opened the London office

Sunday Times No.1 Best Small Company to Work For

2011

Charity donations exceeded

£100k

2021

Softcat became the UK's NO.1 VAR

Transformed part of our Marlow office into a COVID-19 vaccination centre

First FTSE 250 Company to receive 5* from UN for Sustainable Development Goals

2023

Opened the Newcastle office

...AND BEYOND

A CONNECTED COMMUNITY

Our goal is to be the leading IT infrastructure solutions provider as measured by employee engagement, customer satisfaction and shareholder returns. Success will create opportunities for our people and drive growth for our customers and partners.

Our offering

We support commercial and public sector organisations to design, procure, implement and manage their digital infrastructure. Our continuing success puts us in the privileged position to invest in new capabilities in exciting and emerging areas of technology, organised around three key customer priorities:

Hybrid infrastructure

Designing, implementing and supporting a mix of private and public cloud, optimised for individual customer needs.

Cyber security

Providing assessment services as well as implementing and managing solutions to stay one step ahead.

Digital workspace

Designing and implementing the tools and applications to deliver agile, collaborative and highly productive business environments.

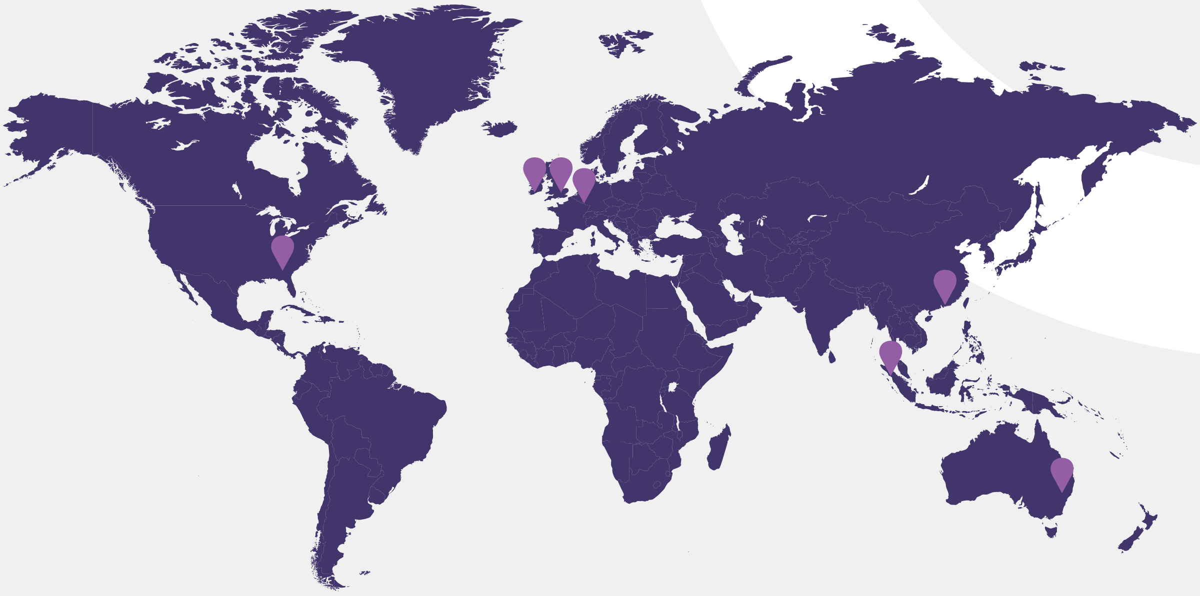
Read more on page 24

Our vendors

We're proud to collaborate and work closely with all the biggest global technology vendors, as well as emerging innovators, to deliver the broadest possible choice for our customers.

Read more on page 27

Where we operate



97%
customer satisfaction

10,110
customer base

2,315
people

Onwards and upwards

We are predominantly based in the UK, with branches in Ireland, the Netherlands, Hong Kong, Singapore and Australia. We also have a branch in the US, where we built a small team last year. Our customers are based in the UK and Ireland and our multi-national business supports the international needs of our UK and Irish customers through the branch network. We've expanded the capability of our multi-national operations to handle the most complex logistics and operational demands of our customers, regardless of the geography they operate in.

We continue to grow and during FY2023 we added our 2,000th employee and grew our customer base beyond 10,000. We also opened our newest office in Newcastle to bring us closer to existing and potential new local customers.

As we continue to grow, we maintain our focus on our customers. We achieved an impressive rating of 97% customer satisfaction, which built on the prior year rating of 94%.

Read more on our approach to stakeholders on pages 36 to 41 and on our progress to build a more sustainable business on pages 50 to 71

A CLEAR DIRECTION

Our purpose

To help customers use technology to succeed, by putting our employees first.

Our vision

To be the leading IT infrastructure product and services provider in terms of employee engagement, customer satisfaction and shareholder returns.

Strategy

Acquire more customers.

Sell more to existing customers.

Read more on pages 28 to 31

Enabled by our...

People and culture.

Read more on page 44

Ease of doing business.

Read more on page 18

Maintaining relevance and expanding our addressable market.

Read more on page 22

Guided by our values

Fun

Responsibility

Community

Intelligence

Passion

Read more on page 44

WHY INVEST IN SOFTCAT?

We are well positioned to help commercial and public sector organisations design, procure, implement and manage the right IT solutions to match their needs. We set ourselves apart from our peers as the solutions provider of choice through our unique culture. By providing the best IT solutions, we provide the underpinnings to the modern digital economy. We are well placed in our market, which is in a sector seeing substantial growth – we think there is so much more growth to come.

1 We advise, design, procure, implement and manage technology for our customers

Read more on page 4 and pages 22 to 26

We work with all of the leading global technology manufacturers to provide our customers with the broadest possible choice of IT infrastructure solutions to suit their needs. This includes software licensing, workplace technology, networking, security, cloud and datacentre. We do all of this through our own teams of technologists augmented by numerous specialist service partners.

400+ vendors and partners

2 Proven customer excellence

Read more on pages 22 to 27

We provide much the same technology as our competitors. What makes us different is the passion and expertise of our people in supporting our customers across our offering.

97% customer satisfaction

3 A dedicated and passionate team

Read more on page 44

We believe that if people enjoy what they do, and care about the company they work for, they will perform at a higher level. Our culture is the vital ingredient to providing outstanding service to our customers.

92% employee engagement

4 Market-leading growth and financial strength

Read more on pages 16 to 19 and pages 34 and 35

We have delivered 18 consecutive years of gross invoiced income and profit growth, all of which has been organic. The business has no debt and a strong track record of cash generation.

20% compound annual growth rate in GII over the last ten years

5 Large and growing addressable market

Read more on pages 22 to 27

We estimate our UK addressable market is around £60bn in 2023. Per Gartner, this is forecast to grow at 9% p.a. through to 2027. As the largest VAR in the UK we have a relatively small share of the addressable market, giving us the opportunity to deliver market-leading growth.

4.3% estimated share of addressable market in FY2023

We connect and collaborate with major global technology vendors, as well as emerging innovators, to deliver the broadest possible choice for our customers.

We then connect to our customers to help them use technology to succeed by focusing our advice, procurement and services across three key IT priorities: hybrid infrastructure, digital workspace and cyber security.

HOW WE CONN

97%
customer satisfaction

2,315
employees

10,110
customer base

ECT

Connecting our customers to solutions

We connect our customers to a single point of purchase for a broad range of technology solutions and services including: public and private cloud, collaboration, datacentre, lifecycle solutions and software licensing.

Connecting our employees to each other

This year our headcount passed 2,000 employees. We are working harder than ever to make every employee feel part of a connected team at Softcat. Our training makes employees feel equipped and innovates them to provide the best solutions for our customers. Our culture focuses on both teamwork and on celebrating individual contributions, ranging from our employee of the month awards to team of the year awards.

> The people within Softcat appreciate the culture built over many years and embrace this. We all work collaboratively together and support one another throughout. It really is a very healthy, happy and prosperous environment.

Response from 2022 employee satisfaction survey

In focus

Bringing technology to life

We also connect to our customers by bringing their technology to life with our Services team, helping our customers achieve their business goals sooner and with more efficiency by:

- Designing our support to help them overcome their key challenges
- Simplifying the complexities of modern technology
- Making their technology investments more manageable

INVESTING FOR FUTURE GROWTH

> In my first few months as Non-Executive Chairman of Softcat, I am very satisfied with the performance of the Company, the team at Softcat and the contributions and guidance of the Board.

Graeme Watt
Non-Executive Chairman

I am pleased to provide my first statement as Non-Executive Chairman of Softcat, following my move to this role on 1 August 2023

FY2023 was my final year as Chief Executive Officer ('CEO') of Softcat and the performance of the business is explained in detail in the reviews of the current CEO and CFO on pages 16 to 19 and 34 and 35 respectively. In summary, FY2023 was another successful year for Softcat where we again exceeded the expectations we set at the start of the year. Key measures of performance moved forward as we grew gross profit, gross profit per customer, customer numbers and operating profit. The team did well to navigate the headwinds of slowing hardware demand, cost pressures and economic slowdown and we took further market share in the UK. Softcat continues to invest in IT infrastructure to be productive, secure and competitive and the majority of our customers are no different. Our strategy and focused execution continue to serve us well.

I would like to highlight three further areas of success that I think underline the progress the team continues to make. Both employee engagement and customer engagement made significant steps forward – this is a testament to the leadership team and to all those that work at Softcat. I am particularly pleased with our performance here. Our fundamental belief that highly engaged and motivated staff will deliver outstanding customer service continues to hold true and the team is always looking at ways to improve. Our efforts to drive inclusion in all facets of what we do have delivered further results, most significantly in gender diversity where now 35% of the workforce are female.

This is up from 28% five years ago and we have hit this important measure five years ahead of our expectation. The leadership team has also made important steps forward in its diversity and is looking to mirror the Company-wide diversity levels.

Whilst the challenging economic environment continues, the Board believes that Softcat's culture, breadth of technology, services and customers position it well to absorb any market demand challenges and the Company continues to fully invest to deliver further organic growth over the long term. I continue to be confident in the Company's future. The focus is on maintaining and evolving the culture of the business to deliver first class customer service. The Company will continue to evolve its technical and service offering to remain relevant and valuable to customers. We work with customers to assist with their technology infrastructure challenges of choice, complexity and rate of change. Technology changes continue at pace so the future is bright as we develop further ways to help our customers and win more customers in the process. Those changes include, but are not limited to, artificial intelligence, edge computing, Internet of Things applications, security, data management, digital transformation and marketplaces. We are not opportunity limited.

The impacts of climate change continues to be a priority and the Company is playing its part to become more sustainable and to help our customers and channel partners make more sustainable choices. In the last year we have taken tangible steps that have made an immediate impact, such as completing the switch of our car pool fleet from petrol/diesel to all electric. We are also installing solar panels at our head office in Marlow and moving energy supply at our other locations to renewable electricity where possible. Further actions are planned and will take a little longer, in particular getting complete alignment with all of our key vendors to ensure our customers have the ability to consider sustainable choices in many more of their purchasing decisions. We will continue to work with all of our vendors to reach this goal.

In my first few months as Non-Executive Chairman of Softcat, I am very satisfied with the performance of the Company, the team at Softcat and the contributions and guidance from the Board.

Softcat continues to be in an excellent position to continue to grow, thrive and perform well whilst taking share in a growing market. The business is in good health with a strong balance sheet and no debt. Our reputation is as strong as ever, our employees remain highly engaged and our customers remain highly satisfied.

Board changes

There have been a number of changes in the Board in the last year, including the Board succession changes as explained in last year's Annual Report. Martin Hellawell retired as Non-Executive Chair and a Director of the Board on 31 July 2023, after having served in various roles at Softcat for 18 years. I can't thank Martin enough for his role in building the success we continue to enjoy today and for his personal and professional guidance he provided to me through my tenure as CEO. We wish him every success and lots of fun in the future. We executed a very thorough handover process from Martin to me to ensure I could 'hit the ground running' from 1 August in my new role, at which point I stepped down from all executive responsibilities at Softcat.

As announced in 2022, Graham Charlton succeeded me as Chief Executive Officer ('CEO') on 1 August 2023. This follows his eight years tenure as Chief Financial Officer ('CFO') during which time he developed a deep understanding of the business and what makes Softcat successful. Our orderly succession plan has allowed Graham to invest a significant amount of energy and time in preparing for the move to CEO and, as the Board expected, he has made an excellent start. The Board has full confidence in Graham and his leadership as he leads the organisation in its next chapter of growth.

We also announced in 2022 that a search for a CFO to succeed Graham would commence. The search considered external as well as internal candidates and we were delighted to appoint Katy Mecklenburgh as CFO with effect from 19 June 2023. Katy has come from outside the Company and shone through in what was a very comprehensive search and selection process. Her background, experience and affinity with our culture made her perfect for the position and she is already beginning to make a significant contribution as she settles into her role. Katy and Graham are already working very well together.

Softcat announced in January 2023 that Karen Slatford (an independent Non-Executive Director and Chair of the Nomination Committee) had advised the Company that due to health reasons she would retire from the public company boards on which she served, including Softcat. On behalf of the Board, I would like to take the opportunity to again thank Karen for her contributions, dedication, wise counsel and down to earth approach during her tenure at Softcat. Following Karen's retirement from the Board, Lynne Weedall, Non-Executive Director, assumed the roles of Senior Independent Non-Executive Director as well as Chair of the Nomination Committee on an interim basis.

Board changes continued

In respect of the overall composition of the Board, we have previously commented that Softcat has a relatively small Board for the size of the business and the Board had previously discussed the potential benefits of adding Non-Executive Directors, if that approach would add further significant value to the Board's effectiveness, skillset and expertise. The Nomination Committee deliberated on this earlier in the year and concluded that the time was right to search for two new Non-Executive Directors – one additional and one to replace Karen. The Nomination Committee, with the support of an external consultant, prepared detailed profiles to define the qualities and expertise required for the new candidates and the consultant undertook an exhaustive search. From a shortlist of very strong candidates we were pleased to recently select and announce the appointment of Mayank Prakash and Jacqui Ferguson as independent Non-Executive Directors with effect from 1 September 2023 and 1 January 2024 respectively.

Mayank is a seasoned chief information officer and brings significant expertise across the areas of operations, technology, and digital information and transformations. In addition to significant non-executive experience, Jacqui is familiar with Softcat's business ecosystem and has a wealth of knowledge in the large scale, growth-oriented business-to-business technology environment. I welcome both Mayank and Jacqui and the valuable contribution they will make to the quality of the Board.

Following a review of Board composition, the Board is pleased to confirm with immediate effect that Lynne Weedall is appointed as Chair of the Nomination Committee on a permanent basis. The Board has agreed that Lynne will retain the role of interim SID, which will transition to Jacqui on a permanent basis at some point in 2024.

After just over five years as Softcat's CEO, I succeeded Martin Hellawell as Softcat's Non-Executive Chairman and I am most grateful for the opportunity to remain on the Board of such an excellent company. My move was explained in last year's Annual Report, as part of our orderly succession plan. As mentioned last year, the Nomination Committee (of which I was not a member at the time) had considered alternative potential candidates. They concluded that my industry channel experience, deep network of industry relationships, public company experience, Softcat knowledge and cultural fit were key attributes and very much in the interest of all stakeholders, particularly our shareholders. My appointment was very carefully considered by the Nomination Committee, which acknowledged that the appointment of the CEO into the role of the Chair is not in line with the recommendations of the UK Corporate Governance Code. However, the Board has a very clear and successful operating model as demonstrated during the time when Martin was Chair (Martin was formerly Softcat's CEO). Martin regularly explained that the CEO is 'the boss' of the Company and that will be no different going forward. Graham is in charge of the business; I am confident that he will take the business to the next level.

I am very pleased with the composition of the Board following these changes. We have further built out our skillset and are well positioned to provide the strategic oversight, constructive challenge and support expected for an effective board. The Board will also benefit from leveraging the expertise and experience from the recent appointees in addition to that of the existing Board members.

Board effectiveness

I am delighted so far at the way the Board operates and I believe we are a strong and effective Board. On becoming Chairman, I discussed with the Board the way we work together and we have considered what works well and where we can make some improvements or changes. We have conducted an internal Board evaluation process this year (see page 88), which reaffirms my view that we continue to work well. As it should, the evaluation identified some points for improvement on which we will take action.

Stakeholders

I am pleased with the way the Board continues to provide effective oversight and consider Softcat's wider stakeholder base. Throughout the year we have had regular updates on the engagement, recruitment and retention of our employees and on customer satisfaction. The Board has approved three targets as part of its commitment to continue improving its environmental impact in the business and within the supply chain and these were reviewed by the Sustainability Committee during the year. We are making good progress in all of these areas, which are described in more detail elsewhere in this Annual Report.

The Board also continues to engage with management on the many efforts to improve our diversity and inclusion. We recognise that we still have more to do and it will take some time before we reach a better diversity mix in some management roles, but I would like to thank our employees for their continued efforts. Softcat remains a particularly inclusive place to work and I am proud of the way our Community Networks (see page 47) bring this together for so many of our employees.

The Board has also had two direct engagement sessions with the employees of our offices in Leeds and Manchester this year, giving employees the opportunity to ask questions and get answers directly from the Board.

The views of our shareholders continue to be very important to me. As Chair, I will maintain our longstanding programme of contact with our largest shareholders and with the proxy advisory agencies, encouraging engagement with me and/or other Non-Executive Board members if required. This programme does not cover operational business matters but focuses on Board matters, governance and stewardship. This remains valuable in achieving a better understanding of mutual objectives from the investors' perspective.

Dividend

The Board has reviewed Softcat's dividend policy and it remains unchanged. Our dividend policy remains a progressive one which targets an annual (interim and final) dividend of between 40% and 50% of the Company's profits after tax in each financial year before any exceptional items. Subject to any cash requirements for ongoing investment, the Board will prioritise returning excess cash to shareholders over time. We recommend a final dividend of 17.0p per ordinary share, taking the total dividend to 25.0p per ordinary share.

In addition, we recommend a special dividend of 12.6p per ordinary share is paid at the same time as the final dividend. The Board regularly reviews the target minimum amount of cash required to operate the business and since 2022 has approved a target of £60m. Given the continuing increase in the size and scale of the business, the Board agreed to increase this level to £75m. The special dividend takes into account the increase in target minimum cash holding in the business. Further details of our capital allocation framework and our dividend and distributions policy can be found on pages 90 to 92.

> Softcat continues to be in an excellent position to continue to grow, thrive and perform well, whilst taking share in a growing market.

Shareholders will be asked to approve the final and special dividends at the AGM on 13 December 2023.

Looking ahead

The Company is in great shape to take on future opportunities and challenges presented in the IT infrastructure solutions space and the Board remains confident of our future performance prospects. I am relishing and thoroughly enjoying my new role as Non-Executive Chairman and I am so pleased I can keep my association with a company I love and respect so much. I will work hard to develop in the role as quickly as possible along with the other recently appointed Directors.

Our Annual General Meeting will be held on 13 December 2023 and I look forward to meeting any shareholders who wish to attend.

Graeme Watt
Non-Executive Chairman
23 October 2023

NOW: 2,315 PEOPLE

Q&A

Graeme Watt, Chairman
Graham Charlton, CEO
Katy Mecklenburgh, CFO

Graeme, Graham and Katy talk about their new roles, Softcat's strategy and what's next for the Company

Q How would you describe your transition from CEO to Non-Executive Chairman?

GW I would say it is early days but well planned and orderly. I have left the CEO role behind and it is clear to the Board, and in particular the executive Board members, where my responsibilities now lie. Since announcing, a year ahead of the actual appointment, I have worked hard to ensure I maintained the focus on my executive duties. In parallel I prepared a detailed plan of transition ahead of the change and I completed a thorough handover from Martin Hellawell. I remain very excited and honoured to be appointed as Chairman. I already know the Board well and we have taken time to discuss how we want to run things together given the number of recent changes to the team. I feel I have a lot to offer Softcat in my new position and I have a lot to learn too given that it is my first chair role.

A key early action has been to work with the rest of the Board to make sure we have the right diversity of talent, expertise and experience. We have already announced all of the changes in the pipeline including the appointment of Katy as CFO, the addition of Mayank Prakash as NED with technology experience and the future appointment of Jacqui Ferguson on 1 January 2024 to bring in her industry experience. I start my role as Chairman with a strong Board which is ready to provide the best possible oversight and leadership.

Q How would you describe your transition from CFO to CEO?

GC It's been a very gradual and natural process. We have a terrific culture and a simple strategy and these will be two key features I will nurture and protect. I've learned a huge amount from working with both Martin Hellawell and Graeme Watt since I joined in 2015, and I've used the last year to make good progress against a transition plan to get ready for the role. Perhaps most importantly, I'm really enjoying the job, especially spending more time with our customers and partners, deepening the working relationships with some of our most important stakeholders. While there is a lot for us to preserve, there are also some changes in our industry that require evolution of our model and I'm looking forward to driving Softcat forward into this new era. There will be challenges of course but we are a team at Softcat and I've no doubt we'll be successful together.

Q What attracted you to join Softcat as the CFO?

KM A good number of reasons! Firstly the description of the Company culture, and the priority that was placed on this throughout the recruitment process. The culture encapsulates many values I really believe in and so this really caught my attention. Secondly, the clarity and simplicity of the strategy and business model and the results they have delivered. To have grown top and bottom line every single year, while

> I start my role as Chairman with a strong Board which is ready to provide the best possible oversight and leadership.

Graeme Watt
Chairman

continuously investing in future growth, is remarkable and demonstrates great execution. Thirdly the future potential of the Company; with both an expanding market and a relatively low market share there is still so much room to continue our growth trajectory.

Q There have been several changes to the Board of Softcat, does this mean a change of strategy for the business?

GC Our headline strategy is simple and has served us well and will continue to guide us. The changes to the Board will add a new dimension to the discussions we have, and I'm very excited by the new experiences that we have to draw on, but we are all aligned that the core of what has made Softcat the business it is today will not change. At the same time, there are some disruptions happening in parts of the IT Channel and we're excited to find the opportunities for Softcat within that. We will invest in developing new propositions and modernising our operating model, embracing the contemporary methods of distribution and consumption being pioneered by our vendor partners. We will continue to provide the broadest and deepest range of solutions and services to the UK and Ireland market by listening carefully to the changing needs of our customers.

GW We will continue to provide robust challenge and inputs to the strategy for which the Board is responsible. The Board changes are not connected to any change in strategy. We have a really good strategy that together with strong execution has led to excellent historic performance. We are in a fast moving industry and would expect that the strategy will continue to evolve over time. The Board changes are a result of Martin Hellawell stepping down after nearly nine years since Softcat listed on the Stock Exchange and a desire to make sure we have the right mix of skills and experience to lead and provide oversight and this has been supported by a strong succession plan and process.

Q What are your priorities over the next 12 months?

GW To fully settle in as Chairman of the Board and make sure that our new Board members are properly inducted and that everyone on the team feels good about the team and able to contribute actively and effectively. Jacqui joins the Board in January 2024, which will complete the series of changes. It is a great team and one that I am excited to be in a position to lead and help Softcat continue on it's remarkable journey.

GC Maintaining the excellent momentum we have is a priority. Our position today reflects 30 years of relentless focus on our customers. We must not forget what has made us so successful, as our market changes and as we continue to grow we also need to evolve so we continue to be successful in the future as we have been in the past. We are closely tracking innovations like the various forms of AI, marketplaces and edge computing and the exciting options this creates for our customers. Whilst our strategy is consistent, we have very deliberately extended one of our underpinning principles from "expanding our addressable market" to "maintaining relevance and expanding our addressable market". This is a prompt for everyone in the business to avoid complacency and recognise that there are changes we must embrace. This will sharpen our focus on how we continue to be the partner of choice for our customers. This includes the modernisation of our proprietary data and digital platforms to enable the power of emerging technology within our own operations. But we will never forget what got us here either. Being a great place to work where our people feel valued, listened to and supported will always be number one.

KM So far, I have spent a lot of my time meeting the team and getting to know the business. I have visited six of the offices, which has been a great way to learn more about our culture, people and performance, and plan to visit the rest in the next months. I'd like to thank everyone at Softcat who has made me feel so welcome, it has been a brilliant introduction into the Company. I really like the focus throughout the Company not to become complacent. For me that is about responding to market and technology changes and making sure our back office continues to evolve as we grow and become more complex and I am looking to being part of this journey over the next 12 months.

ANOTHER RECORD YEAR FOR SOFTCAT

> We are evolving our customer offering in response to the changing technology landscape, keeping pace with emerging customer needs.

Graham Charlton
Chief Executive Officer

14.2%
Gross profit growth

2.0%
Customer base growth

I am pleased to report on our FY2023 results which represent another record year for Softcat. Our unique culture and relentless dedication to delivering the best customer service in the industry continue to serve us well.

We once again made progress on both selling deeper into existing customers, with double-digit gross profit per customer growth, while also attracting new customers, delivering 1.9% growth in the customer base.

We continued our investments for future growth, growing headcount by 20.5% to 2,315, by investing across all departments. We are evolving our customer offering in response to the changing technology landscape, keeping pace with emerging customer needs. The rate of change in our industry, with respect to the technology we are selling, the channels through which it is sold and the way it is consumed, is significant. However, the customers' need for advice and support in navigating this increasing complexity, and the need to deploy the right technology for their circumstances to remain competitive, is constant. This gives organisations like Softcat an exciting opportunity to take a bigger share of an ever-growing market.

The Company remains in a very strong financial position, and we have great confidence in our long-term growth and cash generation. In recognition of this, we are again recommending the payment of a special dividend.

A huge thank you to all the fantastic people at Softcat for their incredible dedication to each other and our customers, their efforts and attitude continue to be the bedrock of our success. I'd also like to thank our partners for their support and look forward to another exciting year ahead.

Sales Strategy and Execution

Our sales strategy remains unchanged: we continue to look to acquire new customers and gain an ever-greater share of wallet with existing customers.

Gross profit growth, our primary measure of income, grew by 14.2% despite very strong comparative figures, and our annual customer engagement survey, completed by a larger set of customers than ever before, delivered very positive results with an NPS of 62 (FY2022: 55) showing improvements across every category.

Our customer base grew by 1.9%, passing through 10,000. We continue to benefit from their insight and feedback on where they are taking their technology in the years to come and the problems they are trying to solve. Gross profit per customer also grew strongly, up 12.2% in the year, as we retained our focus on delivering high quality service and solutions for both existing and new customers.

The opportunity we have across all segments of our customer base for further wallet share gains in the years to come, capitalising on the full breadth and depth of our technology proposition across software, hardware and services, and within datacentre, security networking and workplace technologies, is as exciting as ever.

We estimate that our share of the addressable UK market is around 5%. While conditions were challenging during the second half of the year, with customers noticeably slowing their rate of investment and some larger, more complex deals being delayed or subject to more stringent procurement processes, we remain as positive as ever about the medium- and long-term prospects for our industry. We have the largest commercial team in the UK market and will continue to invest with intent across all functions as we build capacity and new capabilities to maintain our relevance in a market evolving at pace.

> We have the largest commercial team in the UK market and will continue to invest with intent across all functions...

We will also maintain our position as a key partner to both established and emerging technology vendors, evolving our skills around the ever-changing portfolios of services and products coming to market.

People and Culture

Our culture remains as strong as ever as evidenced by the results of our annual employee satisfaction survey which showed an employee NPS of 63 (as surveyed in October 2022 (FY2022: 52)). Despite our growth in headcount, we continue to not only preserve our strong culture but also evolve it as society adjusts to the world of hybrid working. Having a highly motivated and engaged workforce was the founding principle of Softcat 30 years ago and remains our number one priority, allowing us to attract and retain talented people with an outstanding attitude. Our employees reported that they were particularly happy with our stance on remote working and inclusivity.

Hybrid working at Softcat has settled into a healthy and natural rhythm – staff have the freedom to choose a formula that works for them and we have worked hard to foster an understanding that circumstances are different for everyone and that there isn't an easily prescribed formula that can be mandated across the business. At the same time, it is clear that as an organisation we benefit from as much time as possible spent together and it has been highly encouraging to see our people's response to that. Our offices are vibrant during the middle of the week when teams interact and our partners visit, but also purposefully populated by those who need the space at either end of the working week.

Our annual Kick Off event was hosted face to face in September 2023 for the second time since the pandemic, proving to be a bigger success than ever based on employee feedback and very motivating for the 2,100 employees who attended. Our partner forum and charity ball were also hosted in person and it's terrific to see how both Softcat people and our partners enjoy coming together as a single team.

The labour market eased during the year and we were able to increase headcount by 20.5%. This represents rapid expansion of our sales team (up 24.1%) as well as strong growth in supporting specialist and technical teams (up 13.5%). Expansion of the business operations teams was slower (up 11.3%) following very significant investment during FY2022 in those teams to support the new finance system implementation and other developments.

Our learning and development initiatives continue to bear fruit and we are delighted with the number of employees going through our various programmes including the Sales Development Programme, the Specialist Acceleration Programme, our Tech Starter programme and other initiatives including inclusivity, sustainability and cyber security training.

People and Culture continued

Our leadership transition was completed smoothly during the summer of 2023 as previously communicated. Katy Mecklenburgh joined us as CFO on 19 June and has settled excellently into the Softcat culture. I'd like to formally welcome her to the Company and am very confident she has a big role to play in our future success.

Ease of doing business

During the previous year we implemented a new finance system, alongside which we developed new data management processes and integration layers. This has established a modern system architecture which we are now augmenting with external data feeds, creating exciting new possibilities for analytics and reporting. This in turn can form the basis for new ways of working and, potentially, the application of AI technology to advance our operating model in significant ways. For example, enabling automated lead generation, enhancing the efficiency of our account managers to navigate the enormity and complexity of our customer proposition, and significantly more effective resource allocation.

We also continue to invest in developing the skills and digital platforms necessary to embrace new distribution and consumption models. This includes the adoption of the various marketplaces released by the public cloud providers and distributors, as well as the growing number of subscription-based hardware offerings. Demand for these innovations is variable but developing and we have the plans in place to ensure we are best placed to support both customers and vendors as they reach maturity.

Addressable market

Along with the trends discussed above that we are seeing in the distribution and consumption of IT infrastructure, the market is also witnessing rapid introduction of new and exciting technologies.

Hybrid models of compute and storage, placing data and workloads in the most appropriate and cost-effective location for the task, are producing more thoughtful approaches from customers on the design of their environments and that plays strongly into our design and advice capabilities.

The impact of AI is building rapidly. Datacentres, wherever they are located, are beginning to be designed around the need to handle the demands of this new technology and we only see this increasing. Datacentres are already created for specific needs, but we expect even greater differentiation around specific tasks to be increasingly factored into design choices. Perhaps the most significant impact from AI in the short term comes from its deployment in mainstream desktop applications. This will have immediate implications for the cost of those applications, the technology being expensive to run, but also promises exciting new productivity gains and possibly even the transformation of some elements of the operating model for certain customers. Apart from the licensing of AI-enabled applications, customers will also need to think about where they are hosted and the devices they are deployed upon. Operating systems will need to be refreshed and end-user device estates re-evaluated.

Cyber security continues to be a major concern for customers and while AI is already being deployed within security software, its application will also transform the threat landscape. As a result, we expect to see continued innovation in this space which will mean the constant upgrading of organisation's defences will only become a greater necessity.

Our UK customers continue to ask for our support in their overseas operations, and so we have invested further in our multinational operation across Europe, APAC and the US. We now have 9 people operating out of our US branch and a desire to add more resource as that business grows. This presence in the US will enable us to better understand that market, providing insights that will benefit our wider operations and inform future strategy.

Strategic report

> The Company is well positioned to continue to deliver double-digit gross profit growth through the year, driving further market share gains.

Diversity, Inclusion and Sustainability

Our word of the year in FY2023 was 'Connect' and it has been great to see the Company settle well into a productive hybrid working pattern this year, evidenced by a strong employee NPS score mentioned of 63. We were also featured in the top 50 Great Places to Work in Europe.

Our community networks have once again played a strong role in developing the organisation towards being a more inclusive place to work. This has included raising awareness across the Company of minority groups through our ongoing allyship programme, and we have continued to support The Technology Channel for Racial Equality to improve racial equality across our industry. 17% of Softcat employees are now from ethnic-minority backgrounds.

From a gender diversity perspective, we have met our first target of 35% women in the business, well ahead of schedule, and this includes now having 36% female representation on our senior leadership team. We were pleased to be recognised by Great Places to Work in the following categories:

- 1st in the UK's Best Workplaces in Tech
- 6th in the UK's Best Workplace for Women

We were also pleased to be awarded the Bronze Award by Stonewall for the progress we have made for our LGBTQ+ community and were ranked 124th in the UK Workplace Equality Index. We have collated data for the first time on our employees sexual orientation, disability, neurodiversity, and socio-economic background to better inform company policy in a number of areas in the future.

We were delighted to be able to host our Charity Ball again during last financial year, for the first time since the pandemic, and in total, across the year, raised £470,000 for charitable causes.

During the year we received more recognition for the strides we are making with our carbon reduction plans. We were awarded five-star status by HP in their partner programme and were named Lenovo ESG Partner of the Year.

We continue to work through key industry bodies and contribute to thought leadership in this space and were involved with CRN, Canalys, GTDC, and PWC to influence change across the channel with respect to product data, circular economy and other sustainability initiatives.

The development of Enexo, our in-house sustainability reporting and action planning platform, is ongoing. During the year we have seen more uptake from customers, suppliers and partners to measure and manage the impact of scopes 1–3 in our value chain.

Company-wide training has also been carried out, reaching 98% adoption during our first round of carbon literacy coaching.

We have also worked hard to improve our compliance with TCFD reporting requirements – satisfying 9 of the 11 recommended disclosures.

A huge thank you again to the very special team we have at Softcat for their efforts during the past year. The Company is in great health and perfectly positioned for future growth.

Outlook

The Company is well positioned to continue to deliver double-digit gross profit growth through the year, driving further market share gains. We expect full year FY2024 operating profit to be in line with market expectations.

We expect the operating profit growth to be second half weighted, with modest growth in the first half of the year principally reflecting the strong gross profit performance in the comparative period in the first half.

We see significant and expanding opportunity in our market and will continue to invest to capitalise on this exciting growth potential.

Graham Charlton
Chief Executive Officer
23 October 2023

BUILT FOR SUCCESS

Our business model is resilient and designed to drive value for our stakeholders. Our people are bright, motivated, driven and enthusiastic and trained to meet their customers' needs. Most importantly they care about the Company they work for and the customers they serve. This drives the business model to deliver long-term success.

What sets us apart

1 Our people

Our people are the keystone of our competitive edge. Their passion, intelligence, sense of fun and commitment to the long-term success of our customers are what really make us stand out from the crowd. We support our employees to help provide our customers with a broad range of technology solutions.

Read more on pages 44 to 49

2 Our market opportunity and offerings

Despite 18 years of organic growth in profit and gross invoiced income, a less than 5% share of our addressable market affords us potential for further growth. Our success continues to fuel reinvestment into our technical capabilities, which we add to relentlessly year after year. As a result, we have one of the broadest and deepest technical offerings in the market, positioning us as the partner of choice for even the biggest and most complex solutions.

Read more on pages 22 to 27

3 Our customers

The longevity of our customer relationships is a direct product of the trust they place in our people and the value we deliver from our technical capabilities. During the past 18 years of consecutive organic growth the number of customers and the average GP per customers have both more than trebled.

Read more on pages 22 to 27

4 Our vendor partnerships

Technology vendors face intense competition and need partners that can accurately, reliably and credibly represent their products and services to tens of thousands of target organisations in the UK and Ireland. With our scale and expertise, we offer unrivalled access for both global and local partners to UK and Irish customers. This reach is being further expanded through investment in our multi-national branch network.

Read more on page 27

5 Our financial strength

In a world of risk and leverage, we are proud to be a bit different. We have never had any debt and maintain a strong balance sheet providing strategic agility. We have a highly liquid business model which can comfortably fund both our priority to invest for organic growth and a progressive ordinary dividend policy.

Read more on pages 34 and 35

The value we create for stakeholders

Customers

97%

customer satisfaction

Shareholders

18

years of consecutive organic profit growth

People

92%

employee engagement

How we deliver value

We recruit and train great people with high potential
We work with universities and schools across the country and see thousands of candidates each year before selecting those that are right for Softcat. We look for exceptional people with the right attitude.

We incentivise and engage our people to perform
We create a great place to work where people are recognised and rewarded for success. We regularly measure employee engagement and take actions to make our employees feel engaged and motivated. We are known for our unique culture and it is without doubt the basis of our success.

We win new customers and sell more to existing customers
Winning a new customer is just the very start of the journey; our real aim is to nurture a relationship carefully over many years. If we can prove our worth by never letting a customer down, trust builds and everyone wins.

We deliver outstanding customer service
Only great people who are highly motivated and care about the business they work for can provide truly outstanding levels of customer service over the long term. We try to couple that with a world-class set of technical capabilities and believe the results speak for themselves. We take a relentless approach to customer satisfaction and act on customer feedback to maintain exceptional customer service.

We maintain relevance and expand our addressable market
We continue to mature and evolve our market approach and offering, making sure we remain relevant to customer and market needs. We have a strong track record of developing new revenue streams and are fast to move as the market evolves. Despite our success to date, it's hard to foresee a time when there won't still be opportunity for growth.

Underpinned by our values

Fun

Responsibility

Community

Intelligence

Passion

Read more on page 44

WE PROVIDE A BROAD PORTFOLIO OF TECHNOLOGY SOLUTIONS AND SERVICES IN A GROWING MARKET

Our business is broad based from both a technology and customer perspective, providing us with the best opportunity to take advantage of an addressable market which is expected to continue expanding.

Our simple strategy to acquire more customers and sell more to existing customers and our investment in employees to continue building customer trust give us the confidence that Softcat has a long-term future organic growth opportunity. We are capitalising on our opportunity by investing significantly in new resources and expanding our geographic presence to serve customers better and through ongoing highly effective training and development. Our Sales teams are supported by internal specialists and technology experts who make sure as technology evolves we continue to add to and update our offerings to existing and potential customers.

Our addressable market

Gartner (a leading research firm) estimates that the non-consumer UK IT market is worth £148bn in 2023. Company analysis of this and other sources, such as the CRN Top VARs report, suggests that our addressable market in the UK and Ireland is worth around £60bn. This gives us a market share of around 5%, up from 3% in 2019. Our current customer base of 10,110 represents around 20% of the addressable universe, with whom we have an estimated average of 20% to 25% share of IT infrastructure spend.

Industry commentators predict more market growth in the years ahead, with Gartner forecasting that the non-consumer UK IT market will grow to £193bn in 2026 – a three-year compound annual growth rate ('CAGR') of 8.9%. The areas addressable by us are forecast to grow slightly faster with a three-year CAGR of 9.1% taking our addressable market to £83.7bn in 2027.

Opportunities for Softcat

Our proven model of building customer trust over the long term gives us the confidence that Softcat has a future organic growth opportunity best measured in decades rather than years. To capitalise on this opportunity we continue to invest significantly in new resources to expand our geographic presence and increase our capacity for training and development, as well as adding new specialist and technical skills to the team. As technology evolves over time, it is a strategic imperative that we continue to add complementary offerings to remain relevant to our customers and partners.

Our opportunity goes beyond the UK and Ireland with many of our customers asking for support for IT solutions and services across their global operations. Our branches in the US, the Netherlands, Hong Kong, Singapore and Australia enable us to support these customers with their IT Infrastructure needs wherever they are. There has been particularly strong demand for support in the US and we have now established a US team made up of long-term Softcat UK employees and local new recruits.

In the current challenging macro-economic environment, technology will be integral to enabling businesses to regain, maintain or improve their efficiency and profitability. Organisations across corporate and public sectors will need to further adapt their infrastructure models to deliver enhanced employee and customer experiences and drive productivity and efficiency improvements whilst deriving value from and protecting their data. These drivers and trends play straight into our diverse range of solutions including managed, professional and support services and cloud, datacentre, infrastructure, security and digital workspace solutions from hardware, peripherals and software licensing.

> Each new transformational technology has seen periods of elevated tech spend. We posit that the next wave will be driven by AI, driving UK B2B tech spend from just 3% of GDP in 2023 to 10% by 2031.

Peel Hunt

How we're responding

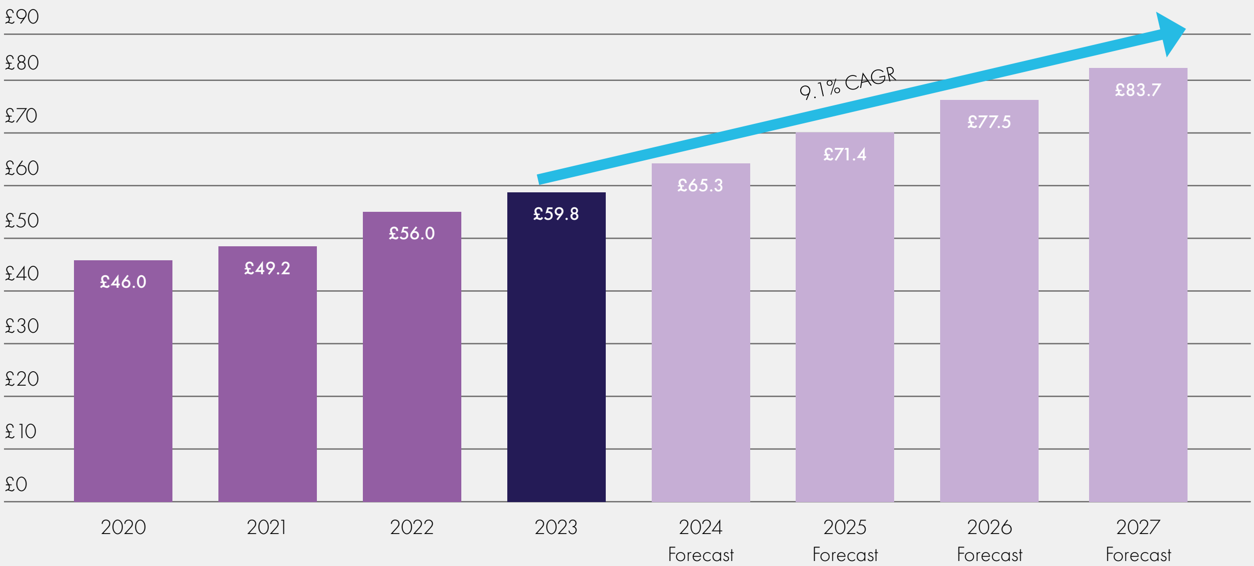
According to Gartner, chief information officers ('CIOs') have many priorities to balance simultaneously. They should:

- use digital technology to transform the company's value proposition, revenue and client interactions;
- evaluate cloud first for new initiatives while maintaining operational on-premise environments;
- use digital technology to realise operational efficiency and cost savings;
- expand the operational landscape to include hybrid work, remote and edge environments; and
- upskill/reskill existing IT staff, hire new IT staff and rebalance the use of an external service provision.

To meet the needs of organisations, we have continued to invest heavily in our tools and technical offering. In the face of economic uncertainty, we have taken very deliberate steps to maintain our investments at a rate at least equivalent to the previous five years. Our cloud proposition is being enhanced through significant initiatives, in particular with Microsoft Azure and AWS, and we continue to build our security services practice as well.

With our focus firmly on the long-term opportunity, we have maintained double-digit headcount growth, encompassing increases across all areas of the business including sales, specialists, support, technical and business operations. Our customers and partners can expect more of the same from us in 2024 and beyond.

Addressable market 2020–2027 (£bn)



(Source: Gartner IT Spending Forecast, 2Q 2023 Update)

GROWING OUR OFFERING IN AN EXPANDING AND EVOLVING MARKET

A structurally growing market

Investment in technology is a tool for commercial acceleration in addition to core demands to drive operational efficiency and reduce costs. Organisations of all sizes are recognising how technology can enhance their competitive position and improve their value proposition. Interactions with employees and customers need to be engaging, seamless and secure. Whilst macro-economic and tech sector conditions continue to define which pockets of IT infrastructure see the highest demand at any given time, long-term tail winds support IT infrastructure spend outstripping UK GDP growth over the long term. As Satya Nadella, chairman and chief executive officer of Microsoft, put it in Microsoft's 2022 annual report: "Technology is a deflationary force in an inflationary economy. Every organisation in every industry will need to infuse technology into every business process and function so they can do more with less. It's what I believe will make the difference between organisations that thrive and those that get left behind." Softcat's wide and evolving offering enables us to serve our customers' needs and to deliver profitable growth.

> Employees with critical IT skills are switching employers, and CIOs are losing talented employees faster than they can hire.
>
> **Gartner**
> July 2023

These competing demands to deliver operational efficiency, reduce costs and deploy technology that enhances organisations' commercial offering provide substantial challenge to chief information officers ('CIOs') and their IT departments. Meanwhile, skill shortages in the tech sector make retaining, upskilling and reskilling staff as challenging as ever. The diversity and depth of our offering, delivered with outstanding customer service, place Softcat in a unique position to advise, architect, deliver and manage across a CIO's remit.

The rise in the use of artificial intelligence ('AI') has been particularly prominent in recent years and we are seeing AI integrating into the strategic and operational plans of our customers. Use cases continue to emerge and the rate and scale of change are expected to accelerate in future. Peel Hunt (a leading UK investment bank) commented that: "Each new transformational technology has seen periods of elevated tech spend. We posit that the next wave will be driven by AI, driving UK B2B tech spend from just 3% of GDP in 2023 to 10% by 2031." For organisations of all sizes, in both public and private sectors, we will be needed to advise, architect and deliver on the increased demands AI will place on core infrastructure and on the new AI environments.

Our customers supported by our people

We are passionate about deepening our engagement with our customers to develop long-term valuable and sustainable relationships. Our sales strategy perfectly aligns with our overall strategy to acquire new customers and sell more to existing customers and is focused on:

- developing our high performance sales culture;
- simplifying our sales and customer journey; and
- maturing our market approach and offering.

We train our Account Managers to build trust over time, by doing what we say we will and responding positively when something goes wrong. As our Account Managers identify opportunities, they will bring in vendor and technology experts to provide guidance, design, procurement advice or service options to support their customers. Over time, customers do not have one relationship with their Account Manager at Softcat but multiple relationships with us across all areas of IT infrastructure.

Our annual customer experience survey is a key check and balance that informs our strategy. It drives the ongoing investment in people and specialist resources needed to deliver on our customer promise.

More than eight in ten members of the Softcat team interact directly with customers in one manner or another, including Account Managers, Sales Specialists, Technical Design, Professional Consultants, Managed Services and our Customer Experience Team, where Customer Success Managers work alongside Service Delivery teams to ensure that complex solutions are integrated and delivered to the highest quality.

We focus on developing, attracting and retaining the best talent, increasing our expertise so that we can better understand the environments and industries that our customers operate in. This helps us collaborate across industries and share best practice and innovation to ensure we deliver the best experience for our customers and the challenges they face. We also believe in putting the right people in place and investing in them over the long term. We are continuing to develop our agenda across issues like inclusion and sustainability – topics that are important to our leadership team as well as our staff, customers and partners.

The new IT landscape

The advent of cloud and the rise of 'as a service' mean that organisations are more in control of their own technology decisions. In addition, they are embracing the ability to consume solutions and services when and how they are needed, and to pay only for what they need.

Accordingly, we focus our independent advice and recommendations, procurement capabilities and services offering across three key IT priorities: digital workspace, hybrid infrastructure and cyber security.

Each of these priorities generates intelligence and insight that underpin our ability to provide proactive, independent and actionable recommendations, to deliver value-added services and support customers on their transformation journey in a bespoke manner.

> CEOs and CFOs who view technology as a competitive advantage, rather than a cost, will continue to increase spending on digital business initiatives.
>
> **Gartner**
> July 2023

Our customers' top five IT priorities

1. Cyber security and services

2. Devices and end user computing

3. Data (including strategy, governance, platforms and analytics)

4. IT asset and service management

5. Networking and connectivity

(Source: Softcat 2023 customer experience survey)

Digital workspace

With a people-first approach, we improve experiences, create choice and enable outcomes by securely connecting people, data, apps and devices. We consider the key aspects that underpin a successful digital workspace strategy: workstyle flexibility, choice and creating collaborative workspaces to enable enhanced productivity and a happier workforce.

95%

of organisations agree that a digital workspace is important

(Source: Dizzion Digital Workplace: Definition, Drivers and Best Practices (smarp.com))

Cyber security

Protecting data, networks and systems is now a critical issue for the industry. Almost every business relies on the confidentiality, integrity and availability of its data. Protecting information needs to be at the heart of an organisation's security planning. As cyber security evolves, we build, implement and maintain ongoing programmes to proactively reduce risk for our customers.

80% and 74%

of businesses of charities

say that cyber security is a high priority for their organisation's senior management

(Source: Cyber Security Breaches Survey 2020 – GOV.UK (www.gov.uk))

IT services

Softcat develops in-house services and invests in an extensive partner ecosystem, maintaining long-term relationships with organisations that complement our offering. This creates a compelling range of market-leading capabilities that ensures we can design, deliver and operate. Our services align with our IT priorities and enable us to identify, build, support and optimise.

87%

of businesses plan to accelerate their cloud migration

(Source: Logic Monitor cloud survey)

> Organisations are asking not only how – but how fast – they can apply this next generation of AI to address the biggest opportunities and challenges they face – safely and responsibly.

Satya Nadella
Chairman and chief executive officer of Microsoft

Hybrid infrastructure

Whether it is public, private or multi-cloud, what counts is delivering and maintaining the optimal combination of technology for each customer's unique situation. Softcat as a cloud aggregator can design, deliver and operate a range of effective environments.

Across data assurance, through management and monitoring, to connectivity and security, we design the public, private and hybrid cloud solutions that deliver the optimal estate.

OUR VENDOR PARTNERS

Partnering for success

We pride ourselves on partnering with over 400 of the largest and the best emerging technology partners, enabling us to deliver the latest pioneering solutions to our customers. We work closely with these industry-leading vendors on a common goal to deliver the best solution or service which meets the IT needs of our customers. By continuously listening to and asking questions of our customers we are able to evolve and improve our partner strategy.

Awards we have won

CROWDSTRIKE Partner 2023 Award Winner
EMEA Partner of the Year

Microsoft Partner | Azure Expert MSP

Great Place To Work® Certified JUN 2023-JUN 2024 UK

vmware Partner PINNACLE 2023

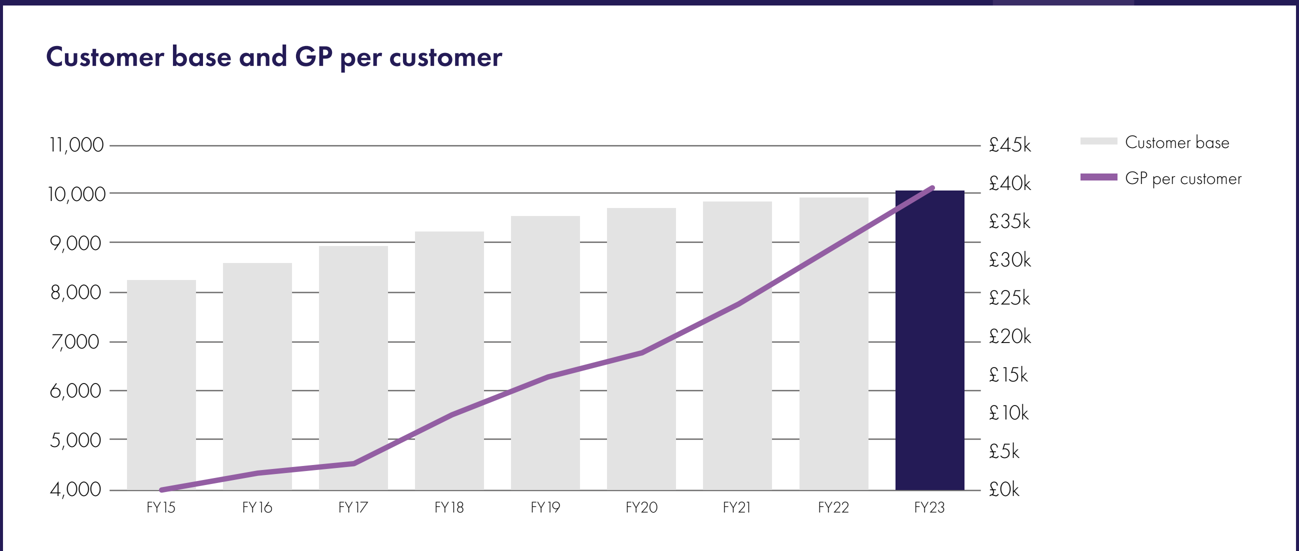
vmware Winner of Cloud Innovation and Transformation Award 2023

Our vendors

8x8, Adobe, Apple Authorised Reseller, aws, Check Point, Cisco Partner, citrix, CrowdStrike, Dell Technologies, Fortinet, Google, Hewlett Packard Enterprise, hp, intel, Lenovo, Microsoft, mimecast, NetApp, Nutanix, paloalto networks, Pure Storage, Rapid7, Red Hat, rubrik, Samsung, Sophos, splunk>, tenable, Trend Micro, Varonis, Veeam, vmware, zscaler

OUR STRATEGY

Our sales strategy remains unchanged and we continue to look to acquire new customers and gain an ever greater share of wallet in existing customers.



ACQUIRE MORE CUSTOMERS

In 2023 customer numbers grew organically for the 16th year in a row, but we still only serve around one in five from our target market.

Progress in 2023

Our customer base grew by 2% during the year, with success across each of our key segments: mid-market, enterprise and public sector. We increased headcount by 20.5%, expanding our Sales team, as well as supporting specialist and technical teams.

Future focus

Our customer base was 10,110 in 2023, exceeding 10,000 for the first time. However, this only reflects approximately 20% of the addressable market. We will continue to target new accounts through further investment, training and development of our Sales team and allowing our unique culture to flourish.

KPIs

+2%
Customer base increased by 2% to 10,110

97%
Customer satisfaction

SELL MORE TO EXISTING CUSTOMERS

The opportunity to help customers navigate a complex array of technology choices has never been greater.

Progress in 2023

We continued to evolve our customer offering in response to the changing technology landscape, keeping pace with emerging customer needs.

Future focus

The rate of change in our industry, with respect to the technology we are selling but also the channels through which it is sold and the manner in which it is consumed, is unprecedented. This gives organisations like Softcat an exciting opportunity to take a bigger share of an ever growing opportunity. We will also maintain our position as a key partner to both established and emerging technology vendors, evolving our skills around the ever-changing portfolios of services and products coming to market.

KPIs

+12%
Gross profit per customer increased by 12% during the year

97%
Customer satisfaction

NG Bailey

GETTING A GRIP ON DEVICE ESTATE MANAGEMENT

Established in 1921, NG Bailey has grown from a small, family-owned electrical contractor into the UK's leading independent engineering and services business. With clients across multiple sectors, its innovative, technology-driven approach underpins every project and has led to multiple industry awards.

The challenge

Like any construction business, NG Bailey is involved in multiple projects at any given time. One consequence of its diverse portfolio is the need to continually onboard new starters, effectively manage movers within the business and ensure that people who are leaving return devices they no longer need. In an average year, more than 300 people use the joiner, mover, leaver ('JML') service managed by the IT team, making device and peripheral asset management a time-consuming and complex task.

The solution

- Reduce the time and complexity involved in device estate management
- Improve efficiency of device configuration, returns and distribution
- Scale up device and peripheral supply chain to match ongoing demand

The benefits

"With Softcat's help, we've transformed our JML service," said Jon Wade, IT Services Manager. "We're now able to get devices to every user on time. They're configured to our precise specifications and all round it's a huge improvement on what we had before. Returns were an issue in the past, with many leavers reluctant to return kit on time, if at all! Now, with a dedicated service, it's simply a matter of arranging a time for the courier to pick it up. Our return rate has improved significantly as a result."

Scan the QR code above to read the full article

Key facts

- Leading UK-based independent engineering and services business
- Award-winning projects delivered across multiple sectors
- Leverages leading-edge technologies to deliver operational and technical excellence

Morrisons

SEAMLESS DEVICE REFRESH FIT FOR THE FUTURE

Morrisons is one of the UK's leading food and grocery retailers. Originally established in Yorkshire, it now has over 500 sites across the UK and multiple online home delivery channels and serves millions of customers every year.

The challenge

Morrisons needed to implement a hardware refresh programme to ensure its device estate was up to date, fully supported and providing the performance it needed to face the future with confidence. With more than 500 sites encompassing retail, manufacturing, logistics and central functions, it was a hugely complex task. More than 10,000 devices needed to be upgraded where possible or replaced entirely and its success was deemed as mission critical by its executive team.

Critical success factors

- Replace or upgrade unsupported Windows 7 devices
- Refresh 10,000-unit device estate across 500+ locations
- Project seen as 'mission critical' by Morrisons executive team
- Reuse equipment where possible to ensure a sustainable approach throughout the project

The solution

Given the complexity of the Morrisons device estate, Softcat brought in longstanding strategic services partner Greensafe to assist with the project. Aside from a strong track record of successful hardware rollouts and configuration, Greensafe is a familiar and trusted provider, having worked on projects with Morrisons and Softcat previously.

Solution highlights

- End-to-end solution from initial scope to device deployment
- Close collaboration with in-house teams to ensure seamless device integration
- Extensive support provided to ensure project deadline achieved

The benefits

The following statistics are a measure of the strategy's success:

- 19,600kg of IT equipment recycled
- 4,000,000kg of CO_2 saved through device reuse
- 10,000kg of CO_2 saved through recycling

Scan the QR code above to read the full article

Key facts

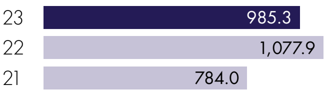
- Leading UK food and grocery retailer
- Over 500 sites and multiple online delivery channels
- Provider of high quality fresh food products

SUMMARY RESULTS AND KPIS

The financial and non-financial key performance indicators shown below demonstrate the Company's progress against strategic goals and delivery of financial performance and shareholder value. These metrics are referred to throughout this report and further discussed in more detail within the Chief Financial Officer's Review on pages 34 and 35.

Financial

Revenue £m[1]

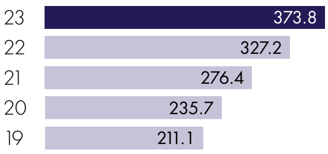


Strategic link

Comments

- Revenue includes all income from the resale of third party software, hardware and services, as well as the sale of the Company's own services.

Gross profit £m

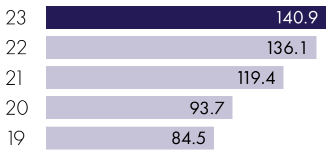


Strategic link

Comments

- Gross profit comprises revenue net of third party product costs, supplier rebates and certain internal direct costs.

Operating profit £m



Strategic link

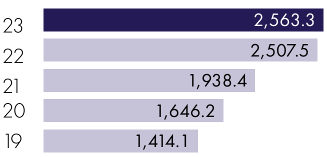
Comments

- Operating profit comprises gross profit net of administrative expenses.

Link to Directors' remuneration[3]

- For 2023 operating profit accounts for 80% of the weighting for the Executive Directors' annual bonus, reflecting an important role in measuring the delivery of in-year shareholder value.

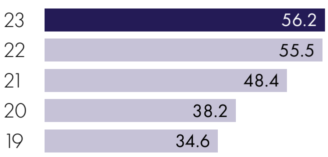
Gross invoiced income £m[2]



Comments

- Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued items.

Basic earnings per share p



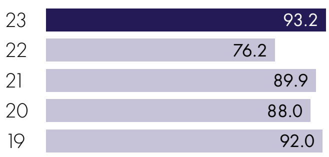
Comments

- Basic earnings per share ('EPS') is defined as profit after tax divided by the number of shares in issue at the balance sheet date.

Link to Directors' remuneration[3]

- Basic EPS is a performance measure in the targets for the Executive Directors' Long Term Incentive Plan ('LTIP').
- Delivery of EPS growth will also contribute indirectly to share price performance, and the ability to pay dividends, both important elements in total shareholder return ('TSR'). TSR is also a performance measure of the LTIP.

Cash conversion %[2]



Comments

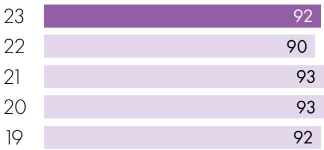
- Cash conversion ratio is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit.
- The five-year average for cash conversion is 88%, reflecting the highly liquid nature of the business operations and a disciplined approach to working capital management.
- The increase on prior year reflects a return to historic normal levels after a transient expansion in FY2022 year-end trade receivables following the implementation in the fourth quarter FY2022 of a new finance system.

Link to strategy:

- Acquire more customers
- Sell more to existing customers
- People and culture
- Ease of doing business
- Maintain relevance and expand our addressable market

Non-financial

Employee engagement score %



Strategic link

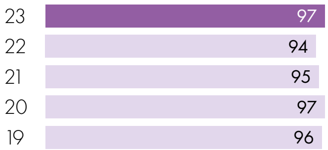
Comments

- The employee engagement score is derived from responses to an annual survey of all staff.
- Enthusiastic and highly motivated people form the very core of the Softcat business model and our customer proposition.

Link to Directors' remuneration[3]

- Actions overseen by the Executive Directors to maintain strong employee engagement account for 20% of the weighting (along with customer satisfaction and sustainability) for the Executive Directors' annual bonus, reflecting the importance of a well-engaged workforce to Softcat's overall success.

Customer satisfaction %



Strategic link

Comments

- Customer satisfaction is defined as the percentage of customers who rate themselves as either 'satisfied' or 'very satisfied' in response to an annual survey (possible responses also include 'dissatisfied' and 'very dissatisfied'). In 2023 the survey had 4,049 respondents (2022: 1,870).

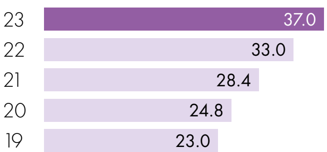
Link to Directors' remuneration[3]

- Actions overseen by the Executive Directors to maintain strong customer satisfaction account for 20% of the weighting (along with employee engagement and sustainability) for the Executive Directors' annual bonus, reflecting the importance of customers, who are at the core of Softcat's strategy.

1. During FY2022, there was a change in accounting policy for the IFRS IC agenda decision – IFRS 15 Revenue from Contracts with Customers, treatment of software revenue as agent revenue. This resulted in the restatement of the FY2021 comparatives during the prior period. As a result, revenue is only available on a comparative basis for 2021 to 2023.
2. Gross invoiced income ('GII') and cash conversion are alternative performance measures. Please see page 35 for further definitions and reconciliations.
3. For more information on the remuneration of the Executive Directors, please see the Annual Report on Remuneration on pages 114 to 134.

Read more in our Chief Financial Officer's Review; see pages 34 and 35

Gross profit per customer £'000

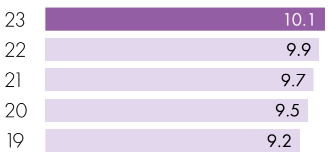


Strategic link

Comments

- Gross profit per customer is defined as gross profit divided by the number of customers.
- New customers are included in the calculation and tend to create a dilution of the metric, but to a similar degree from one financial year to another.
- The growth in this metric therefore demonstrates the value created by ever-deepening long-term relationships, and the Company's ability to sell an increasing range of technologies based upon genuine trust and loyalty.

Customer base '000



Strategic link

Comments

- Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.
- Growth in this metric demonstrates the ability of the sales force to win new customers while also retaining existing relationships.
- Important for in-year performance but also underpins future growth.

ANOTHER YEAR OF PROFITABLE GROWTH

Financial summary	FY2023	FY2022	Change
Revenue	£985.3m	£1,077.9m	(8.6)%
Revenue split			
Software	£188.8m	£150.0m	25.9%
Hardware	£610.6m	£797.9m	(23.5)%
Services	£185.9m	£130.0m	42.9%
Gross invoiced income (GII)[1]	£2,563.3m	£2,507.5m	2.2%
GII split			
Software	£1,543.5m	£1,365.3m	13.0%
Hardware	£617.8m	£810.2m	(23.7)%
Services	£402.0m	£332.0m	21.1%
Gross profit (GP)	£373.8m	£327.2m	14.2%
Gross profit margin	37.9%	30.4%	7.5%
Operating profit	£140.9m	£136.1m	3.5%
Operating profit margin	14.3%	12.6%	1.7%
Gross profit per customer[2]	£37.0k	£33.0k	12.2%
Customer base[3]	10.1k	9.9k	1.9%
Cash conversion[4]	93.2%	76.2%	17.0%

1. Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. This is an Alternative Performance Measure (APM). For further information see page 35.
2. Gross profit per customer is defined as GP divided by the customer base.
3. Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.
4. Cash conversion ratio is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information see page 35.

Gross profit, revenue and gross invoiced income

Softcat operates in a fast-growing and constantly changing market, catering to the IT infrastructure requirements of corporate entities and public sector organisations across the UK and Ireland. Our strategy is to provide a comprehensive range of technology solutions (spanning workplace, datacentre, cloud, networking and security solutions) across software, hardware and services, delivered through highly engaged employees who provide exceptional customer service, to attract new customers and increase sales to our existing customer base.

Our FY2023 results reflect our ability to continue to deliver against this strategy. Gross profit (GP), our primary measure of income, grew by 14.2% to £373.8m, in line with expectations, against a tough FY2022 comparable in which a mid-market customer accounted for marginally more than 10% of our Gross Invoiced Income (GII), primarily driven by one-off, low-margin datacentre hardware sales.

Excluding these FY2022 one-off transactions, GP growth was broad based and underlying software, services and hardware GP all grew double-digit. Hardware sales were also impacted by soft market demand for client devices but this was offset by strong underlying growth in networking and datacentre solutions. After adjusting for the one-off transactions, all technology areas also grew double-digit with particularly strong growth in networking, as supply chain issues receded during the year, and in security, which continues to be an area of focus for our customers. Growth was also strong across all customer segments, with double-digit underlying growth across enterprise, mid-market and public sector, demonstrating our continued relevance across our target markets.

In the second half of the year GP grew by 11.2%, following a very strong first half performance of 17.9%, with growth impacted by customers delaying some discretionary spend and large projects being slower to close as customers applied stricter procurement processes.

FY2023 revenue declined by (8.6)%, driven by a (23.7)% decline in hardware GII. This decline in hardware GII, which is reported on a gross basis within the revenue number (unlike software and some services revenue which are netted down), was driven by the one-off transactions in the base year as mentioned above. Excluding these one-off transactions hardware GII increased marginally compared to the prior year.

GII growth of 2.2% was driven by strong growth in both software and services, up by 13.0% and 21.1% respectively, largely offset by the decline in hardware sales mentioned above. GII grew more slowly than GP in the period, with GP as a percentage of GII expanding by 1.5%. Margin expansion was driven by the FY2022 one-off transactions, which diluted the comparative gross margin, and several positive mix effects, with the year-on- year decline in lower margin client devices, and strong growth in higher margin datacentre, networking and security solutions driving a positive margin impact.

Customer KPIs

During the year average GP per customer grew by 12.2% to £37.0k (2022: £33.0k) and the customer base increased to 10,100, up 1.9% on the prior year.

We won new customers from a broad range of industries with initial sales balanced across our core business lines, consistent with sales to existing customers as described above.

Despite this further strong progress and being confirmed again as the largest reseller in the UK by CRN, our industry remains highly fragmented. Our latest estimates, based on multiple industry sources including CRN and Gartner, suggest we have around 5% of total addressable market value. This comprises a trading relationship with c.20% of potential customers with whom we have an average share of wallet of c.20% – 25%. As a result, we continue to have a fantastic opportunity for future growth by continuing to concentrate on our simple strategy of seeking to sell deeper into existing accounts by building trust and loyalty over time, while gradually expanding our customer base year on year.

Operating profitability and investment in future growth

Operating profit of £140.9m (FY2022: £136.1m) increased by 3.5% year-on-year reflecting the 14.2% increase in GP offset by a 21.9% rise in operating costs. Cost growth was in line with expectations, driven by increased commissions due to higher GP, alongside a 19.8% increase in average headcount, investments in pay and IT and a return to pre COVID-19 levels of staff events and travel.

The investment in headcount was across all areas of the business including sales operations, technical capabilities, and core support functions to ensure we are appropriately resourced to support future growth. Average salary costs increased by 7.5% over the year, driven by inflationary pay awards across existing staff and an increase in new hire salaries reflecting the current inflationary environment and ensuring we remain competitive within the market.

Cost growth decelerated in H2 to 12.7% compared to 32.4% in H1. This was driven by several factors: firstly lower GP growth resulted in lower commissions in H2 compared to H1; secondly the phasing of the new ERP system implementation costs, with more impacting H2 than H1 in FY2022; thirdly travel and entertainment costs which remained constrained in H1 FY2022 due to COVID-19 but returned to normal in H2 with in person customer meetings and incentive trips back to pre-pandemic levels; and lastly, while the full year cost was broadly in-line, bad debt write-offs year-on-year were more front half weighted in FY2023.

As a result of the investments in headcount, wages and salaries, IT and travel and entertaining our operating to GP margin decreased to 37.7% (2022: 41.6%) as forecast and previously communicated.

Corporation tax charge

The effective tax rate for 2023 was 21.0% (2022: 18.9%), reflecting the increase in the UK statutory rate to 25.0% from 19.0% in April 2023 together with the relatively marginal impact of non-deductible expenses and share-based payment transactions. Our tax strategy continues to be focused on paying the right amount of tax in the right jurisdiction, at the right time.

Cash and balance sheet

Cash conversion, defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit, was 93.2% (2022: 76.2%). The improvement on prior year reflects a return to normal levels of year-end receivables following a temporary expansion last year following the implementation of a new finance system and is towards the top of the target range of 85%–95%.

Cash at the FY2023 balance sheet date was £122.6m (FY2022: £97.3m) and the company remains debt free.

Under our capital allocation framework the first priority is to invest behind future organic growth and our second priority is to deliver on our progressive ordinary dividend policy. Additional excess capital is then either allocated to strategic investments or returned to shareholders. In FY2023, as outlined above we have continued to invest in people costs and IT to further drive organic growth and the proposed ordinary dividend is an increase of 4.6% vs. FY2022, while excess cash will be returned to shareholders via a special dividend.

Dividend

A final ordinary dividend of 17.0p per share has been recommended by the Directors and if approved by shareholders will be paid on 19 December 2023. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 10 November 2023. Shares in the Company will be quoted ex-dividend on 9 November 2023. The last day for dividend reinvestment plan ('DRIP') elections to be received is 28 November 2023.

In line with the Company's stated intention to return excess cash to shareholders a further special dividend payment of 12.6p has been proposed. This has been calculated taking into account an increase in the minimum cash holding from £60m to £75m, reflecting the continued growth of the business. If approved this will also be paid on 19 December 2023 alongside the final ordinary dividend. This will bring the total amount returned to shareholders since becoming a public company to £476.2m.

Alternative Performance Measures

The Company uses two non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, which are set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Company.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning and reporting and have remained consistent with the prior year. These non-GAAP measures comprise gross invoiced income (or 'GII') and cash conversion.

1. Gross invoiced income is a measure which correlates closely to the cash received by the business and therefore aids the users understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold. Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to gross invoiced income is provided within Note 2 of the financial statements.
2. Cash conversion ratio is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit. Cash conversion is an indicator of the Company's ability to convert profits into available cash. A reconciliation to the adjusted measure for cash conversion is provided below:

	2023 £'000	2022 £'000
Net cash generated from operating activities	104,802	83,644
Income taxes paid	29,793	25,344
Cash generated from operations	134,595	108,988
Purchase of property, plant and equipment	(2,544)	(1,890)
Purchase of intangible assets	(701)	(3,334)
Cash generated from operations, net of capital expenditure	131,350	103,764
Operating profit	140,898	136,145
Cash conversion ratio	93.2%	76.2%

Katy Mecklenburgh
Chief Financial Officer
23 October 2023

ENGAGING WITH ALL OF OUR STAKEHOLDERS

The Directors of Softcat realise that the business has several key stakeholders and the Company cannot operate effectively without taking each stakeholder into account. This section describes how the Directors take into account stakeholders and other matters in carrying out their duties and the impact on decision making. The Board considers regular and effective engagement with Softcat's stakeholders to be fundamental to our success. The Board considers that it acts in a way that promotes the success of the Company, whilst having regard to the interests of its stakeholders.

We define our key stakeholders as individuals or groups who have an interest in, or are affected by, the activities of our business. The Board believes a good understanding of our key stakeholders and their needs is essential to deliver sustainable value creation over the long term, bringing benefits to our shareholders and stakeholders.

Director responsibilities

Our Directors are fully aware of their responsibilities under Section 172(1) of the Companies Act 2006 (the 'Act') and take their responsibilities seriously. The Board considers that, in its decisions and actions taken, it has acted in a way that would promote the success of the Company for the benefit of its members as a whole, whilst having regard to stakeholders and matters set out in Section 172(1) (a–f) of the Act. The Directors' responsibilities under Section 172 are rooted in our Company culture, our values and particularly our purpose: 'we help customers use technology to succeed, by putting our employees first'.

Section 172 imposes a duty on our Directors to consider the likely consequences of any decision in the long term and there are a variety of means by which the Directors achieve this obligation. The Board receives standing updates at each Board meeting from the CEO and CFO on key market developments and the Company's operational and financial performance. Members of the Senior Leadership Team ('SLT') also provide regular updates on a wide range of topics, including business updates, changes in our market, and customer and employee issues. The Company Secretary also provides regular briefings to the Board which include updates on regulation, compliance and corporate governance. Updates often include the outcome of engagement with employees, customers and key suppliers. The Board also holds an annual strategy review, which includes presentations from key areas of the business and the review of a three-year financial plan.

The annual strategy review provides a dedicated forum, in addition to the Board meetings, for the Board to discuss the areas of focus and change over the coming year and beyond. Actions arising from the annual strategy review are progressed and considered throughout the year.

Our key stakeholders

The Board has identified Softcat's key stakeholders to be our employees, customers, suppliers and vendors, investors, and the environment and communities in which we operate. We connect with our stakeholders at all levels of our business. The potential impact of the Company's operations on each of our stakeholders is an important consideration for the Board. The Board has approved a framework of key topics which ensures that regular updates are received and discussed by the Board regarding each stakeholder group. On occasion, as explained within this report, the Board has also directly engaged with its stakeholders, when it determines this to be the most effective method of engagement to support its views and potential decision making. The Board's approach to engagement and stakeholder management ensures it remains well informed and able to make appropriate considerations when deciding Softcat's strategy and other business decisions.

The following table sets out how our stakeholders have been engaged with, how relationships with stakeholder groups are monitored, and how their interests have influenced decisions made by the Board.

Read more elsewhere in this Strategic Report, our Social Value Report on pages 44 to 49, our Report on TCFD and Sustainability on pages 50 to 71 and our Corporate Governance section on pages 79 to 142

Our key stakeholders

Employees
Our employees are at the heart of our business and help to drive Softcat's continued success

Customers
Understanding the needs of our customers in order to build enduring relationships is critical to Softcat's strategy

Suppliers and vendors
Our strong relationships with our suppliers and vendors help us provide the best solutions and support for our employees and customers

Investors
Investors are the owners of the Company and have made a financial commitment to the success of Softcat

Communities and the environment
We recognise we are part of each community in which we operate and it is vital to make a meaningful commitment to long-term sustainability

Employees

Our employees are at the heart of our business and help to drive Softcat's continued success.

How we engaged and monitored

- The Board operates a framework of meetings which includes regular scheduled visits to our offices. During the year the Board held direct engagement with employees at our Leeds and Manchester offices. Vin Murria, our Designated Non-Executive Director for Workforce Engagement, led the engagement sessions.
- The Chair of the Remuneration Committee also holds an annual engagement session with employee representatives to discuss the approach to pay, incentives and reward throughout the organisation. The session also provides an opportunity to explain and discuss executive remuneration. Employee representatives asked questions to the Remuneration Committee Chair and they received responses. A summary of the session was then discussed with the Remuneration Committee.
- Each year we hold a 'Kick Off' event, which all employees are invited to attend. This provides the Executive Directors (on behalf of the Board) with an opportunity to engage with all employees together at a single event. The event includes presentations of key business achievements of the year and key business goals to consider in the coming year. Vendors also attend in an exhibition area, providing the vendors with a further opportunity to engage with employees. Key achievers in the business are celebrated in an employee awards event.
- Through the Nomination Committee, management presents a succession plan in respect of key positions in the Company. The Committee provides oversight and constructive challenge to management to ensure that robust plans are in place to maintain high quality leadership for the benefit of the Company and its employees.
- We hold an annual employee engagement survey, the results of which are reported to the Board, with an action plan to tackle the issues raised. Results are compared against last year's equivalent questions to track progress. Quarterly surveys are also discussed with the Board on the performance and engagement by our most senior managers.
- Virtual all-hands meetings are held to update employees on the business. This includes opportunities for employees to submit questions to Directors and senior management after the event for a response. Feedback on these meetings is shared by the CEO with the Board.
- Internal communications, such as weekly 'Love' emails, detailing initiatives, recognising accomplishments and raising awareness of key matters in the Company.
- Feedback on employee pay is collated through a variety of sources, including through the employee engagement survey and exit interviews. The Board or Remuneration Committee receives regular updates on employee attrition levels and on pay conditions.

Key topics of engagement

- Office culture
- Pay and reward structures
- Recruitment and ongoing investment for long-term organic growth
- General wellbeing and job satisfaction, including recognition of achievements
- Sustainability
- Diversity and inclusion

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Approving the establishment of a formal capital allocation framework (see case study on page 39).
- Direct engagements were held between the Board and certain employees identified for potential progression in the management succession plan. This provided the Board with an opportunity to better understand the role and contribution of those employees and provided the employees with a development opportunity.
- Given the importance of employee engagement to the success of Softcat's strategy, the Remuneration Committee of the Board decided to incorporate performance metrics in the Executive Directors' annual bonus plan in respect of good employee engagement (see the Annual Report on Remuneration on pages 114 to 134).
- We continue to invest in improvements to our internal IT infrastructure. This was included as part of the Board's annual strategy review and investment costs were also included in the annual operating budget discussed and approved by the Board. The improvements are designed to better the employees' user experience and enhance their productivity.
- An annual review of salaries for all roles was undertaken and discussed with the Remuneration Committee, on behalf of the Board.

Customers

Understanding the needs of our customers in order to build enduring relationships is critical to Softcat's strategy.

How we engaged and monitored

- Our annual customer experience survey, sent out to customers, requests honest feedback, the results of which are reported to the Board against the results of the previous year to track progress.
- Direct engagement between the Board and key customers of Softcat.
- The Board receives standing updates at each Board meeting on any material customer disputes.
- The Board reviews regular management information which analyses important customer data and trends, such as growth in the customer base and the changes in the type of customer.
- The annual Board strategy review includes a focus on how the business will need to evolve and change to continue best serving our customers. Ongoing investment to ensure we serve our customers well is included in the annual operating budget, which is approved by the Board.

Key topics of engagement

- Understanding actions necessary for increasing customer satisfaction
- Softcat's sales model
- Technology propositions for customers
- Understanding customers' IT priorities and main challenges
- Investment to ensure our employees have strong capabilities to support our customers

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- A comprehensive action plan, developed from the feedback received through the annual customer experience survey, to further improve customer satisfaction.
- Holding a direct engagement between the Board and one of our customers to better understand the role Softcat plays in their business.
- Approval of the annual budget which includes investment to better support ease of doing business with customers.
- Given the importance of customer satisfaction to the success of Softcat's strategy, the Remuneration Committee of the Board decided to include a performance metric in the Executive Directors' annual bonus on maintaining good customer satisfaction (see the Annual Report on Remuneration on pages 114 to 134).
- The Board reviewed and gave support for the ongoing development of our Enexo platform (see page 69). This will help our customers better understand and manage their carbon footprint.

Case study

Capital allocation framework

During the year the Board formalised its approach to prioritising how capital is allocated at Softcat (see page 90 for further details). This involved the Board considering its approach to the allocation of capital, which is primarily aligned to our purpose, vision, strategy and investment case. The allocation of capital impacts on Softcat's stakeholders, for example:

- Prioritising investment for organic growth is primarily achieved by increasing headcount, investing in employees and investing in systems and processes to facilitate ease of doing business for customers.
- Our capital allocation framework includes a progressive ordinary dividend policy, which allocates a percentage range of operating profit to be paid as dividends to our shareholders.

The Board considered the competing priorities on the allocation of capital, after taking into account both the business and its stakeholders. The approved capital allocation framework sets out the prioritisation of our capital.

Suppliers and vendors

Softcat's strong relationships with its suppliers and vendors helps it provide the best solutions and support for its employees and customers.

How we engaged and monitored

- Direct engagements between the Executive Directors and key vendors. Regular updates at Board meetings from the CEO.
- Our dedicated internal 'vendor alliance teams' manage and maintain Softcat's relationships with key vendors. Any key market developments are informed to the CEO for further discussion with the Board.
- During the year, the Board held a direct engagement with one of its top ten vendors (by revenue). This provided good insight for the Board on both working with the supply chain and on the potential for the sector to improve its approach to sustainability (see case study below).
- Our Sustainability Team continues its engagement work to better understand the sustainability commitments and net zero targets of our major suppliers and vendors. This is part of a Board-approved target to achieve a carbon net zero supply chain by 2040 (see page 66 for more information). Progress updates are reviewed regularly by the Sustainability Committee on behalf of the Board.
- Softcat is required to publish its performance in respect of the timeliness in which it pays its suppliers. The Board reviews the latest performance, providing oversight to ensure we maintain a good track record of paying our suppliers, thus protecting the business from reputational damage.

Key topics of engagement

- Market developments in respect of key suppliers and vendors
- Engagements between the Executive Directors and key suppliers and vendors
- Sustainability of products and services, and future goals and commitments
- Maintaining performance of payment practices for our suppliers

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- The Board discussed potential market changes which may impact the way in which certain vendors trade and the potential impact on parts of Softcat's operating model. The Board requested further updates from management on how the business will respond and management demonstrated the additional focus and plans which are in place.
- Sustainability measures and activities with vendors.
- Through ongoing changes in procedures and systems, management demonstrated to the Board that payment times to suppliers continued to improve. The Board noted improvements in the performance to pay more of our suppliers in a timely manner.

Case study

Board engagement with a key vendor

During the year the Board held a direct stakeholder engagement with one of its top ten vendors (by revenue). The discussion focused on building a better understanding of the vendor's sustainability journey and how Softcat can be part of that journey. The discussion also focused on working with others in the supply chain to improve the approach and offerings on sustainability.

The engagement session considered the impact on Softcat's stakeholders, in particular:

- How Softcat's employees can be better equipped to support its customers when customers make sustainable purchasing decisions.
- How Softcat can enhance sustainable products, services and information to aid customers when making purchasing decisions.
- How those in the supply chain can collaborate more closely to promote sustainable purchasing, which will benefit the environment.
- Understanding the net zero plans of a key vendor and how they align with a Board-approved climate target to work with a supply chain which is committed to becoming carbon net zero by 2040.

Investors

Investors are the owners of the Company and have made a financial commitment to the success of Softcat.

How we engaged and monitored

- The CFO and CEO regularly engage with major shareholders and analysts in respect of Company performance. Investor feedback is given after major investment roadshows, the results of which are discussed by the Board.
- The Company Chair undertook his annual engagement programme with major shareholders, discussing governance and sustainability matters, feedback from which was discussed by the Board.
- Shareholder analysis is presented at each Board meeting to inform the Directors of key shareholder movements and trends.
- The Chair of the Audit Committee reached out to major shareholders on Softcat's annual audit plan.

Key topics of engagement

- Strategy
- Company performance
- Corporate governance
- Executive Director remuneration
- Sustainability

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Approving the establishment of a formal capital allocation framework (see case study on page 39).
- Feedback from investors/analysts on Company performance and on our strategy.
- A better understanding of investor expectations in respect of corporate governance.
- Additional disclosures in the Annual Report to support our investors' understanding of the business.

Communities and the environment

We recognise we are part of each community in which we operate, and it is vital to make a meaningful commitment to long-term sustainability.

How we engaged and monitored

- Softcat's sustainability strategy, progress and performance were regularly monitored at Board level through the Sustainability Committee.
- During the year, the Board held a direct engagement with one of its top ten vendors (by revenue). This provided good insight for the Board on the potential for the sector to improve its approach to sustainability (see case study in page 40).
- Our Charity Team, which reports to members of the Senior Leadership Team, has strong connections with local and national charities and volunteering networks and also engages with our employees.
- Through our sustainability governance framework, we have initiatives and localised Green Teams to support environmental activities.
- We maintain dialogues with local institutions, such as schools and colleges, to understand how we can help them and how we can encourage students to join our apprenticeship scheme.

Key topics of engagement

- Softcat's sustainability strategy and goals
- Selection of charities and volunteering initiatives our employees wish to support
- How Softcat can best help local communities and groups

Outcomes

The Board reviewed, approved or endorsed outcomes, including:

- Operating a Sustainability Committee, which has delegated responsibility for setting Softcat's sustainability strategy, monitoring Softcat's performance against its emissions targets and oversight of sustainability initiatives and activities.
- The Board has approved the ongoing development of our Enexo platform (see page 69).
- Softcat is working with the Social Mobility Pledge, further demonstrating our commitment to being a purpose and people-led company by boosting opportunities in the communities in which we operate.
- Given the importance of reducing our impact on the environment to the success of Softcat's strategy, the Remuneration Committee of the Board decided to include a performance metric in the Executive Directors' annual bonus plan in respect of environmental sustainability (see the Annual Report on Remuneration on pages 114 to 134).

HAPPY EMPLOYEES = HAPPY CUSTOMERS

2023 highlights

2,315
Employees

21%
Headcount increase

97%
Customer satisfaction

Investing in our employees

FY2023 saw the largest increase in headcount at Softcat, adding 400 employees and for the first time employing more than 2,000 employees. We have a wide variety of training and support, including a dedicated Learning & Development team and a Sales Development Programme. These all come together to achieve success through personal growth and continuous development. Our investment in employees makes them more productive, efficient, and confident in whatever role they play at Softcat.

Our annual Customer Experience Survey results tell us the quality of engagement from employees is a crucial differentiator and one which drives customer satisfaction. This includes:

- First class account management
- Proactivity and frequent engagement
- Quality of advice and expertise
- Ease of doing business
- Digital capability

For more information visit:
www.softcat.com/about-us/people

How do we engage with our employees?

Dedicated Non-Executive Director (DNED)

The DNED hosts Q&A sessions between the Board and employees in our various offices. This year the Board had Q&A sessions with employees from our offices in Manchester and Leeds.

Employee engagement surveys

We undertake an annual employee survey. The results following the survey are discussed by management and the Board and detailed follow-up actions are prepared to respond to issues.

Management surveys

We issue a survey quarterly to managers, asking for their views on the Senior Leadership Team and how they feel about the business. Survey results are reviewed by the Senior Leadership Team and the Board.

All hands meetings

The CEO and CFO hold regular virtual all hands meetings, providing a regular opportunity for employees to be kept informed of developments in Softcat.

Internal communication

We have our own internal website, Softcat Central. This puts news, key events, business updates, access to resources and tools, and important information from other teams all into one place.

The Founders Group

The Founders Group are employees who volunteer to co-ordinate activities throughout Softcat, such as our Founders Day celebrations. This keeps alive the culture and vision of our founder Peter Kelly.

Softcat Community network

This is a network of seven diversity and inclusion communities. It champions awareness throughout Softcat and helps us to celebrate our differences.

Kick Off

See In focus, opposite.

In focus

Kick Off

Kick Off is our annual flagship event, bringing employees all together.

This year's event was held at the International Convention Centre Wales and it was a full house, with over 2,000 employees coming together to collaborate, learn, talk about the year gone past and the year to come. We hold an awards ceremony to celebrate the very best individual and team contributions across Softcat. We also have breakout sessions so that individual functions can talk about their part of the business and celebrate their achievements.

Many of our vendors attend in an exhibition area, providing employees a relaxed environment to engage with vendors and learn more about the products, services and solutions for our customers.

We try to keep Kick Off sustainable. This year we set off the event's carbon footprint by supporting the planting of 3,000 trees.

A SUSTAINABLE BUSINESS FOR A SUSTAINABLE FUTURE

This report covers our approach to sustainability and also how we act as a responsible Company.

Highlights

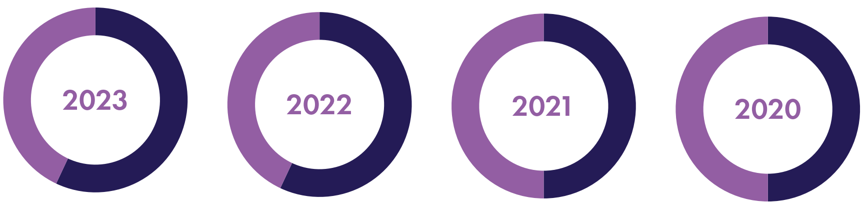
- Improved diversity in our senior leadership team and across the business
- We were highly rated again by Glassdoor and by UK's best workplaces
- We had another strong set of employee engagement results
- We received a bronze award as an LGBTQ+ inclusive employer following an audit by Stonewall
- Company-wide training was rolled out to improve awareness of climate-related issues. Over 98% of employees have successfully completed their training so far
- We further reduced our carbon footprint by changing our internal combustion car fleet to EV cars
- The Board engaged directly with one of its top ten vendors to build a better understanding of the vendor's sustainability journey and how Softcat can be part of that journey
- We increased our compliance against the recommendations of the Task Force on Climate-related Financial Disclosures
- All of Softcat's scope 1, scope 2 and operational scope 3 emissions for FY2023 will be offset

Our people

Diversity as at 31 July

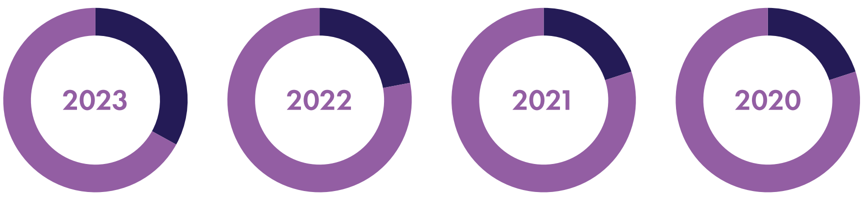
Gender breakdown

Board of Directors



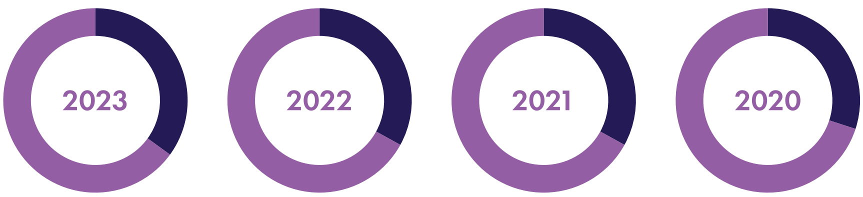
2023	2022	2021	2020
Female: 57%	Female: 57%	Female: 50%	Female: 50%
Male: 43%	Male: 43%	Male: 50%	Male: 50%

Senior Leadership Team



2023	2022	2021	2020
Female: 33%	Female: 22%	Female: 20%	Female: 20%
Male: 67%	Male: 78%	Male: 80%	Male: 80%

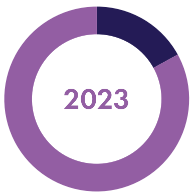
Total permanent employees



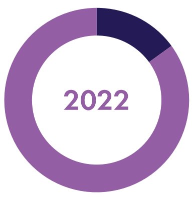
2023	2022	2021	2020
Female: 35%	Female: 33%	Female: 33%	Female: 30%
Male: 65%	Male: 67%	Male: 67%	Male: 70%

Ethnicity breakdown

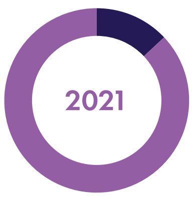
Total permanent employees



- Ethnic: 17%
- White British and White Other: 83%



- Ethnic: 15%
- White British and White Other: 85%



- Ethnic: 13%
- White British and White Other: 87%

PEOPLE

Another incredible year for Softcat, driven by our employees

We couldn't be happier with how this year has gone from a people perspective. From record recruitment and retention numbers, to a significant increase in employee engagement and major milestones on our diversity and inclusion journey, there have been a lot of reasons to celebrate.

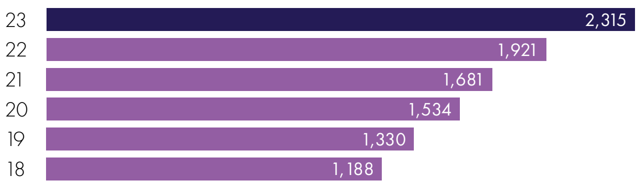
Hiring, developing and retaining

With 716 joiners, up 14% on FY2022, and more than 300 internal moves, FY2023 has been another record year for recruitment. We continue to work hard on our employer brand to attract the very best early career and experienced talent in the market. Our induction processes across sales and non-sales have been redesigned with the employee journey experience at the heart of the crucial joining experience. Every new starter from around the business can expect to spend quality time in our head office, have exposure to our Senior Leadership Team through Q&A sessions, learn all about our roots from the Founders' Club and, most importantly, start building those peer to peer relationships that will stand them in good stead over the course of their Softcat careers.

Watch us grow – our number of employees has nearly doubled in the last five years

Employees as at 31 July 2023

2,315



Our learning offerings are always evolving and FY2023 saw the launch of Connect Learning, a suite of developmental activities communicated in a magazine format for all employees. Communicating everything in one place has helped demonstrate the sheer breadth of offering and has been extremely positively received. Sales, being the engine of our business, has a very structured training programme – Elevate. Consisting of four separate levels dependent on experience, Elevate aims to take a salesperson on their career journey from Account Executive to Strategic Client Director.

Softcat ELEVATE

The effect of so much focus on induction, training and development has been a significant reduction in attrition at an overall Company level, down from 21% in FY2022 to 15% in FY2023. Retention is a key metric for our leadership and people teams and we are delighted to see such a substantial improvement.

Engaging, caring, rewarding and recognising

Our annual employee engagement survey, conducted in October 2022, produced some outstanding results. At a high level, employee engagement increased by 5% to 92% and the employee net promoter score ('I am likely to recommend Softcat to someone in my network as a great place to work') increased 11 points to 63. The most significant increases came from job satisfaction, flexible working, career progression and fair pay. This success was echoed externally with 87% of Glassdoor reviews saying they would recommend Softcat to a friend, an increase of 5% on last year.

> The people within Softcat appreciate the culture built over many years and embrace this. We all work collaboratively together and support one another throughout. It really is a very healthy, happy and prosperous environment.

Actual response from our annual employee engagement survey

WHAT IS HEALTH AND WELLBEING?

We understand that to experience a true sense of positive health and wellbeing, there's a lot that needs to be fulfilled – from developing a connection with others to physical, emotional, and financial wellbeing, and more. We seek to do as much as we possibly can to help employees reach their full potential.

So why do we put a focus on health and wellbeing?

Our employees are at the heart of everything that we do at Softcat. This is why we believe so strongly in giving our employees access to the tools, resources, learning and development, and fun activities needed to support their health and wellbeing. But we also extend this support by helping others too!

Emotional
Coping effectively with life and creating satisfying relationships.

Occupational
Finding personal satisfaction and enrichment in the workplace.

Financial
Feeling satisfied with current and future financial situations.

Physical
Acknowledging the importance of physical activity, nutrition and sleep.

Social
Developing a sense of connection, belonging and having support from others.

Intellectual
Recognising creative abilities and finding ways to expand knowledge and skills.

Spiritual
Discovering a sense of purpose and meaning in life.

Environmental
Maintaining good health, surrounded by a pleasant, stimulating environment.

The two Health and Wellbeing Weeks that Softcat runs every year in January and June were well received once again, with employees across all offices joining in the various activities and events that help raise awareness of important topics. A new brochure was launched, bringing all health and wellbeing related material together in one place. To underline our progress in this space, we were ranked as the 5th Best Place to Work for Wellbeing in the Super Large category by Great Place to Work.

We continually look for ways in which we can improve our benefits offering to boost our total reward package. This year was no different and we launched a fantastic range of benefits across several areas covering financial, physical and social wellbeing. Some highlights included increasing life assurance from 3x salary to 4x salary for all employees, the introduction of a workplace ISA and we even launched a discount card for beauty treatments!

Recognition plays a huge part in the culture of Softcat and making sure our employees feel acknowledged for the work they've done is a big part of our employee engagement strategy. This year we've introduced a new way of being recognised – a quarterly customer excellence award.

Diversifying our workforce and including everyone

Our diversity and inclusion ('D&I') strategy has come a long way since its inception six years ago. We reached a major milestone during this past year, when we were able to publish our first ever Diversity and Inclusion Report. This document brings together a collection of work led by our seven employee community networks, alongside critical elements such as our all-Company Allyship training and external pledges.

To find out more about diversity and inclusion at Softcat, please see our Diversity and Inclusion Report 2022. This can also be viewed by scanning the QR code below with your tablet or smartphone.

To find out what we are doing on sustainability, please see our website at www.softcat.com/about-us/corporate-social-responsibility.

Our communities have gone from strength to strength this year. In the Supporting Women in Business Network, we celebrated a wonderful International Women's Day over the course of a week with a combination of panel sessions from both industry veterans and celebrity sportspeople alongside skills-based learning sessions on topics such as presenting with confidence and breaking through the glass ceiling. We were ranked 6th in the Super Large category for the UK's Best Workplaces for Women 2023 by Great Place to Work.

The Pride Network, in conjunction with the Diversity and Inclusion team, undertook a thorough piece of work responding to the Stonewall Audit for the first time. Our efforts were rewarded with a Bronze Award for LGBTQ+ inclusive employers. We have received constructive feedback from Stonewall about areas that we can further develop and will continue to address these in the months and years to come.

FY2023 saw the second full year of the Empowering Disability and Neurodiversity ('EDN') Network. One of the most inspirational aspects of this network is our employees' desire to speak up and share their personal stories. We have heard about some incredibly private journeys, which not only helps us understand our colleagues better, but also empowers colleagues facing similar challenges.

The Family Network is one of the most popular networks at Softcat. Representing employees with caring responsibilities and those experiencing bereavement or fertility issues, the network caters to a wide range of interests. To further enhance Softcat's support for our employees and their other responsibilities outside of work, improvements were made to our flexible working policy this year, allowing for more flexible start and finish times, and a menopause policy was launched for the first time.

This year has seen some fantastic events organised by the Ethnic and Cultural Diversity Network, such as Black History Month, World Day for Cultural Diversity, Juneteenth in our US office and South Asian Heritage Month. Technology Channel for Racial Equality ('TC4RE'), which Softcat co-founded, continues to go from strength to strength. Highlighting career stories from women of colour, podcast episodes discussing hot topics and the TC4RE scholarship competition, we take immense pride in the work that we do with this amazing organisation. In our annual survey, our employees of colour rated Softcat one point higher for employee NPS than our non-ethnic colleagues.

In other areas, our work to improve our social mobility continues to progress, with a further intake of work experience delegates from local underprivileged schools in our Manchester and Marlow offices. There is further work to do at a grassroots level and this is a long-term commitment for Softcat.

For line managers, we launched the Allyship: Inclusive Culture session, led by an external D&I consultancy. The sessions are designed to support line managers in developing inclusive cultures within their teams and have been well received by attendees.

Seven networks. One community.

Supporting Women in Business Network ('SWIB')

SWIB is Softcat's longest standing network. It improves confidence in women, recognises their equality with men and raises awareness of women in the business. SWIB also works with Softcat's senior management to understand how it can support on the retention and progression of women in Softcat.

Ethnic and Cultural Diversity Network

The Ethnic and Cultural Diversity Network celebrates, educates and collaborates on topics and important cultural events relating to our culturally diverse community at Softcat.

Pride Network

Our Pride Network creates a supportive and inclusive work environment for all sexual orientations, gender identities and marginalised or under-represented LGBTQ+ groups.

Family Network

The Family Network ensures that, as an organisation, we focus on creating a culture where our employees can balance family commitments with work responsibilities.

EDN Network

EDN stands for 'Empowering Disability and Neurodiversity'. Our network aims to empower and support our members and colleagues through education and awareness of disabilities that are both visible and hidden. We are a Disability Confident employer as a result of the progress we have made in such a short period of time.

Faith Network

The Faith Network ensures that we live out Softcat's commitment of supporting our employees to bring their whole selves to work, by creating a safe space and place to support anyone practising their religion.

Armed Forces Network

Veterans are an important part of our present and future because they fight for our right to freedom. We recognise the importance of that commitment but also to embrace the skills our veterans can bring to the workplace – bravery, strength and hard work. Our network supports those who identify with a military life.

Measuring our success in diversity and inclusion

In previous years we collated data on the ethnicity of our workforce, meaning that we had a comprehensive view of the gender and ethnicity of 99% of our employees. This year we asked them to tell us about their sexual orientation, socio economic background, disability and neurodiversity. We did this with the aim of being able to support our employees better by using the data to shape our diversity and inclusion strategy. The response rate was 68%, which has given us a good foundation to build on. Each Senior Leadership Team member is working through the data in their own departments to more fully understand their own demographic splits.

We are proud that our female gender diversity has increased at an overall Company level to 35%, with 33% women in our management team and 30% at leadership team level (figures as at 31 July 2023). Although we have similar numbers of ethnic minority employees to the UK overall, at 17%, we have further work to do to increase our ethnicity at management team and leadership team level, which sit at 6% and 4% respectively. Softcat's Board diversity at 31 July 2023 was 57% women and one person of colour (and at the date of this report 57% women and two persons of colour), meeting both the FTSE Women Leaders and Parker Review targets. We continue to voluntarily publish our ethnic pay gap alongside our gender pay gap every year.

At the most recent CRN Women & Diversity in Channel Awards, held in October 2022, Softcat was the proud winner of three company awards: the Cultural Inclusion Award, the Health & Wellbeing Recognition Award and Diversity Employer of the Year.

ETHICAL BEHAVIOUR

We recognise the importance of good ethics to maintain a positive environment for both our employees and the business. In addition to a number of formal policies which operate within our business, our Employee Handbook (which is our Code of Conduct) also summarises some of the key expectations and behaviours we expect from all Softcat employees and those who work on behalf of Softcat. Our policies and our Employee Handbook help to provide a framework for all employees to comply with relevant laws, to behave in an ethical manner and to respect the rights of our employees and other stakeholders of the business. Senior management regularly reviews our key policies and updates them to make sure they remain relevant and up to date and that they continue to provide the right guidance for employees. 'Responsibility' is one of Softcat's core values and this helps to underpin our approach to good ethics. Employees recognise that their actions, attitude and choices matter for our key stakeholders.

We are conscious that potential human rights risks exist within any business and supply chain, including labour risk, unsafe workplace conditions and bribery and corruption. We therefore continue to be compliant with the annual reporting requirements contained within Section 54 of the Modern Slavery Act 2015, being a relevant commercial organisation as defined by Section 54. We produced an updated Modern Slavery Statement this year, which is available on our website. We also provide additional disclosures as required in respect of modern slavery and other matters in respect of corporate responsibility when bidding for large public sector contracts.

We do not currently operate a specific human rights policy as most of our business is focused in the UK and in jurisdictions where human rights are well observed and already protected. Management will, however, keep under review whether operating such a policy would be beneficial.

35% women

gender diversity in the Company

33% women

in the management team

30% women

in the leadership team

Softcat is aware that fraud is a constant threat which can have a considerable impact both for our business and for our stakeholders. We realise a key part of good anti-fraud management comes from good awareness of the types of frauds which might be perpetrated. Employees have received training on fraud awareness in order to continue protecting our business and important stakeholders such as our customers. The Audit Committee also receives regular reports from management on steps taken to detect and prevent any fraudulent attempts, which provide the required oversight to ensure that robust anti-fraud controls are in place.

We operate a Speak Up hotline for all employees to widen employees' channels of raising any issues they may encounter. This provides our employees with an externally provided, secure and confidential channel to voice issues, in addition to internal channels already available.

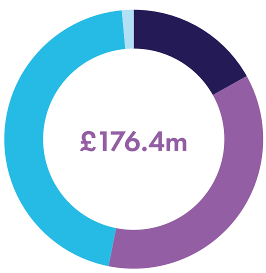
We also operate an anti-bribery, corruption and tax evasion policy, which is regularly reviewed by management to ensure it is comprehensive and practical. Employee training is provided where appropriate, including at induction for new starters. The anti-bribery, corruption and tax evasion policy provides that we take a zero-tolerance approach to bribery, corruption and tax evasion and that we are committed to acting professionally, fairly and with integrity in all our dealings. The policy also sets out the types of behaviour which are unacceptable in the conduct of business and the procedures we have to prevent bribery, corruption and tax evasion. We also operate a register which requires all employees to seek approval from their line manager and to disclose any gifts or hospitality received or given which are valued over the applicable disclosure threshold. Guidance on accepting or giving gifts and hospitality is contained in the anti-bribery, corruption and tax evasion policy and the gifts and hospitality register is reviewed regularly by management.

Softcat publishes twice yearly details of its payment practices to its trade suppliers. This is reviewed by the Board during the year as part of the Directors' wider responsibilities to consider how Softcat impacts its key stakeholders. We take these responsibilities seriously and the Board noted during the year that management had improved performance in respect of invoices paid within agreed terms.

The Company adopts an open and honest relationship when dealing with Government agencies. For example, during the year the Board approved an update to Softcat's tax strategy, which is published on our website (www.softcat.com/corporate-responsibility). The tax strategy includes an outline of our approach to dealing with HMRC and confirms that Softcat's primary tax objective is to ensure that it pays the right amount of tax, in the right jurisdiction, at the right time, as dictated by legislation.

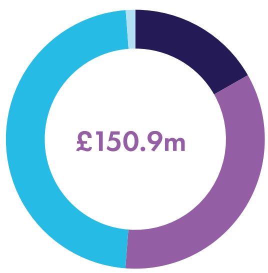
Softcat's ongoing strong financial performance also contributes to the UK economy. In 2023, our total tax contribution to the UK economy was £176.4m (2022: £150.9m). This includes corporation tax, payroll taxes, VAT and other business rates and taxes. In the last four years, Softcat's total tax contributions to the UK economy has exceeded half a billion pounds.

Tax contributions 2023



- Corporation tax: £29.8m
- Employment taxes: £63.9m
- VAT: £80.1m
- Other rates/taxes: £2.6m

Tax contributions 2022



- Corporation tax: £25.3m
- Employment taxes: £52.0m
- VAT: £71.8m
- Other rates/taxes: £1.8m

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD')

We continue to make progress in respect of climate change and sustainability, as explained below.

Softcat

Introduction

This section explains our approach to sustainability and includes the disclosures required under TCFD.

We are committed to aligning success with corporate responsibility. We are also motivated to drive change within our own organisation, work with our partners and our supply chain and support our customers on their socially responsible journey through the technology solutions we provide. The Board takes ultimate responsibility for Softcat's sustainability and we formally delegated authority to our Sustainability Committee to provide a more focused Board-level oversight on this aspect of our business. The Board remains committed to Softcat's responsibilities to the environment.

Key sustainability highlights and progress

- Softcat's net zero targets have been approved by the Science-Based Targets initiative ('SBTi'). Softcat was the first IT company in Europe to receive this.
- We are making steady progress towards full compliance with the Task Force on Climate-related Financial Disclosures ('TCFD').
- We also continue to make good progress on our key commitments to take action on greenhouse gas ('GHG') emissions. Our sustainability efforts have been recognised throughout our industry.

To find out more about what we are doing on sustainability, please see our website at www.softcat.com/about-us/sustainability. This can also be viewed by scanning the QR code with your tablet or smartphone.

FTSE4Good

Softcat is a constituent of the FTSE4Good Index Series – an index of companies that demonstrates strong environmental, social and governance practices, measured against globally recognised standards.

Approach to sustainability

In order to make sure we are considering the right aspects, we started our journey by identifying the most relevant areas of the United Nations Sustainable Development Goals ('SDGs') for our business. These areas have not changed since last year and remain an important underpin to our approach on climate change and wider corporate responsibility:

5 GENDER EQUALITY	Achieve gender equality and empower all women to achieve their goals.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
13 CLIMATE ACTION	Take urgent action to combat climate change and impact.
10 REDUCED INEQUALITIES	Reduce inequality within and among countries.
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Last year we also undertook an ESG materiality assessment, which included both surveys and interviews, to better understand which ESG issues matter most. Employees, customers, suppliers and vendors participated in the materiality assessment, making sure the views of key stakeholders had been considered. The outputs from the materiality assessment have helped to confirm our areas of focus.

Action on climate change

We recognise that climate change is having an impact on our planet and that we have a role to play to mitigate our contribution to that impact. The Board also recognises that climate change has potential business and financial impacts; these include both risks and opportunities for Softcat and it is its responsibility to lessen and take advantage of these, respectively.

We are taking steps to make our business more resilient to climate change and we continue to make progress against the ambitious environmental targets we set in 2020.

The Board fully supports the adoption of the Task Force on Climate-related Financial Disclosures ('TCFD') as it considers that TCFD will help organisations and Softcat's stakeholders to focus their efforts and ambitions towards achieving net zero. Enhancing our understanding of the climate-related risks facing us and the opportunities that may be available to Softcat continues to be a focus.

The following disclosures are aligned to the four thematic areas of the TCFD: governance, strategy, risk management, and metrics and targets. We have provided a summary of our compliance against the recommended disclosures below with a reference table detailing where disclosures are located throughout the report.

As we learn more about climate science and projections become clearer, we will continue to refine our approach to identifying, assessing and managing our climate-related financial risks and opportunities.

Key activity in 2023

Governance/ strategy	The Board held a direct stakeholder engagement with one of its top ten vendors (by revenue). The discussion focused on building a better understanding of the vendor's sustainability journey and how Softcat can be part of that journey. The discussion also focused on working with others in the supply chain to improve the approach and offerings on sustainability.
Strategy	The Board considered sustainability and climate-related matters as part of its annual review of Softcat's business strategy. This integrated sustainability into the Board's decision making, resulting in a more joined-up approach to the resilience of Softcat's strategy to climate change and further opportunities for sustainable growth.
	We undertook a financial impact assessment of our climate-related risks and opportunities, to improve our understanding of risks and opportunities facing Softcat over the short, medium and long term. A summary of the process and results is provided on page 58.
Risk management	We refined our methodology for prioritising climate-related risks and opportunities, allowing us to focus on those risks and opportunities that present the highest potential to impact Softcat. Please see pages 59 to 63 for more information.
Metrics and targets	The annual bonus plan for Executive Directors includes a non-financial element in respect of the achievement of key steps towards our climate change strategy for the first time. This is further explained in the Annual Report on Directors' Remuneration on pages 114 to 134. The Remuneration Committee has decided to retain a sustainability metric in the annual bonus plan for FY2024.
	We continue to develop our opportunity metrics to take advantage of the move to a lower carbon world. Key to this is ensuring our workforce understands key climate change issues. In the year we rolled out climate change training across the Company. Over 98% of employees have completed the training, which received very favourable feedback.
	Our Sustainability team continues to review opportunities relating to the IT 'circular economy' and other opportunities to increase the focus on more sustainable products and services to sell to our customers. Actions required to realise the opportunities are being developed. In order to fully realise the potential, we will need the support of other stakeholders, including vendors. During the year, a summary assessment of the current state of the IT circular market was presented to the Sustainability Committee together with an assessment of potential opportunity and an action plan to take better advantage of the opportunities. Opportunity metrics will be further developed.
	Our overall reported greenhouse gas emissions and energy consumed for FY2023 (see page 71) have reduced compared to FY2022, despite the ongoing overall growth of the business.

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

TCFD cross-reference and compliance table

Our disclosures are as required by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. They also meet the requirements of Listing Rule 9.8.6R in respect of TCFD, in which we have concluded that we fully comply with nine of the eleven recommended disclosures as set out below.

In the table below we cross-refer to where the disclosures are located in this Annual Report or provide reason for non-compliance. We plan to continue improving our compliance with TCFD.

TCFD pillar	TCFD recommended disclosures	Cross-reference (within this Annual Report) or reason for non-compliance	Comments and next steps
Governance	1) Board oversight of climate-related risks and opportunities.	(Pages 54 and 55) **Compliant**	The Sustainability Committee monitors climate-related risks, opportunities and disclosures and reports to the Board.
Governance	2) Management's role in assessing and managing climate-related risks and opportunities.	(Pages 54 and 55) **Compliant**	The CFO is the executive lead for sustainability, supported by the Business Transformation Director and our Sustainability Team. As explained in this report, they form part of a comprehensive governance framework to manage climate change risk and opportunities. We will continue to develop the roles and responsibilities on the management of climate-related issues across Softcat.
Strategy	3) Climate-related risks and opportunities the organisation has identified over the short, medium and long term.	(Page 56) **Compliant**	We have refreshed our scenario analysis in respect of climate change risks and opportunities. We have also undertaken a financial impact assessment of our climate-related risks and opportunities, to improve our understanding and management of the risks and opportunities.
Strategy	4) Impact of climate-related risks and opportunities on the business, strategy and financial planning.	(Pages 56 to 63) **Compliant**	Through our climate scenario analysis, no material or catastrophic net risk exposures were identified in the time horizons assessed. We have further integrated climate-related planning into our key strategic planning. In particular, during the year we considered sustainability and opportunities to further reduce our carbon footprint as part of our annual Board strategy review.
Strategy	5) Resilience of strategy, taking into consideration different future climate scenarios.	(Pages 56 to 63) **Compliant**	Through our climate scenario analysis of risks, mitigating actions and potential opportunities, we believe our business is resilient to climate change in the time horizons assessed. We continue to review how climate change may impact our strategy.
Risk management	6) Processes for identifying and assessing climate-related risks.	(Page 64) **Compliant**	We have undertaken a financial impact assessment of our climate-related risks and opportunities, to improve our understanding and management of them. As we look to continue our growth, evolve our offerings and work with our supply chain, we will increase our level of knowledge on climate-related risks.

TCFD pillar	TCFD recommended disclosures	Cross-reference (within this Annual Report) or reason for non-compliance	Comments and next steps
Risk management	7) Processes for managing climate-related risks.	(Page 64) **Compliant**	We explain in our assessment of climate-related risks the mitigating actions which we can take or have taken. Through the financial impact assessment, we have improved our understanding and management of our climate-related risks and opportunities.
Risk management	8) Processes for identifying, assessing and managing climate-related risks integrated into the organisation's overall risk management.	(Page 64) **Compliant**	We have conducted climate risk workshops to identify risks. Our process for assessing the materiality of our climate-related risks is consistent with the process for other corporate risks. We will continue to monitor and manage our climate-related risks and ensure that each risk is monitored and managed appropriately.
Metrics and targets	9) Metrics used to assess climate-related risks and opportunities.	(Pages 65 to 67 and pages 114 to 134 (Annual Report on Directors' Remuneration)) **Partially compliant** – we have not yet fully set opportunity metrics related to low-carbon products and services.	For FY2023, the annual bonus plan for Executive Directors includes a non-financial element in respect of the achievement of key steps towards our climate change strategy for the first time. Our Sustainability team continues to review further opportunities of the IT 'circular economy' and the actions required to realise the opportunities.
Metrics and targets	10) Scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions, and the related risks.	(Pages 65 to 67) **Compliant**	We disclose in this Annual Report our emissions which cover scopes 1,2 and 3. Available prior year data is included to support trend analysis. Softcat's net zero targets have been approved by the SBTi, using our FY2021 emissions as our baseline year.
Metrics and targets	11) Targets used to manage climate-related risks and opportunities and performance against targets.	(Pages 65 to 67) **Partially compliant** – our net zero targets have been approved by the SBTi. However, we have not yet fully set opportunity targets related to low-carbon products and services.	We have a defined approach to risk appetite on the level of risk that we are willing to accept in the pursuit of a specific objective or strategy (see page 73). Our Sustainability team continues to review further opportunities, particularly the IT 'circular economy' and other opportunities to increase the focus on more sustainable products and services to sell to our customers. Actions required to realise the opportunities are being developed.

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Governance

The Board retains ultimate responsibility and accountability for the oversight of the Company's strategy. Sustainability is an important issue at Softcat and is discussed both by management and the Board. The Board's approach includes seeking compliance with respect to sustainability and climate change and the approval of material environmental targets.

In 2022 the Board established a Sustainability Committee as a Committee of the Board. The Sustainability Committee meets twice per year and is chaired by Vin Murria. The Sustainability Committee is responsible for, on behalf of the Board, setting the sustainability strategy of Softcat, including goals, targets and objectives, and it monitors management's performance against these. Monitoring the effectiveness of management's processes for identifying, assessing, and responding to climate-related risks and opportunities has also been delegated to the Sustainability Committee. A report from the Sustainability Committee is provided on page 112.

To successfully manage sustainability and implement associated initiatives effectively, Softcat operates a tiered governance approach. This ensures that all areas of sustainability get the right levels of focus throughout the business, including both the effective monitoring of climate-related risks and taking advantage of climate-related opportunities.

This approach has been designed to focus on what is required to support Softcat, its supply chain and its customers on our vision. Katy Mecklenburgh is the Executive lead for sustainability, and she is supported by various managers and employees. In particular, the Business Transformation Director (who is a member of the Senior Leadership Team) provides Executive-level support on strategy and direction. Both Katy and the Business Transformation Director are supported by a Sustainability Team, which has the full time responsibility for the day-to-day implementation of sustainability initiatives. The Business Transformation Director and Sustainability Lead (who heads up the day to day management of the Sustainability team) attend each meeting of the Sustainability Committee to ensure the Committee engages with those who have responsibility for operational management of sustainability throughout the Company. The Sustainability team and the Company Secretary take responsibility for monitoring for changes in regulation and required disclosures in respect of climate change and discussing this with the Sustainability Committee together with plans if required to adhere to incoming regulations. Updates on climate-related performance and initiatives in the Company is provided by the Sustainability Lead to each meeting of the Sustainability Committee.

The Sustainability Team works in collaboration with other teams as necessary to ensure the effectiveness of the climate-related risk assessment process and to explore opportunities. This includes organising initiatives and actions to mitigate these risks and to capitalise on opportunities. The Sustainability Team also works with external stakeholders, in particular the supply chain on the planning and co-ordination required to realise opportunities.

The business also retains internationally recognised ISO accreditations including ISO 14001 (Environmental Management) and ISO 50001 (Energy Management) accreditations to support its approach to environmental matters. The ISO standards help Softcat to improve its environmental performance through more efficient use of resources, reduction of waste and an improved energy management system.

We have undertaken a financial impact assessment of our climate-related risks and opportunities to improve our understanding of potential implications over the short, medium and long term. Our process for assessing the materiality of our climate-related risks (on a gross and a mitigated net basis) is consistent with the process for other corporate risks. Any material risks (including any material climate-related risks) together with plans to mitigate or manage such risks will be presented and reviewed by the Audit Committee as part of its responsibility for risk management oversight.

The Audit Committee has also discussed developments in respect of proposed revisions to the UK Corporate Governance Code which are currently under consultation. The proposed revisions reflect the increasing responsibilities of boards and audit committees of listed companies for sustainability and ESG reporting. The Financial Reporting Council has outlined its intention to revise the Code to incorporate these responsibilities into audit committees. Softcat's Audit Committee is monitoring developments and awaiting the finalisation of changes to the Code. The governance structure will then be reviewed by the Board to ensure that the Audit Committee takes on additional responsibilities as appropriate.

Sustainability governance structure

Board
Overall strategic direction

Sustainability Committee (see page 112)		
Board-delegated responsibility for oversight of sustainability strategy, policy and actions	Board-delegated responsibility for monitoring climate-related risks, opportunities and targets	Oversight of key climate-related compliance and disclosures

Audit Committee
Responsible for risk management oversight. It reviews all material risks, including any material climate-related risks

Establishes and reviews the remuneration framework and remuneration metrics for the Executive Directors. To support good progress on sustainability issues, part of the annual bonus plan for Executive Directors is based on the achievement of non-financial objectives

Sustainability Leadership Team	
Comprises the CFO, Business Transformation Director, Sustainability Lead and Company Secretary	Responsible for providing Executive-level direction and support on climate-related actions, risks, opportunities, targets and compliance

Sustainability Delivery Team		
Comprises the Sustainability Leadership Team plus selected senior representatives responsible for key climate-related stakeholder management	Responsible for operational management of key environmental targets, actions and engagement with stakeholders	Responsible for operational requirements from a sustainability perspective

Green Teams		
Comprise a Green Team Executive Committee and local Green team volunteers	Responsible for local delivery of environmental initiatives around their local offices and communities	Raise awareness and champion the importance of environmental issues

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Strategy

Softcat's overarching strategy is to sell more to our existing customers and to grow our customer base. Our purpose is to help customers use technology to succeed, by putting our employees first. Our approach to climate change is well aligned to both our strategy and purpose.

As an IT reseller, we do not manufacture products. Our exposure to climate-related risks and opportunities is through our ability to procure goods and services from our vendors, and add value as our employees apply their IT expertise to provide services, products and support for our customers. To enable Softcat to keep delivering value for its stakeholders, we must ensure that sustainability is embedded in the way our business operates. Each year the Board conducts a formal strategy review, which this year integrated a review of sustainability. This provided the Board with a more holistic view of Softcat's strategy, including the resilience of the business to climate change and other sustainability challenges, as well as potential opportunities for sustainable growth.

We operate a framework shown below for sustainability which defines our approach, guides our actions and supports the steps we take to mitigate the impacts of climate change. This framework also supports our overarching strategy to grow our customer base and sell more to existing customers, as we expect the importance of sustainability to our customers will continue to increase. Our simple methodology in the framework below allows us to focus on relevant internal and external factors, better manage our scope 1, 2, and 3 emissions and work closely with identified stakeholders:

Softcat's framework for sustainability

Softcat	Supply chain	Solutions
Making sustainability a core element to its business and embedding it in Softcat's future. Softcat will support all of its priority goals and continue to drive and develop a more efficient and lower carbon industry.	Softcat is working with its partners, suppliers and vendors to better understand their net zero plans. It is also working with them to ensure they are adhering to Softcat's values and doing what they can to enable, deliver and support a more sustainable supply chain.	Softcat is reviewing the services and solutions offered to its customers. This will enable its employees to create and deliver more sustainable products and services to assist customers on their own sustainability journey.

We have taken steps to put our strategy and framework into effect, including:

- Setting environmental targets and developing action plans to achieve them.
- Working closely with our key stakeholders, particularly:
  - Vendors and our supply chain – to help us both reduce our environmental footprint;
  - Customers – using our knowledge and solutions to help customers take a more environmentally responsible approach to how they use IT; and
  - Employees – to reduce the environmental impact of our operations. This includes Company-wide sustainability training, which was rolled out in FY2023, with over 98% of employees completing the training.

Given the nature of our business, we do not envisage that material investments or changes to our business model are required to mitigate the risks of climate change or to take advantage of opportunities. For example:

- We do not expect to incur any material research and development costs, as is the case now;
- Our strategic focus is on organic growth, rather than growth through acquisition and divestments;
- We are debt free and prioritise our capital for organic growth. We do not envisage the need for additional access to capital in respect of our approach to managing climate change (see our capital allocation framework on page 90);
- Our operations are office-based and we work in modern, energy efficient offices. All offices, apart from our head office in Marlow, are leased properties for which we can change location should it be necessary.

Climate-based scenario analysis

In line with the TCFD recommendations, we conducted a climate scenario analysis in 2022 to assess potential impacts and opportunities for Softcat against possible climate futures. During 2023, working with our external advisers, we conducted a refresh of our scenario analysis to ensure it is up to date and that potential business impacts reflect the latest climate scenarios. For our updated scenario analysis, three key variables were considered: the appropriate physical and transition climate scenarios, geographical scope of the analysis and time horizons. For the scenario analysis to remain effective, we have followed the TCFD recommendations to use a divergent range of scenarios. We have therefore made our assessments based on the below climate scenarios from the Intergovernmental Panel on Climate Change ('IPCC') Sixth Assessment Report ('AR6'), as well as new transition scenarios from the International Energy Agency ('IEA'). The latest climate change scenarios from the IPCC, which are known as Shared Socioeconomic Pathways ('SSPs'), update the Representative Concentration Pathways ('RCP') used by Softcat in its scenario analysis last year. Transition scenarios were derived from the IEA's World Energy Outlook.

Physical scenarios

Low emissions scenario (SSP1-2.6)	A low GHG emissions scenario where CO_2 emissions decline to net zero around 2070. This is most ambitious of the three physical scenarios, with projected warming limited to under 2°C by 2100. Warming: 1.3°C–2.4°C by 2100.
Medium emissions scenario (SSP2-4.5)	A medium GHG emissions scenario where CO_2 emissions remain around current levels until 2050. If the world continues on its current trajectory, this is seen as the most likely scenario. Warming: 2.1°C–3.5°C by 2100.
High emissions scenario (SSP5-8.5)	A very high GHG emissions scenario where CO_2 emissions roughly double from current levels by 2050. With no mitigation, this is deemed the worst-case scenario. Warming: 3.3°C–5.7°C by 2100.

Transition scenarios

Net zero emissions by 2050 scenario ('NZE')	This maps out a way to achieve a 1.5°C stabilisation in the rise in global average temperatures, alongside universal access to modern energy by 2030.
Announced pledges scenario ('APS')	This assumes that all aspirational climate-related targets announced by governments are met on time and in full, including their long-term net zero and energy-access goals.
Stated policies scenario ('STEPS')	This is a pragmatic exploratory scenario that shows the trajectory implied by today's policy settings.

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Climate-based scenario analysis continued

The UK is the most significant location for our operations and our revenue (representing over 95% of both headcount and revenue). Most of our key vendors also have operations in the UK. For 2023, our climate scenario analysis also included impacts on operations in our Dublin office. As part of our risk management framework, we conducted our analysis across three time horizons:

Term	Horizon	Milestone year
Short term	2023 to 2030	2026
Medium term	2030 to 2040	2035
Long term	2040 to 2050	2045

Consistent with TCFD, our assessment covered the following:

physical risks: resulting from climate change events and changes in weather. These can be acute (event driven) or chronic (long-term shifts);

transition risks: associated with the implications from the measures taken to reach a low carbon economy. These risks can be categorised as policy and legal, technological, market and reputational; and

opportunities: realised capitalisation of benefits upon the low carbon market and technological drivers. These can be from resource efficiencies, energy sources, new products or services, markets and resilience.

Climate-related risks and opportunities

Through the application of our risk management approach, we summarise below the most relevant climate-related risks and opportunities. These are in respect of the emissions scenarios and the time horizons as set out above. Through our initial analysis, no major or catastrophic net risk exposures were identified in the short-term time horizon assessed across our climate scenarios. We believe there are opportunities, which we continue to explore and develop. We will continue to assess the potential risks over the medium- and long-term, ensuring that mitigative actions are developed. Analysis concluded that the potential financial impact was not materially sensitive to each of the different time horizons assessed.

Our process for assessing the materiality of our climate-related risks is consistent with the process for other corporate risks. The assessment of our corporate risks includes an assessment of the potential financial impact:

Risk	Potential financial impact
Insignificant	Up to 100k
Minor	£100k–£500k
Moderate	£500k–£3m
Major	£3m–£25m
Catastrophic	Greater than £25m

In FY2023, we undertook a financial impact assessment of our climate-related risks and opportunities, to further improve our understanding of the materiality of these risks and opportunities and how to manage them. The assessment also helped to inform any inputs required into the annual operating budget, or other longer-term financial plans, as approved by the Board.

Following the review, we do not envisage that adaptation and transition to a lower carbon world will require a fundamental shift to the way we do business or a major change to our business model (which is shown on pages 20 and 21). We also do not envisage that we will need to make major divestments, acquisitions or other significant capital allocation decisions (including access to capital or financing, if required) to take climate change into consideration. We have approved relatively minor additional/changes in expenditure, in particular during FY2023 we:

- completed the replacement of our internal combustion car fleet with electric vehicles ('EVs'); and
- commenced the installation of solar panels on the roof of our head office in Marlow.

Risks

Physical risk category	Identified risk and timeframe	Current or future control measure	Relevant emissions scenario	Potential financial impact
Acute	Increased frequency and intensity of extreme weather events such as intense rainfall and heatwaves which could disrupt Softcat's operations, supply chain and services. **Link to principal risk:** we have robust plans to combat the risk of business interruption (see page 76). **Timeframe of potential materialisation:** Medium, Long	Our largest vendors (see page 27) are major international businesses, which have the resilience and investment to mitigate the future risk of climate-related risks to their organisation. We work with a wide breadth of technology partners to reduce concentration risks. We also hold ISO 22301 for Business Continuity. This was stress-tested during the COVID-19 pandemic. Remote/hybrid working is available to all employees, providing flexibility during challenging conditions. Alternative workplaces for employees are available if needed to avoid low-lying areas. Our offices our modern and energy-efficient.	Medium High	● ●
Potential financial impacts include: • reduced revenue due to decrease in productivity and availability of workforce; • increased costs associated with office leases; • increased costs for building repair, maintenance and insurance; and • increased energy consumption costs.				
Chronic	Long-term increased temperature increases in the UK and Ireland, leading to business disruptions or damaged infrastructure. **Link to principal risk:** we have robust plans to combat the risk of business interruption (see page 76). **Timeframe of potential materialisation:** Medium, Long	Softcat leases its premises, providing opportunity to seek out modern spaces more resilient to climate change. Remote/hybrid working is available to all employees, providing flexibility during challenging conditions. Our offices our modern and energy-efficient.	Medium High	● ●
Potential financial impacts include: • reduced revenue due to decrease in productivity and availability of workforce; • increased costs associated with office leases; • increased costs for building repair, maintenance and insurance; and • higher energy consumption costs.				
Chronic	Rising sea levels resulting in disruption to offices in the south-east, low lying coastal areas of the UK and the Dublin office. **Link to principal risk:** we have robust plans to combat the risk of business interruption (see page 76). **Timeframe of potential materialisation:** Medium, Long	Softcat leases its premises, providing opportunity to seek out modern spaces more resilient to climate change. Remote/hybrid working is available to all employees, providing flexibility during challenging conditions. Alternative workplaces for employees are available if needed to avoid low-lying areas. Our offices are assessed as necessary by our insurers for flood risk. We take action as recommended by our insurers to reduce the potential impact of flooding.	Medium High	● ●
Potential financial impacts include: • reduced revenue due to decrease in productivity and potential closure of select offices; • increased costs associated with office leases; • increased costs for building repair, maintenance and insurance; and • higher energy consumption costs.				

Key to potential financial impact:

● Low ● Medium ● High

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Climate-related risks and opportunities continued

Risks continued

Transition risk category	Identified risk and timeframe	Current or future control measure	Relevant emissions scenario	Potential financial impact
Policy and legal	Increasing policies and regulations that could place new requirements on Softcat, such as enhanced emissions reporting, regulation of critical minerals, and carbon taxes. Link to principal risk: N/A Timeframe of potential materialisation: Short, Medium, Long	Softcat's current decarbonisation targets, submitted to SBTi, provide a trajectory which would result in net zero by 2040. As a reseller, increases in input costs are passed on to the customer. Management regularly reviews the impact of changes in legislation, taxes, etc. and oversees initiatives to ensure compliance. The Sustainability Committee has oversight in respect of sustainability reporting and progress towards our emissions targets.	Net zero Low Medium	Low Medium High
Potential financial impacts include: • increased input costs incurred through vendor and partner products; • increased property costs associated with enhanced building standards; • reduced revenue from potential termination of relationships with suppliers unable to transition to net zero; • costs from fines or increased carbon taxes; and • reduced investment from non-compliance.				
Technology	The cost of transitioning to using low-carbon technology and energy sources in Softcat's operations, for example, green energy tariffs Link to principal risk: N/A Timeframe of potential materialisation: Short, Medium	We have signed up to the SBTi and have a goal to achieve 100% renewable energy by 2024. 60% of our offices use renewable energy and we purchase renewable energy credits for the remaining offices where we are unable to use renewable energy. We are actively developing our net zero delivery plan. Most of our offices are outfitted with modern amenities which are energy efficient. We have replaced our internal combustion car fleet with electric vehicles. We have commenced the installation of solar panels at our head office in Marlow.	Net zero Low Medium	Low Medium High
Potential financial impacts include: • increased capital allocation to low-carbon technologies and to retrofit office spaces for low-carbon technology; and • increased cost to accommodate changing energy tariffs.				
Market	Suppliers being unable to transition to a low carbon economy at the same pace as Softcat, making Softcat unable to achieve its net zero goal and commitments. Link to principal risks: we have robust plans to combat the risk of business interruption and against a failure to evolve our technology offering with changing customer needs (see page 76). Timeframe of potential materialisation: Short, Medium, Long	We are working with our supply chain and with the wider IT industry as part of our framework for sustainability. We understand many of their goals to achieve net zero and these will be reflected in our target to achieve a carbon net zero supply chain by 2040.	Net zero Low Medium	Low Medium High
Potential financial impacts include: • reduced revenue due to a shift in consumer preference for low-carbon products; and • reduced investment as a result of failure to achieve net zero target.				

Key to potential financial impact:

● Low ● Medium ● High

Transition risk category	Identified risk and timeframe	Current or future control measure	Relevant emissions scenario	Potential financial impact
Market	Risks associated with not having a carbon-literate workforce able to promote low carbon technology to our customers could generate lower customer satisfaction engagement. **Link to principal risk:** we have robust plans against a failure to evolve our technology offering with changing customer needs (see page 76). **Timeframe of potential materialisation:** Medium, Long	In respect of sustainability, we have a Company-wide structure with Board level oversight for sustainability, including climate-related issues, operational responsibilities assigned to appropriate senior management and local level activities and promotions undertaken by local Green Teams. We have rolled out Company-wide training and awareness on climate change and our initial training has been completed by over 98% of the workforce. We are also considering further improvements to our sales systems to highlight and promote the sale of lower-carbon products.	Net zero Low Medium	Low Low Medium

Potential financial impacts include:

- reduced revenue from lower sales of low-carbon products;
- reduced capital and investment due to lower performance; and
- increased expenditure on employee upskilling.

Transition risk category	Identified risk and timeframe	Current or future control measure	Relevant emissions scenario	Potential financial impact
Market	Impacts to our global supply chain due to physical risks occurring in other regions, generating disruptions and delays in procurement. **Link to principal risks:** we have robust plans to combat the risk of business interruption and against a failure to evolve our technology offering with changing customer needs (see page 76). **Timeframe of potential materialisation:** Short, Medium, Long	We work with a wide breadth of technology partners to reduce concentration risks. As a reseller, increases in supplier costs are typically passed on to the customer.	Net zero Low Medium High	Low Low Medium High

Potential financial impacts include:

- reduced revenue from supply chain disruption and delays in procurement;
- decrease in revenue due to increases in product prices and customers identifying cheaper alternatives; and
- increased costs of products and services from Softcat's vendors and partners as a result of increased supply chain costs.

Transition risk category	Identified risk and timeframe	Current or future control measure	Relevant emissions scenario	Potential financial impact
Reputation	Negative perceptions from stakeholders, including customers, potential investors and existing shareholders, as a result of failure to embed sustainability into the business or take action on climate change. **Link to principal risk:** we have robust plans against a failure to evolve our technology offering with changing customer needs (see page 76). **Timeframe of potential materialisation:** Short, Medium, Long	We have developed and are communicating a clear climate change strategy and our targets to reduce carbon emissions. Softcat discloses performance data relating to climate-related risks, its net zero trajectory and other environmental performance information through its SBTi and Carbon Disclosure Project ('CDP') submissions.	Net zero Low Medium	Low Low Medium

Potential financial impacts include:

- reduced revenue from customers as a result of impacted market positioning; and
- reduced investment leading to impacted growth strategy and share prices.

Key to potential financial impact:

Low ● Medium ● High ●

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Climate-related risks and opportunities continued

Opportunities

Category	Identified opportunity and timeframe	Potential impact	Relevant emissions scenario	Potential financial impact
Markets	Engaging employees to understand Softcat's net zero ambitions, green skills and training. **Timeframe of potential materialisation:** Short, Medium.	Upskilling Softcat employees on the necessary green skills required for a low-carbon economy can help Softcat strengthen its relations with stakeholders, building reputation and competitive advantage. This can also support Softcat in improving its talent retention and development for its workforce. The market for good talent remains highly competitive. Ensuring we have a strong and credible approach to sustainability provides a competitive edge to attract and retain talent. We are proactive in our support for employees to benefit from environmental initiatives, such as: • local Green Teams throughout the business; • the provision of a tax efficient salary sacrifice scheme to enable employees to lease electric vehicles for their use; and • flexible hybrid working, allowing employees to work some days at home, thus reducing carbon emissions arising from commuting.	Net zero Low Medium	Low Low Medium
Resource efficiency	Promoting and encouraging the implementation of circular economy practices throughout the value chain, such as takeback schemes and reuse of equipment. **Timeframe of potential materialisation:** Short, Medium.	Encouraging circular economy practices and behaviour change on the use of technology and natural resources is paramount to achieving net zero. Doing so presents a strong case both environmentally and commercially, as it can result in greater operational savings, more resilient hardware and a longer lifespan of in-use products. Softcat already operates these services. Expanding services presents commercial incremental opportunities through existing and potential new services for customers.	Net zero Low Medium High	Low Low Medium High
	Investing in more sustainable technology to improve Softcat's day-to-day operations, such as utilising green energy tariffs and low-carbon office equipment. Adapting working spaces to create a productive working environment in a warmer climate. **Timeframe of potential materialisation:** Short, Medium, Long	Whilst most of our offices already use energy-efficient equipment, this will be kept under review for further opportunities. The use of more sustainable technology in our day-to-day operations provides opportunity to lower our dependency on fossil fuels and reduce our annual operational expenditure. In the face of rising fossil fuel prices, utilising renewable energy tariffs will also improve our resiliency. By ensuring our offices remain productive working environments, we can maintain and even enhance our productivity.	Net zero Low Medium High	Low Low Medium High

Key to potential financial impact:

● Low ● Medium ● High

Category	Identified opportunity and timeframe	Potential impact	Relevant emissions scenario	Potential financial impact
Products and services	Leverage of Softcat's products and services as contributing to a low-carbon economy, including promoting the sale of energy efficient and sustainable IT solutions. Positioning Softcat as a thought leader in the industry through engagement with stakeholders to build customer solutions and propositions. **Timeframe of potential materialisation:** Short, Medium.	Through our partners and vendors, we have an opportunity to build on our existing relationships to promote low-carbon products and services to our customers. This opportunity becomes more impactful as technological advancements enable greater availability of low-carbon products and services. We expect growth in demand for more energy-efficient and sustainable IT solutions. This presents opportunities for us, as our customers will require support to implement and manage technology solutions. Taking advantage of this opportunity will also mitigate the risk of failing to evolve our technology offering with changing customer needs. We have strong relationships with many IT vendors and we are well-positioned to support our customers. In addition, we leverage our expertise through our Solutions service. This allows customers to maximise the use and lifespan of an asset and to support the circular economy through recycling, refurbishing and reuse. Last year Softcat launched Enexo (see page 69), our cloud-based sustainability platform that gives UK organisations accurate carbon emissions intelligence. This can support our customers' journey to net zero and deepen our relationship with our customers.	Net zero Low Medium High	● ● ● ●

Our approach to risk management is set out on pages 72 to 78. Through our regular risk assessments, new risks, including emerging climate-related issues, will be identified and assessed for materiality. There is a Board-approved definition for material emerging risks and a process is in place, which requires the CFO to escalate promptly any such risk to the attention of the Board. Following our assessment of climate risk to Softcat, we are confident that our business strategies are resilient against the impacts of climate change, due to the nature of our business operations and the breadth of global technology vendors with which we work.

We will remain proactive by refreshing scenario analysis and testing scenarios on an as-needed basis, at minimum every three years or whenever there are significant changes to the assumptions and climate scenarios used. We will re-evaluate our climate-related risks and opportunities on an annual basis to ensure Softcat remains resilient.

Key to potential financial impact:

● Low ● Medium ● High

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Risk management

Our risk management framework helps us to identify, assess, manage, monitor and act on risks, including those related to climate change. Managing our risks effectively will enable Softcat to deliver on its strategy. We recognise that climate change may have an impact on our strategy and operations and have considered these as part of our risk management process.

Climate change is already a component of the risk of failure to respond to market changes when considering the needs of our customers and how products, services and solutions might be affected by the drive towards carbon neutrality (see our principal risks and uncertainties on pages 76 and 77). We also have robust plans to mitigate the impact of business interruption (which may occur, for example, due to extreme weather events) and this is already included as a mitigating action in our principal risks. Climate change also provides us with opportunities to help our customers to reduce their environmental impact and to differentiate our offerings from competitors.

Our climate-related risks and opportunities, and their associated business and potential financial impacts, are captured within our climate change risk and opportunities register. The register provides a framework to identify, assess, manage and monitor the impacts of climate change on our business. We identify current or future mitigation measures and controls for the risks in order to reduce the impact and likelihood of each arising.

This year, we updated our assessment of climate change risks and opportunities that could pose a financial impact to the business. The primary purpose of the updated assessment was to determine whether the risks and opportunities were still relevant since the last assessment, as well as to consider risks against revised climate scenarios. No new material risks were identified or added. We incorporated the identification and assessment of climate-related risks into our overarching corporate risk management framework using our current corporate risk framework.

Climate-related risks and their potential financial impacts were validated and scored through a risk review workshop. The workshop was attended by senior managers in the business, including the CFO, Commercial Finance Director, Business Transformation Director and Sustainability Lead.

Representatives from our Group Risk and Compliance team (which is responsible for day-to-day management of the corporate risk register) also attended the workshop to ensure alignment of the approach between climate change risks and corporate risks. A summary of the key risks and opportunities was reviewed by the Sustainability Committee, which has oversight of the climate change risk.

Our primary business is an IT reseller and the majority of our business is conducted in the UK and Ireland. We do not manufacture goods and we have no production facilities (e.g. factories). Given the nature, locations and operation of our business and following our assessment of risks, we believe that the direct impact of climate change on Softcat will be low. Our current view is that we are not materially exposed to climate change as a business, and that climate-related risks do not present a material threat to our strategy, long-term viability, liquidity or ability to operate.

Furthermore, none of the actions taken so far (or currently planned) to reduce our environmental impact, mitigate identified risks or take advantage of identified opportunities have resulted in a significant financial impact on our business. Through our risk management process, we will continue to assess likely effects that climate change may have on our business, to ensure our current assumptions remain valid. To the extent that we do identify material risks, these will be modelled into our scenario analysis and for potential financial impact for longer-term viability assessment and disclosure in future Annual Reports.

The Board is comfortable that climate change has not had a material effect on our accounting judgements and estimates this financial year. It has also determined that climate change has had no material impact on our asset and liability valuations for the financial year. The impact of climate change risks is not currently considered by the Board as a key source of estimation uncertainty.

At Softcat, we are also conscious that there are 'emerging trends' that we do not currently expect to impact the business within our associated time horizons. Therefore, within the register, we have identified emerging trends that may impact the business in future, and we will maintain a watching brief to track risks which may become of significance.

Metrics and targets

As we evolve our sustainability strategy, we continue to review our metrics and targets, to ensure the data we measure is relevant and meaningful to the business and aligns with our overarching strategy, culture and values. The data we measure and disclose also allows our stakeholders to effectively monitor Softcat's environmental performance over time.

The Board of Softcat has approved three key target commitments and the Sustainability Committee regularly monitors progress. Our metrics focus on our GHG emissions and these are assessed through the intensity measurements set out on page 70. The Sustainability Committee has also endorsed the GHG emissions reduction targets approved by the SBTi. Achieving these key targets forms the focus of our sustainability initiatives:

- to use carbon offsetting to operate as a carbon neutral business and to implement initiatives throughout the business to reduce emissions;
- to use, where possible, renewable energy across all office locations (by 2024);
- to work with our supply chain to help it become net zero (by 2040); and
- the SBTi has approved Softcat's targets to reduce GHG emissions by 45% by 2030 for scopes 1, 2 and 3, and to reduce GHG emissions by 90% by 2040, relative to a FY2021 base year).

We are committed to improving the measurement of our carbon footprint and engaged an external firm specialising in sustainability for our FY2023 carbon footprint calculation.

Like the majority of businesses, scope 3 emissions comprise most of our carbon footprint. We therefore understand that to transition to a low carbon future, it is imperative that we work with our supply chain and customers. Our emissions are disclosed on page 71.

Given the nature of our business, water and land use are not material metrics. Energy consumed primarily relates to our offices; progress on initiatives to reduce energy consumption is shown on page 71.

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Metrics and targets continued

Progress on our targets on CO_2

Softcat has made commitments and goals on its environmental impact in the business and its supply chain. As mentioned above, the Board approved a long-term target to become a net zero business, and this will be achieved primarily by completing three key stages. Below is a summary of the targets and the progress being made:

Timing	Goal	Summary and progress update
2022	Carbon neutral	Softcat will use offsetting schemes to help offset its scope 1 and scope 2 emissions. We will also offset selected scope 3 emissions and will continue to reduce GHG emissions produced. Complete
2024	100% renewable electricity	Softcat will use, where possible, renewable electricity across all office locations. Using renewable electricity will reduce scope 2 emissions and reduce the environmental impact of energy used in the business. 60% of Softcat locations use renewable energy. We purchase renewable energy credits for the remaining offices where we are unable to use renewable energy. In FY2022, this target was expanded to include changing Softcat's pool car fleet from internal combustion to EVs. This changeover has now been completed. Complete
2040	Net zero supply chain	Softcat is working with its supply chain to help it become net zero. Good progress continues with our vendors, many of which have set net zero targets. Softcat has also received recognition from some leading market vendors and sustainability organisations. Work in progress

As a pivotal part of our journey to net zero, Softcat has committed to the SBTi and had its net zero targets validated. This commits the business to reduce its GHG emissions in line with the Paris Agreement, limiting global warming to 1.5°C. Softcat's science-based targets have been approved as in line with the emissions reductions required to achieve net zero emissions across its value chain by 2050.

In FY2022, Softcat became the first IT company in Europe to have its targets on climate action approved by the SBTi; the targets approved cover emissions for scopes 1, 2 and 3. Our target to become net zero by 2040 is ambitious and is ten years ahead of the targets set by the UK Government. Softcat has therefore developed a carbon reduction plan to support the achievement of the targets approved by the SBTi. This includes ten high level steps over the next ten years (our 'ten in ten'), which will help us reduce emissions across all scopes. We will communicate our key steps to our customers, suppliers and employees to improve their awareness of actions and targets to reduce emissions.

OUR TEN IN TEN

- **2023** — **Action:** Change pool cars from internal combustion to EV
- **2024** — **Action:** 100% renewable electricity/ renewable energy credits
- **2025** — **Action**: Major suppliers/partners to have net zero plans and SBTi targets where applicable
- **2026** — **Action:** Softcat services to be certified 'Carbon Neutral' (PAS 2060)
- **2027** — **Action:** 100% of deliveries to be completed using low emissions delivery services
- **2028** — **Action:** >80% of customers to purchase sustainable products or services
- **2029** — **Action:** Suppliers to use 100% renewable energy across their operations
- **2030** — **Target:** 45% reduction in gross emissions (versus FY2021 as a baseline)
- **2031** — **Action:** Zero to landfill (office waste)
- **2032** — **Action:** >80% of customers using renewable energy

Remuneration

For FY2023, the Remuneration Committee has determined that remuneration practices for the Executive Directors should for the first time include an assessment of performance against some of our key environmental targets and actions. This was included in the annual bonus plan for Executive Directors for FY2023. Achievement in respect of the actions is disclosed in the Annual Report on Remuneration. Please see pages 114 to 134 for further information about executive remuneration practices.

Internal carbon prices

Beyond offsetting our scope 1, 2 and operational scope 3 emissions, we have not introduced internal carbon prices. In FY2024 management will commence a review into carbon pricing and the role it may play within the business.

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Working with our stakeholders

Partnerships

To help us achieve our net zero targets, we are working closely with our supply chain, vendors and other industry and business forums. Many of our vendors are dedicated to operating more sustainably and are making major commitments towards tackling climate change. We are collaborating with our vendors to ensure they understand Softcat's commitments and that we understand their own sustainability journeys. For example, we have improved our understanding of many of our vendors':

- progress to reduce energy usage during manufacturing;
- use of renewable energy;
- use of sustainable packaging materials; and
- approach to extend the life expectancy of devices.

Ultimately, we will require sustained action from our vendors and suppliers to enable us to achieve our target of a net zero supply chain by 2040. We will continue to support our partners to realise this ambitious target.

Our work with industry and business forums raises the profile and importance of reducing carbon emissions. It also supports better collaboration and improved disclosures to allow stakeholders to better understand how they can play their part in the journey to net zero. Below are some of our important partnerships:

Softcat is a signatory of the UN SDGs. The SDGs are a collection of 17 interlinked global goals that are designed to be a 'blueprint to achieve a better and more sustainable future for all'.

Softcat is accredited with key internationally recognised environmental standards:

ISO 14001 sets out the requirements for an environmental management system. It helps organisations improve their environmental performance through more efficient use of resources and reduction of waste.

ISO 50001 specifies the requirements for establishing, implementing, maintaining and improving an energy management system.

Softcat is a member of the UN Global Compact Support the Goals, an initiative to rate and recognise businesses that support the UN Global Goals. The key aims of the initiative are to raise awareness of the Global Goals in the business community, and promote a structured approach to planning, target setting and reporting in respect of the goals.

Techies Go Green is a forum driving and supporting sustainability across the technology industry. Softcat is a member and we participate in the steering committee to support its development and direction.

Softcat has approved near and long-term science-based emissions reductions targets with the SBTi.

Softcat is a member of TechUK, the UK's technology trade association. It champions technology's role in preparing and empowering the UK for what comes next, delivering a better future for people, society, the economy and the planet.

Customers

Softcat does not manufacture products and most of Softcat's reportable emissions are in respect of scope 3, which includes the supply of goods and services in our supply chain and on to customers. We therefore make an active contribution to help our customers understand and reduce their environmental impact. Last year Softcat launched Enexo, which aims to help other organisations in the UK lower their carbon footprint, and thus, help to tackle climate change. The sustainability platform allows a UK organisation to measure and manage its carbon emissions and is being used by many of Softcat's customers. The platform draws on data from approximately 12 million data points, and leverages on Softcat's own experience of reducing emissions across the business. Enexo also enables organisations to benchmark their emissions against other organisations and to review data and actionable information. This will help users to plan their net zero journey, explore emissions reduction mitigations across their supply chain, and comply with public reporting requirements.

See more of what Enexo is doing for Softcat's stakeholders to help them measure and manage their emissions. Visit www.enexo.io/introduction/or scan the QR code.

Softcat leverages its expertise in IT through its Solutions services to help its customers be more sustainable. Our comprehensive approach to customer support underpins key drivers of future sustainability – maintain, refurbish and reuse. Softcat's sustainable solutions allow customers to maximise the use of an asset and to support the circular economy through recycling, as well as ensuring the customers' supply chains are as efficient as possible.

Making it sustainable for our customers

Pre-supply

Commitment:
Ensure our customers understand their IT estate's carbon footprint.

Opportunity and deliverables:
- IT sustainability assessment
- Consultancy/pre-sales
- Enexo

Supply chain

Commitment:
Supply sustainable solutions and services to assist our customers on their sustainability journey.

Opportunity and deliverables:
- Sustainable products
- Sustainable services
- Supply chain/logistics

Post-supply

Commitment:
Offer sustainable maintenance, management and retirement services to our customers.

Opportunity and deliverables:
- Support services (Third Party Maintenance)
- Device lifecycle management
- Supply chain services

Softcat continues to develop solutions in line with vendor offerings and new sustainable developments. This includes:

- Rolling out of Company-wide training on sustainability in FY2023. Over 98% of employees have now completed their training. We will also review more bespoke training across our Sales teams, enabling them to better help customers in making sustainable choices;
- Promoting increased use of sustainable products and services to our customers;
- Helping our customers to understand the benefit of more sustainable solutions, such as greater adoption of cloud services if appropriate; and
- Further promotion of refurbished items if that meets the customer's requirements.

Employees

Our employees have a major role to play in the success of our response to climate-related risks and opportunities. The Company-wide training rolled out in FY2023 has improved our employees' awareness of climate-related issues. It has also improved their understanding of some of the climate-related terminology used by Softcat's stakeholders, such as our customers and suppliers. This will make it easier for employees to engage with our key stakeholders when selling or procuring products and services.

Softcat has 'Green Teams' in place in its offices, which help to drive awareness, formulate innovative ideas and coordinate events associated with climate change. The employees who form the Green Teams volunteer their time to support Softcat and communities in tackling climate change. The Green Teams meet regularly to discuss the latest sustainability news and developments and to arrange Softcat initiatives.

To find out more about what we are doing on sustainability, please see our website at www.softcat.com/about-us/sustainability. This can also be viewed by scanning the QR code with your tablet or smartphone.

Environment, climate change and Task Force on Climate-related Financial Disclosures ('TCFD') continued

Environmental initiatives

There will always be ways for us to play our part in fostering a more sustainable world. Softcat is running several activities to improve its environmental footprint, as highlighted below. We are pleased that some of these are complete, whilst others are still in progress.

Activity	Progress
Reduction in printing across all offices using printing software solutions	●●●●●
Reduction in energy consumption through new, efficient lighting and technology throughout all offices	●●●●●
EV chargers at Marlow HQ for use of staff, visitors and pool cars	●●●●●
Single use plastic cups and cutlery removed from all offices	●●●●●
Secure WEEE/recycling of internal IT when no longer required	●●●●●
Investment in new collaboration solutions across all offices to reduce internal business travel	●●●●●
CDP disclosure for FY2021 (including all scopes)	●●●●●
Introduction of a hybrid working policy that allows employees to work remotely, and thus, reduces employee commuting by approximately 40%	●●●●●
ISO 50001 Energy Management System	●●●●●
Validation of a 1.5°C emissions reduction target through SBTi	●●●●●
Installation of power meters across all Softcat offices to obtain accurate power usage data to support reduction plans	●●●●●
Direct delivery to customers from Softcat's suppliers with no middle management, which results in minimal logistics emissions	●●●●●
Promotion of remote professional services engagements where possible to reduce business travel.	●●●●●
Certified renewable energy to be used across all Softcat office locations where possible	●●●○○
Replacement of existing pool car fleet with EVs	●●●●●
Supply chain review, including all vendors, suppliers and partners	●●○○○
Reduction in business travel (client and supplier meetings)	●●○○○
Integration of a Biodiversity Conservation Project	●●○○○
Softcat 'Sustainability/Responsibility Framework'	●○○○○

Key: ○ To be progressed ● Goal complete

Regulatory disclosures

GHG emissions

Our emissions have been calculated using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emissions factors from the Department for Environment, Food & Rural Affairs (DEFRA) and the Department of Energy & Climate Change (DECC).

- Scope 1: comprises emissions from our pool cars and natural gas burnt in boilers we control.
- Scope 2: comprises our electricity consumption in leased and owned buildings.
- Scope 3: comprises all indirect emissions (not included in scope 2) that occur across our value and supply chain.

Softcat intensity measurements

We have chosen to present our total emissions relative to the average number of employees, in order to represent how our emissions are impacted by the growth of our business. We also present, for additional information, our emissions relative to our turnover. Commentary on the steps we take to reduce energy consumption and reduce our carbon footprint are provided elsewhere in this report.

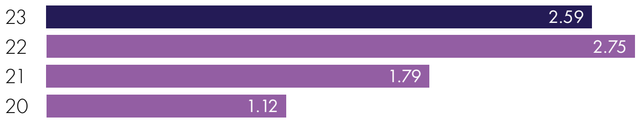
	FY2023	FY2022	FY2021	FY2020	FY2019
tCO_2e/£m	0.22	0.21	0.20	0.30	0.51
tCO_2e/employee	0.26	0.28	0.23	0.22	0.39

Energy consumption and energy efficiency

This disclosure is made in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which requires certain companies to report on energy consumption and efficiency.

Energy consumed
Million kilowatt hours

2.59



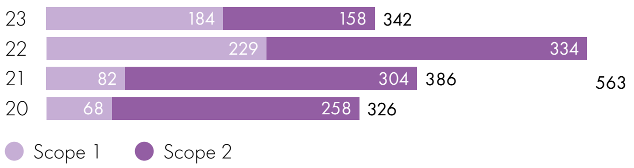
The above figure relates to Softcat plc, which was a single entity company as of 31 July 2023. It consists of the aggregate of the annual quantity of energy: (i) consumed from activities; and (ii) consumed resulting from the purchase of electricity or certain other energy products. The figure was calculated following UK Government Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting guidance (March 2019). The aggregate quantity of energy consumed in FY2023 includes 0.05m kilowatt hours in respect of the office in Ireland and the remaining portion relates to energy consumed in the UK.

GHG emissions

GHG emissions are calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard, using UK Government GHG conversion factors 2022 (for the first half of the financial year) and 2023 (for the second half of the financial year).

Scope 1 and scope 2 emissions
tCO_2e

342



Scope 3 emissions
tCO_2e '000

357

This Annual Report describes elsewhere measures taken to increase energy efficiency. The following in part explain the actions taken to reduce emissions and to improve the measurement of emissions so that further actions can be considered:

- Our UK-based offices are in modern buildings and use renewable energy where possible. Some of our offices have recently switched to 100% electricity usage so there is no reliance on gas consumption in those locations.
- We are working towards moving our electricity supply to 100% renewable electricity in all locations. The reduction in emissions reflects emissions savings achieved by switching to renewable electricity tariffs. We plan to purchase Renewable Energy Certificates to cover all non-renewable electricity used during FY2023.
- We continue to utilise, where appropriate, technology such as video conferencing, which reduces business travel.
- Our flexible working policies, which include hybrid working, reduce employee commuting.
- Our internal combustion car pool fleet has been replaced with EVs.
- We have now established an energy metering solution to measure and monitor energy usage across all offices.

Waste management and water are included within our emissions calculations. Given the nature and operation of our business, we do not consider impacts relating to biodiversity and use of land to be material.

Verified Carbon Standard
A VERRA STANDARD

Use of carbon offsetting

Whilst on our journey to net zero and our commitment to science-based targets, Softcat is working with its accredited offsetting partners to offset its scope 1 and scope 2 emissions and its operational scope 3 emissions (including waste, business travel and employee commuting). We use carbon credit approved offsetting schemes, in which we make financial contributions to the equivalent of the emissions to be offset. All of Softcat's scope 1, scope 2 and operational scope 3 emissions for FY2022 have been offset and will be offset for FY2023.

We use a mixture of initiatives to offset our emissions and all offsetting meets the Verified Carbon Standard ('VCS') for reducing emissions from deforestation and degradation. Recent initiatives include planting trees across school grounds, parks, farms, woodlands and other biodiversity sites. This also helps wildlife habitats and provides educational and community benefits.

EFFECTIVELY MANAGED RISK

Overview

We have adopted a strategic and structured approach to risk management enabling us to proactively identify and address risks. The benefits of risk management include improved decision making, better risk communication and eventually enhanced organisation value and performance.

During the year, we continued to evolve our risk management approach. This included strengthening the second line functions, establishing a three-tier risk management architecture with clear responsibilities and adopting a holistic risk and internal controls approach based on elements of the widely recognised 'Internal Control – Integrated Framework' published by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO').

Risk governance

Board

Audit Committee

- Board provides overall governance on risk management. Approves strategy and sets the risk appetite.
- Audit Committee, on behalf of Board monitors effectiveness of risk management, internal control and internal audit function. Reviews estimates and judgements made by management in financial statements.

Executive Directors, Senior and Extended Leadership Team

- Responsible for setting and implementing strategy and policies.
- Responsible for ensuring that risks are proactively identified and effectively managed in achieving the organisational objectives.

First line

- Front line business operations.
- Responsible for correct and consistent application of organisational policies and procedures.
- Responsible for day-to-day risk management.

Second line

- Comprised of Governance, Risk and Control management, Legal, Company Secretarial and Information Security.
- Oversees compliance and risk management matters.
- Supports first line in risk identification and management.

Third line

- Internal audit function provides independent assurance.
- Reports to Audit Committee.
- Adopts risk-based approach and tests design and operating effectiveness of policies, procedures and controls.

Risk appetite

We recognise the need for informed risk-taking in order to deliver sustainable and profitable business growth in line with our values and strategy. Our 'risk appetite' is reviewed and approved by the Board each year. The Senior Leadership Team is responsible for operating the business within the risk appetite approved by the Board.

Our risk appetite ratings are defined as follows:

Assessing key risks against our risk appetite enables us to understand areas where we are operating within or outside the target risk appetite. This allows management to consider the actions required to achieve the target appetite. Our risk appetite varies across different principal risks, which are set out on pages 76 and 77.

Low: We aim to mitigate these risks to the fullest extent possible

Balanced: We accept broadly predictable risks where there are business benefits of carrying that risk

High: We seek out opportunities with attractive potential upsides, take considered risks and manage the consequences

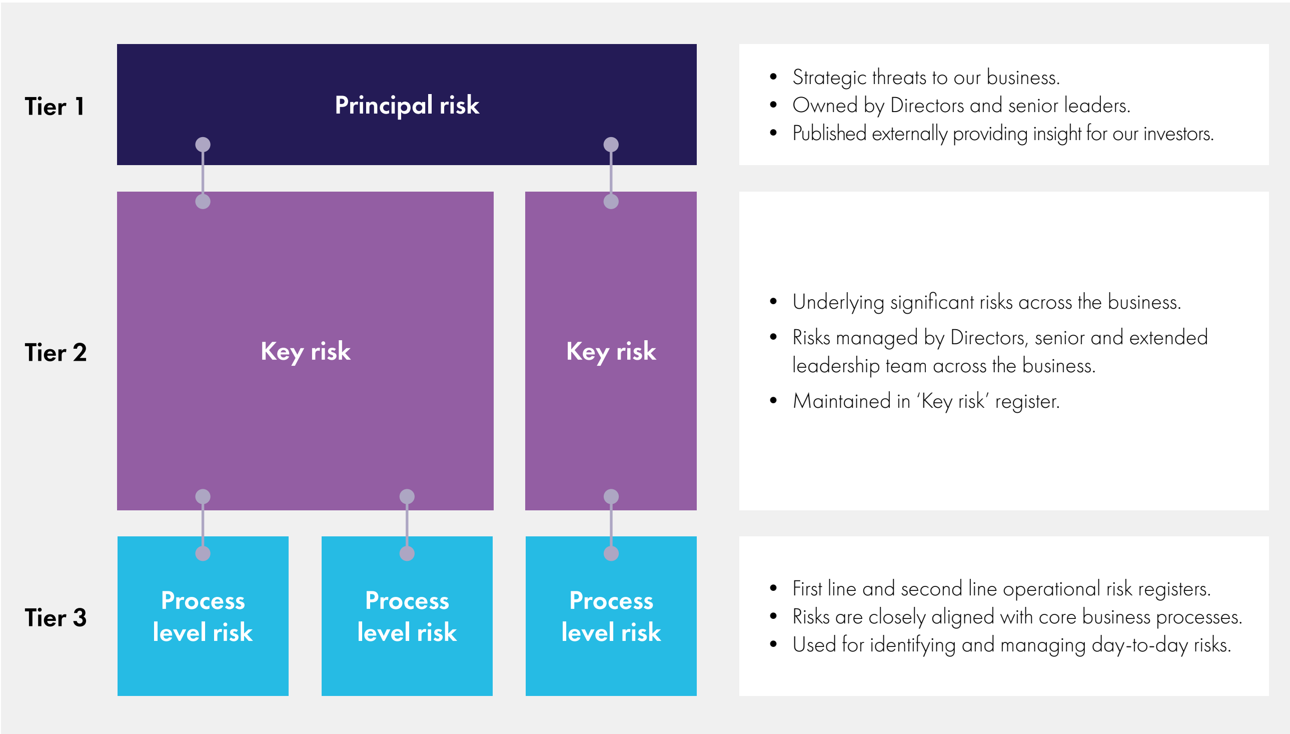
Risk management methodology

Our Framework

Integrated three lines model and COSO internal control framework: As outlined in the risk governance section, the 'three lines' model helps organisations identify structures and processes that best assist in the achievement of objectives and facilitate strong governance and risk management. COSO's 'Internal Control – Integrated framework' outlines how internal controls can be operationalised to achieve an effective system of internal controls.

We have strengthened the three lines approach and have incorporated elements from COSO's internal control framework. As a result, the key elements of risk management (effective identification, management, monitoring and reporting of risks and controls) are underpinned by clear responsibilities and structure. This has improved the overall governance during the year.

Three-Tier risk management architecture



During the year, we formalised and further strengthened the three-tier risk management architecture to improve clarity and understanding around principal risks and their management across the business. Principal Risks are often made up of one or more key risks. Key risks are linked to process level risks.

Risk categories

Risk categories play a key role in effective risk management. They help identify, group and assign risks to the right leaders and mangers within the business. This also enables a comprehensive assessment of the overall risk landscape. We identify our current key risks under these categories.

A Business strategy

Risks which have the potential to impede the achievement of our strategic goals or impact our business model.

B Operational

Risks (both external and internal) that could impact day-to-day operations and prevent business-as-usual activities.

C Financial

Risks that could impact the profitability or financial viability of the Company or increase economic exposure.

D People

Risks that could impact our ability to attract, retain and motivate the very best employees.

E Regulatory and compliance

Following review by the Audit Committee, this was added as a new risk category, acknowledging ongoing and increasing regulatory and compliance requirements for Softcat.

Process

Risk management is aligned to our strategy, and each principal risk and uncertainty is considered in the context of how it relates to the achievement of our strategic objectives and risk appetite. Ownership for each principal risk is assigned to a director or senior leader based upon alignment with operational duties.

First line teams and leaders identify, evaluate, escalate and record risks. They also identify appropriate risk management activities and action them. Information on identification, assessments and actions are captured in operational risk registers.

The second line function oversees the overall risk management and internal control process. They review the operational risk registers, update the key risk register based on insights and interviews with risk owners and managers from across the business, update principal and emerging risks, perform sample checks, provide feedback to first line teams, and undertake a formal risk management and internal control effectiveness review at least twice a year.

The Audit Committee, on behalf of the Board, reviews the effectiveness of the risk management functions and receives assurances on the effectiveness of key controls in the business. This process provides an effective combined 'bottom-up' and 'top-down' approach to ensure risks have been considered from different perspectives. Key risk register is reviewed at least twice a year to ensure that it remains current as the business and its markets evolve and that identified remedial actions are progressed. The principal and emerging risks are reviewed annually. The Audit Committee reviews the Viability Statement, which considers the potential impact over the longer term of some of the key risk factors. The Audit Committee receives reports from management and from internal audit on key areas of risk and control and challenges management on the timelines and effectiveness of corrective action. The Audit Committee also considers the findings and recommendations of the external auditor with regard to financial controls. The Audit Committee then makes a recommendation to the Board for final approval.

Climate change

During the year, in line with the approach recommended by the Task Force on Climate-related Financial Disclosures ('TCFD'), we conducted a formal assessment of the potential impact of climate change to our business and supply chain. Please see our report on TCFD and Sustainability on pages 50 to 71. Climate change is already a component of the risk of failure to respond to market changes when considering the needs of our customers and how products, services and solutions might be affected by the drive towards carbon neutrality. We also have robust business interruption plans in the event of a disruption to our business. Our current analysis concluded that no other climate change-related risk is a principal risk which needs to be incorporated into the list of principal risks shown.

Principal risks

The Board has identified the principal risks facing the Company and considered the likely impact that each could have on the business.

Set out on pages 76 and 77 is the Board's view of key risks currently facing the Company, along with commentary on how this might impact progress against our strategic goals. We provide a view on the change in risk compared to the prior year's assessment. There is a Board-approved definition for material emerging risks and a process is in place which requires the CFO to escalate promptly any such risk to the attention of the Board.

Due to increasing regulation and Softcat's overall growth, this year, we have introduced a new Principal Risk titled 'Regulatory and compliance risk', albeit some elements of this was already covered as part of other risks earlier.

Issues associated with each of the principal risks below have been discussed and reviewed by the Board or relevant Committee on a regular basis, for example the Board/relevant Committee have discussed updates on cyber security, the macro-economic environment, forthcoming changes in regulation/legislation, customer satisfaction and changes in Softcat's leadership team. During the year the Board also considered other emerging external matters, for example changes in technology (such as AI) and market changes which might impact on our operating model.

Some of the key risks are also reflected in scenario planning as part of the Company's assessment of viability over the longer term. Please see the Viability Statement on page 78 for further details.

An explanation of how the Company manages financial risks is provided in note 21 to the financial statements. An explanation of the Company's approach to critical accounting judgements and key sources of estimation uncertainty is also provided in note1 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A Business strategy

Failure to respond to market changes including technology offering, channel disintermediation, competitor landscape and customer needs

Change from 2022
Slight increase

Target risk appetite:
Low

Potential impacts
- Loss of competitive advantage
- Reduced number of customers and profit per customer

Management and mitigation
- Insight from ongoing industry analysis and subscriptions input into annual strategy process
- Regular insights into customer priorities including climate-related through the annual customer experience survey results and 'voice of the customer' surveys. Multi-layered relationship with strategic vendors and executive sponsor alignment
- Regular Quarterly Business Reviews with vendors

Link to strategy

B Operational

Customer dissatisfaction

Change from 2022
No change

Target risk appetite:
Low

Potential impacts
- Reputational damage
- Loss of customers
- Financial penalties

Management and mitigation
- Dedicated customer experience team, who manage and escalate customer dissatisfaction cases
- ISO20000-1 IT Service Management and ISO-9001 Quality management certified
- Ongoing customer service excellence training
- 'Big-deal review' process

Link to strategy

Cyber security risk and business interruption risk

Change from 2022
No change

Target risk appetite:
Balanced

Potential impacts
- Inability to deliver customer services
- Reputational damage
- Financial Loss
- Customer dissatisfaction

Management and mitigation
- ISO27001 accredited processes. Company-wide information security policy and mandatory security-related training
- Regular testing of disaster recovery plans and business continuity plans
- Established and documented processes for incident management, change control, etc.
- Ongoing upgrades to network
- All employees issued with corporate devices with standardised access monitoring and control
- Key software used is from large multi-national companies who have a 99.9% SLA and who also provide us with SOC2 reports that provide assurance on their processes and controls
- Annual penetration test by a third party

Link to strategy

C Financial

Macro-economic factors including impact on customer sentiment, inflationary pressures, interest and foreign currency volatility

Change from 2022
No change

Target risk appetite:
Balanced

Potential impacts
- Short-term supply chain disruption
- Reduced margins
- Reduced customer demand
- Reduced profit per customer
- Higher operating costs
- Customer insolvencies and cash collection challenges

Management and mitigation
- Customer base is well diversified in terms of both revenue concentration but also public and commercial sector exposure
- Close dialogue with supply chain partners
- Annual budget considers the operating profit growth expectations of the markets
- Operating costs are budgeted and reviewed regularly
- Going concern and viability statements are underpinned by robust analysis of scenarios

Link to strategy

Ineffective working capital management

Change from 2022
No change

Target risk appetite:
Balanced

Potential impacts
- Increased bad debts
- Increased cost of operations

Management and mitigation
- Robust credit assessment process including use of trade credit insurance
- Regular review of the aged debt position by management
- Defined treasury policy covering liquidity management processes and thresholds
- Regular cash forecasting, actual reporting and variance analysis to highlight any adverse trends and allow sufficient time to respond

Link to strategy

Acquire more customers
(see page 28)

Sell more to existing customers
(see page 28)

People and culture
(see pages 44 to 49)

Ease of doing business
(see page 18)

Maintaining relevance and expanding our addressable market
(see pages 22 to 27)

Failure to retain competitive terms with our suppliers and/or right size our cost base compared to gross profit generated.

Change from 2022
No change

Target risk appetite:
Balanced

Potential impacts
- Uncompetitive pricing leading to loss of business
- Reduced profitability/margins

Management and mitigation
- Budgeting process and regular reviews ensure costs are managed appropriately and in consideration of gross profit growth. Any out of budget spend needs management level approval
- Rebates form an important, but only minority element of total operating profit. In addition, rebate programmes tend to be industry standard and not specific to the Company, while vendor aligned teams ensure we optimise available rebate structures
- Ongoing training to sales and operations teams to keep pace with new vendor programmes

Link to strategy
Acquire more customers, Sell more to existing customers

D People

Loss of culture

Change from 2022
No change

Target risk appetite:
Low

Potential impacts
- Reduced staff engagement
- Negative impact on customer service
- Loss of talent

Management and mitigation
- Culture sits at the heart of all changes that are made in Softcat. There is regular communication from Senior Leadership Team members to employees at 'Kick off' and 'All Hands' calls about the importance of culture
- Regional offices with empowered local management
- Quarterly management satisfaction survey with feedback acted upon
- Regular staff events and incentives
- Enhanced internal communication processes and events

Link to strategy
People and culture

Talent, Capability and Leadership risk

Change from 2022
No change

Target risk appetite:
Low

Potential impacts
- Lack of strategic direction
- Reduced staff engagement
- Loss of talent
- Loss of competitive advantage

Management and mitigation
- Succession planning process in place
- Experienced and broad senior management team
- Investment in robust recruitment and selection processes
- Attrition tracked and action taken as necessary

Link to strategy
Ease of doing business, People and culture

E Regulatory and Compliance

Compliance with existing regulation/legislation and being prepared for emerging regulation/legislation

Change from 2022
New

Target risk appetite:
Low

Potential impacts
- Financial penalties
- Reputational damage
- Loss of customers

Management and mitigation
- Presence of a second line function (Governance Risk & Control, Information Security, Legal and Company Secretarial)
- Management committee in place to review second line progress and report to the Audit Committee
- Ongoing engagement with specialist third parties where required

Link to strategy
Ease of doing business, People and culture

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Company over a three-year period to 31 July 2026, which is a longer period than the twelve-month outlook required in adopting the going concern basis of accounting. This assessment period remains appropriate given the timescale of the Company's planning and investment cycle. The Directors confirm that they have performed a robust assessment of the principal risks facing the Company as detailed on pages 72 to 77, including those that will threaten its business model, future performance and solvency or liquidity.

The Company's gross invoiced income has grown on average 17% in the last three years. This has been achieved by gaining market share through increasing the number of customers as well as increasing spend per customer year on year. Against a backdrop of high inflation and increasing interest rates which have put pressure on our customer base, the Company has displayed a large degree of resilience to challenging conditions, evidenced by an increase in gross profit of 14% in FY2023. The year-to-date trading to the end of September 2023 shows growth in line with the base case forecast.

As of September 2023, the principal challenges to short term business performance are a downturn in the UK economy, resulting from higher broad-based inflation and increasing interest rates which affect both our direct customers and limit the discretionary spend of the end users of their products and services. This may result in delayed decisions on non-critical projects as well as enhanced procurement processes which ultimately could push spend into future periods. Higher than normal risk of credit losses remains. These factors have been assessed within the Company risk review and discussed within the Strategic Report.

The assessment of the Company's viability considers severe but plausible scenarios aligned to the principal risks and uncertainties set out on pages 76 and 77, and the assessment was based on the severe but plausible scenario set out in our going concern assessment. The realisation of these risks, to the extent modelled, is considered highly unlikely.

The degree of severity applied in the viability scenarios was based on management's experience and knowledge of the industry to determine plausible changes in assumptions. The most relevant potential impact of the key risks on viability are:

- a substantial and sustained shortfall in revenue and gross invoiced income compared to the budget and strategic three-year plan resulting from a significant and extended downturn in the UK economy and resulting fall in spend;
- a fall in achievable gross margins resulting from margin pressure associated with lower demand and increased competition for the remaining business;
- significantly increased levels of bad debt losses in the first year of the modelled period, to coincide with the challenges of higher inflation, interest rates and less discretionary spend for consumers; and
- an ongoing increase in the working capital cycle, specifically driven by a delay in customer payments versus historical levels.

The following stress testing over a three-year period has been performed (i) against the budget approved by the Board for the 2024 financial year; and (ii) against the remaining two financial years (i.e. 2025 and 2026) of the three-year plan:

- an average 7.5% year-on-year reduction, compared to the original budget and three-year strategic plan, in revenue and gross invoiced income;
- reduced gross profit margins of 1% compared to the original budget and three-year strategic plan;
- savings in discretionary areas of spend;
- bad debt write offs of £5m above budgeted levels in FY2024, FY2025 and FY2026; and
- extending the length of debtor days by two days across the three years (thus negatively impacting working capital).

The Company benefits from a flexible business model with a high proportion of costs linked to performance, such as commission, no warehousing of unsold products and a low operating cost base, consisting of mostly staff costs. On top of the natural reduction in some of these outflows as profitability reduces, management could, if necessary, take mitigating actions (for example, the ability to adjust the level of discretionary special dividend) providing opportunities for the business to make further decisions on the cost base of the business. Despite the minimum desired cash position being achieved in the severe but plausible scenario through a reduction in planned special dividends, the following options also exist for management:

- reduced salary costs, through recruitment restrictions on new heads and not replacing leavers;
- no interim dividend in H2 of FY2024 or thereafter;
- savings in discretionary areas of spend;
- delay payments to suppliers foregoing early settlement payments; and
- short-term supplier payment management.

The Company operates a flexible model in a resilient industry that incorporates an increasing level of non-discretionary spend from UK corporates as IT has become vital to establish competitive advantage in an increasingly digital age. In Public Sector, a fast-growing area of the business, spending has also continued to be strong as investment in IT continues apace in order to provide the best level of service to the public.

Financially, significant free cash flow generation and the strength of the Company's balance sheet provide comfort around the ability to absorb the impact of the stress tests outlined above.

Confirmation of viability

Based on the analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

Board leadership and Company purpose

The Board is responsible for establishing Softcat's purpose, engaging and building strong relationships with our shareholders and stakeholders, and promoting the long-term success of Softcat.

Read more on pages 80 and 83

Division of responsibilities

The Board has clear divisions of responsibilities and promotes a culture of openness and debate.

Read more on pages 84 and 85

Composition, succession and evaluation

We regularly evaluate the composition and the succession of the Board to ensure we are effective, considering diversity and the balance of experience, skills, knowledge and independence.

Read more on pages 88 and 89

Audit, risk and internal control

We present a fair, balanced and understandable assessment of Softcat's position and prospects. Our decisions are discussed within the context of the risks involved.

Read more on pages 96 to 105

Remuneration

Director remuneration is designed to support Softcat's strategy, purpose and values, and promote the long-term success of the Company.

Read more on pages 114 to 164

Sustainability

We operate a Sustainability Committee to provide Board level oversight on our sustainability strategy, targets and progress towards a lower carbon business.

Read more on pages 112 and 113

Inside this section:

INTRODUCTION TO GOVERNANCE

> I am delighted to present my first report on governance as Non-Executive Chairman.

Graeme Watt
Non-Executive Chairman

Dear shareholder

I am delighted to present my first report on governance as Non-Executive Chairman. The 2018 UK Corporate Governance Code (the 'Code') (a copy of which is available at www.frc.org.uk) is applicable to Softcat for the financial year ended 31 July 2023.

I am pleased to confirm that your Company has complied with the principles and provisions of the Code during the year with one exception. In respect of Provision 9 of the Code, Martin Hellawell was the Company Chair until 31 July 2023, when he stepped down from the Board. Martin was not independent on his appointment as Chair in April 2018. Subsequent to the financial year end, I was appointed as Non-Executive Chairman on 1 August 2023. As I was Softcat's previous Chief Executive Officer, I was not independent on my appointment as Chairman.

When deciding on both my appointment and the previous appointment of Martin as Chair, the Board recognised that the Code states that the chair should on appointment meet the independence criteria and that ordinarily the chief executive should not go on to be the chair of the same company.

Prior to me becoming Chairman, detailed conversations were held with the Board and plans agreed to ensure that my role as Chairman was very clear to the Board, our shareholders, our employees, other stakeholders of the business and me. We remain conscious that it is not seen as best practice for a former CEO to be chair of the same company. However, all of the Board and the Nomination Committee confirmed they believe we have a clear framework for the roles of the Chairman and of the CEO and there remains a clear separation between those roles.

Prior to 1 August 2023, Graham Charlton increased his executive responsibilities and held the role of CEO Designate from June 2023 following the appointment of Katy Mecklenburgh as CFO. This allowed me to hand over all executive duties to Graham by 1 August. Since 1 August I have not been involved in any operational matters, other than acting as an occasional sounding board for the CEO, in much the same way that former Chair Martin had previously done for me. The clear and successful operating model of the CEO running the Company (not the Chairman) will continue. The Board will benefit from an infusion of new thinking following the appointment of Katy as CFO in June 2023 and from the appointments of Mayank Prakash and Jacqui Ferguson as independent Non-Executive Directors (September 2023 and January 2024 respectively). Your Board firmly believes that these appointments and the composition of the Board are in best interests of the Company's stakeholders. Your Board continues to operate a strong and effective system of governance and it demonstrates good leadership and oversight of its responsibilities.

We have conducted our annual Board effectiveness evaluation, which concluded that your Board continues to work well. I would like to thank my fellow Directors for their ongoing support, particularly against the background of significant changes to the roles and composition of the Board.

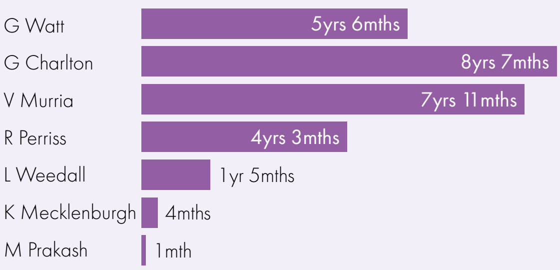
The following reports explain how the Board and its Committees operate and explain some of the work they have undertaken during the year. If you have any questions or comments on the reports, I can be contacted via the Company Secretary at cosec@softcat.com.

Graeme Watt
Non-Executive Chairman
23 October 2023

Board overview

Tenure of Directors

Director



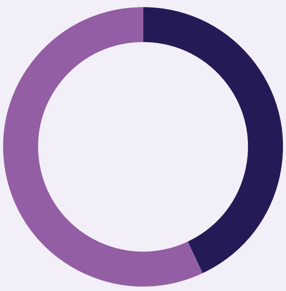
Directors' experience

- Finance: 3
- Marketing: 4
- Operations: 7
- Management: 7
- Technology: 4

Board composition (%)

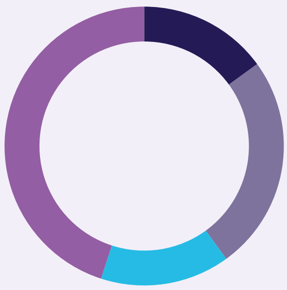
- Chair: 14%
- Independent Non-Executive Directors: 57%
- Executive Directors: 29%

Board gender diversity (%)



- Male: 43%
- Female: 57%

Allocation of time



- Corporate governance and investor relations: 15%
- Financial performance: 25%
- Risk: 15%
- Strategy and operations: 45%

YOUR BOARD OF DIRECTORS

Our business is led by our Board of Directors. Biographical and other details of the Directors as at 23 October 2023 are as follows:

1

Graeme Watt

Non-Executive Chairman

Appointed to the Board: 1 April 2018 (and became Chair on 1 August 2023)

N D S

Key strengths

- Extensive knowledge of the sector, distribution and the reseller channel
- Strong commercial skills
- Business and system transformations
- Mergers and acquisition experience
- Strong leadership skills and delivery of growth in very sizeable business units
- Deep understanding of the Softcat business and culture
- Wealth of financial and risk knowledge

Current external commitments

None.

Previous roles

Graeme has over 30 years of experience in the IT distribution industry. He was CEO of Softcat between April 2018 and July 2023. Prior to joining Softcat, Graeme was most recently senior vice president EMEA, advanced and specialist solutions, Tech Data Corporation ('Tech Data'), a position he held from March 2017. Before that, he was president for Avnet Technology Solutions, EMEA, for almost seven years and a member of Avnet's global executive committee. He previously spent six years at Bell Micro (as president of global distribution) and his earlier career included roles at Tech Data (president EMEA) and Computer 2000 (managing director UK & Ireland). Graeme is a qualified accountant (ICAEW).

2

Graham Charlton

Chief Executive Officer

Appointed to the Board: 19 March 2015 (and became CEO on 1 August 2023)

D S

Key strengths

- Strong leadership skills
- Strong financial and commercial skills
- Extensive experience in both financial and general management
- Deep understanding of the Softcat business and culture
- Significant experience of financing and capital raising

Current external commitments

None.

Previous roles

Graham was CFO of Softcat between March 2015 and July 2023 and was appointed CEO in August 2023. Before Softcat, Graham previously spent four years as finance director at comparethemarket.com. Prior to that, Graham spent one year as finance director at See Tickets (the trading name of See Group Limited) and

Committee key

Ⓐ Audit Committee
Ⓝ Nomination Committee
Ⓡ Remuneration Committee
Ⓓ Disclosure Committee
Ⓢ Sustainability Committee
● Chair

over five years in various roles, including group financial accountant, finance manager and finance director, decision analytics, at Experian Ltd. Graham is a Chartered Accountant and began his career with Andersen.

3

Katy Mecklenburgh
Chief Financial Officer
Appointed to the Board: 19 June 2023
D S

Key strengths

- Strong leadership skills
- Strong financial and commercial skills
- Extensive experience in commercial finance and audit matters
- Previous significant senior finance roles across a range of industries

Current external commitments

None.

Previous roles

Katy joined Softcat in June 2023. Previously, she was interim Chief Finance Officer at ASOS plc. Prior to that, she spent three years as Group Controller at Inchcape plc. She has held various other positions across a range of industries and blue-chip firms. Katy was Head of Finance at Amazon and Finance Director at Serco and she spent over a decade at Procter and Gamble where she held a series of senior finance roles. Katy is a Chartered Management Accountant. She earned a BSc in Pharmacology and a PhD in Respiratory Medicine, both from Edinburgh University.

4

Vin Murria OBE
Independent Non-Executive Director and Designated NED for Workforce Engagement
Appointed to the Board:
3 November 2015
A N R S

Key strengths

- A seasoned and successful entrepreneur with extensive board experience
- A strong background in technology-based businesses coupled with a strong network
- Well-developed strategic and commercial skills

Current external commitments

Chair of AdvancedAdvT Limited and non-executive director at Bunzl plc.

Previous roles

Prior to joining Softcat, Vin spent seven years as the founder and chief executive at Advanced Computer Software plc, before its acquisition by Vista Equity Partners in 2015, and five years as chief executive of Computer Software Group plc, before its acquisition by HG Capital and then Hellman & Friedman in 2007. Previously, Vin was a non-executive director at Sophos Group plc, Zoopla Plc, Chime Communications plc, MC Saatchi plc, Silicon Valley Bank UK and DWF Group plc, and chief operating officer at Kewill Systems plc.

5

Robyn Perriss
Independent Non-Executive Director
Appointed to the Board: 1 July 2019
A N R S

Key strengths

- Wealth of financial, risk and governance knowledge
- Significant investor relations and capital markets experience
- Extensive experience of strategic roles, particularly within a dynamic and fast-paced progressive environment

Current external commitments

Non-executive director at Next 15 Communications Group PLC and Dr. Martens plc.

Previous roles

Robyn was finance director at Rightmove plc, the UK's largest property portal, until 30 June 2019. Prior to being finance director at Rightmove, Robyn also held senior roles as financial controller and company secretary. Before joining Rightmove, Robyn was group financial controller at the online media business Auto Trader.

She qualified as a Chartered Accountant in South Africa with KPMG and worked in both audit and transaction services.

6

Lynne Weedall
Independent Non-Executive Director
Appointed to the Board: 3 May 2022
A N R S

Key strengths

- Significant experience of senior positions in human resources
- Extensive experience as a non-executive director of listed companies

Current external commitments

Non-executive director at Dr. Martens plc, Greggs plc and Stagecoach Group Limited.

Previous roles

Previous senior executive positions include group people & culture director of Selfridges Group, and group human resources & strategy director of Carphone Warehouse. Previous non-executive roles include Treatt plc, William Hill plc and Greene King plc.

7

Mayank Prakash
Independent Non-Executive Director
Appointed to the Board:
1 September 2023
A N R S

Key strengths

- Significant experience of senior positions in various sectors
- A strong background across operations, technology and digital information and transformations

Current external commitments

Group chief operations officer of Evelyn Partners Group Limited and non-executive director at Uber in the UK.

Previous roles

Mayank held senior executive positions including being chief consumer digital and information officer of Centrica plc, managing director, global wealth & investment management technology of Morgan Stanley, chief digital & information officer of DWP and UK chief information officer of Sage Group plc.

Division of responsibilities

OUR GOVERNANCE FRAMEWORK

Board meeting attendance

All members of the Board are required to devote sufficient time to prepare in advance for Board meetings and to attend. The Board met seven times during the year.

The Board is committed to fostering an open and transparent culture at Softcat and recognises the importance of regular engagements with employees as a part of this culture. This year, the Board took advantage of combining some of its Board meetings with an opportunity to engage with employees, holding question and answer sessions in both the Manchester and Leeds offices. Each session was led by Vin Murria (the Board's Designated Director for Workforce Engagement) and provided a valuable opportunity for the Board to better understand the matters of importance to each office, and for the employees to get to know the Directors, some of whom had not met the Board before.

The Company held five meetings of the Audit Committee, three meetings of the Remuneration Committee, four meetings of the Nomination Committee and two meetings of the Sustainability Committee. Attendance for each Committee is shown in the respective Committee report. Additionally, from time to time, authority will be delegated to a sub-committee of the Board or one of its Committees to authorise specific actions, for example the publication of a trading statement. Sub-committee meetings are held as and when they are necessary throughout the year.

Name	Board attendance 2023
M Hellawell	● ● ● ● ● ● ●
G Watt	● ● ● ● ● ● ●
G Charlton	● ● ● ● ● ● ●
K Mecklenburgh	n/a n/a n/a n/a n/a n/a ●
K Slatford	● ● ● n/a n/a n/a n/a
V Murria	● ● ● ● ● ● ●
R Perriss	● ● ● ● ● ● ●
L Weedall	● ● ● ● ● ● ●

● Attended ○ Did not attend ● n/a

Karen Slatford retired from the Board in January 2023. She attended all meetings of the Board during the financial year prior to her retirement.

Katy Mecklenburgh joined the Board in June 2023. She attended all meetings of the Board during the financial year following her appointment.

Our Board

Matters reserved for the Board

The Board has a formal schedule of matters reserved for the Board's approval which is regularly reviewed and updated. Matters include:

- our strategy, business objectives and annual budgets to ensure we can deliver long-term value to our shareholders;
- annual and half-year results and our dividend policy;
- material acquisitions, disposals and contracts;
- major changes to internal controls, risk management or financial reporting policies and procedures;
- determining our risk appetite;
- oversight of strategic sustainability objectives;

Board Committees

Audit Committee

Provision of effective governance over:

- the appropriateness of the Company's financial reporting;
- the performance and appointment of both the internal audit function and the external auditor; and
- the Company's system of internal control, risk management and compliance activities.

Read more on pages 96 to 105

Disclosure Committee

- Supports the Board in overseeing the accuracy and timeliness of Softcat's formal business disclosures, including disclosures made in Softcat's half and full-year results.

Executive leadership

Senior Leadership Team ('SLT')

The SLT is led by the CEO and is responsible for leading the day-to-day operation of Softcat. The SLT focuses on:

- major changes to capital, corporate or management structure; and
- succession planning for the Board and senior management.

Matters reserved can be found at www.softcat.com/about-us/investor-centre/governance.

The Code expects certain roles of the Board to be clearly set out. The Board has a formal document outlining the key aspects of the role of the Chair, Chief Executive, Senior Independent Director ('SID'), Non-Executive Directors ('NEDs') and Designated Director for Workforce Engagement. This is regularly reviewed, and the current version can be found at https://www.softcat.com/about-us/investor-centre/governance.

The Committees of the Board have remained unchanged since last year and there has been no material change in their duties and responsibilities over the last year.

Nomination Committee

- Evaluates Board composition and ensures Board diversity and a balance of skills.
- Reviews Executive succession plans, performance on diversity and plans to improve diversity in the business.
- Oversees the performance evaluation of the Board, its Committees and individual Directors.
- Reviews employee engagement and the culture within the business.

Read more on pages 106 to 111

Remuneration Committee

- Sets, reviews and recommends the policy on remuneration of the Chair, Executive Directors and Senior Leadership Team.
- Sets the pay of the Executive Directors and agrees their participation in bonus plans and share-based incentives.
- Sets a Remuneration Policy for approval by shareholders and then manages the implementation of the Policy.

Read more on pages 114 to 134

Sustainability Committee

- Sets and approves the sustainability strategy of the Company.
- Reviews performance against climate-related targets, goals and initiatives, and oversees compliance with climate-related regulations.
- Reviews the effectiveness of management's practices for identifying and monitoring climate-related risks and opportunities.
- Reviews other corporate responsibility issues as requested.

Read more on pages 112 and 113

- strategy implementation;
- operational, financial and competitive performance;
- commercial developments;
- succession planning below Board level;
- organisational development; and
- maintaining Softcat's culture.

WHAT THE BOARD DID THIS YEAR

Each year the Board reviews, discusses and approves a variety of matters. Some of the matters are cyclical, for example the Board's review of our half year and full-year results. Some items are discussed at each meeting, for example updates from the CEO and the CFO on business and financial performance. The below summarises some of the key matters considered by the Board during the year.

Strategy

The development and implementation of Softcat's strategy remained a key focus for the Board. This has been covered in a number of ways including:

- recurring updates from the CEO;
- specific strategy review discussions with the Board and key senior management in February 2023;
- an informal Board dinner in 2023 which allowed additional time to discuss strategy ahead of the formal strategy review session; and
- updates on the actions arising from the strategy review throughout the year.

Performance monitoring

The Board has a robust process in place for setting expectations and for regular monitoring of business performance. During the year this included:

- review and approval of a three-year plan at the same time as the strategy review in order to provide a comprehensive longer-term outlook. Forecasts in the three-year plan are subsequently refreshed as needed during the year;
- approval of an annual budget, followed by a report (which is circulated to the Board) each month comparing performance against budget;
- consideration of year-end and half-year performance and subsequent review, approval and publication of the year-end and half-year results;
- setting of a dividend policy. Determining whether an interim dividend should be paid and proposals for a year-end dividend, after taking into account performance, the Company's financial situation and the needs of the business and any other relevant circumstances;
- discussion of the performance and resilience of the business against the background of a challenging macro-economic environment; and
- an update from the Company's brokers on investor themes and equity market matters.

Stakeholder engagement

The Board knows the importance of being aware of the views of its key stakeholders. These include our shareholders, employees, customers and vendors. During the year we maintained our engagement with stakeholders, which included the following:

- the Board met with a major customer. The meeting was very helpful in gaining perspectives from outside the Board as to how Softcat provided support to its business;
- discussions with investors and analysts, including their feedback following meetings and after the release of our annual and half-year announcements. We maintain an investor relations programme of meetings with existing and potential shareholders;
- Vin Murria is Softcat's Designated Non-Executive Director for Workforce Engagement. She led, with the other members of the Board present, engagements with our employees at the Manchester and Leeds offices;
- reviewing the feedback from employee surveys. This includes regular surveys of the managers in the business and our annual all-employee survey to gauge the wellbeing and satisfaction of employees;
- the Chair undertook an investor engagement programme inviting engagement with our top 50 shareholders and with the key proxy advisory agencies, to further strengthen our mutual understanding of governance matters. The Chair provided the Board with a comprehensive briefing of the key themes arising from the engagements and on agreed actions;
- the Remuneration Committee Chair completed an engagement process with our top shareholders on the revised Remuneration Policy, which was subsequently approved by shareholders at the Annual General Meeting held in December 2022 (see page 115);
- the Board reviewed the outcomes of Softcat's annual customer satisfaction survey and the actions to further improve engagement with customers; and
- the Audit Committee Chair reached out to our top shareholders for feedback on key areas of audit focus for the coming year.

Governance and risk

During the year the Board:

- increased its focus on environmental strategy, targets and performance through the Sustainability Committee of the Board (see pages 112 and 113);
- approved the appointments of Katy Mecklenburgh, Mayank Prakash and Jacqui Ferguson to the Board;
- monitored the impact of the macro-economic environment, such as inflation, on the Company's performance and finances, customers and the economy more widely;
- reviewed reports on governance and legal issues, including developments in corporate governance, executive remuneration and sustainability;
- received feedback and comments on governance from major shareholders;
- performed a review of Board effectiveness, which was conducted internally;
- reviewed the Company's risk appetite, principal risks and uncertainties;
- considered and approved changes to the delegation of authorities to management and reviewed whether changes were required to the terms of reference for each Committee; and
- received regular governance and regulatory updates.

People, vision and values

During the year the Board:

- had oversight of the changes on the Board announced last year in respect of the Chair, CEO and CFO;
- met with many of the members of the Senior Leadership Team ('SLT') and other senior managers in the business. The CEO provided regular updates to the Board on the SLT and any changes in key roles in the business;
- received regular updates on people and HR matters, including training and development, culture, levels of employee turnover and diversity and inclusion;
- considered the results of the annual employee survey and the quarterly management team surveys; and
- engaged with employees in our Manchester and Leeds offices.

Other

The Board has also:

- approved the 2023 Annual Report and Accounts;
- approved the 2023 Notice of AGM; and
- reviewed monthly reports which analysed key changes in our shareholder base.

COMPOSITION, SUCCESSION AND EVALUATION

Composition and succession

This is discussed in the report from the Nomination Committee on pages 106 to 111.

Board evaluation

> This really is in my view a high performing Board with an amazing executive team and very talented non-executive directors.
>
> **Comment in the Board evaluation report**

Board evaluation process

Each year the performance of the Board is assessed through an evaluation exercise. In accordance with the UK Corporate Governance Code, the process this year was conducted internally (the Board having conducted an external evaluation in 2022 and an internal evaluation in 2021). The key stages of the process this year were:

Stage 1: Approval of process

The Board agreed that the process for the year would be conducted internally. The Company Secretary discussed a process with the Chairman and it was agreed to circulate a questionnaire for completion by each member of the Board.

Stage 2: Approval of a questionnaire

The Company Secretary circulated a draft questionnaire to the Board to make sure it captured all the relevant issues for the Board to consider. It was agreed to repeat most of the questions from the previous internal review to provide a comparison of responses where possible. The areas in the survey included:

- Board processes;
- strategic issues and oversight;
- contribution and development; and
- Committees.

The questionnaire asked each Director to rate various topics using a four-point rating system (poor, adequate, good, excellent). Directors were also asked to provide additional comments to each question to give a more qualitative view.

Outcome

The outcome of the review was once again positive and concluded that the Board and its Committees continue to function well, consider the right issues and work in a transparent and constructive way. There continues to be strong alignment between the Company's and the Board's values and culture. Some of the points made in the survey included:

- There had been an increased focus on strategy.
- Risks continue to be well-understood and were addressed. In particular, there had been increased focus on potential market changes facing the business.
- Recent changes to the Board had been managed well. These were a result of good succession planning over the longer term.
- Each of the Board's committees continues to function well and each has an effective Committee Chair
- Each Board member continues to provide high quality contribution to Board discussions. An environment operates where questions can be raised and challenges made in the spirit of continuous improvement.
- Interactions at Board meetings with senior managers across the business continues to be very helpful.
- All Board members are well prepared for Board and Committee meetings, with pre-read papers providing the necessary information to prepare in advance.

There were no areas rated as 'poor' in the review.

Outputs and recommendations

The Board was pleased with the outcome of the Board evaluation, which reflects the Directors' commitment to the business, strong processes, a positive culture and attitude for the successful operation of the Board.

Stage 3: Collation of results

The surveys were conducted online and managed by an independent third party to ensure anonymity of responses, should a Director not wish to attribute a comment. Individual responses were collated to provide a collective overview of the responses and comments on each question.

Stage 4: Review of results

The Chairman and Company Secretary reviewed and discussed the collated survey results, highlighting key themes and areas from the responses. These were summarised in a covering note and executive summary for distribution to the Board along with the full survey results.

Stage 5: Board review and discussion

The Board discussed the key points and conclusions from the review during a Board meeting.

Stage 6: Action planning

Following the Board review and discussion, it was agreed that the Company Secretary prepare an action plan to address points of recommended improvements. Progress will be tracked during the year.

The output of the evaluation also confirmed the Board's top strategic issues. These will be incorporated as needed into the twelve-month rolling plan for the Board, which is maintained by the Company Secretary and regularly reviewed by the Board, to ensure appropriate time continues to be dedicated to each key topic.

Some areas for further refinement or implementation were identified by the Board, which include:

- Dedicating further time to discussing strategy, particularly ahead of the annual Board strategy review meeting which is usually held each February.
- Additional Board level time and focus on potential market changes which may impact Softcat.
- Consider moving one or more Committee meetings to a different day to a Board meeting to free up further time for the Board.
- The format/content of some meeting pre-read papers will be reviewed to improve clarity.

The Board has asked the Company Secretary to maintain an action plan based on the recommendations and the Board's discussions, which will be progressed and monitored. An update will be provided in next year's Annual Report.

Good progress was made on the actions arising from the external Board evaluation conducted in the previous year. This included:

- an increased focus on topics to further deepen the Non-Executive Directors' understanding, for example on broader market trends;
- the appointment of Non-Executive Directors to further improve the complementary skills and experiences of the Board; and
- additional advance consideration of the strategic issues to be discussed at the annual Board strategy review.

OPERATION OF THE BOARD

Workforce engagement

Vin Murria is the Board's Designated Director for Workforce Engagement and she led in-person engagements during 2023. Engagements have been held in Softcat's Manchester and Leeds offices, both of which were attended by the Board. Various topics were discussed, including:

- the Board's strategic outlook;
- feedback on local Softcat offices;
- plans to continue growing the Company;
- challenges of the current economic condition, including the high inflation environment;
- industry issues;
- the role of the Board; and
- recent changes to the composition of the Board.

The discussions provided valuable insight and actions were taken following feedback where appropriate.

Softcat capital allocation framework ('CAF')

Introduction and purpose

Softcat has a disciplined approach to the allocation of capital, which is primarily aligned to our purpose, vision, strategy and investment case (see pages 6, 7 and 28). Our CAF is used to prioritise the use of cash generated by Softcat while maintaining an appropriate capital structure for the business. The framework balances Softcat's investment requirements and commitments to regular dividend payments against the need to maintain appropriate levels of cash reserves and the maintenance of a strong balance sheet.

The Board believes that adopting this framework aligns to the Board's key objective of enhancing shareholder value over the long term.

Summary – investment and allocation priorities

Softcat's capital allocation framework is outlined below.

Invest for organic growth	Progressive ordinary dividend policy
Strategic investments	Return excess cash to shareholders

Our key priority is to invest for organic growth, as we believe this is the main driver of long-term shareholder value, and our second priority is to maintain our progressive ordinary dividend policy. Additional excess capital is then either allocated to strategic investments or returned to shareholders.

Invest for organic growth

Our imperative is to prioritise long-term investment for organic growth.

Investing in our people is at the core of our business model. This is our largest single and most important investment and is the key driver for ongoing growth.

Expanding our headcount and capabilities enables us to fulfil our strategy of acquiring more customers and selling more to existing customers.

We also prioritise investments in systems and processes which support our existing operations, mitigate risks and underpin business growth.

Progressive ordinary dividend policy

Softcat's ordinary dividend policy is to distribute between 40% and 50% of reported profits after tax each financial year.

Our dividend and distributions policy is on page 91.

Strategic investments

Inorganic growth, and/or expanding into new areas or markets, is an option. However, given the size of the organic opportunity available to Softcat, any acquisition or entry into new areas or markets would need to provide a truly compelling opportunity to drive long-term shareholder value.

Return excess cash to shareholders

We will return excess cash to shareholders, after taking into account cash reserves required to operate and grow the business. This has historically been achieved via a special dividend.

The Board regularly reviews the level of cash reserves which should be retained in the business to preserve day-to-day operational flexibility. The Board also regularly reviews the most appropriate method to return excess cash to shareholders.

Softcat has a highly liquid and cash-generative business model. To date, all of our growth has been organic, driven by increasing headcount, growing sales capabilities and opening new offices, and investing in IT systems, enabling us to successfully grow our customer base and spend per customer. Given our relatively modest UK market share and the size of the future organic opportunity available to Softcat, the Board will continue to prioritise investment to deliver growth within the UK market.

Given the nature of Softcat's business, spend on plant, machinery and other non-systems infrastructure is relatively low, and this is expected to continue moving forward. The Company's working capital is dominated by short-term trade debtors and creditors, with very low levels of inventory held. Timings of trade outflows and inflows are typically closely aligned and therefore there is only a modest need to fund working capital as the business grows. The cash floor of the minimum cash holding in the business is reviewed annually to ensure it is appropriate relative to the size of these balances.

Softcat is debt free with all of our growth funded from reinvesting the cash we generate. Whilst our current plans are to remain debt free, the Board will consider all options to continue investing in its strategic priorities, including the most appropriate source of financing.

We do not envisage that transition to a lower carbon world will require us to make major capital allocation changes (including access to capital or financing, if required). For further information, please see our Report on Climate Change and the Task Force on Climate-related Financial Disclosures on pages 50 to 71.

Capital allocation governance

The Board is responsible for reviewing and approving all key decisions in respect of capital allocation, including oversight of the CAF. In particular, the Board:

- sets Softcat's dividend and distributions policy;
- decides on the Company's capital and financing structure;
- approves all other decisions in respect of capital allocation;
- will review the capital allocation priorities and refine them as required to achieve the Company's strategy;
- regularly reviews key performance metrics in the business given operational and capital allocations; and
- conducts post-investment reviews on major project investments so that future major projects can be optimised.

The Board considers capital allocation in the context of Company performance, risks and other relevant business information. In particular, each year the Board approves a budget for the coming financial year, which includes capital allocation and expenditures to drive our strategic investment priorities. The Board also approves annually a three-year plan, which is prepared when the Board reviews its strategy. The three-year plan gives a longer-term view of capital requirements and expenditures and supports the Board's decision making against relevant factors such as anticipated wider market trends. Capital allocation decisions and dividend distributions are also considered against the Company's going concern position and the Company's longer-term viability.

Dividend and distributions policy

The Board is responsible for:

- setting Softcat's dividend policy;
- deciding on the Company's capital structure; and
- approving any key decisions in respect of capital allocation.

In respect of dividends, the Board approves the interim dividend and recommends the final and any special dividend for shareholders' approval. Softcat's ordinary dividend policy remains a progressive one which targets an annual dividend of between 40% and 50% of the Company's reported profits after tax in each financial year. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to shareholders over time. In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Company;
- future cash commitments and investment needed to sustain the long-term growth prospects of the business; and
- potential strategic opportunities.

Softcat's constitution does not limit or oblige the Company to any minimum or maximum dividend payments. However, no dividend may exceed the amount recommended by the Directors and all dividends shall be paid in accordance with any relevant legislation.

Dividend and distributions policy continued

The Audit Committee on behalf of the Board reviews management's confirmation that the Company has sufficient distributable reserves before a dividend payment is made or proposed to shareholders. The Board then considers the Audit Committee's review as part of its process to approve or recommend dividends. Consideration is also made of the balance on the retained earnings reserve, which as at 31 July 2023 amounted to £243.8m (as disclosed in the Statement of Financial Position).

In addition to the reviews of distributable reserves prior to a dividend being paid or proposed, the Board regularly reviews the performance of the business, particularly in respect of cash flow, receivables and the minimum amount of cash required to operate the business. Since 2022, the Board has approved a target minimum cash holding in the business of £60m. The Board has reviewed the matter and, given the continuing increase in the size and scale of the business, has agreed to increase this level to £75m. The level is reviewed annually by the Board and the minimum cash holding represents a desired forecast minimum cash balance held in Company funds across all accounts.

The Directors have proposed a final dividend and a special dividend for the financial year ended 31 July 2023. The special dividend takes into account the increase in minimum cash holding in the business. Further information in respect of the proposed dividends can be found on page 35.

Softcat is well positioned to continue to fund its dividend which is well covered by the cash generated by the business. Details of the Company's viability and going concern can be found on page 78 and pages 140 and 141 respectively. Details of total dividend distributions for the financial year can be found in note 6 to the financial statements.

The Company intends to seek shareholders' approval at the 2023 AGM to permit the Directors, should they consider exercising the authority, to repurchase up to 10% of the ordinary issued share capital. The Directors have no current intention of exercising this authority, which is sought in the best interest of shareholders to allow the flexibility to react promptly where such market purchases may be desirable.

Board development and support

The Chairman is responsible, with the assistance of the Company Secretary, for ensuring that all Non-Executive Directors receive ongoing training and development. All Directors are provided with frequent briefings of current and relevant issues and a twelve-month forward plan is maintained by the Company Secretary to ensure that emerging topics or repeat topics which require further debate by the Board can be effectively scheduled. Topics discussed during the year included updates on industry trends and competitor performance, corporate governance and audit reforms, and developments in sustainability and environmental reporting. The Board also receives updates on our public reporting commitments, such as gender pay gap reporting (and ethnic pay gap reporting, on which Softcat reports voluntarily), tax strategy, creditor payment practices and risks of modern slavery.

When a new Director has been appointed, it is important to accelerate their understanding of the business so the Director can maximise their contribution to the Board and fulfil their responsibilities and duties successfully and effectively. An extensive and tailored induction programme was conducted for Mayank Prakash who joined the Board in September 2023 and Jacqui Ferguson who will join in January 2024. The programme included meetings with the Chairman, the Chief Executive Officer, the Chief Financial Officer, members of the Senior Leadership Team, other key management and the Company's brokers. The Company Secretary also highlighted key Board documents for Mayank and Jacqui to review, such as the Board's current annual budget, Board strategy review and three-year plan. This helped to accelerate their understanding of the business.

When there is a material change in role for an existing Director, the Director is responsible for preparing and progressing a plan of transition to ensure they are fully prepared for their new role. During the year the Board reviewed the transition plans prepared by Graeme Watt (for his transition from CEO to Chairman) and Graham Charlton (for his transition from CFO to CEO). The Board provided feedback on the plans and offered additional support, if needed.

All Directors have the opportunity to obtain advice from the Company Secretary (who acts as Secretary to the Board and all its Committees). The Company Secretary is appropriately qualified and highly experienced and is responsible for advising the Board on certain regulatory, legislative and governance matters and other ad hoc issues when required. Each Board meeting includes an update from the Company Secretary on any major developments of which the Board should be aware. The role of the Company Secretary also includes:

- informing the Board of its key obligations as Directors of a public listed company;
- assisting the Chairman by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information;
- developing the agenda for each meeting of the Board and its Committees for approval by the respective Chair;
- working with the Directors to develop the long-term agenda for the Board and its Committees to enable them to discharge their responsibilities effectively; and
- ensuring that the correct Board procedures are followed, in accordance with the Company's constitution, applicable legislation and good governance practice.

The removal of the Company Secretary is a matter for the Board as a whole.

Role of the Non-Executive Directors

All of Softcat's Non-Executive Directors, including the Chairman and SID, are required by their role to perform certain functions to improve the effectiveness of the Board. The roles of the Non-Executive Directors are reviewed regularly and summarised in a written document which is approved by the Board and available for inspection on the Company's website at www.softcat.com/about-us/investor-centre/governance. The document is reviewed by the Board with the support of the Company Secretary to ensure it remains relevant and reflects any changes in governance or good practice. The role of the Non-Executive Directors include:

- constructively challenging and contributing to the development of strategy;
- offering additional perspectives, advice and strategic guidance;
- scrutinising the performance of management in meeting agreed goals and objectives;
- exercising oversight to ensure compliance with key listed company requirements;
- through the Audit Committee, satisfying themselves that financial information is accurate, and that internal controls and systems of risk management are robust;
- through the Remuneration Committee, taking responsibility for determining appropriate levels of remuneration for senior executives;
- through the Nomination Committee, undertaking the role of recommending the appointment and, where necessary, the removal of positions on the Board. Consideration is also given to diversity, succession planning, employee engagement (led by the Designated Director) and culture within the business; and
- through the Sustainability Committee, scrutinising management's activities and policies for pursuing Softcat's sustainability strategy and achieving its climate-related targets.

Organisation of Board meetings

The following are key features of how our Board and Committee meetings are organised to support the good governance of the business:

- Board meetings are scheduled to consider issues requiring Board oversight and adequate time for discussion of each agenda item is provided. Agendas are set to provide the Directors with opportunities to discuss the longer-term outlook of the business. Additional meetings are arranged when the need arises;
- each Board meeting includes a report from the CEO and the CFO. The reports provide a comprehensive overview of key matters on which the Board needs to be informed and they provide a good foundation to many of the other topics discussed at Board and Committees meetings. Topics included in the CEO and CFO reports include operational and financial performance, industry developments, employee matters and current priorities for the CEO and CFO;
- an annual calendar of scheduled Board and Committee meetings is structured to allow the Board/Committees to review cyclical and ad hoc items, such as key projects;
- the Directors have access to key governance documents, such as the matters reserved to the Board, terms of reference for each Committee, and the delegated authorities matrix;
- Non-Executive Board members make themselves available outside of scheduled meetings should the need occur. In particular, the Chairs of the standing committees often hold preliminary planning discussions with the Company Secretary, management or external advisers to a Committee prior to a meeting;
- reporting packs are provided for each Board/Committee meeting, which are designed to be clear, analytical and concise. Papers are distributed and retained in an electronic system which is managed by the Company Secretary and this provides Directors with instant access to papers at any time;
- reporting packs are normally prepared and presented by the Executive Directors and other senior managers. Packs are distributed by the Company Secretary to the Board typically five to seven days in advance of Board or Committee meetings. This enables the reporting packs to be as up to date as possible whilst allowing sufficient time for their review in advance of the meeting. Verbal updates cover any subsequent material developments;

Organisation of Board meetings continued

- a summary of the actions arising at Board and Committee meetings is circulated by the Company Secretary following each meeting. The Company Secretary then ensures progress is made in respect of each action;
- financial updates with commentary are distributed to the Board monthly. This gives the Directors the opportunity to review performance and any emerging issues in 'real time'. The financial updates include an assessment of performance against the annual budget as approved by the Board, giving the Board additional analysis on developing Company trends;
- the development of strategy is led by the Executives with input, challenge, examination and ongoing testing from the Non-Executive Directors. A dedicated Board strategy review session is held annually;
- additional time is allocated on occasion to facilitate more in depth discussion when appropriate. For example, Board dinners have been held to provide a more informal setting for the Board to meet and to discuss business; and
- Board discussions are held in an open and collaborative atmosphere of mutual respect allowing for questions, scrutiny and constructive challenge. This supports decisions on which the Board seeks a consensus.

Independence and conflicts

The Board, excluding the Chairman, is currently comprised of four independent Non-Executive Directors and two Executive Directors and therefore complies with the independence requirements of the Code. Graeme Watt was formerly the Chief Executive Officer before being appointed as Chairman on 1 August 2023. The Board considers for the purposes of the Code that he was not independent when he was appointed Chairman and that he remains not independent.

In respect of the financial year ended 31 July 2023, Martin Hellawell was the Chair before he retired from the Board on 31 July 2023. Martin was also not considered as independent whilst he served as Chair due to his previous role as Chief Executive Officer up to April 2018.

The independence of the Non-Executive Directors is reviewed annually by the Nomination Committee (described in the Nomination Committee Report on pages 106 to 111). Their independence could be impinged where a Director has a conflict of interest, and the Board therefore operates procedures to identify and manage situations where such a conflict could arise. Board procedures operate to restrict a Director from voting on any matter in which they have a material personal interest, unless the Board unanimously decides otherwise. If necessary, Directors are required to absent themselves from a meeting of the Board while such matters are being discussed.

During the year, all Directors confirmed that they are able to allocate sufficient time to discharge their responsibilities effectively and all Directors continue to devote adequate time to their duties at Softcat. Directors are also required to notify the Board of any major changes to their external commitments that arise during the year with an indication of the time commitment involved.

RELATIONS WITH SHAREHOLDERS

Governance engagements

The Board maintains a proactive and constructive programme of engagement with its stakeholders and recognises within this the important and valuable role that shareholders play, as owners of the Company. Further information on the Board's engagement with its stakeholders is provided on pages 36 to 41.

During the year, the Chair once again undertook an extensive engagement programme with the Company's largest shareholders on governance matters. Feedback from these sessions was reported back to the Board to make sure the Board fully understood the views of those shareholders and the Board discussed whether any actions should be taken as a result.

As part of an ongoing investor relations programme, there was extensive interaction with institutional shareholders and market analysts across the year. The Chief Financial Officer provides the Board with briefings and reports on these interactions and on any material changes in the shareholder base of the Company.

The Chairs of each of the Committees welcome the views and questions of shareholders at any time. Each of the Committee Chairs can be contacted via the Company Secretary at cosec@softcat.com.

In the event that shareholders have any concerns, which the normal channels of communication to the Chair or Chief Executive have failed to resolve or for which such contact is inappropriate, our Senior Independent Director or any independent Non-Executive Director is available (via cosec@softcat.com) to address such issues. The Board continues to make itself available, when requested, for meetings with shareholders on issues relating to the Company's governance and strategy.

Annual General Meeting

The 2023 AGM will be held on 13 December 2023 at Softcat plc, Fieldhouse Lane, Marlow SL7 1LW. Details of the meeting and the resolutions to be proposed are set out in the Notice of AGM which is available to download on our website (www.softcat.com/about-us/investor-centre/shareholder-information).

The AGM gives shareholders an opportunity to vote on key aspects of Softcat's business and to ask questions to the Directors. The opportunity to submit questions for the Directors via email will be given again for the 2023 AGM. Details of how to do this can be found in the Notice of AGM.

> "The Board maintains a proactive and constructive programme of engagement with its stakeholders.

Shareholder meetings

Throughout the year, numerous meetings were held with existing and potential shareholders. These meetings were attended by either the Chief Executive or the Chief Financial Officer or sometimes both, with the support as needed of the Commercial Finance Director, who has responsibility for investor relations. The meetings focused primarily on trading performance and the implementation of our business strategy. Any significant views expressed by shareholders are recorded and reported to the Board to keep them up to date with investor sentiment. In line with the Market Abuse Regulation, strict protocols are observed to make sure that no unpublished price sensitive information is discussed during these meetings.

Results presentation and investor roadshows

The Chief Executive and the Chief Financial Officer provide a briefing later in the day after the release of the full-year preliminary results and also of the half-year results. The briefing is primarily aimed at institutional shareholders and market analysts but all stakeholders, including employees, and all shareholders are welcome to access the briefing. Any supporting material for the briefing is published on Softcat's website and is accessible to all stakeholders and the public.

Following the release of our full-year preliminary results announcement and our half-year results, the Chief Executive and Chief Financial Officer undertake extensive investor engagement roadshows (which may be held in person or held virtually). Feedback from the roadshows and from reports by analysts, by industry experts and in the media are collated and shared with the Board to improve the Board's understanding of their views.

ACCOUNTABILITY

> I am confident that over the course of the year the Committee has carried out its duties effectively and to a high standard.

Robyn Perriss
Chair of the Audit Committee

Members

R Perriss (Chair)
V Murria
L Weedall
M Prakash[2]

Attendance of the Audit Committee

Name	Committee attendance 2023
R Perriss	● ● ● ● ●
V Murria	● ● ● ● ●
K Slatford[1]	● ● n/a n/a n/a
L Weedall	● ● ● ● ●
Total meetings held	● ● ● ● ●

● Attended ○ Did not attend n/a

1. Karen Slatford retired from the Board in January 2023. She attended all meetings of the Committee up to the time of retirement.
2. Mayank Prakash joined the Board and the Audit Committee from September 2023, after the 2023 financial year.

Allocation of time

- Internal audit: 20%
- External audit: 30%
- Financial reporting: 25%
- Risk and internal controls: 25%

Introduction

As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 31 July 2023.

The Committee continues to fulfil a vital role in the Company's governance framework, providing valuable independent challenge and oversight of the accounting, financial reporting and internal control processes, risk management, the internal audit function and the relationship with the external auditor. These pages outline how the Committee discharged the responsibilities delegated to it by the Board over the course of the year, the key issues it has considered during the year and also areas of focus over the next financial year.

Ahead of implementing the expected FRC corporate governance code reforms and cognisant of the increased scale of the business, a key priority in the year has been the establishment of a more formal 'second line of defence' function, led by an experienced Head of Governance, Risk and Control, with a clear focus on "no regret" actions and formalising and embedding risk management process and controls across the organisation. The Committee received regular progress updates, including an in depth training session on an internal project to formalise the second line of defence. I am pleased with the focus given by management on these important issues, which will further strengthen the overall control environment.

The Government announced in October 2023 that it was withdrawing the draft new statutory reporting regulations in respect of proposed audit and governance reforms, following a consultation with businesses on the wider reporting regime. The Committee will monitor these developments and consider the implications of this further in 2024.

Areas of focus in FY 2023 included:

- reviewing the appropriateness of our published half-year and full-year results;
- reviewing the application of financial reporting and governance standards;
- assessing the Company's Going Concern and Viability Statements;
- confirming that the Annual Report and Accounts is fair, balanced and understandable;
- receiving regular updates in relation to IT systems and security;
- receiving and discussing internal audit reports on
  - cloud adoption and governance by Softcat in relation to internal operations in support of the Company's journey in adopting a cloud first approach;
  - IT third party risk management review; and
  - business continuity management and IT disaster recovery;
- reviewing the effectiveness of internal audit and internal controls, discussing the Company's risk appetite, principal risks and risk management and reviewing the Company's risk register;
- monitoring the progress in formalising and embedding IT general systems and financial reporting controls, post the implementation in FY 2022 of a new ERP system. Management has made good progress which will allow the external auditor to place greater reliance on certain IT controls as part of the external audit in the future. The external auditor, as promised during the recent audit tender, is increasing the use of data and technology tools to support its audit;
- evaluating the effectiveness and independence of the external auditor; and
- assessing developments in market reforms and practice, including the proposed revisions to the UK Corporate Governance Code and the publication of the FRC's minimum audit standard for FTSE 350 companies.

Focus areas for FY2024:

- continue to monitor the progress as appropriate in formalising the risk and control environment of the second line of defence function;
- monitor the planned investment and progress in renewing key internal IT infrastructure systems, together with the associated risks of commissioning new systems and change management;
- continued focus on IT general controls maturity;
- continue to monitor cyber awareness and our counter fraud control environment maturity;
- track and implement as appropriate any statutory and non-statutory aspects in respect of reforms in audit and corporate governance. This will include any changes in legislation, revisions to the UK Corporate Governance Code (and associated guidance) and the FRC's recently published minimum standard for audit committees in respect of the external auditor; and
- to consider emerging risks as appropriate in respect of potential market disruptors and as the evolution of certain technologies (for example AI) continue.

During the year, the Committee's core duties remained unchanged and the usual cadence of activities relating to risk, assurance and internal controls remained in place. However, following a review of the Committee's workload and responsibilities in respect of its focus on audit, risk management and effective controls, the Committee agreed to increase the number of scheduled meetings each year from four to five. This will serve the Committee well, allowing more time to focus on its responsibilities.

The Committee has also carried out a review of the independence and effectiveness of EY as auditor and performed an internal questionnaire-based review of the effectiveness of the internal audit function. Both continue to be effective and further information on the reviews conducted is provided in the report below on pages 103 and 105.

During the year Katy Mecklenburgh took over from Graham Charlton as Chief Financial Officer. Our external auditor, the management team and I have worked closely with Katy as part of her comprehensive induction to ensure she has been quickly and fully familiarised with relevant issues from the perspective of the Audit Committee. Also during the year, EY successfully completed the rotation of lead audit partner, the previous partner having reached the five-year period which requires a mandatory rotation.

With the assistance of management, the Committee has reviewed the content in the Annual Report and Accounts and believes that this explains our strategic objectives and is fair, balanced and understandable.

Whilst this report of the Committee contains some of the matters addressed during the year, it should be read in conjunction with the Independent Auditor's Report starting on page 144 and indeed the Softcat plc financial statements in general. Each year the Committee's programme of work covers a range of items that are of particular significance to the Company's financial statements or where it is necessary to exercise a high degree of judgement. Supported by management, the Committee reviewed the significant accounting issues, judgements and areas of estimation uncertainty relating to FY2023. Details of these and why they were considered important are set out on page 99, while further information on items that were identified as key audit matters is located in the Independent Auditor's Report from page 144.

I would like to conclude by thanking the management team at Softcat and all Committee members for their valuable contributions which support the work of the Committee. I'd also like to formally welcome the newest member of the Committee, Mayank Prakash, who joined the Board and the Committee subsequent to the year end on 1 September 2023. I am certain that we will benefit significantly from his substantial experience in technology and digital information and transformation projects and I look forward to working with him over the year ahead.

As in previous years, I shall engage with our largest shareholders, asking if they would like to raise any matters with me in respect of the work of the Committee and our key focus areas for the coming financial year. If any shareholder would like to contact me in respect of these matters, I can be contacted via the Company Secretary at cosec@softcat.com. I will also be happy to answer any questions about the work of the Committee at the forthcoming AGM.

RPerriss

Robyn Perriss
Chair of the Audit Committee
23 October 2023

Responsibilities

The Committee's terms of reference are available at www.softcat.com/about-us/investor-centre/governance and in hard copy from the Company Secretary. These provide the framework for the Committee's work and can be summarised as providing oversight of:

- the appropriateness of the Company's external financial reporting;
- the relationship with, and performance of, the external auditor;
- the Company's system of internal control, including the risk management framework, key and emerging risks and the work of the internal audit function;
- appropriate controls to detect and prevent fraud; and
- the Company's system of compliance activities.

The terms of reference are reviewed at least annually and are updated as appropriate to ensure there is clarity on the expected duties of the Committee. Following a review during FY2023, the Committee concluded that no material changes to the terms of reference were required. The terms of reference remain fully compliant with the recommendations of the UK Corporate Governance Code. During the year the Committee was apprised of the expected statutory and non-statutory proposals for reform of the audit market and corporate governance launched under a consultation from BEIS. It is noted that the Government has now withdrawn the proposed statutory reporting regulations in respect of the reforms. A further review of the terms of reference will be conducted to reflect the final outcomes and Company implementation of any non-statutory elements of the reforms.

A whistleblowing policy and procedure for colleagues to raise issues regarding possible improprieties in matters of financial reporting or other matters is in place and operated throughout the year.

The Company operates anti-bribery and corruption procedures and a formal policy which supports compliance with the Bribery Act 2010, the Criminal Finances Act 2017 and certain equivalent legislation outside of the UK. Employees undertake regular training to ensure compliance. Our anti-bribery and corruption procedures and policy also includes a gifts and hospitality register. All gifts and hospitality (either given or received) above applicable thresholds must be approved by the employee's line manager in line with the policy and entered on the register. The Committee provides oversight to ensure that management confirms appropriate policies and procedures are in place.

During the year the Committee reviewed the Company's published tax strategy and also discussed with management tax compliance and relationships with relevant tax authorities. An updated tax strategy was approved by the Committee and this is available on the Company's website at www.softcat.com/corporate-responsibility. The Committee also reviewed the Company's reporting in respect of payment practices to suppliers.

During the year the Committee received an update from management on fraud resilience in the business. The Committee reviewed the current framework on fraud risk management, proposed actions for FY2023 and details of attempted frauds. Fraud awareness remains heightened across the Company with Company-wide training and more targeted training rolled out for certain roles. The Committee was informed during FY2023 that additional resource has been added into the Finance team with a focus on further strengthening fraud controls. The Committee recognises this as an important area, given the evolving nature and increasing sophistication of fraud and it will continue to be a key responsibility of the Committee as part of the safeguarding of the Company's assets.

Membership

The membership of the Committee has been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities and the requirements of the 2018 UK Corporate Governance Code (the 'Code'), which is applicable for the financial year ended 31 July 2023. Given my experience as a qualified Chartered Accountant and as a recent finance director of a listed UK company, I have been designated as the financial expert on the Committee for the purposes of the Code.

Vin Murria has considerable sector experience, in accordance with Code Provision 24. In August 2023, the Company announced the appointment of two further independent Non-Executive Directors who will serve on the Audit Committee. Mayank Prakash joined on 1 September 2023 and he has significant experience in technology and digital information. This will be a valuable addition to the Committee's skillset, particularly given a growing importance of the Committee's oversight of IT general controls. Jacqui Ferguson joins on 1 January 2024 and she also has considerable sector experience in accordance with Code Provision 24. Overall, these appointments will further improve the Committee's effectiveness.

In order to ensure that the Committee continues to have experience and knowledge relevant to the sector in which Softcat operates, all of the Non-Executive Directors receive regular updates on business, regulatory, financial reporting, governance and accounting matters. All Directors participated in a formal training session in March 2023 on internal controls and the 'second line of defence'. Biographies of the members of the Committee are shown on pages 82 and 83. Changes to the membership of the Committee during the year are shown on page 96. All members are independent Non-Executive Directors of the Company. The Company Secretary acts as Secretary to the Committee, supported by the Company Secretarial Assistant.

How the Committee operates

Following a review of the Committee's workload and responsibilities in respect of its focus on audit, risk management and effective controls, the Committee agreed to increase the number of scheduled meetings each year from four to five. The Committee met formally five times during FY2023 and each meeting had full attendance. Meetings of the Committee generally take place on the same day as the Board meeting to maximise the efficiency of interaction with the Board. The Company Secretary maintains a twelve-month rolling plan to support an effective process which ensures the Committee reviews all required matters to effectively discharge its duties.

The external auditor, EY, is invited to each meeting together with the Company Chairman, the Chief Executive ('CEO') and the Chief Financial Officer ('CFO'). This means that each member of the Board is present at Committee meetings. However, I shall, as needed, report to the Board as a separate agenda item on the activity of the Committee and matters of particular relevance to the Board regarding the conduct of the Committee's work.

The Board as a whole regularly reviews the performance of the business via monthly reporting packs and a CFO's report at each Board meeting. This provides the Committee with a good ongoing understanding of the financial standing of the business which accumulates towards the formal half-year and full-year results.

The Company Secretary, the Group Financial Controller and the Commercial Finance Director also attend Committee meetings. Attendees were reviewed during the year and, recognising the increased focus on maturing our controls and formalising our second line of defence, the interim Head of Governance, Risk and Controls was added as an attendee. Grant Thornton provides a co-sourced internal audit service to Softcat and it attend at least three of the five scheduled meetings.

The Committee sets time aside at the end of each meeting to seek the views of the external auditor, in the absence of management. Committee meetings have recently been further extended to allow for a similar "in camera session" with management, in the absence of the external auditor. This addition will assist the Committee in the discharge of its increased duties under the minimum standard for FTSE 350 audit committees published by the Financial Reporting Council in respect of the assessment of the external auditor.

The Committee also meets separately with the internal auditor during the year and in between meetings the Committee Chair keeps in touch as needed with the CFO, other members of the management team, the internal audit function and the external auditor.

Financial reporting

The Committee's primary responsibility in relation to the Company's financial reporting is to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the impact of any material changes in accounting policies;
- material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the UK Corporate Governance Code;
- any correspondence from regulators in relation to our financial reporting; and
- assisting the Board in an assessment of whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and prospects, performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist it in making the statement required by the UK Corporate Governance Code.

Accounting policies and practices

The Committee received reports from management in relation to the identification of critical accounting judgements, key sources of estimation uncertainty, significant accounting policies and proposed disclosure of these in the 2023 Annual Report. There were no new material changes to significant accounting policies adopted during the year.

Following discussions with management and the external auditor, the Committee approved these critical accounting judgements and significant accounting policies and disclosures, which are set out in note 1 'Accounting policies' to the financial statements.

Significant judgements and areas of focus

An important part of the Committee's responsibilities is to assess key issues in respect of published financial statements and the Committee pays particular attention to any matters which it considers may affect the integrity of Softcat's financial statements, with a view to satisfying itself that each matter has been treated appropriately. Management is required to present for discussion with the Committee its approach and rationale on each significant judgement and issue. Management's presentation is an integral part of the year-end process and management provides interim updates during the year (particularly at the half-year stage) to ensure the Committee is fully apprised of emerging new issues on a timely basis and has the opportunity to ensure these are fully scrutinised.

The significant areas of focus considered, and the actions taken by the Committee, in relation to the 2023 Annual Report are outlined below.

We discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Independent Auditor's Report on pages 144 to 151.

Matter considered	Action
Going concern and viability	In respect of the financial statements for the year ended 31 July 2023, management once again prepared analysis modelling a variety of downside scenarios having regard to the principal risks faced by the business to assess the Company's viability and ability to continue as a going concern. The analysis including budgets for FY2024 and three-year cash projections were presented together with potential mitigating actions which could be taken in the event of one or more of the downside scenarios occurring. The Committee was satisfied with management's work and it supported the conclusions reached in respect of the Company's going concern and longer-term viability (see pages 140 and 141 and page 78 respectively).

Significant judgements and issues continued

Matter considered	Action
Inappropriate revenue recognition: misstatement of revenue recognised at or near year end	The Committee has reviewed the Company's revenue recognition policy and discussed in detail with management the processes applied to accurately record revenue at period ends. The Committee noted improvements in the period-end process as a result of additional functionality in the new finance ERP system. The Committee also receives detailed monthly reporting on business performance which includes revenue recognition data and trends. The Committee or the Board discusses the performance and data trends as needed with the CFO. The Committee has concluded that the timing of revenue recognition is appropriate.
Misstatement of rebate income	The Committee has taken steps to understand the nature and quantum of supplier rebates received by the Company and to understand the steps taken by management to improve the modelling of accrued rebate income. The Committee also receives management information on rebates accrued as part of monthly performance reporting and monitors trends against prior period results. The Committee is satisfied with management's ability to accurately record rebates earned within the financial period.
Application of IFRS 15	The Committee is aware that inappropriate application of IFRS 15 may result in erroneous presentation and disclosure of revenue and cost of sales. Management has taken appropriate action and performed detailed work to ensure that revenue is reported accurately on a principal or agent basis. Management confirmed that it had followed the guidance on the 'control' published last year by the IFRS Interpretations Committee ('IC'), which is used to determine whether companies should recognise revenue from the resale of standard software licences on a net basis under IFRS 15 (please see note 1 to the financial statements for more information). Softcat evaluates each revenue stream against known indicators to determine disclosures and presentation. The indicators are reviewed quarterly and factor in product mix sold by Softcat. The Committee also noted that management had utilised the new finance ERP system to improve the categorisation of transactions which should be recognised on a net basis under IFRS 15. EY has audited the disclosures of IFRS 15 and presented the results of its procedures to the Committee. The above provided the Committee with comfort that an appropriate approach continues to be taken on the presentation of revenue under IFRS 15, which also incorporates the guidance from the IC.
Expected credit losses	Against a backdrop of a tougher UK macro-economic environment the Committee also asked management to include regular updates on working capital, cash conversion and the provision for expected credit losses as an additional area of focus for FY 2023. The Committee has taken steps to understand management's assessment of potential changes in exposure to bad debt compared to previous reporting periods. Management presented their analyses, which included a more detailed assessment of the ageing of trade receivables and relevant external data in respect of recent trends in corporate liquidations/administrations. Management noted to the Committee that detailed reviews of outstanding balances had been undertaken to assess customer ability to pay. Following management's reviews they had concluded and presented to the Committee a small decrease in the overall percentage of bad debt to be provided was warranted. The Committee was satisfied with management's thorough approach to assessing expected credit losses and endorsed management's assessment.

Other matters

The Committee also undertook a range of further activities in relation to the Company's accounting and external reporting, governance and controls in the year:

Fair, balanced and understandable

The processes and controls that underpin the Committee's assessment of whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and prospects, performance, business model and strategy include ensuring that:

- all team members who provide a material contribution to drafting the Annual Report and Accounts are fully briefed by the Company Secretary on the fair, balanced and understandable requirement;
- an experienced core team is responsible for the co-ordination of content submissions, verification, detailed review and challenge;
- the Annual Report and Accounts follows a framework which supports the inclusion of key messaging, market and performance overviews, principal risks and other governance disclosures. Sufficient forward-looking information is provided and a balance is sought between describing potential challenges and opportunities;
- information in the different parts of the Annual Report and Accounts is consistent;
- the Annual Report and Accounts is written to avoid jargon where possible and is presented free of unnecessary clutter;
- senior management confirms that the content in respect of its areas of responsibility is considered to be fair, balanced and understandable;
- the Committee receives an early draft of the Annual Report and Accounts to enable timely review and comment; and
- the Committee receives a briefing from management which sets out the key themes and links in the Annual Report and Accounts which contribute to it being a fair, balanced and understandable document.

Following its review, the Committee is of the opinion that the 2023 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. This allows the Committee to provide positive assurance to the Board to assist it in making the statement required by the Code.

Going Concern and Viability Statements

The Committee has reviewed the Company's ability to continue to operate as a going concern for the thirteen-month period post the date of this report and the Company's assessment of viability over a period greater than twelve months. In assessing viability, the Committee has considered the Company's position presented in the annual budget and the three-year plan recently approved by the Board. The Committee also considered, amongst other things, a number of scenarios modelled by management, including a severe but plausible downside scenario and reverse stress tests carried out to assess the strength of the Company's liquidity position. The Committee has concluded that the assumptions and mitigating actions are appropriate. Further details are set out in the statements on page 78 and pages 140 and 141 of this Annual Report. The Committee confirms that, following review, it has recommended both statements for approval by the Board.

Governance and controls

During the year the Committee provided oversight on a number of matters which have further improved governance and controls. This included:

- reviews of new or updated policies, including a risk management policy, a capital allocation framework and a treasury policy;
- review of a project to mature the controls environment in the business;
- preparatory work to comply with the expected changes proposed under the BEIS audit and corporate governance reforms; and
- a review of the minimum audit standard for FTSE 350 companies published by the FRC. The standard currently has voluntary standing, pending enacting legislation; however, the Committee reviewed the standard to consider areas of early voluntary adoption, as recommended by the FRC.

External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing its independence on an ongoing basis and negotiating the audit fee. The Committee is also responsible for considering the most appropriate time and circumstances, observing applicable legislation, to conduct a tender for the external audit. EY was first appointed as the Company's auditor in July 2013 and was reappointed following a competitive tender (in accordance with the 2014 Competition and Markets Authority Order) for Softcat's 2023 financial year audit. In accordance with the Auditing Practices Board's Ethical Standards, the term limit of an audit engagement partner is five years. Marcus Butler has recently completed his first year as EY's lead audit engagement partner for Softcat. Marcus is independent from Softcat, with no known conflicts of interest.

Auditor appointment

Following the competitive tender process concluded in May 2022 described above, EY was retained as auditor effective from FY2023. A timeline setting out the tenure of EY as auditor and requirements on Softcat to next tender and change auditor is set out below:

Prior to July 2013
Rayner Essex LLP conducted the external audit immediately prior to FY2013

July 2013
EY appointed as auditor and conducted the external audit for FY2013

November 2015
Softcat becomes a publicly listed entity

October 2017
Mandatory change of EY lead audit partner

May 2022
EY reappointed as auditor, following competitive tender process

October 2022
Mandatory change of EY lead audit partner

By July 2033
Pursuant to legislation, mandatory audit firm rotation, being up to 20 years since appointment. Option, pursuant to transitional provisions, to extend this period to 2035, being 20 years since Softcat became a publicly listed company

The Committee will continue to review the auditor's appointment and the timing of the next tender for the audit, ensuring the Company's best interests are considered and ensuring compliance with the requirements of the UK Competition and Markets Authority. Accordingly, the Company confirms that it complied with the provisions of the Competition and Markets Authority's Order 2014 for the financial year under review. There are no contractual obligations restricting Softcat's choice of external auditor.

For the financial year ended 31 July 2023, the Committee recommended to the Board that EY be reappointed under the current external audit contract and the Board endorsed that recommendation. The Board has further proposed the reappointment of EY at the Annual General Meeting to be held in December 2023.

Audit risk

At the start of the audit cycle we received and discussed with EY their detailed audit plan identifying the audit scope, planning materiality and assessment of key audit risks. Planning materiality thresholds are further updated by EY during the financial year following a refreshed assessment of Softcat's forecasted results, thus ensuring that EY reviews all relevant transactions in excess of the applicable threshold.

The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process, and the key risks for the 2023 financial year closely align to the significant judgements and issues above. The key risks identified included:

- inappropriate revenue recognition;
- presentation of revenue in respect of IFRS 15; and
- misstatement of rebate income.

Should the need ever occur, the Committee has the authority to request for additional areas to be reviewed if it is deemed to be relevant for the integrity of Softcat's financial statements. No such additional areas were considered necessary in respect of FY2023.

EY also outlined other areas of audit focus which included a combination of standing matters usually associated with an external audit each year and additional matters which reflect potential changes in Softcat's risk profile, such as potential changes in exposure to expected credit losses. Key audit risks are regularly reviewed by the Committee or the Board.

Working with the external auditor

The external auditor attended all Committee meetings in 2023 and received all Committee reading papers and minutes. After each Committee meeting, we allow time if needed to hold a private meeting with the external auditor, which provides additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. The external auditor has direct access to the Committee Chair to raise any concerns outside formal Committee meetings. Matters typically discussed include:

- auditor views on the resourcing of internal functions which are important to Softcat's control environment;
- the external auditor's assessment of business risks;
- the transparency and openness of interactions with management;
- confirmation that there has been no restriction in scope placed on it by management; and
- the independence of its audit and how the auditor has exercised professional scepticism.

The Committee Chair, if appropriate, will discuss with management any actions arising from the private meetings with the external auditor.

Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of EY. The effectiveness of the external audit process is dependent on a number of factors. These include the quality, continuity, experience and training of audit personnel, business understanding, technical knowledge and the degree of rigour applied in the review processes of the work undertaken, communication of key accounting and audit judgements, together with appropriate audit risk identification at the start of the audit cycle. The Committee also took into account an assessment of the firm-wide Audit Quality Inspection ('AQI') report issued by the FRC in July 2023 together with EY's responses to that report. The Committee welcomed the improvements in audit quality noted in the AQI report and discussed with EY's lead audit partner their response to the FRC, which included plans to further enhance the quality of their audits.

The Committee also noted a summary of the AQI reports issued in respect of other audit firms, as part of the Committee's watching brief on the general quality of audit firms.

Following the conclusion of the 2023 financial year, the Committee conducted an effectiveness evaluation of the external auditor. The evaluation was led by the Committee Chair and involved issuing a tailored evaluation questionnaire for completion by the Committee and by Grant Thornton (as co-sourced internal auditor).

A separate meeting was held between the Chair of the Committee with selected managers to gain feedback from those most closely involved with EY in the year end accounts process and also those who worked on a project during the year to improve the reliance on IT general controls which was reviewed by EY. The overall feedback was positive and it was noted that EY had engaged well with the various Softcat teams and that we continued to benefit from good continuity and experienced and knowledgeable team members.

The results of the survey and the meeting with managers were shared with the Committee and discussed. The Committee had made positive comments about EY, in particular on their understanding of the business and the risks it faces, the technical expertise of the audit team, the clarity and detail in preparing their audit plan (including the areas of audit focus) for the financial year.

As a result of the survey and meeting with managers, a small number of areas were highlighted as opportunities for improvements, such as considering the benefits of EY having a wider interaction with key managers in the business. These areas will be further discussed with EY for progression in FY2024.

Based on the above processes, the Committee concluded that EY continued to perform its role well, there had been appropriate focus and challenge on the primary areas of audit focus from EY, and that the performance of EY remained effective.

Independence and objectivity

The Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes EY from providing certain services. The policy is reviewed annually and was last updated in 2021 (the Committee having agreed in both 2022 and 2023 after review that no changes were required). The latest version can be found on the Company's website at: www.softcat.com/about-us/investor-centre/governance. All non-audit services provided by the external auditor are reported to the Committee and a record is kept so that the total costs regarding non-audit work during a financial year are monitored.

For certain specific permitted services, the Committee has pre-approved that EY can be engaged by management, subject to the policy set out above, and subject to a total of 10% of the current external audit fee on an annual basis.

For all other services or those permitted services that exceed these specified fee limits, I, as Committee Chair, or in my absence another Committee member, can pre-approve permitted services.

The Committee also received confirmation from EY that there are no relationships between the Company and EY that may have a bearing on its independence.

In respect of the audit of the 2023 financial statements, the Committee considered a fee proposal from EY and the Committee reviewed the quantum and rationale relating to increased costs for EY to undertake required audits. Audit fees had increased from the previous year, reflecting the ongoing growth of the Company and higher costs incurred by EY to perform their work. Following the receipt of formal assurance that its fees were appropriate for the scope of the work required, the Committee agreed a charge from EY of £733,000 for statutory audit services in respect of the Company's annual financial statements.

The Committee also agreed a fee of £42,000 in respect of EY's review of the 2023 half-year results, which is classified as a non-audit fee. Further details of the fees paid, for audit and non-audit services, to EY for the 2022 and 2023 financial years can be found in note 3 to the financial statements.

The Committee is aware of the requirements of the Statutory Auditors and Third Country Auditors Regulations 2016 (the '2016 Regulations'). The 2016 Regulations provide for a cap on non-audit services of a maximum of 70% of the average of the audit fees paid on a rolling three-year basis. In order to ensure this limit is not exceeded, the Company shall in usual circumstances seek that permitted non-audit fees shall not exceed 50% of the average audit fee over the three preceding financial years in each case. The three-year measurement period covers the 2021, 2022 and 2023 financial years and is 5.9%, which is considerably below the cap.

Taking the above into consideration, the Committee has concluded that EY remains independent and objective and that appropriate safeguards and controls are in place to assess ongoing independence and objectivity.

Internal control and risk management

The Committee has the primary responsibility for the oversight of the Company's system of internal control, including the risk management framework and the work of the internal audit function (see below). During the year the Committee closely monitored the Company's internal control and risk management systems and received regular reports from management and the newly formed Governance Risk and Compliance team ('GRC') (which now incorporates the internal audit function) covering the major risks and/or events faced by the business. As Softcat continues to grow, the Committee recognises the importance of increasing its focus on maturing our controls and formalising our 'second line of defence'. The Committee is monitoring a project lead by the interim Head of Governance, Risk and Controls to mature the controls environment and will continue to exercise oversight as this becomes embedded into the business in FY2024.

The Committee continued to monitor the proposals arising from the BEIS reforms on the audit market and on corporate governance, including proposals to further strengthen processes and disclosures on the effectiveness of a company's internal controls. Provisional plans to accommodate the proposed changes have been prepared by management and summarised to the Committee. Management and the Committee will review their plans in light of the announcement by the Government in October 2023 to withdraw the new statutory reporting regulations in respect of the reforms.

Assessment of the Company's system of internal control, including the risk management framework

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our activity here was driven primarily by the Company's assessment of its principal risks and uncertainties, as set out on pages 72 to 77.

The Company has in place an internal control environment to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and the Committee has responsibility for ensuring the effectiveness of these controls. As noted above, the Committee has monitored management's plans and the progress being made to further strengthen the control environment.

The Committee has completed its review of the effectiveness of the Company's system of internal control, including risk management, during the year and up to the date of this Annual Report, in accordance with the requirements of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC. As part of the financial year-end process, management presented to the Committee an overview of the existing control framework and it summarised the key controls in operation which underpinned the control environment during FY2023. Management had over the year increased the documentation of certain key controls and business processes, including certain IT general controls, overarching controls for the Finance department, financial management controls, audit risk financial reporting controls, and fraud management.

Management had considered the control environment and concluded that in its view the controls had been operating effectively throughout the year and, taken together, provided a high degree of assurance that the financial statements are free from material misstatement.

Through the processes outlined above, the Audit Committee has considered all significant aspects of the Company's risk management and internal control systems for the year and up to the date of this Annual Report, allowing it to provide positive assurance to the Board to assist it in making the statements required by the UK Corporate Governance Code. No significant failings or weaknesses were identified as a result of the review that may significantly impact the financial statements.

However, had there been any such failings or weaknesses, the Committee and the Board confirm that necessary actions would have been taken to remedy them.

Internal audit

During the 2023 financial year, the Company's internal audit function evolved as part of the process to formalise controls and our 'second line of defence'. We continue to utilise Grant Thornton LLP ('Grant Thornton') as a co-source partner to provide external subject matter expertise as needed, effectively operating as a "third line of defence". During the year, we have developed a Governance, Risk and Control ('GRC') function, which incorporates our existing in-house internal audit resource plus other risk and control roles needed to support a formal 'second line' control function. The aim of GRC (including internal audit) includes providing independent and objective assurance on the adequacy and effectiveness of internal controls, risk management and governance processes.

Monitoring and review of the scope, extent and effectiveness of the activity of the Company's GRC team and Grant Thornton is regularly considered by the Committee. Management discusses with Grant Thornton the selection of appropriate areas and controls within the business for internal audit. This is then jointly presented by Grant Thornton and management as a proposed annual internal audit plan prior to the start of each financial year. The internal audit plan is then reviewed and approved by the Committee. The Committee receives an audit report on each audit undertaken, which includes the results of their audits, recommendations for changes and management action plans to address any unsatisfactory audits or recommendations. The Committee then receives regular progress updates from the GRC team on previously undertaken audits in order to ensure that outstanding actions have been completed or closed, or where there is a delay in closing an action, that revised completion dates have been set.

The internal audit plan for 2023 covered a broad range of core financial and operational processes and controls, focusing on specific risk areas. Reviews were undertaken in the following areas:

- cloud adoption and governance by Softcat in relation to internal operations in support of the Company's journey in adopting a Cloud first approach;
- IT third party risk management review; and
- business continuity management and IT disaster recovery.

Approach to developing the 2024 internal audit plan and scheduled reviews

During the year Grant Thornton worked closely with management and the Audit Committee Chair on an internal audit plan for 2024. The plan was formulated considering an 'audit universe' which had been developed in prior years, with consideration of the important risks facing Softcat together with known "hot topics".

A number of internal audit reviews are planned for FY2024, including reviews on the following areas:

- Processes and controls for employee joiners, leavers and role changes: the audit will review the IT general controls in place in the business when employees join, leave or change roles in Softcat. This is important to the control environment to ensure our systems are secure, are accessed by authorised employees only and that we have appropriate controls, such as segregation of duties, in place.
- Accounts receivable: ongoing assurance that our accounts receivable processes and controls are robust and reliable is an important part of the integrity of our financial reporting. The audit will review the key controls over the accounts receivable process to assess its design and operating effectiveness.

Effectiveness of the internal audit process

Both Grant Thornton and the GRC team have access to the relevant documentation, premises, functions and employees to enable it to perform its activities. Grant Thornton is a major professional services firm with experience in consulting, assurance and audit and the relationship with the Audit Committee is led by an experienced partner of Grant Thornton.

Following the conclusion of the 2023 financial year, the Committee undertook a review of the effectiveness of Grant Thornton's role as part of the internal audit function. The evaluation was led by the Committee Chair and involved issuing tailored evaluation questionnaires for completion by Softcat management who had worked with Grant Thornton on internal audits during the year. A separate questionnaire was completed by EY (as external auditor) and the Committee. The results of the questionnaires were collated, reported to and discussed by the Committee. As in previous years, the overall feedback was positive, concluding that Grant Thornton's work continues to support a strong control environment in the business. The Committee commended matters such as the preparation of internal audit plans which reflect changes in the risk landscape of the business. Minor recommendations arose from the evaluation, including potential refinements to audit scoping and timing and the recommendations will be further discussed with Grant Thornton. Following the evaluation, the Committee concluded that Grant Thornton continues to perform well and remain effective.

RPerriss

Robyn Perriss
Chair of the Audit Committee
23 October 2023

EFFECTIVENESS

> ...the Board succession changes and appointments...ensured smooth and seamless succession and have provided a firm foundation for the effective running of the Board over the next few years...

Lynne Weedall
Chair of the Nomination Committee

Members

L Weedall (Chair)
G Watt[1]
R Perriss
V Murria
M Prakash[2]

Attendance of the Nomination Committee

Name	Committee attendance 2023
K Slatford[3]	● n/a n/a n/a
M Hellawell[1]	● ● ● ●
R Perriss	● ● ● ●
L Weedall	● ● ● ●
V Murria	● ● ● ●
Total meetings held	● ● ● ●

● Attended ○ Did not attend ● n/a

1. Graeme Watt succeeded Martin Hellawell as Non-Executive Chairman on 1 August 2023 at which time Graeme became a member of the Committee. Martin retired from the Board on 1 August 2023.
2. Mayank Prakash joined the Board in September 2023.
3. Karen retired from the Board in January 2023. She attended all meetings of the Committee prior to her retirement.

Allocation of time

- Board composition: 40%
- Succession planning: 30%
- Employee, culture, diversity and inclusion: 25%
- Corporate governance: 5%

Committee Chair's introduction

I am pleased to present this year's report as Chair of the Nomination Committee (the 'Committee'). I would like to thank Karen Slatford who was the Committee Chair until she retired from the Board in January 2023. This has been a busy and important year for the Committee, for which Karen provided oversight and guidance from the start. I am pleased to conclude on a process on which Karen so diligently commenced.

As explained further below, the Board succession changes and appointments which took place this year and our announcement of the appointment of Jacqui Ferguson as a Non-Executive Director in 2024 reflect the Committee's approach to long-term succession planning. These changes ensured smooth and seamless succession and have provided a firm foundation for the effective running of the Board over the next few years. I would also like to thank the other members of the Committee and the other Board Directors for their additional time, commitment, support and contribution during such a busy year.

In addition to oversight of the changes to the Board, the Committee also continued its other work. We have firmly established in the Committee's annual calendar a formal update and discussion on employee culture, which is in addition to the Committee's annual review of employee engagement. Diversity, equality and inclusion also continue to receive a high level of attention by the Committee and I remain encouraged by the efforts and dedication across the business to continue making Softcat a more diverse and inclusive employer. As a Company, we acknowledge that further improvements are needed on gender and ethnic diversity in some roles and in management positions, and some progress has been made to improve diversity since the last Annual Report. As explained previously, this is a longer-term endeavour. More details on the above are in the report which follows and in the Social Value section of this Annual Report.

Below Board level, during the year the Committee reviewed and discussed with the Executive Directors the succession plans for the Senior Leadership Team (the most senior level of management below the Board).

Membership, meetings and operation of the Committee

The members of the Committee are set out on page 106 and all the members are Non-Executive Directors. The Committee is chaired by an independent Director. The biographies of the members of the Committee can be found on pages 82 and 83. The Chief Executive, Chief Financial Officer, Chief People Officer and Head of Engagement, Diversity and Inclusion are invited to attend meetings where appropriate. The Committee met four times during the year and also passed a resolution in writing without a meeting. Committee meetings generally take place on the same day as the Board meeting to maximise the efficiency of interaction with the Board. If needed, the Committee Chair will report to the Board, as a separate agenda item, on the actions taken by the Committee. The Company Secretary acts as Secretary to the Committee.

The key responsibilities of the Committee are to advise on appointments to the Board, to review Board composition and to review succession planning both for the Board and senior management. The Committee also reviews and provides feedback on the initiatives to improve diversity, equality and inclusion. Carrying out these responsibilities is critical to ensure the Board and wider business have plans in place to have the best available talent to drive the Company forward and that there is Board level oversight to ensure we retain an inclusive environment for all employees.

Any Director who intends to join the Board is required to disclose all significant outside commitments prior to appointment. On joining the Board, Non-Executive Directors receive a formal appointment letter, which, amongst other things, identifies the time commitment expected of them. Each Director continues to devote sufficient time to meet their Board responsibilities.

The Committee considered and recommended that each Director willing to stand for re-election be proposed for reappointment at the 2022 AGM. The Board endorsed all the appointment and reappointment recommendations of the Committee.

Board appointments

I am pleased with the progress made this year on the Board's composition and on its succession planning, as evidenced by the orderly succession and transition process for the Board appointments this year.

Following our announcement that Graham Charlton would become CEO from 1 August 2023, we also announced a search for a CFO to succeed Graham. The Committee approved a role description and hired the executive search firm, Russell Reynolds Associates ('RRA') to identify and assess suitable candidates.

Key activities during the year:

The calendar of activities below provides an overview of the key topics for the Committee during the year.

October 2022

- Progress update on search for CFO
- Update on diversity, equality and inclusion
- Discussion on Board succession planning, including the transition plan for the incoming Chairman
- Recommendation to reappoint Directors at the 2022 AGM
- Approval of the 2022 Nomination Committee Report

December 2022

- Review of the results of the annual employee satisfaction survey and planned actions
- Discussion on employee culture
- Written resolution recommending the CFO appointment
- Discussion on senior management succession planning

May 2023

- Update on diversity, equality and inclusion
- Progress update on search for Non-Executive Director appointments
- Discussion on Board succession planning, including the transition plan for the incoming CEO

July 2023

- Further progress update on search for Non-Executive Director appointments

Regular or standing items at each Committee meeting include:

- Approval of previous Committee meeting minutes and review of follow-up on outstanding actions
- Governance updates for Committee discussion or approval
- Review of and updates to the Committee's terms of reference

Board appointments continued

The search and assessment considered external as well as internal candidates. RRA also conducted a search for a Non-Executive Director in 2022 and also undertook in 2022 the external evaluation of the Board's effectiveness. Apart from that, RRA has no other business relationship with the Company.

As the Committee remains committed to the Board having a diverse mix, we will usually only engage with search firms which demonstrate good practice in searching for a diverse range of candidates. RRA subscribes to both the Standard and the Enhanced Voluntary Code of Conduct for Executive Search Firms. By using firms which demonstrate good practice, the Committee can maximise the ability to consider a diverse range of suitable candidates. After a robust and thorough search process we were delighted to announce in December 2022 the appointment of Katy Mecklenburgh as CFO and she joined the Board in June 2023.

We have also previously mentioned, the Board keeps under consideration the potential benefits of adding one or more further Non-Executive Directors, if that person would add further significant value to the Board's effectiveness, skillset and expertise and be a good cultural fit. The Committee further deliberated on this earlier in the year and concluded that the time was right to search for two new Non-Executive Directors; this also took into account the retirement of Karen Slatford from the Board in January 2023 and the recommendations of the UK Corporate Governance Code in respect of the nine year tenure for non-executive directors. The Committee considered the composition, workload, expertise and skills of the Board, the Board's strategic priorities and the attributes best required to complement the Board as well of course as diversity. The Committee arranged for two detailed role descriptions to be prepared and worked with an external executive search firm, The Up Group, to identify suitable candidates. The Up Group has no other business relationship with the Company. The Up Group followed good practice on searching for diverse candidates.

The Up Group researched and identified potential candidates for the roles and following initial interviews a shortlist for each role was presented and discussed with the Committee. Further interviews were held with final candidates. At the conclusion of the process, it was agreed that Mayank Prakash and Jacqui Ferguson were our preferred candidates for each respective role, for a variety of reasons, including significant senior level experience and excellent track records in their areas of expertise. Mayank joined the Board on 1 September 2023 and is a member of the Committee. Jacqui will join on 1 January 2024 and will also be a Committee member.

Softcat had already announced last year that Graeme Watt (former CEO) would succeed Martin Hellawell as Non-Executive Chairman from 1 August 2023. The Committee continues to acknowledge that the appointment of the CEO into the role of the Chair is not in line with the recommendations of the UK Corporate Governance Code. The Board remains unanimous that Graeme's deep knowledge of the business, Softcat's culture and its markets makes him the ideal appointee to support the interests of all of Softcat's stakeholders. Through our ongoing governance engagements with major shareholders, broad support was expressed for the appointment. More information about the Board's compliance with the UK Corporate Governance Code can be found on page 80. Graeme was first appointed to the Softcat Board as CEO in April 2018 and the Committee acknowledges the recommendation of Code Provision 19 that a chair should not remain in post beyond nine years from the date of their first appointment to the board.

The Board, particularly after taking into account the appointment of the new Directors and new roles of existing Directors, has a stronger and more diverse range of skills, experience, mix of tenure, views and backgrounds. It also provides for the retention of corporate memory, whilst facilitating an infusion of new thinking. I believe that the composition will work well and provides the right mix of challenge and support to the business. I am delighted that the Committee has successfully concluded on such important processes and I welcome the contribution that Graeme, Mayank and Jacqui will make to the Committee.

The Company Secretary is responsible, with oversight from the Company Chairman, for providing an effective induction programme for new Directors. An extensive, full and tailored induction programme was prepared for each of the new Directors, which included meeting members of the Senior Leadership Team, other senior managers in the business and some of the Company's external advisers. The CFO has undertaken further familiarisation activities, such as visiting many of Softcat's offices in the first few months of her role.

Succession planning

As already mentioned, succession planning is an important part of the Committee's responsibilities. In order to support Graeme's role change to Chairman and Graham's role change to CEO, each prepared a transition plan, which included actions to fully familiarise themselves with aspects of their new role and particular areas of focus on which to continue building after each had assumed their new role. The Committee considers that these transition plans are an integral part of the succession planning process. Both transition plans were presented to the Committee shortly after they were prepared and there was a follow-up discussion later in the year which provided the Committee with comfort that good progress had been made ahead of the date their roles would change and. We will continue to discuss and review progress as part of our normal review processes.

More generally, the Committee keeps a watching brief on the likely retirement dates of Board members, particularly in respect of the tenure provisions in the UK Corporate Governance Code. This is conducted as part of the Committee's longer-term succession planning and plans for Board composition refreshment.

The Committee works with the Chief People Officer and the CEO and reviews annually the plans which are in place for orderly succession planning of our Senior Leadership Team ('SLT'). During the year there were a number of changes on the SLT (which includes the Executive Directors) and these were discussed either with the Committee or with the Board. We retain a strong talent pipeline and our annual review also places increasing emphasis on opportunities to develop a more diverse pipeline in leadership roles.

Board member review process

The Company Chairman is responsible for conducting an annual review of the CEO and each Non-Executive Board member. The CEO performs a similar process with the CFO. The reviews gather additional feedback to support the good running of the Board. The Board also conducted an internal (i.e. self-assessed) Board effectiveness review which resulted in overall a positive assessment of the Board's performance but equally some valuable small pointers on how to make further improvements. More information on this year's effectiveness review can be found in the Governance Report on pages 88 to 89.

I am also the interim Senior Independent Director, and in this capacity I led a meeting of the Non-Executive Directors, without the Company Chair present, to discuss the Company Chair's performance. The Non-Executive Directors confirmed that they continued to be happy with the performance and remain fully supportive.

The Chairman has also implemented a short review process at the end of each board meeting to ensure agile continuous improvement.

As a result of the above points and following further consideration by the Committee, we have recommended to the Board that each serving Director be proposed for reappointment at the AGM to be held in December 2023.

Diversity and inclusion

The Board and the Committee devote significant time to the issue of diversity and inclusion in the Company and management realises the importance and benefits of creating a more diverse workforce at all levels in the Company. This continues to be a long-term endeavour and we recognise it as such.

The Committee is supportive of and recognises the importance of diversity and inclusion both for the effective functioning of the Board and more widely in the Company. The Board has a diverse range of experience by way of expertise and background. It recognises the benefits that different viewpoints can contribute to better decision-making and the recent appointments of Mayank Prakash and Jacqui Ferguson as Non-Executive Directors will make this stronger.

The most recent report from the FTSE Women Leaders (which succeeded the Hampton-Alexander Review) provides recommended aspirational targets for gender diversity in FTSE 350 companies by the end of 2025:

FTSE Women Leaders: targets for FTSE 350 companies by the end of 2025	Current Softcat position
Boards of FTSE 350 companies to comprise at least 40% women.	Achieved. The Board of Softcat currently comprises 57% women.
FTSE 350 companies to have at least one woman in the chair or senior independent director role on the board, and/or one woman in the chief executive or finance director role in the company.	Achieved. Katy Mecklenburgh was appointed CFO in June 2023. The role of Senior Independent Director is currently held by a woman.
Leadership teams (as defined) of FTSE 350 companies to comprise at least 40% women.	Softcat is included in the latest annual report of FTSE Women Leaders, which for Softcat reported women comprising 32.6% of leadership roles (as defined). This was an improvement on the prior year of 29.3% and we will continue our efforts to improve diversity in leadership roles.

I am pleased that Softcat already meets two of the above three targets and that we are making progress on the target on leadership teams for FTSE 350 companies to be achieved for 2025. As already noted, we recognise that we must maintain momentum in respect of greater diversity of our leadership team and this is regularly discussed between management and the Committee. The Board currently meets the recommendation set by the Parker Review that boards should have at least one person of colour.

Whilst we have reached some of the above targets, it is not the policy of the Committee to set a quota in terms of the gender or ethnic diversity mix on the Board or its Committees. Our policy, which we have implemented, is:

- the primary criterion for an appointment is that it is made on merit;
- the appointment achieves the best fit with the Board and its Committees; and
- to keep in mind the benefits of the Board and its Committees having a diverse range of skills, experience and professional backgrounds.

Diversity disclosures pursuant to Listing Rule 9.8.6R

In April 2022, the UK Financial Conduct Authority ('FCA') published rules to increase the disclosure of diversity on listed company boards and executive committees. This requires listed companies to disclose in a prescribed format information on the diversity of their board and executive committee. The Listing Rules (to which Softcat is subject) were amended to require disclosure of the prescribed information.

The Listing Rules require listed companies to state whether they have met certain targets on board diversity. The information in the table below is at 31 July 2023, which is the date selected as the reference date within the Company's accounting period. The targets set out in the Listing Rules are that:

- at least 40% of the individuals on its board of directors are women;
- at least one of the following senior positions on its board of directors is held by a woman:
  - the chair; or
  - the CEO; or
  - the CFO; or
  - the SID; and
- at least one individual on its board of directors is from a minority ethnic background.

As at the reference date, the Board of Softcat met all of the above targets.

Gender diversity reporting

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID, Chair)	Number in Executive management	Percentage of Executive management
Men	3	43%	2	9	69%
Women	4	57%	2	4	31%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background diversity reporting

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID, Chair)	Number in Executive management	Percentage of Executive management
White British or other White (including minority White groups)	6	86%	4	12	92%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	14%	–	–	–
Black/African/Caribbean/Black British	–	–	–	1	8%
Other ethnic group, including Arab	–	–	–	–	–

Note:

1. The Listing Rules require disclosure at the applicable reference date, which as noted above was 31 July 2023. The composition of the Board has subsequently changed between 31 July and 23 October 2023, being the date at which this report is approved:
   - Graeme Watt (former CEO) succeeded Martin Hellawell as Non-Executive Chairman on 1 August 2023. Martin retired from the Board on 1 August 2023;
   - Graham Charlton (CFO until 19 June 2023 and CEO Designate between 19 June and 31 July 2023) succeeded Graeme Watt as CEO on 1 August 2023;
   - Mayank Prakash joined the Board as an independent Non-Executive Director on 1 September 2023.

   The composition of the Board as at 23 October 2023 still meets the above requirements set out in the Listing Rules in respect of the number of senior Board positions held by women, the percentage of women on the Board and at least one Director being from a minority ethnic background.
2. 'Executive management' is defined above using the prescribed definition in the Listing Rules. This is defined as the most senior executive or managerial body below the Board, including the Company Secretary. At Softcat, this is the Senior Leadership Team ('SLT'), which has day-to-day responsibility for the operation of the business, and the Company Secretary. The SLT includes both Executive Directors and the changes explained in note 1 above in respect of the roles for Graeme Watt and Graham Charlton also applied to changes in Executive management after 31 July 2023.

The Human Resources team had previously conducted a voluntary survey to all existing employees asking them to confirm how they should be identified for gender and for ethnic background. New employees are requested to make such a confirmation. This survey/information request includes Executive management (as defined) and has also been extended to the Board, including the Non-Executive Directors. Responses were received from each member of the Board and Executive management which confirmed how they should be identified. The above data has been collated from those survey records.

Inclusion

The Committee has also received briefings on the initiatives to improve inclusion in the business and the Company employs a dedicated manager to co-ordinate our diversity, equality and inclusion efforts. The briefings received by the Committee included not only diversity regarding gender, but also on ethnicity, sexual orientation, disability, social mobility and updates on various inclusion activities. More information about diversity, equality and inclusion in the business can be found in the Report on Social Value in this Annual Report on pages 44 to 49.

Assessment of the independence and conflicts of the Non-Executive Directors

The Committee and the Board are satisfied that the external commitments of the Company Chairman and the other Non-Executive Directors do not conflict with their duties and commitments as Directors of the Company. Our Directors must:

- report to the Board any material changes to their commitments;
- notify the Company Secretary of actual or potential conflicts or a change in circumstances relating to an existing authorisation; and
- complete an annual conflicts questionnaire.

Any conflicts identified are considered and, as appropriate, authorised by the Board. Each year the Committee reviews the independence of the Non-Executive Directors. All Non-Executive Directors, excluding the Company Chairman, are currently considered independent.

All Non-Executive Directors also affirm as part of the annual conflicts questionnaire that they continue to be able to devote sufficient time to discharge their duties in respect of their Board appointment at Softcat.

Documents available for inspection

Non-Executive Directors are appointed for an initial three-year term, extendable by a further two additional three-year terms. The letters of appointment for Non-Executive Directors and the service contracts of the Executive Directors are available to shareholders for inspection at the Company's registered office during normal business hours. Letters of appointment and service contracts will be available for inspection at the 2023 AGM.

The formal responsibilities of the Committee are set out in the terms of reference. During the year, the Committee reviewed the terms of reference and concluded that no further amendments were required. The Committee's terms of reference are available at www.softcat.com/about-us/investor-centre/governance.

Shareholder engagement

If any shareholders or proxy voting advisory agencies would like to raise any matters with me in respect of the Committee, I can be contacted via the Company Secretary at cosec@softcat.com.

Lynne Weedall
Chair of the Nomination Committee
23 October 2023

CORPORATE RESPONSIBILITY

> The Committee serves a vital function, requiring specific dedication of time and effort at a Board level, and demonstrates the Board's commitment to sustainability.

Vin Murria
Chair of the Sustainability Committee

Members

V Murria (Chair)	M Prakash[1]
R Perriss	L Weedall
G Watt	G Charlton
K Mecklenburgh[1]	

Attendance of the Sustainability Committee

Name	Committee attendance 2023
V Murria	Attended, Attended
M Hellawell[2]	Attended, Attended
G Watt	Attended, Attended
G Charlton	Attended, Attended
K Slatford[3]	Attended, n/a
R Perriss	Attended, Attended
L Weedall	Attended, Attended
K Mecklenburgh	n/a, n/a
Total meetings held	2

● Attended ○ Did not attend ● n/a

1. Katy Mecklenburgh joined the Board in June 2023, after the meetings of the Sustainability Committee had been held during the financial year. Mayank Prakash joined the Board in September 2023, after the end of the financial year.
2. Martin Hellawell retired from the Board on 31 July 2023.
3. Karen Slatford retired from the Board in January 2023. She attended all meetings of the Committee until the time of her retirement.

Allocation of time

- Climate-related strategy and initiatives: 40%
- Climate-related disclosures: 20%
- Climate-related governance, compliance and regulation: 20%
- Monitoring climate-related performance against strategy: 20%

Introduction

As Chair of the Sustainability Committee (the 'Committee'), I am pleased to present the Committee's report for the year ended 31 July 2023. This report outlines the key responsibilities of the Committee delegated to it by the Board, the work it has done over the 2023 financial year and the focus of the Committee going forward. The Committee is the newest Committee of the Board, having been established in March 2022, with responsibility for the monitoring and oversight of sustainability matters at Softcat. The Committee held its first full cycle of meetings during the 2023 financial year, having met twice (September 2022 and March 2023). The Committee serves a vital function, requiring specific dedication of time and effort at a Board level, and demonstrates the Board's commitment to sustainability.

Membership, Committee Chair and operation of the Committee

The Committee is made up of all of the Directors at Softcat. I am the Chair of the Committee and as such take primary responsibility to ensure the Committee is managed effectively. We have embedded a sustainability governance structure into the business so that we have leadership and expertise in the right place and at the right levels within the organisation. The CFO retains the Executive lead at Softcat for sustainability. We have a dedicated internal resource for sustainability at Softcat, including our Sustainability Lead. The Business Transformation Director, who is a member of the Senior Leadership Team, has day-to-day senior management of sustainability in his brief. Both the Sustainability Lead and the Business Transformation Director attend the meetings of the Committee so that the Committee is kept fully apprised and can discuss matters with those most responsible for sustainability in the business.

As the importance of sustainability continues to increase and given the Committee was only established last year, management will review with the Committee in FY2024 whether the meeting frequency is optimal to ensure sufficient oversight is maintained by the Committee. Meetings are currently scheduled to take place on the same day as the Board meeting to maximise the efficiency of interaction and time of the Board. If needed, the Committee Chair will report to the Board, as a separate agenda item, on the actions taken by the Committee. The Company Secretary acts as Secretary to the Committee.

The Committee's key responsibilities

The key responsibilities of the Committee are:

- setting the sustainability strategy of Softcat;
- oversight and monitoring of the performance of the Company against its sustainability-related goals and targets;
- monitoring the effectiveness of management's processes for identifying and assessing climate-related risks and opportunities;
- reviewing our formal public disclosures relating to sustainability; and
- oversight of other areas of corporate social responsibility, if requested by the Board.

For more on the Committee's responsibilities, the Committee's terms of reference are available on our website, at: www.softcat.com/about-us/investor-centre/governance.

Some areas of focus in 2023

The Committee decided that Softcat's response to climate change, and our strategy for reducing our emissions, should remain its primary focus. This is reflected in the following areas covered and actions taken during 2023:

- The Committee discussed its climate strategic target of a net zero supply chain by 2040, recognising we require ongoing momentum from our vendors and suppliers to help us achieve this target. The Committee requested a direct engagement with a vendor so it could discuss first-hand the issues and challenges on achieving this goal. On behalf of the Committee, the Board held a direct stakeholder engagement with one of Softcat's top ten vendors (by revenue). The discussion focused on building a better understanding of the vendor's sustainability journey and how Softcat can be part of that journey. The discussion also focused on working with others in the supply chain to improve the approach and customer offerings on sustainability. The output of the engagement session was important in respect of the next steps to be taken to achieve the 2040 target.
- Committee meetings have included a focus on how sustainability is becoming embedded into several facets of Softcat's overall strategy. To ensure this receives ongoing deliberation by the Board, the Board considered sustainability and climate-related matters as part of their annual Company strategy review meeting in February 2023. This integrated sustainability into the Board's decision-making, resulting in a more joined-up approach to the resilience of Softcat's strategy to climate change and further opportunities which can be explored on sustainable growth.
- During the year the Committee also considered other plans by management to take advantage of climate-related opportunities and integrate these into Softcat's strategy, such as through Softcat's Enexo platform (see page 69 for more details).
- The Committee monitored and discussed with management on the Company's progress against its climate-related targets and goals, and the appropriateness of these.
- The Committee provided oversight of management's progression on compliance with the Task Force on Climate-related Financial Disclosures ('TCFD'). Progress made during the year is explained in further detail on pages 52 and 53.
- The Committee also received regular updates on future compliance regulations, obligations and best practice trends and reviewed management's plans to ensure compliance.

Areas of focus in 2024

We expect that the main focus of the Committee will remain on climate change and sustainability-related matters in 2024. However, this will be kept under review and will be amended or expanded, where necessary, to include other areas of corporate responsibility to ensure the Committee retains adequate oversight of matters which are most important to Softcat and its stakeholders. I anticipate in 2024 the Committee will focus on:

- ongoing progress against our key sustainability targets;
- further integration of Softcat's sustainability strategy into its overall strategy;
- oversight of the next stages for the development of our Enexo platform;
- further compliance with TCFD; and
- preparing and implementing, as appropriate, changes in disclosure standards, regulation and good practice on sustainability.

Shareholder engagement

For further details on Softcat's approach to sustainability, please see pages 50 to 71 of this report and our website at www.softcat.com/about-us/sustainability.

If any shareholders would like to raise any matters with me in respect of the work of the Committee, I can be contacted via the Company Secretary at cosec@softcat.com. I will also be happy to answer any questions about the work of the Committee at the forthcoming AGM.

Vin Murria
Chair of the Sustainability Committee
23 October 2023

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

> Our Policy was approved by shareholders at last year's AGM with a vote of 98.5%, for which I am grateful. I would like to thank our shareholders for their continuing support.

Lynne Weedall
Chair of the Remuneration Committee

Members

L Weedall (Chair)
R Perriss
V Murria
M Prakash

Attendance of the Remuneration Committee

Name	Committee attendance 2023
L Weedall	Attended, Attended, Attended
K Slatford[1]	Attended, n/a, n/a
V Murria	Attended, Attended, Attended
R Perriss	Attended, Attended, Attended
Total meetings held	3

● Attended ○ Did not attend ● n/a

Mayank Prakash joined the Board in September 2023, after the financial year end.

1. Karen Slatford retired from the Board in January 2023. She attended all meetings of the Remuneration Committee prior to her retirement.

Allocation of time

- Executive remuneration: 45%
- Workforce remuneration and conditions: 25%
- Remuneration market practice and developments: 15%
- Corporate governance: 15%

Dear shareholder

I am very pleased to present this report as Chair of Softcat's Remuneration Committee (the 'Committee').

Business performance

The Executive Directors, supported by their management teams continue to focus on the areas needed to drive success at Softcat. The Company continued to perform well during the year, with growth in both gross profit and operating profit. This was particularly welcome given the wider economic headwinds challenging many businesses over the financial year and beyond. Our operational performance was also excellent and we continued to invest for future growth, including our largest ever increase in employees to help drive our strategy. Our performance, progress and key areas of focus during the year is explained in more detail in the Strategic Report but I would like to pick out some key achievements which demonstrate how well the business has performed and our ongoing investment in employees so we can add value to our stakeholders over the long term:

- Gross profit growth: 14.2%
- Operating profit growth: 3.5%
- Employee engagement: 92%
- Customer satisfaction: 97%
- Headcount growth: c 400

Our purpose is clear, "to help customers use technology to succeed, by putting our employees first". Therefore, it was pleasing to see us improve on our industry leading position on both these two metrics and that this continues to lead to profit growth. This is a testament to each employee and the leadership which is ultimately the responsibility of the Executive Directors. Further details on our key performance indicators ('KPIs') and the importance of each KPI can be found on pages 32 and 33.

The Committee agreed to introduce from FY2023 a sustainability metric as part of the Executive Director's annual bonus plan. This reflects the Board's view on the importance of having a clear plan to improve environmental performance. The Board has been impressed by the progress being made by management to make the business more sustainable. This includes extensive efforts to work more closely with Softcat's supply chain.

Remuneration Policy (the 'Policy')

Our Policy was approved by shareholders at last year's AGM with a vote of 98.5%, for which I am grateful. I would like to thank our shareholders for their continued support. The Committee has reviewed the Policy and has concluded that it is still fit for purpose. In particular the Policy:

- already incorporates and is aligned to the provisions set out in the current version of the UK Corporate Governance Code as well as best practice;
- provides sufficient flexibility to effectively attract, retain and motivate executive talent and for the Committee to make changes, if appropriate, in executive remuneration;
- supports the ongoing growth of the Company, particularly as Softcat continues to mature from when it listed on the London Stock Exchange in 2015; and
- remains well aligned with Company strategy and to the expectations of most investors.

Remuneration outcomes during the year

During the year, the Board/relevant Board Committee regularly reviewed Softcat's financial and operational performance. We confirmed in trading updates during the year that:

- the Company performed well during the year and once again delivered growth in gross profit and operating profit;
- business performance was robust despite the ongoing wider economic challenges;
- operational metrics, such as cash generation, continued to improve;
- our customer base continued to grow; and
- the business had successfully executed on its strategy to invest in headcount to deliver growth over the longer term.

The Board/relevant Board Committee also regularly reviewed key areas of employee/customer engagement and progress on sustainability, including:

- the outcomes of our annual customer experience survey and our employee engagement survey, together with actions to further maintain engagement;
- a quarterly survey from managers in respect of each member of the Senior Leadership Team and the key operational functions in the business;
- workforce engagement sessions;
- actions being taken to increase compliance against the Task Force on Climate-related Financial Disclosures ('TCFD'); and
- steps being taken over the short and longer term to reduce Softcat's carbon footprint.

The strong financial performance, maintenance of excellent relations with employees and customers are reflected in a strong achievement of many of the Company's KPIs (outlined on pages 32 and 33) and resulted in the following for the annual bonus plan for FY2023:

- financial metrics (operating profit) account for 80% of the annual bonus for FY2023. Operating profit achieved exceeded threshold but was below the maximum target set by the Committee, leading to 78% of the maximum annual bonus being earned by the Executive Directors; and
- non-financial metrics account for 20% of the annual bonus for FY2023 and was in respect of customer and employee satisfaction and progress against sustainability actions. The Committee assessed actions taken by management during the year and on the consistently high overall satisfaction/engagement scores. Following review, the Committee concluded that 100% of the maximum annual bonus had been achieved by the Executive Directors.

Good performance has been sustained and during the financial year the LTIP awards granted in December 2019 to Graham Charlton and to Graeme Watt vested. An independent vesting report was prepared by the Committees external remuneration advisers and the Committee assessed the vesting outcomes for the LTIPs. The Committee concluded that:

- the maximum goal had been achieved in respect of the earnings per share ('EPS') element of the award;
- the metric in respect of the total shareholder return ('TSR') element of the award was just below maximum (maximum being the upper quartile of the comparator group).

Accordingly, 96.7% of the total 2019 LTIP award vested.

During the year the Committee concluded that all long-term incentive and annual bonus outcomes were appropriate and no discretion was exercised to amend any remuneration outcomes for the Executive Directors. This conclusion was reached after taking into account relevant matters, such as:

- the performance of the business and the alignment between the Executive Directors and the wider workforce in respect of annual variable pay for the year;
- the overall investor experience, which the Committee believes in particular over a number of years represents exceptional performance by management; and
- any potential benefit from windfall gains experienced over the three year vesting period.

In respect of LTIPs, the Committee will approve a grant in respect of FY2024 to the Executive Directors (see page 128). In line with our Remuneration Policy and recent practice, the LTIP award will be 150% of salary. The Committee considered the Company's share price, which has increased during the financial year, and concluded that it would not be appropriate given this to reduce the usual award of 150% of salary. However, the Committee will review at vest whether there have been any windfall gains.

Remuneration outcomes during the year continued

Main activities during FY2023

October 2022
- Review of Remuneration Policy for proposal to shareholders
- Review and approval of the 2022 Remuneration Report
- Consideration and approval of grants of LTIPs to Executive Directors for FY2023 and other share-based awards to senior managers below Board level
- Review and determination of vesting outcomes for LTIPs granted in 2019
- Review of impact of share-based awards on shareholder dilution
- Review and approval of the annual bonuses awarded to Executive Directors and Senior Leadership Team ('SLT') members for FY2022
- Consideration of the annual bonus arrangements for the Executive Directors and SLT members for FY2023
- Review of achievement against share ownership targets for the Executive Directors

November 2022
- Written resolution of the Committee to approve the remuneration package of the incoming CFO

May 2023
- Update on workforce pay and conditions and discussion of Company-wide pay review
- Review of fees for Non-Executive Directors and the Chair
- Interim update report on performance of annual bonus plan and outstanding LTIPs
- Review of employee share ownership

July 2023
- Update on workforce remuneration, including salary reviews and bonuses below Board level
- Review of proposed approach to target setting for FY2024 annual bonus and LTIP awards
- Consideration of key messages and themes for the 2023 Annual Report on Directors' Remuneration
- Review of remuneration trends and remuneration-related corporate governance developments for listed companies
- Review of workforce engagement session on remuneration

Regular or standing items at each Committee meeting include:
- Approval of previous Committee meeting minutes and review of follow-up on outstanding actions
- Governance updates for Committee discussion or approval
- Review of and updates to the Committee's terms of reference
- Review of the outcomes of shareholder voting on the Remuneration Report/Remuneration Policy

The Company Secretary also prepares a twelve-month rolling plan for the Committee so that matters can be planned and considered over the longer term.

The LTIPs granted in 2020 are due to vest in late 2023 and the performance conditions were set and announced at the time of grant. Based on our reported performance, the maximum EPS target has been exceeded and therefore this element will likely vest in full. Based on our current performance I would also expect the TSR element to perform well, however, it will be necessary to perform a final calculation at vesting of Softcat's performance against the comparator group. In respect of all LTIPs, the Committee will as usual determine the extent to which the performance conditions have been met, along with any other relevant matter, before formally concluding on the vesting outcome.

Changes in executive remuneration for FY2024
The Committee reviewed remuneration for executives and the Chairman and agreed the principles and implementation of the changes below, all of which are within our Remuneration Policy. Further details are provided in the Annual Report on Remuneration.

In July 2022, Softcat announced changes to the Board which took place between June and August 2023. These included:

- the retirement of Graeme Watt as CEO, at which time he succeeded Martin Hellawell as Non-Executive Chairman;
- the promotion of Graham Charlton from CEO to CFO; and
- the launch of a search for a new CFO to succeed Graham.

In respect of the appointment of the Company's Chairman, the Committee conducted a market review which concluded that the prior Chair's fee was materially below the median for the FTSE 250, despite Softcat being one of the largest companies within the FTSE 250. Taking into account the ongoing growth of Softcat and the critical role the Chairman will play following extensive changes on the Board, the Committee concluded that it was appropriate to increase the Chairman's fee and this was set at £232,000 with effect from 1 August 2023. This fee remains slightly below the median of the FTSE 250.

The Remuneration Committee had previously confirmed that Graeme shall be treated as a good leaver and further details on the specific treatment of his remuneration in respect of his retirement as CEO are contained on page 129 of the Annual Report on Remuneration.

The Committee concluded during the year that given Graham's calibre and experience of the business, his starting salary as CEO should match that of the outgoing CEO and he would also be eligible to receive a pay increase in respect of FY2024.

Softcat announced earlier in the year that Katy Mecklenburgh would be appointed CFO and she joined the Board in June 2023. The Committee determined a starting base pay for Katy of £370,000, which was broadly similar to that of the outgoing CFO. The Committee further determined that there would be no further pay rise in FY2024. Katy will be eligible to receive a pay rise in FY2025.

The Committee received updates on proposals to award rises in basic pay across the workforce, particularly on plans to remain competitive on pay for certain roles. The Committee also discussed with its remuneration adviser external pay trends for executives and in the general external workforce. Given the focus recently for the business to target pay rises on employees where most needed, particularly against the background of ongoing external inflationary pressures and the cost of living pressures many are experiencing, the Committee has once again shown restraint in considering the pay rises for eligible Executive Directors. The CEO's pay rise for FY2024 will be 3%, which was well below the rate of inflation at the time it was awarded and below the overall pay rise across the workforce of 4% for FY2024. As noted above, Katy will not be eligible to receive a pay rise until FY2025.

The Committee considers the steps it has taken in respect of pay changes in FY2024 effectively balance the need to attract, retain and motivate talent, whilst reflecting on the size and scale of the business and demonstrating proportionality and restraint.

Wider workforce context

During the year the Committee continued to increase its awareness of pay across the business. This was pertinent given some of the largest pay increases ever awarded which were made in the prior year to many in the general population of employees, the largest ever increase in headcount in a year and the external pressures caused by the high inflationary environment. As already noted, the Committee received updates on both internal and external pay trends, all of which helped to inform the Committee's decision-making, ensuring the pay changes it approved reflected both the Company's specific situation, wider pay trends and also the factors some of our largest shareholders expect remuneration committees to take into account.

Management continues to recognise and reward our employees through fair remuneration. The Committee was pleased in particular with the actions taken by management this year to target pay rises within the business to remain competitive for certain critical roles.

I once again took the opportunity to engage directly with employees over a number of matters, including on our approach to executive remuneration and on the Company's overall pay philosophy. Please see page 119 for more details.

What we have done during the year

The calendar activities (see page 116) summarise the areas of focus and actions for the Committee during the 2023 financial year, all of which were within the framework of the Policy approved by shareholders last year.

Looking forward and conclusion

Earlier in the year, the Financial Reporting Council ('FRC') launched a consultation on proposed changes to the UK Corporate Governance Code (the 'Code'). The Committee has reviewed the remuneration aspects of the proposed changes and, as currently drafted, it does not envisage that material changes will be required to our current remuneration practices or disclosures. The Committee will keep the matter under review.

The Committee has been focused on ensuring that our remuneration arrangements remain fit for the future and aimed at ensuring alignment of both shareholders and our management team as they strive to drive Softcat forward. I would like to thank the members of the Committee for their support and contributions this year.

The Annual Report on Remuneration (pages 114 to 134) including this letter will be subject to an advisory shareholder vote at the forthcoming AGM on 13 December 2023. I trust that we will have your support on the resolution at our AGM. If shareholders do wish to discuss any issues in this report, I can be contacted via the Company Secretary at cosec@softcat.com.

Lynne Weedall
Chair of the Remuneration Committee
23 October 2023

Notes:

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended and the provisions of the current Corporate Governance Code and the Listing Rules. The report consists of two sections:

- the Annual Statement by the Remuneration Committee Chair; and
- the Annual Report on Remuneration, incorporating:
  - an 'at a glance' section summarising our Remuneration Policy; and
  - details of payments made to the Directors and details of the link between Company performance and remuneration for the 2023 financial year.

The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM to be held on 13 December 2023.

PART A – AT A GLANCE

Introduction

In this section, we set out a summary of our Remuneration Policy, its link to corporate strategic objectives and the performance and remuneration outcomes for the 2023 financial year.

Our Remuneration Policy and its link to our Company strategy

The Company's strategy is laid out on pages 6 and 28.

Ensuring the alignment of the Remuneration Policy to the Company strategy was key for the Remuneration Committee in developing the Policy below in conjunction with our core principles of remuneration.

The key elements of the Company's strategy and how its successful implementation is linked to the Company's Remuneration Policy are set out in the following table.

	Strategic priorities				
Remuneration Policy (from the date of shareholder approval)	Generate sector-leading value for shareholders	Growth in profit from existing customers	Win new customers	Equity ownership and retention of shares	Retain and reward executive team to deliver the strategy
Annual bonus The maximum bonus (including any part of the bonus deferred) under the Annual Bonus Plan ('ABP') will not exceed 200% of a participant's annual base salary. For 2024: • the maximum bonus opportunity is 150% for the CEO and CFO respectively; and • the annual bonus measures include 20% based on robust environmental, social and governance ('ESG') goals.	✓ **Operating profit** The key performance indicator for the Company. The Committee believes that the Directors should focus on this key metric during the financial year to maintain high profit growth and the success of the business to deliver value for our shareholders. Growth in this metric is a direct demonstration of the successful execution of our business strategy, including winning new customers and growth of profit from existing customers. **Non-financial measures** The Committee also believes in the importance of wider non-financial metrics to measure the success of a business, including the use of ESG measures. The Committee will consider appropriate measures linked to strategic priorities.	✓	✓	✓	✓
LTIP Maximum annual award is normally 200% of salary. The normal annual award for each of the CEO and CFO is 150% of salary. Awards will vest at the end of three years. The performance conditions for awards comprise financial and performance measures, currently: • earnings per share ('EPS') growth; and • comparative total shareholder return ('TSR'). For 2024 the LTIP award will be weighted 60% EPS and 40% TSR.	✓ **EPS and TSR** The success in maximising profit growth will be measured through the long-term EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company, which will be measured through the Company's TSR performance under the LTIP.	✓ **TSR** The generation of profit growth targeted by the annual bonus will help enhance the value of the Company, which will be measured through the success of the Company's TSR performance against its comparators (a performance condition under the LTIP).	✓ **EPS** An incentive to grow this market in the longer term is provided through EPS growth targeted by the LTIP. The success of this element of the strategy should be reflected in long-term TSR performance.	✓	✓
Share Incentive Plan ('SIP')				✓	✓
Minimum shareholding requirements • Chief Executive: 200% of salary • Chief Financial Officer: 200% of salary				✓	

Our core principles of remuneration:

- to ensure senior executives are attracted, retained and motivated to drive the Company in its next stage of development;
- to incentivise the management team in extending the Company's position in the IT infrastructure solutions industry; and
- to deliver long-term sustainable growth.

Statement of consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping the Remuneration Policy and remuneration practices of the Company. Shareholder views are considered when evaluating and setting the remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy or any material changes within the existing Policy.

As part of its review of the Policy last year and remuneration practices, the Committee considered the factors set out in provision 40 of the UK Corporate Governance Code (the 'Code'). In the Committee's view, the Policy continues to addresses those factors. Further details of how the Committee have addressed this can be found in the Policy in the 2022 Annual Report.

During the financial year the Committee concluded its consultation with major shareholders prior to finalising the Remuneration Policy which was approved by shareholders at the Company's Annual General Meeting in December 2022. There were no material changes in remuneration approach in respect of the recent changes to the Board explained elsewhere in this report and hence the Committee did not consider it was necessary or appropriate to consult with its shareholders on this matter.

Shareholder support remains strong for the remuneration practices of the Company. The Remuneration Policy received 98.5% votes in favour at the 2022 AGM. The advisory vote for the Annual Report on Remuneration at the 2022 AGM received 97.95% votes in favour. The Committee is grateful for the continued support of shareholders.

Statement of considerations of employment conditions elsewhere in the Company

The remuneration strategy for all employees is determined in terms of best practice and ensuring that the Company is able to attract and retain the best people. This principle is followed in our Remuneration Policy.

The remuneration strategy of the Company has been designed to ensure all employees share in its success. Two remuneration arrangements operate: the LTIP for Executive Directors and for some members of the senior team and annual bonus deferral for Executive Directors. Awards under both these plans will provide alignment between senior leaders and our shareholders based on overall corporate performance of the business.

All employees have base pay, certain employment benefits, a pension plan and eligible employees may participate in the Share Incentive Plan. Commissions are available for qualifying sales employees whilst other employees may participate in other annual bonus plans.

The Company does not use remuneration comparison measurements. The Board has designated a Non-Executive Director responsible for general workforce engagement. There are also regular employee engagement meetings led by the CEO and CFO. The Chair of the Remuneration Committee has directly engaged with a group of employee representatives to explain how executive remuneration aligns with wider Company pay philosophy. The engagement provided useful feedback and further assurance to the Committee that executive remuneration is considered to be well-aligned with the Company's wider philosophy on pay, particularly in respect of the importance of setting appropriate benchmarks for fixed pay and on the importance of variable pay as an incentive to drive stretching performance. The Committee believes there is strong alignment between executive pay, wider workforce pay, the Company's culture and strategy. In setting and operating the Remuneration Policy, the pay and conditions of other employees of the Company are taken into account, including any base salary increases awarded and any changes in pension and benefits.

The Committee is provided with data on the remuneration structure for management-level tiers below the Executive Directors and uses this information to ensure consistency of approach throughout the Company. During the year the Committee received updates on pay and benefits across the general workforce. The pay and conditions of other employees of the Company are taken into account, including any base salary increases awarded and the level of employer pension contribution. The Committee is also informed, in line with the provisions of the UK Corporate Governance Code, of the proposed remuneration of Softcat's Company Secretary.

Statement of considerations of employment conditions elsewhere in the Company continued

The table below shows how our incentive schemes support the Company strategy.

			Strategic objectives				
Plan	Purpose	Eligibility	Generate sector-leading value for shareholders	Growth in profit from existing customers	Win new customers	Equity ownership and retention of shares	Retain and reward executive team to deliver the strategy
SIP	Broaden share ownership and share in corporate success over the medium term.	All eligible employees				✓	✓
Annual bonus	Incentivise and reward short-term performance. At senior level, an element of bonus is deferred in shares.	Executive Directors, senior executives, senior managers and managers	✓	✓	✓	✓	✓
LTIP	Incentivise and reward long-term performance.	Executive Directors, senior executives and senior managers	✓	✓	✓	✓	✓

How we performed during the 2023 financial year ('FY2023') (audited)

In respect of FY2023, the bonus awards payable to Executive Directors were agreed by the Committee having carefully reviewed:

- Financial performance (80% weighting): the Committee considered the Company's year-end results and any relevant associated factors in respect of underlying performance.
- Non-financial performance (20% weighting): the Committee considered progress against key actions in respect of ESG actions (employee engagement, customer satisfaction and sustainability) and noted the ongoing strong performance.

The performance measures and targets under the Annual and Deferred Bonus Plan for FY2023 and the extent to which they were satisfied are set out below:

							Annual bonus payout		
Performance condition	Weighting	Threshold	Target	Maximum	Actual	Actual as a % of maximum opportunity	Graeme Watt	Graham Charlton	Katy Mecklenburgh[1]
Operating profit	80%	£122.5m	£136.1m	£149.7m	£140.9m	78.4%	£518,958	£345,972	£41,024
Progress on strategic ESG metrics and actions	20%		See below			100%	£165,421	£110,281	£13,077
Overall outcome						82.7%	£684,379	£456,253	£54,101

Note:

1. Katy Mecklenburgh was appointed to the Board in June 2023 and her annual bonus payout is the pro-rated amount for the year following her appointment.

ESG: Employee engagement, customer satisfaction and sustainability

Priorities	Achievements and outcome
Employee engagement Maintain focus on employee engagement	• Management sought regular employee feedback with 1x annual engagement survey and 4x quarterly management surveys conducted during FY2023. The results of each survey were discussed with the Board/the Nomination Committee, together with management's plans which addressed all areas of concern. • An action plan was created and followed up from the annual survey results. • Overall employee engagement achieved remained high at 92%. • Our employee net promoter score achieved is +63, a material increase on the prior year (of +52) and well above market norms. • Excellent external rankings for workplace environment during FY2023 including: 87% of Glassdoor reviews saying they would recommend Softcat to a friend (an increase of 5% on last year); ranked 5th Best Place to Work for Wellbeing in the Super Large category by Great Place to Work; ranked 6th in the Super Large category for the UK's Best Workplaces for Women 2023 by Great Place to Work; received a Bronze Award as an LGBTQ+ inclusive employer from Stonewall; three awards at the CRN Women & Diversity in Channel Awards: Cultural Inclusion Award, Health & Wellbeing Recognition Award and Diversity Employer of the Year.

Priorities	Achievements and outcome
Customer satisfaction Continued attention on customer excellence	• Management undertook its most extensive ever annual customer experience survey (4,049 respondents in FY2023, compared to 1,870 in FY2022) to engage with more of our customers than ever before. • Impressive level of customer satisfaction achieved at 97%, an improvement on the prior year strong result of 94%. • Further improvement in customer our customer net promoter score achieved to +62, increased from +55 in FY2022. This is above market norms. • A detailed improvement action plan arising from the FY2022 survey was discussed with the Board and then implemented. An action plan arising from the FY2023 survey has been presented to the Board and is underway. • Updated employee training and development progresses, particularly through our dedicated Learning and Development team, to maintain customer excellence.

Priorities	Achievements and outcome
Sustainability Reporting, regulation and momentum	• Good progress made on improving compliance with the recommendations on the Task Force on Climate-related Financial Disclosures ('TCFD'), including completion of an analysis of climate-related financial risks and opportunities. • Sustainability embedded into the annual Board strategy review, in line with TCFD recommendations. • Company-wide sustainability training successfully rolled out, with approximately 98% of employees completing their training. • Ongoing progress working with our vendors to achieve carbon net zero supply chain by 2040. This included the Board engaging with a top ten vendor to better understand industry sustainability and to discuss directly actions to improve sustainability on customer products.

In respect of the ESG measures, the Committee agreed at the beginning of the performance period a range of illustrative outcomes to consider at threshold, target and maximum to determine whether meaningful progress had been made across the metrics. This would be taken into account along with other relevant actions or progress related to the ESG measures. The Committee then reviewed the illustrative outcomes along with other key relevant areas of progress on the ESG metrics at the end of the performance period, to ensure that a fair and comprehensive review of progress had been undertaken. The Committee concluded, overall, that good progress had been made on the ESG measures, resulting in the determination of an award of 100% of the maximum opportunity in respect of the ESG measures. No discretion was exercised by the Committee in relation to the outcome of the annual bonus awards. In respect of the bonus payout up to 100% of salary, two-thirds will be paid in cash and one-third will be paid by way of deferred shares. In respect of the bonus payout above 100% of salary, all of this shall be by way of deferred shares.

Long-term incentives awarded in FY2023 (audited)

On 30 November 2022 the following annual awards of nil-cost options under the Company's Long Term Incentive Plan ('LTIP') were made to the Executive Directors as follows:

Executive Director[1]	LTIP award (% of salary)	LTIP award (shares)	Award date	Share price[2]
Graeme Watt	150	64,266	30/11/22	£12.87
Graham Charlton	150	42,844	30/11/22	£12.87

Note:
1. Katy Mecklenburgh was appointed with effect from June 2023 and did not receive an LTIP award in respect of FY2023.
2. The share price used to determine the award was calculated by reference to the prevailing market price of an ordinary share on the business day prior to the award.

40% of the award will be subject to the Company's relative TSR performance against the FTSE 250 (excluding real estate and investment trusts) over a three-year performance period and 60% will be subject to adjusted EPS targets at the end of the period. Further details are on page 127.

Single figure remuneration for our Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2023.

	Salary	Taxable benefit	Pension	Total fixed	Bonus[1]	LTIP[2]	Total variable	Total
Graeme Watt (CEO)[3, 5]	£551,403	£4,578	£27,570	**£583,551**	£684,379	£569,431	**£1,253,810**	**£1,837,361**
Graham Charlton (CEO/CFO)[4, 5]	£367,602	£4,578	£12,649	**£384,829**	£456,253	£379,608	**£835,861**	**£1,220,690**
Katy Mecklenburgh (CFO)[5, 6]	£44,848	£ –	£2,242	**£47,090**	£98,264	–	**£98,264**	**£145,354**

Notes:
1. In respect of performance up to 100% of salary, two-thirds of the annual bonus earned will be paid in cash and one-third will be deferred into shares (by way of nil-cost options). In respect of performance above 100% of salary, all of the annual bonus earned will be deferred into shares (by way of nil-cost options).
2. LTIP awards made on 3 December 2019 to Graham Charlton and to Graeme Watt vested during FY2023. The award was calculated by reference to a share price of £11.03, which was the prevailing market price of an ordinary share on the business day preceding the grant. Details of the performance condition (relative TSR and EPS targets) were disclosed in an announcement to the London Stock Exchange at the time of grant.
3. As a result of partial achievement of the performance criteria, nil-cost options over 40,647 shares vested and were subsequently exercised by Graeme during FY2023. The share price at the date of vesting (closing price on 2 December 2022, being the closest business day to the third anniversary of the grant) was £13.04 and the LTIP value shown above reflects this. The total value shown above comprises £530,037 (the value of the award at vesting) plus a dividend equivalent of £39,394. The value of the LTIP that is attributable to share price appreciation between grant and vest is £81,700.
4. As a result of partial achievement of the performance criteria, nil-cost options over 27,098 shares vested and were subsequently exercised by Graham during FY2023. The share price at the date of vesting (closing price on 2 December 2022, being the closest business day to the third anniversary of the grant) was £13.04 and the LTIP value shown above reflects this. The total value shown above comprises £353,358 (the value of the award at vesting) plus a dividend equivalent of £26,250. The value of the LTIP that is attributable to share price appreciation between grant and vest is £54,467.
5. During FY2023:
   - Graeme Watt was CEO up until 31 July 2023.
   - Graham Charlton was CFO until 19 June 2023 and CEO Designate between 19 June and 31 July 2023.
   - Katy Mecklenburgh was appointed CFO with effect from 19 June 2023.
6. As reported when Softcat announced Katy's appointment as CFO, she was compensated in respect of certain variable compensation which was forfeited as a result of her resignation from her previous employer. Katy received a cash payment in lieu of a forfeited retention award. The cash payment was based on the value of the shares in the retention award from her previous employer which was due to vest on 30 April 2023. The payment was £44,163, which was made shortly after she joined the Board in June 2023. This figure is included in the bonus figure above.

Remuneration Policy table summary

In accordance with the remuneration reporting regulations, the Directors' Remuneration Policy (the 'Policy') summarised below was approved at the AGM on 13 December 2022 and will apply for a period of three years from the date of approval. The Policy is contained in Softcat's 2022 Annual Report and Accounts, which is available on the Company's website at www.softcat.com/about-us/investor-centre/shareholder-information.

The Committee's objective is to operate this Policy to ensure that our Executive Directors have a remuneration structure and total remuneration opportunity that is aligned to Softcat's business and is competitive when assessed against the market in which we compete for talent.

Element of remuneration	Operation
Salary	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • remuneration practices within the Company; • the general performance of the Company; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; • any change in scope, role and responsibilities; and • the economic environment. In general, salary increases for Executive Directors will be in line with the increase for employees. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases, subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.
Benefits	The Executive Directors receive private health insurance, critical illness, life insurance and death-in-service benefit. Additional benefits may be offered, such as relocation allowances on recruitment. The maximum will be set at the cost of providing the benefits described. Non-Executive Directors may participate in benefit programmes available to employees which have the purpose of reducing environmental emissions.
Pensions	The Executive Directors are entitled to participate in the Company's applicable pension plans. Executive Directors' pensions are aligned with the employer contributions for the wider workforce, currently 5% of salary.
Annual and Deferred Share Bonus Plan (the 'Bonus Plan')	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 200% of salary. The maximum bonus opportunity is currently 150% of salary. This can only be attained by achieving a level of stretch in the targets set. There is a mandatory deferral of one-third of bonuses up to 100% of salary and all bonuses above 100% of salary into shares. The deferred elements vest after a minimum period of three years based on continued employment. The bonus contains clawback and malus provisions.
Long Term Incentive Plan ('LTIP')	LTIP maximum grant is 200% of salary p.a. (up to 250% in exceptional circumstances). The Committee considers and sets the performance measures and targets for each LTIP award. See page 128 for the performance conditions of the grant made in the year. The LTIP contains clawback and malus provisions. There is a mandatory two-year post-vesting holding period.
Share Incentive Plan ('SIP')	The Company operates a SIP in which the Executive Directors are eligible to participate. The SIP is operated in line with HMRC legislation and is open to all eligible employees (UK employees with at least three months' service). The SIP encourages employees to become shareholders in the Company and thereby align their interests with shareholders.
Minimum shareholding requirement	The following table sets out the minimum shareholding requirements: Role — Shareholding requirement (% of salary) Chief Executive and Chief Financial Officer — 200 The Committee retains the discretion to increase the shareholding requirements. There is also a mandatory two-year post-cessation holding period.

Remuneration Policy table summary continued

Element of remuneration	Operation
Non-Executive Director and Chairman fees	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chairman's fees. Non-Executive Directors are paid an annual fee and paid additional fees for chairing Committees, the Senior Independent Director and the Designated Non-Executive Director for Workforce Engagement. The Chairman does not receive any additional fees for membership of Committees. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Fees are set at broadly the median of the comparator group. Non-Executive Directors and the Chairman do not participate in any variable remuneration. Non-Executive Directors and the Chairman are not eligible to participate in benefit arrangements, apart from any benefit programme available to employees which have the purpose of reducing environmental emissions. The Company will pay reasonable expenses incurred and may settle any tax incurred in relation to these.

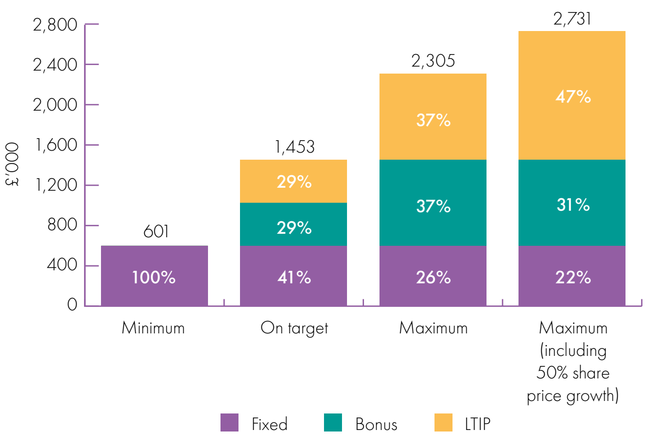
There are no changes to the approved Directors' Remuneration Policy. The full Policy is available to view in Softcat's 2022 Annual Report which is on the Company's website at www.softcat.com/about-us/investor-centre/shareholder-information.

Illustrations of the application of the Remuneration Policy

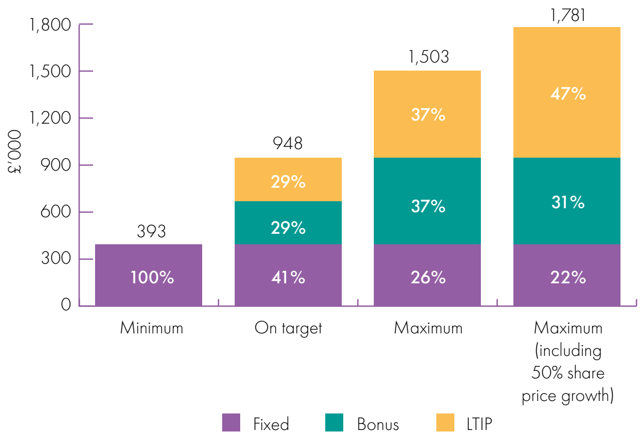
The charts below illustrate the remuneration that would be paid to each of the Executive Directors for the 2024 financial year under three different performance scenarios: (i) minimum; (ii) on target; and (iii) maximum. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus (deferred bonus); and (iii) LTIP.

In line with the regulations on policy scenarios, we have also included an additional reference point to show indicative share price growth of 50% over three years (being the performance period of the LTIP) at maximum.

Chief Executive Officer (Graham Charlton)



Chief Financial Officer (Katy Mecklenburgh)



The table below sets out the assumptions used to calculate the elements of remuneration for each of the scenarios set out in the charts on the previous page.

Element	Description	Minimum	Target	Maximum	Maximum including 50% share price growth
Fixed[1]	Salary, benefits and pension	Included	Included	Included	Included
Annual bonus[2]	Annual bonus (including deferred shares) Maximum opportunity of 150% of salary	No annual variable	50% of the maximum bonus	100% of the maximum bonus	100% of the maximum bonus
LTIP[2,3]	Award under the LTIP Maximum annual award of 150% of salary	No multiple-year variable	50% of the maximum award	100% of the maximum award	100% of the maximum award plus 50% share price growth

Notes:

1. Based on 2023 benefits payments and pension values for Graham Charlton as per the single figure table. Katy Mecklenburgh joined the Board shortly before the FY2023 financial year end and for the purposes of this illustration the same benefit payments which appear for Graham Charlton have been used for Katy. The actual benefits and pension contributions for FY2024 in respect of both Executive Directors will only be known at the end of that financial year. Basic pay also reflects the 3% increase awarded for FY2024 to the CEO.
2. Share price growth has been included in the final illustration in accordance with the required regulations. Dividend equivalents have not been added to the deferred share bonus and LTIP share awards.
3. Participation in the SIP has been excluded given the relative size of the opportunity levels.

Executive Director contracts and letters of appointment for Chair and Non-Executive Directors

Executive Directors

Name	Date of service contract	Nature of contract	Notice periods: From Company	Notice periods: From Director	Compensation provisions for early termination
Graham Charlton	29 October 2015	Rolling	Twelve months	Twelve months	None
Katy Mecklenburgh	1 December 2022	Rolling	Twelve months	Twelve months	None

Non-Executive Directors

Name	Date of letter of appointment
Graeme Watt	11 July 2022
Vin Murria	3 November 2015
Robyn Perriss	21 May 2019
Lynne Weedall	21 March 2022
Mayank Prakash	31 July 2023

Note:

The Committee's policy for setting notice periods is that a twelve-month period will apply for Executive Directors.

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period. The Chairman is subject to three months' notice from either the Company or the Chairman. The other Non-Executive Directors do not have notice periods.

The initial terms of the Non-Executive Directors' positions are subject to their re-election by the Company's shareholders at the AGM and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election. All Directors will be put forward for re-election by shareholders on an annual basis.

PART B – ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration (audited)

Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of FY2023 and FY2022.

	Salary[1]		Taxable benefits[1,4]		Pension[1,2]		Total fixed		Bonus[3,5]		LTIP[3]		Total variable		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Graeme Watt (CEO)[6]	551.4	525.1	4.6	4.6	27.6	26.3	583.6	556.0	684.4	756.2	569.4	1,554.9	1,253.8	2,311.1	1,837.4	2,867.1
Graham Charlton (CEO/CFO)[6]	367.6	350.1	4.6	4.6	12.6	23.2	384.8	377.9	456.3	504.1	379.6	1,036.6	835.9	1,540.7	1,220.7	1,918.6
Katy Mecklenburgh (CFO)[6,7]	44.8	–	–	–	2.2	–	47.0	–	98.3	–	–	–	98.3	–	145.3	–

Notes:
1. Fixed pay consists of salary, taxable benefits and pensions as set out above.
2. Graham Charlton receives 5% in pension contribution/cash allowance in line with employees; during FY2022 an overpayment exceeded this value against his FY2022 salary by £5,731. For FY2023 his pension contribution/cash allowance will be adjusted to correct this and ensure that over FY2022 and FY2023 this meets 5% of his salary during those periods.
3. Variable pay consists of bonus and LTIP as set out above. Further details on the LTIPs which vested and were exercised by Graham and by Graeme during the year are provided in the section 'Single figure remuneration for our Executive Directors' above.
4. See section below setting out details of the benefits provided.
5. Details of the bonus targets, their level of satisfaction and the resulting bonus earned in FY2022 are set out on page 120 and 121.
6. During FY2023:
   - Graeme Watt was CEO up until 31 July 2023.
   - Graham Charlton was CFO until 19 June 2023 and CEO Designate between 19 June and 31 July 2023.
   - Katy Mecklenburgh was appointed CFO with effect from 19 June 2023.
7. As reported when Softcat announced Katy's appointment as CFO, she was compensated in respect of certain variable compensation which was forfeited as a result of her resignation from her previous employer. Katy received a cash payment in lieu of a forfeited retention award. The cash payment was based on the value of the shares in the retention award from her previous employer which was due to vest on 30 April 2023. The payment was £44,163, which was made shortly after she joined the Board in June 2023. This figure is included in the bonus figure above.

Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director.

Non-Executive Director	2023 fees	2022 fees	Roles
Martin Hellawell[1]	£203,747	£162,903	Non-Executive Chair
Karen Slatford[2]	£40,898	£78,819	Senior Independent Director and Chair of the Nomination Committee
Vin Murria	£75,000	£63,759	Independent Non-Executive Director, Designated Director for Workforce Engagement and Chair of the Sustainability Committee
Lynne Weedall[3]	£90,438	£15,698	Interim Senior Independent Non-Executive Director, Chair of the Remuneration Committee and Chair of the Nomination Committee
Robyn Perriss	£75,000	£63,759	Independent Non-Executive Director and Chair of the Audit Committee

Notes:
1. As previously reported, the Remuneration Committee exercised its discretion to allow Martin to continue to receive his health benefits as Chair. The cost of providing this cover during FY2023 and other P11D benefits was £3,747 (2022: £3,768) and is included in the figure for Martin's fees above.
2. In respect of 2023, the fees for Karen Slatford are pro-rated to the time she retired from the Board in January 2023. In respect of 2022 the fees for Karen are pro-rated with effect from the respective date she stepped down as Chair of the Remuneration Committee.
3. Lynne joined the Board in May 2022.

Taxable benefits

Benefits in the year for the Executive Directors comprised health benefits such as private health insurance, health cash plan, critical illness, income protection and dental and life cover. Figures are reported where appropriate.

2023 annual bonus outcomes

In respect of 2023, the bonus awards payable to Executive Directors were agreed by the Committee, having carefully reviewed:

- Financial performance (80% weighting): the Committee considered the Company's year-end results and any relevant associated factors in respect of underlying performance.
- Non-financial performance (20% weighting): the Committee considered progress against key actions in respect of ESG actions (employee engagement, customer satisfaction and sustainability) and noted the ongoing strong performance.

The annual bonus structure operating for 2024 will be similar to 2023 and is explained on pages 120 and 121.

Details of the targets used to determine bonuses in respect of FY2023 and the extent to which they were satisfied are shown on pages 120 and 121. These figures are included in the single figure table.

Long Term Incentives vested in FY2023 (audited)

Awards under the Company's LTIP granted in December 2019 to Graham Charlton and to Graeme Watt vested and were exercised by Graham and Graeme in FY2023. Vesting of the awards was subject to the following performance conditions (which were disclosed at the time of grant):

Measure	Weighting	Details
Adjusted EPS	50%	• No vesting of this element for adjusted EPS at end of performance period of below 38.6p • 20% vesting (threshold) for achieving 38.6p • Full vesting for achieving 45.5p or above • Straight-line vesting between threshold and full vesting
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	50%	• No vesting for below median performance against the comparators • 30% vesting (threshold) for median performance • Full vesting for upper quartile performance • Straight-line vesting between threshold and full vesting

EPS for FY2022 was 55.5p per share and this element of the performance condition was achieved in full. TSR was ranked just below the upper quartile and as a result 93.47% of this element of the performance condition was achieved. Following formal review by the Committee, the Committee confirmed that vesting of the award would be in line with the achievement against performance conditions. Further details on the LTIPs which vested are provided in the tables in respect of single figure remuneration. As a result of the partial achievement of performance conditions, the following table details the LTIP granted in December 2019, the number of shares lapsed and the number vested and exercised:

Director	LTIP options granted in December 2019	LTIP options lapsed	LTIP options vested and exercised
Graeme Watt	42,021	1,374	40,647
Graham Charlton	28,014	916	27,098

Scheme interests awarded during the financial year (audited)

Long Term Incentive Plan awarded in FY2023 (audited)

On 30 November 2022 the following annual awards of nil-cost options under the Company's Long Term Incentive Plan ('LTIP') were made to the CEO and CFO:

Director[1]	Award type	Basis of award (% of salary)	Face value of award £	Number of shares granted	Date of grant	Date of vesting	Share price[2]
Graeme Watt	Nil-cost options	150%	827,104	64,266	30/11/22	30/11/25	£12.87
Graham Charlton	Nil-cost options	150%	551,402	42,844	30/11/22	30/11/25	£12.87

Note:
1. Katy Mecklenburgh was appointed with effect from June 2023 and did not receive an LTIP award in respect of FY2023.
2. The share price used to determine the award was calculated by reference to the prevailing market price of an ordinary share on the business day prior to the award.

40% of the award is subject to the Company's relative TSR performance against the FTSE 250 (excluding real estate and investment trusts) over a three-year performance period to the end of FY2025 and 60% subject to adjusted EPS targets at the end of the period. These conditions are set out below:

Measure	Weighting	Details
Adjusted EPS	60%	• Nil vesting of this element for adjusted EPS at end of performance period of less than 55.8p • 20% vesting (threshold) for achieving 55.8p • 67% vesting for achieving 59.6p • Full vesting for achieving 67.0p or above • Straight-line vesting between 20% and 67% and between 67% and full vesting
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	40%	• Nil vesting for below median performance against the comparators • 30% vesting (threshold) for median performance • Full vesting for upper quartile performance • Straight-line vesting between threshold and full vesting

The EPS targets were set following the end of the 2022 financial year based on an assessment of the business and were included in the 2022 Annual Report on Remuneration. The adjusted basic earnings per share for the purposes of the LTIP performance measure is calculated as basic earnings per share in accordance with IAS 33, adjusted for exceptional items as determined by the Committee.

Deferred Bonus Plan awarded in FY2023 (audited)

On 30 November 2022, awards under the Company's Deferred Bonus Plan (DBP) were made as set out below. Deferred shares are not subject to further performance conditions and vest following a three-year holding period.

Director	Award type	Face value of award £	Number of shares granted	Date of grant	End of deferral period	Share price[1]
Graeme Watt	Nil-cost options	406,113	31,555	30/11/22	30/11/25	£12.87
Graham Charlton	Nil-cost options	270,733	21,036	30/11/22	30/11/25	£12.87

Note:
1. The share price used to determine the award was calculated by reference to the prevailing market price of an ordinary share on the business day prior to the award.

Long Term Incentive Plan to be awarded in FY2024

Vesting of the awards will be subject to the following performance conditions:

Measure	Weighting	Details
Adjusted EPS	60%	• No vesting of this element for adjusted EPS at end of performance period of below 59.1p • 20% vesting of this element for adjusted EPS at end of performance period of 59.1p • 67% vesting of this element for adjusted EPS at end of performance period of 66.1p • Full vesting for 71.8p • Straight-line vesting between 20% and 67% and between 67% and full vesting
Relative TSR – assessed against the constituents of the FTSE 250 (excluding real estate and equity investment trusts)	40%	• No vesting for below median performance against the comparators • 30% vesting (threshold) for median performance • Full vesting for upper quartile performance • Straight-line vesting between threshold and full vesting

Pension entitlements (audited)

The Company operates a defined contribution pension scheme which the Executive Directors can participate in, or they can take a cash supplement in lieu of pension.

In FY2023, Graham Charlton, Graeme Watt and Katy Mecklenburgh were entitled to 5% of salary either as an employer pension contribution into the defined contribution scheme or as a pension cash allowance. This is in line with employer pension contributions available for the general workforce.

None of the Directors receive an entitlement under a defined benefit plan.

Share Incentive Plan ('SIP')

There were no free shares awarded in FY2023 (FY2022: Nil). Free shares were awarded under the SIP on 11 December 2015, and became free of any restrictions on the fifth anniversary following the award. Graham was awarded 301 free shares in 2015, which he retained.

The Executive Directors have an entitlement to purchase partnership shares under the SIP. Graham Charlton and Graeme Watt each purchased 140 partnership shares during the year. Katy Mecklenburgh purchased nil shares. The total SIP holdings are provided on page 129 as part of the Directors' share interests table.

Payments to past Directors/payments for loss of office (audited)

There were no payments for loss of office made to Directors in the year.

In July 2022, Softcat announced changes to the Board which took place in August 2023. This included the retirement of Graeme Watt as CEO, at which time he succeeded Martin Hellawell as the Non-Executive Chairman. The Committee confirmed at the time of announcement that Graeme will be treated as a good leaver under the terms of the Remuneration Policy and associated plan rules. Below are the key elements of Graeme's remuneration arrangements in respect of his retirement as CEO:

- Loss of office: on stepping down as CEO, Graeme received no termination payments from the Company.
- Base pay: this was paid until the date of retirement. Graeme's service agreement provides for twelve months' notice, which was deemed as served.
- Pension contributions or allowance: this was paid until the date of retirement.
- LTIPs: these have been pro-rated from the date of grant to the date of retirement. They will vest on the original vesting dates and be subject to applicable performance conditions.
- Deferred bonus shares: these will vest in full on their original respective vesting dates. Deferred awards are not subject to performance conditions.
- Annual bonus plan: full participation in the FY2022 and FY2023 annual bonus plans.
- Benefits: the Committee confirmed at the time of the announcement that it had exercised its discretion and permitted Graeme to retain whilst he is Chairman the following benefits currently being provided to him: life assurance, private medical insurance, health cash plan, dental plan, income protection and critical illness cover.

Statement of Directors' shareholding and share interests (audited)

Director	Shareholding requirement (% of salary)[1]	Current shareholding (% of salary)[2]	Beneficially owned[3]	Other shares held: LTIP interests subject to performance conditions	Other shares held: Deferred shares not subject to performance conditions	Options: Vested and unexercised	Options: Unvested	Options: Exercised	Shareholding requirement met?
Executive Directors									
Graeme Watt[5]	200	394	108,555[3]	147,028	69,766[4]	–	–	–	Yes
Graham Charlton	200	645	133,916[3]	98,018	46,510[4]	–	–	–	Yes
Katy Mecklenburgh[6]	200	–	–	–	–	–	–	–	No
Non-Executive Directors									
Martin Hellawell[7]	n/a	n/a	4,201,857	n/a	n/a	n/a	n/a	n/a	n/a
Karen Slatford[8]	n/a	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a
Vin Murria	n/a	n/a	165,397	n/a	n/a	n/a	n/a	n/a	n/a
Lynne Weedall	n/a	n/a	1,300	n/a	n/a	n/a	n/a	n/a	n/a
Robyn Perriss	n/a	n/a	15,000	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

1. The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up, over a five-year period, and then subsequently hold, a shareholding equivalent to at least 200% of base salary. The shareholding requirement is calculated as follows:
   - shares owned by the Executive Director (and their associates) count towards the ownership target;
   - shares which have vested, but which remain subject to a holding period and/or clawback, count towards the ownership target;
   - unvested shares, which are not subject to a further performance condition, count towards the ownership target on a net of tax basis. This includes deferred awards under the annual bonus plan; and
   - unvested awards and unexercised options which have performance conditions attached do not count towards the ownership target.
2. This is based on a closing share price of £15.00 on 31 July 2023 and the year-end salaries of the Executive Directors. The calculation includes the value of deferred shares not subject to performance conditions' on a net of tax basis, based on the tax rates applicable on 31 July 2023. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
3. This includes investment in partnership shares under the SIP. Graham purchased 30 partnership shares between the year end and the date of this report and Graeme purchased 10. Neither of these post-year end purchases are included above. Following Graeme's retirement as an Executive Director, he is no longer a participant in the SIP.
4. This is in respect of previous awards of nil-cost options granted under the Deferred Share Bonus Plan.
5. Since the 2023 financial year end Graeme was appointed as Non-Executive Chairman. As such, he is no longer subject to the 200% of salary shareholding guidelines.
6. Katy Mecklenburgh was appointed to the Board in June 2023. In line with the shareholding guidelines for Executive Directors, she has a five-year period to build up her shareholding to the target of 200% of salary.
7. Includes ordinary shares as at 31 July 2023 held by, or in trust for, Martin and/or his family members. Martin retired from the Board on 1 August 2023.
8. Karen retired from the Board in January 2023. The above reflect her interests as at the time of retirement.
9. Mayank Prakash joined the Board after the financial year end. He has no share interests in Softcat plc.

Fees retained for external non-executive directorships by Executive Directors

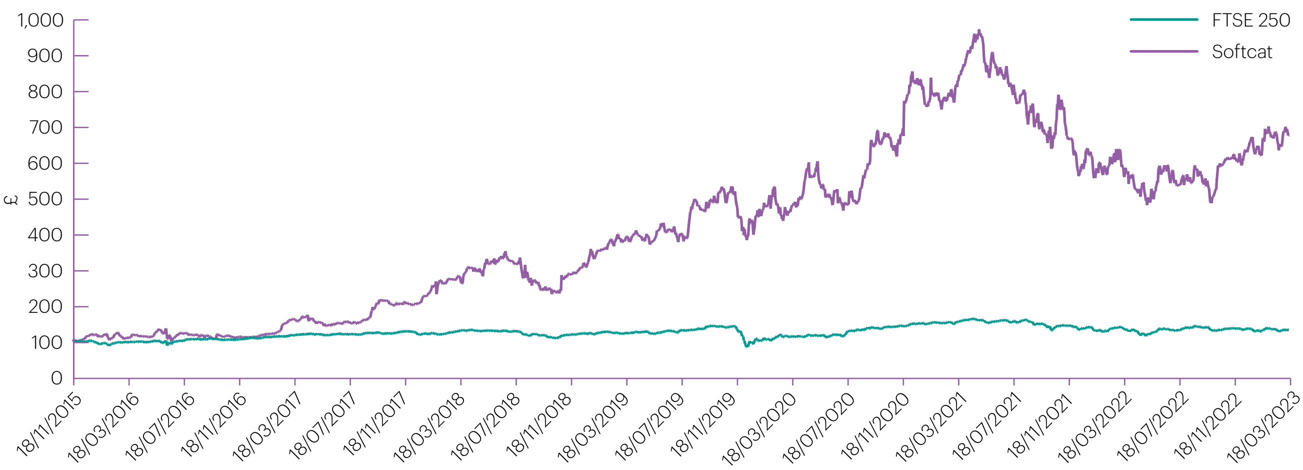
Executive Directors may hold positions in other companies as non-executive directors and retain the fees. Graeme held no such external directorships prior to his retirement as Chief Executive. Graham and Katy currently hold no such external directorships.

Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index. The graph shows the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income.

The Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this since the first review of the index since the IPO. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 18 November 2015 and therefore only has a listed share price for the period of 18 November 2015 to 31 July 2023.

Total shareholder return



Chief Executive's historical remuneration

The table below sets out the relative importance of spend on pay in the 2023 financial year. All figures provided are taken from the relevant Company accounts.

Chief Executive		2023	2022	2021	2020	2019	2018	2017	2016	2015
G Watt	Total single figure	£1,837,361	£2,867,134	£2,588,093	£991,372	£919,518	£305,539	–	–	–
M Hellawell[1]		–	–	–	–	–	£532,716	£774,908	£562,117	£335,762
G Watt	Annual bonus payment level achieved (% of maximum opportunity)	83	96	100	72	100	100	–	–	–
M Hellawell[1]		–	–	–	–	–	100	100	99	72
G Watt	LTIP vesting level achieved (% of maximum opportunity)	97	100	100	n/a	n/a	n/a	n/a	n/a	n/a
M Hellawell[1]		–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note:
1. Martin stepped down from his role as Chief Executive on 31 March 2018 and Graeme joined as Chief Executive on 1 April 2018. The single figure includes remuneration paid for the role as Chief Executive during the financial year.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2023 financial year. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2023 financial year	Disbursements from profit in 2022 financial year
Profit distributed by way of dividend	£74.2m	£84.0m
Total tax contributions[1]	£60.6m	£41.9m
Overall spend on pay, including Executive Directors	£179.9m	£148.3m

Note:
1. Includes corporation tax and employer's National Insurance contributions. The total tax contributions have been included because of the size of the contributions in comparison to other payments.

Change in the Directors' remuneration compared with employees

The table below sets out the annual change in Directors' remuneration from the previous year compared to the average annual change in remuneration for all other employees. The notes beneath this table describe how we have calculated the year-on-year change.

	% increase/(decrease) in remuneration in 2021 compared with remuneration in 2020			% increase/(decrease) in remuneration in 2022 compared with remuneration in 2021			% increase/(decrease) in remuneration in 2023 compared with remuneration in 2022		
	Salary or fees	Bonus[2]	Benefits[3]	Salary or fees	Bonus[2]	Benefits[3]	Salary or fees	Bonus[2]	Benefits[3]
Graeme Watt[1]	3%	43%	37%	10%	6%	12%	5%	0%	(1)%
Graham Charlton[1]	3%	43%	37%	10%	6%	12%	5%	0%	(1)%
Katy Mecklenburgh[1,4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Martin Hellawell	–	–	1%	5%	–	–	23%	–	(1)%
Vin Murria[5]	4%	–	–	(7)%	–	–	18%	–	–
Robyn Perriss	3%	–	–	3%	–	–	18%	–	–
Karen Slatford[6]	6%	–	–	11%	–	–	12%	–	–
Lynne Weedall[7]	n/a	n/a	n/a	n/a	n/a	n/a	42%	–	–
All employees[8]	3%	12%	1%	5%	7%	34%	8%	(44)%	(3)%

Notes:
1. For the Directors, the percentage change reflects the figures set out in the single figure table on page 126. Figures are on an annualised basis where the Director joined or left during the year.
2. Excludes commissions for employees.
3. Includes private medical insurance only for employees.
4. Katy Mecklenburgh joined the Board of Softcat in June 2023.
5. In respect of 2020/21, Vin Murria stepped down as Chair of the Nomination Committee during the year. Fees receivable for these duties were in addition to the fees payable as a Non-Executive Director.
6. In respect of 2020/21, Karen Slatford was appointed as Chair of the Nomination Committee during the year. Fees receivable for these duties were in addition to the fees payable as a Non-Executive Director. In respect of 2021/22, Karen stepped down as Chair of the Remuneration Committee during FY2022. Karen retired from the Board in January 2023.
7. Lynne Weedall joined the Board of Softcat in May 2022. Following the retirement of Karen Slatford in January 2023, Lynne was appointed interim Senior Independent Director and Chair of the Nomination Committee.
8. For employees, figures represent Softcat plc, which is a single entity company. Details are in respect of the average percentage change in respect of the remuneration of employees on a full-time equivalent basis. In order to make the comparisons meaningful, the average percentage change in respect of each of salary, bonus and benefits for employees is a per capita figure. For FY2023, the decrease in bonus is due mostly to higher/maximum targets being achieved in the prior year compared to the current year. The benefits values have fluctuated due to change in premiums.

CEO pay ratios

The UK Government requires certain companies with over 250 employees to disclose annually the ratio of their CEO's single figure total remuneration to that of the UK workforce. CEO pay ratio data is presented below for 2023, with comparative figures since 2019, which were disclosed in previous Directors' Remuneration Reports. The data shows how the CEO's single figure remuneration for 2023 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentiles.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	**Option A**	**72:1**	**44:1**	**24:1**
2022	Option A	100:1	64:1	36:1
2021	Option A	89:1	57:1	32:1
2020	Option A	33:1	21:1	12:1
2019	Option A	35:1	22:1	12:1

The Government's methodology of Option 'A' has been used to calculate the remuneration of 2,206 employees (FY2022: 1,882) who were employed on the assessment date of 31 July for each respective financial year. All individuals in employment at this date were included in the calculation, with applicable components of individual remuneration annualised for employees not employed for the full twelve months. This option was selected given as it was considered to be the most efficient and robust approach in respect of gathering the required data and in particular was considered to be the most accurate way of identifying the best equivalents of the 25th, 50th and 75th percentiles.

We calculated our total remuneration for full-time equivalent employees to include:

- annual salary and allowances;
- annual bonus earnings (for the period relating to the respective financial year);
- gains realised from exercising awards granted under the SIP or LTIP share plans; and
- the value of taxable benefits (including pension contributions).

The increase in ratio from 2021 primarily reflects the value of LTIP awards which vested and were exercised by the CEO during each period. No LTIPs had vested in the prior periods shown above.

Pay in respect of the CEO and UK workforce is shown in the table below.

	CEO	All employees		
	(See single figure table, page 126)	25th percentile	Median	75th percentile
2023 salary	£551,403	£23,398	£27,538	£38,000
2023 total pay	£1,837,361	£25,594	£41,929	£77,393

Consideration by the Directors of matters relating to Directors' remuneration

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the Remuneration Policy and for determining specific packages for the Executive Directors, other selected members of the senior management team and the Chairman's fee. The Company consults with key shareholders in respect of the Remuneration Policy and the introduction of new incentive arrangements.

The terms of reference for the Committee are available on the Company's website, www.softcat.com/about-us/investor-centre/governance, and from the Company Secretary at the registered office.

Our main responsibilities are:

- to determine and agree with the Board the broad Remuneration Policy for the Executive Directors and other selected members of the senior management team;
- to review the ongoing appropriateness and relevance of the Remuneration Policy; and
- to review any major changes in employee benefit structures throughout the Company and to administer all aspects of any share scheme.

The Committee receives assistance from the Company Secretary, who attends meetings. The Chief Executive, the Chief Financial Officer, the Chief People Officer and the Reward, Payroll and HR Operations Manager attend by invitation and when appropriate.

In setting the Remuneration Policy for Directors, the pay and conditions of other employees of the Company are taken into account, including any base salary increases awarded and the level of employer pension contribution. During the year the Committee received updates on pay and benefits across the general workforce and a wider briefing on external pay trends. The Committee also reviews and approves the remuneration structure for the management-level tier below the Executive Directors and the proposed framework for annual pay rises and uses this information to ensure consistency of approach.

The Company does not use remuneration comparison measurements. A formal employee forum has been established within the business where staff can raise any issue they feel to be relevant with the Designated Non-Executive Director for Workforce Engagement (Vin Murria). There are also regular employee engagement meetings led by the CEO and CFO.

The Committee Chair (assisted by the Chief People Officer and the Company Secretary) has directly engaged with a small group of employee representatives to explain Softcat's executive remuneration policy and how it aligns with wider Company pay policy. During the engagement session, the Committee Chair explained the purpose and work of the Committee and the key decisions which were made during the year. The employee representatives asked questions about executive remuneration and how it aligns to pay elsewhere in the Company and also provided feedback on pay in certain other roles in the business and were provided with responses. The engagement session also discussed topical issues such as the 'cost of living'. The engagement was very helpful in aiding employees' understanding of pay philosophy throughout the business. It also provided useful feedback and further assurance to the Committee that executive remuneration is considered to be well-aligned with the Company's wider philosophy on pay, particularly in respect of the importance of setting appropriate benchmarks for fixed pay and on the importance of variable pay as an incentive to drive stretching performance. The Committee believes there is strong alignment between executive pay, wider workforce pay, the Company's culture and strategy.

Advisers to the Remuneration Committee

During the financial year, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and selected members of the senior management team. PwC was appointed by the Committee following IPO in November 2015. The Committee is satisfied that no conflict of interest exists or existed in the provision of these services.

PwC is a member of the Remuneration Consultants Group and the Voluntary Code of Conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £77,000 (excluding VAT) (2022: £90,000) were provided to PwC during the year in respect of remuneration advice received.

Statement of voting at general meeting

The table below shows the binding vote approving the Directors' Remuneration Policy at the 2022 AGM and the advisory vote on the Annual Report on Remuneration at the 2022 AGM.

	Votes for	%	Votes against	%	Votes withheld
Directors' Remuneration Policy (2022 AGM)	169,094,250	98.50	2,569,431	1.50	88
Annual Report on Remuneration (2022 AGM)	168,139,235	97.95	3,524,446	2.05	88

Statement of implementation of the Remuneration Policy in the 2023 financial year

The Remuneration Committee has reviewed and considered the key components of remuneration to ensure that the Remuneration Policy (summarised below) is fit for purpose, continues to drive success within the remuneration framework and meets the shareholder and governance expectations of a FTSE 250 company. A revised Remuneration Policy was approved by shareholders at the 2022 AGM.

	Implementation in 2023/24	What was implemented in 2022/23
Base salary	For FY2024, base salaries for the CEO and CFO will be £567,945 and £370,000 respectively. For the CEO, this represents an increase of 3%, which is lower than the overall spend increase across the workforce for the year. Katy Mecklenburgh started as CFO in June 2023 and the above reflects her base pay in appointment. There will be no increase in CFO base pay during FY2024.	For FY2023, base salaries for the CEO and CFO were £551,403 and £367,602 respectively. This represented a rise of 5%, which was the standard pay rise for employees but lower than pay rises for much of the workforce.
Pension	No change.	5% of salary.
Benefits	No change.	All Directors, including Non-Executive Directors, will be entitled to participate in the Company salary sacrifice scheme for electric vehicles for personal use and commuting.
Annual bonus plan ('ABP') • Cash • Deferred share award	No change.	Maximum opportunity: 150% of salary for CEO and CFO. Measures: 80% on operating profit, 20% on robust ESG goals. Deferral: An element of the ABP is deferred into a share award, usually with a three-year vesting period.

Statement of implementation of the Remuneration Policy in the 2023 financial year continued

	Implementation in 2023/24	What was implemented in 2022/23
LTIP	No change.	FY2023 LTIP awards: • 150% of salary for CEO and for CFO. • Measures against TSR (40%) and EPS (60%). • Targets are shown on pages 127 and 128
Shareholding requirements	No change.	200% of salary for CEO and for CFO. The shareholding requirement is calculated as follows: • shares owned by the Executive Director count towards the ownership target; • shares which have vested, but which remain subject to a holding period and/or clawback, count towards the ownership target; and • unvested shares, which are not subject to a further performance condition, count towards the ownership target on a net of tax basis. This includes deferred awards under the Annual Bonus Plan.
Chair and Non-Executive fees	Chair fee: £232,000. Board fee: £61,800. Senior Independent Director fee: no change. Committee Chair fee (per Committee): no change. Fee for the Designated Director for Workforce Engagement (which includes Chair of the Sustainability Committee): no change.	Chair fee: £200,000. Board fee: £60,000. Senior Independent Director fee: £13,500. Committee Chair fee (per Committee): £15,000. Fee for the Designated Director for Workforce Engagement (which includes Chair of the Sustainability Committee): £15,000.

Lynne Weedall
Chair of the Remuneration Committee
23 October 2023

The following is the report of the Directors of the Company for the financial year ended 31 July 2023.

Non-Financial and Sustainability Information Statement

In accordance with Sections 414CA and 414CB of the Companies Act 2006, the following chart summarises where you can find further information in this Annual Report on each of the key areas of disclosure that these sections require.

Environmental, social and employee-related matters	• This year we have provided further disclosure on Softcat's environmental commitments, including reporting on the Task Force on Climate-related Financial Disclosures ('TCFD'). Our Green Teams continue to raise awareness of the importance of environmental issues through their activities. • Our positive and inclusive culture, as well as good employee engagement, are integral to Softcat's success. Both the Board and management understand this and a considerable amount of time is spent ensuring these are maintained. • We discuss each of these areas in the report on Social Value and in the report on TCFD and Sustainability on pages 50 to 71. This includes the sustainability disclosures required to comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31). Please also see the Governance Report on pages 84 to 95.
Human rights and anti-bribery-related matters	• Human rights abuse and modern slavery risks are not considered a material issue for the Company. • We operate anti-bribery, corruption and tax evasion procedures which support compliance with the UK Bribery Act and other legislation. • We discuss each of these areas in the report on Social Value on pages 44 to 49 and in the Governance Report on pages 94 and 95.
Diversity policy and approach	• We continue to put great importance on the positive benefits that diversity of gender, ethnicity, experience, background and viewpoints can bring to the business. • We support numerous initiatives to help improve diversity and inclusion. Progress on these is monitored by both senior management and the Board. The Board acknowledges there is more we need to do to improve diversity in areas of our business and we will continue with our efforts. • We discuss some of the actions taken in response to employee engagement in the Section 172 Statement on pages 36 to 41 of this report, and our approach to diversity in the report on Social Value on pages 44 to 49, in the Chairman's Statement on pages 10 to 13 and in the Nomination Committee Report on pages 106 to 111.
Business model, policies, principal risks and KPIs	• We operate a business model which includes non-financial inputs and outputs. Our business model is underpinned by our straightforward strategy. • Risks, including financial and non-financial risks, are monitored by management and by the Audit Committee. The Audit Committee also considers the key internal controls for the business. • The Board regularly reviews both financial and non-financial KPIs, which are relevant for monitoring the performance of the business and have a clear link to delivering against our strategy. We disclose performance against our key KPIs. • We discuss our business model on pages 20 and 21 and key risks on pages 72 to 77 and selected KPIs are reported on pages 32 and 33. Our strategy is discussed in various places in the Strategic Report, including pages 28 to 31.

Directors' Report

The Directors present their report for the year to 31 July 2023.

Softcat plc is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the premium segment of the Main Market of the London Stock Exchange.

Disclosures incorporated by reference

For the purposes of compliance with Disclosure Guidance and Transparency Rules ('DTR') DTR 4.1.5 R (2) and DTR 4.1.8 R, the required content of the 'Management Report' can be found in the Strategic Report and this Directors' Report. The following disclosures required to be included in this Directors' Report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- Corporate Governance Statement – refer to page 80 of this report;
- statement explaining how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year – refer to pages 36 to 41 of this report;
- strategy and relevant future developments – refer to pages 22 to 27 and pages 28 to 31 of the Strategic Report; and
- financial risk management objectives and policies – refer to the 'Risk Management' section included in the Strategic Report on pages 72 to 78 and note 21 to the financial statements.

The information in respect of the Non-Financial Reporting Directive appearing in this Directors' Report is also incorporated by reference as required in the Strategic Report.

Directors of the Company

The following Directors have held office since 1 August 2022:

Name	Position	Date of appointment
G Watt	Chairman	Appointed as a Chief Executive on 1 April 2018 and Chairman on 1 August 2023
M Hellawell	Chair	Appointed as a Director on 24 March 2006, Chair on 1 April 2018 and resigned on 31 July 2023
G Charlton	Chief Executive	Appointed Chief Financial Officer on 19 March 2015 and Chief Executive on 1 August 2023
K Mecklenburgh	Chief Financial Officer	Appointed 19 June 2023
V Murria	Independent Non-Executive Director	Appointed 3 November 2015
K Slatford	Independent Non-Executive Director	Appointed 5 December 2019 and resigned on 17 January 2023
R Perriss	Independent Non-Executive Director	Appointed 1 July 2019
L Weedall	Independent Non-Executive Director	Appointed 3 May 2022
M Prakash	Independent Non-Executive Director	Appointed 1 September 2023

Biographies of the Directors as at 23 October 2023 can be found on pages 82 and 83.

Powers of Directors

The general powers of the Directors are contained within UK legislation and the Company's Articles of Association (the 'Articles'). The Directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles or applicable legislation.

Directors' interests

The interests of the Directors in the issued shares of the Company at 31 July 2023 are disclosed in the Remuneration Report on page 129. The Remuneration Report also sets out details of any changes in those interests between the year end and up to the date of this report.

No Director had a material interest in any contract of significance with the Company at any time during the financial year.

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Articles. They provide that Directors may be appointed by ordinary resolution of the members or by a resolution of the Directors. Any Director so appointed must retire and put themselves forward for election at the next Annual General Meeting ('AGM'). Directors wishing to continue to serve as members of the Board will seek re-election annually in accordance with the UK Corporate Governance Code (the 'Code').

In accordance with the Code, at the 2023 AGM each Director will stand for election or re-election.

Indemnification of Directors

The Directors have the benefit of an indemnity provision contained in the Articles. The provision was in force during the year ended 31 July 2023 and remains in force and relates to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company. In addition, Directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance.

Compensation for loss of office and change of control

There are no agreements in place with any Director that would provide compensation for loss of office or employment resulting from a change of control. Change of control provisions for the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

The Company is not party to any other significant agreements that take effect after, or terminate upon, a change of control.

Articles of Association

The Articles may be amended by a special resolution of the members. At the AGM held on 12 November 2015, shareholders approved by special resolution the amended Articles which took effect at the date of the initial public offering ('IPO') on 18 November 2015.

Share capital and control

The Company's ordinary issued share capital as at 31 July 2023 was 199,555,082 ordinary shares of 0.05p each, which have a premium listing on the London Stock Exchange. The ordinary share class represents over 99.9% of the Company's total issued share capital.

In addition to the ordinary shares, the Company also has a class of 18,933 deferred shares which were created following the share capital reorganisation at IPO and which are not admitted to trading on a regulated market.

Shares acquired through the Company's share schemes and plans rank equally with the other shares in issue and have no special rights. The Company has a Share Incentive Plan Trust ('SIP Trust') for the benefit of employees and former employees of the Company. As at 31 July 2023, the SIP Trust held 159,996 shares (2022: 187,771) awarded to employees as part of the free share award, subject to service conditions. A further 368,545 shares (2022: 353,586) were held on behalf of employees who have taken part in the Company's voluntary partnership share purchase programme. The SIP Trust also held 51,041 unallocated shares (2022: 51,007)

During the year ended 31 July 2023, share options were exercised pursuant to the Long Term Incentive Plan and the Annual and Deferred Bonus Plan, resulting in the additional listing and allotment of 201,006 new ordinary shares.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, and to appoint one or more proxies and, if they are corporations, corporate representatives who are entitled to attend general meetings and to exercise voting rights.

The deferred shares carry no voting rights or rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. On a return of capital on a winding up of the Company (but not otherwise), the holder is entitled only to the repayment of the amount paid up on that share after payment of the capital paid up on each other share in the capital of the Company and the further payment of £10,000,000 on each such share. The deferred shares represent less than 0.01% of the Company's total issued share capital.

Further information on the Company's issued share capital can be found in note 17 to the financial statements.

The Company passed the following resolutions on 13 December 2022:

- an ordinary resolution providing the Directors with authority to:
  - (i) allot ordinary shares up to a maximum nominal amount of £33,226, to be reduced by the nominal amount allotted or granted under paragraph (ii) below in excess of such sum; and
  - (ii) allot ordinary shares up to a maximum nominal amount of £66,452 in connection with a pre-emptive offer by way of a rights issue, such amount to be reduced by any allotments made under paragraph (i) above;
- special resolutions providing the Directors with authority to:
  - (i) allot shares or sell treasury shares for cash up to a maximum nominal amount of £4,983; and
  - (ii) allot shares or sell treasury shares for cash up to a maximum nominal amount of £4,983, in connection with an acquisition or other capital investment;
- otherwise than to existing shareholders pro-rata to their shareholding; and
- a special resolution providing the Directors with authority to make market purchases of up to 19,935,795 of the Company's ordinary shares.

These authorities are due to expire at the Company's AGM to be held on 13 December 2023 and proposals for the renewal of the authority to allot ordinary shares and to make market purchases of the Company's own ordinary shares are set out in the Notice of the Annual General Meeting. The Directors have no current intention of exercising the authority in respect of the purchase of the Company's own shares, which is sought in the best interests of shareholders to allow the flexibility to react promptly where such market purchases may be desirable.

There are no restrictions on the transfer or limitations on the holding of ordinary shares and no requirements to obtain approval prior to any transfers other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); pursuant to the Market Abuse Regulation and the Company's own rules whereby Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares; and pursuant to the Articles where there is default in supplying the Company with information concerning interests in the Company's ordinary shares. There are no special control rights in relation to the Company's ordinary shares.

There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of securities or on voting rights.

Substantial shareholders

The substantial shareholdings in the table below represent those interests notified to the Company as at 31 July 2023 in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, and those holdings may have changed since notification to the Company.

	As at 31 July 2023		As at 23 October 2023	
	Ordinary shares	Voting rights	Ordinary shares	Voting rights
Peter Kelly[1]	64,976,058	32.6%	64,976,058	32.6%
Mawer Investment Management Limited	9,946,370	5.0%	9,946,370	5.0%
John Nash[1]	7,244,714	3.6%	7,244,714	3.6%

Note:
1. The ordinary shares held by Peter Kelly and John Nash include shares held beneficially via various entities or connected persons.

Principal shareholder and Relationship Agreement

In accordance with Listing Rule 9.8.4R(14), the Company has set out below a statement describing the Relationship Agreement entered into by the Company with its principal shareholder (the 'Relationship Agreement'). As at 23 October 2023, Peter Kelly, the founder of Softcat plc, held 32.6% of the issued ordinary share capital of the Company.

On 13 November 2015, the Company and Peter Kelly entered into the Relationship Agreement. The principal purpose of the Relationship Agreement is to ensure that the Company will be capable of carrying on its business independently of Peter Kelly and certain persons deemed to be connected with him ('Connected Persons').

Pursuant to the Relationship Agreement, Peter Kelly, inter alia:

- shall procure that all transactions, agreements or arrangements entered into between the Company and Peter Kelly (or any of his Connected Persons) are conducted on an arm's length basis, on normal commercial terms and in accordance with the related party transaction rules set out in Chapter 11 of the Listing Rules and Peter Kelly shall abstain from voting on any resolution to which LR 11.1.7R(4) of the Listing Rules applies relating to a transaction with Peter Kelly (or any of his Connected Persons) as the related party; and
- shall (and shall procure that each of his Connected Persons shall) (i) not take any actions that would reasonably be expected to have the effect of preventing the Company from complying with its obligations under the Listing Rules or be prejudicial to the Company's status as a listed company or the Company's eligibility for listing; (ii) not propose or procure the proposal of a shareholder resolution that would circumvent or appear to circumvent the proper application of the Listing Rules; and (iii) not exercise his voting rights or other rights to procure any amendment to the Articles which would be contrary to the maintenance of the Company's independence, including its ability to operate and make decisions independently from Peter Kelly, or otherwise inconsistent with the provisions of the Relationship Agreement.

Furthermore, the Company and Peter Kelly have agreed that for so long as Peter Kelly (together with any of his Connected Persons) holds 10% of the Company's issued share capital, he shall be entitled to appoint one Non-Executive Director of the Company, although no such Director has been appointed as at the date of this Annual Report.

The Relationship Agreement will remain in effect for so long as: (a) Peter Kelly (and/or any of his Connected Persons) holds at least 10% of the Company's issued share capital; and (b) the ordinary shares are admitted to the premium listing segment of the Official List maintained by the Financial Conduct Authority.

The Company has and, in so far as it is aware, Peter Kelly and his Connected Persons have complied with the independence provisions set out in the Relationship Agreement from the date of the agreement.

Risk regarding financial instruments

The financial risk management objectives and policies are disclosed in note 21 to the financial statements.

Research and development

The Company did not carry out any research and development activities during the year (2022: none).

Political donations

The Company did not make any political donations during the year (2022: £Nil).

A resolution to authorise the Company to make political payments up to an aggregate amount of £100,000 has been included for shareholder consideration in the Notice of AGM for 2023. The Company does not intend to make any payments to political organisations or to incur other political expenditure; however, this resolution has been proposed to ensure that the Company has authority under the wide definition used in the Companies Act 2006 of matters constituting political donations.

Greenhouse gas emissions and energy consumption

Information relating to the following is detailed in the report on TCFD and Sustainability, on pages 50 to 71 of the Strategic Report:

- greenhouse gas emissions; and
- energy consumption and energy efficiency.

Corporate social responsibility

Details on our commitment to corporate social responsibility can be found in the Report on Social Value on pages 44 to 49 of the Strategic Report.

Equality and diversity

The Company operates an equal opportunities policy which endeavours to treat individuals fairly and not to discriminate on the basis of gender, disability, race, national or ethnic origin, sexual orientation or marital status. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The Company is committed to ensuring that adequate policies and procedures are in place to enable disabled applicants to receive training to perform safely and effectively and to provide development opportunities to ensure they reach their full potential. Where an individual becomes disabled during their employment with the Company, the Company will seek to provide, wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or, alternatively, suitable new roles within the Company will be secured with additional training where necessary.

Details of the Company's gender and ethnicity breakdown are given in the Report on Social Value on page 44.

The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees. This is undertaken through a variety of methods including, but not limited to, regular Company meetings, team briefings, Company days, emails and the intranet. Vin Murria serves as the Designated Non-Executive Director for Workforce Engagement.

At team meetings, managers are responsible for ensuring that information sharing, discussion and feedback take place on a regular basis. As a result of these meetings, management can communicate the financial and economic factors affecting the Company and ensure that the views of employees are taken into account in Company decisions which are likely to affect their interests.

Post-balance sheet events

Dividend

The Board recommends a final ordinary dividend of 17.0p per ordinary share and a special dividend of 12.6p per ordinary share to be paid on 19 December 2023 to all ordinary shareholders who were on the register of members at the close of business on 10 November 2023. Shareholders will be asked to approve the final and special dividends at the AGM on 13 December 2023.

The Company's dividend and distributions policy is detailed in the Governance Report on pages 91 and 92.

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed:

Listing Rule requirement	Location in Annual Report
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes and Directors' interests.	Directors' Remuneration Report, pages 114 to 134
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Directors' Remuneration Report, pages 114 to 134
Details of any non-pre-emptive issues of equity for cash.	Directors' Report, page 137
Details of any non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	Not applicable
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	Not applicable
Details of waiver of dividends by a shareholder.	Not applicable
Board statement in respect of Relationship Agreement with the controlling shareholder.	Directors' Report, page 138

Auditor

Ernst & Young LLP ('EY') has signified its willingness to continue in office as auditor to the Company and the Company is satisfied that EY is independent and that there are adequate safeguards in place to safeguard its objectivity. A resolution to reappoint EY as the Company's auditor will be proposed at the 2023 AGM.

Branches

The Company operates branches in Australia, the United States of America, the Netherlands, Singapore, Hong Kong and Ireland.

Going concern

Overview

In considering the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic Report (see pages 1 to 78) and Chief Financial Officer's review sections (see pages 34 and 35) of this Annual Report. Given the current macro-economic environment and considering the latest guidance issued by the FRC the Directors have undertaken a fully comprehensive going concern review.

The Company has modelled three scenarios in its assessment of going concern. These are:

- the base case;
- the severe but plausible case; and
- the reverse stress test case.

Further details, including the analysis performed and conclusion reached, are set out below.

The Directors have reviewed detailed financial forecasts for a thirteen-month period from the date of this report (the going concern period) until 30 November 2024. All the forecasts reflect the payment of the FY2023 dividend of £59.0m which will be paid in December 2023 subject to approval at the AGM.

The Company operates in a resilient industry. Our UK Corporate customer base spend is increasingly non-discretionary as IT continues to be vital to gain competitive advantage in an increasingly digital age. Public Sector, a large and fast-growing area of the business, continues to invest in technology to provide efficient services to the public and this has continued apace despite the pandemic and recent turbulence in the UK economy. The Company strategy remains unchanged and will continue to focus on increasing the customer base and spend per customer during the going concern period.

Liquidity and financing position

At 31 July 2023, the Company held instantly accessible cash and cash equivalents of £122.6m, with net current assets of £230.0m. Note 21 to the financial statements in the Annual Report includes the Company's objectives, policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk. Operational cash flow forecasts for the going concern period are sufficient to support the business with the £75.0m cash floor set by the Board not being breached.

There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Challenging economic environment

Management have, in all three scenarios, considered the principal challenges to short term business performance which are expected to be:

- an economic downturn in the UK economy, aided by high broad-based inflation and increasing interest rates; and
- higher risk of credit losses.

Despite the challenging economic environment, the Company has traded well, delivering double-digit year-on-year growth in gross profit and operating profit growth in line with expectations, following an expected rebound in travel and entertainment costs, following periods of reduced spend due to the COVID-19 pandemic. The Board continue to monitor the global and national economic environment and organise operations accordingly.

Base case

The base case, which was approved by the Board in October 2023, takes into account the FY2024 budget process which includes estimated growth and increased cost across the going concern period and is consistent with the actual trading experience through to September 2023. The key inputs and assumptions in the base case include:

- continued revenue growth in line with historic rates;
- rebate income continues to be received in proportion to cost of sales as in FY2023;
- employee commission is incurred in line with the gross margin; and
- increased levels of cost to reflect continued investment in our people and the businesses IT infrastructure.

The Company has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. In making our forecasts we balanced our customer needs alongside employee welfare. Year to date trading to the end of September 2023 is consistent with the base case forecast.

Severe but plausible case

Given the current economic challenges facing our customer base and supply chain, we have modelled a severe but plausible scenario. In this case we have modelled a decline in revenue, versus the base case, which is below any historic trend and more severe than experienced during the height of the pandemic. Further impacts of this scenario, such as reduced margins and greater credit losses, have also been considered.

The key inputs and assumptions, compared to the base case, include:

- an average 7.5% reduction in revenue;
- reduced gross profit margins of 1% in the period;
- additional bad debt write offs of £5m across the forecast period;
- extending the debtor days from historic levels achieved and no change to historic supplier payment days;
- paying a reduced interim dividend in line with lower profitability but still within the range set out in the dividend policy; and
- both commission cost and rebate income adjusted downwards in line with reduced profitability and cost of sales, but at the same percentage rates as in the base case.

The purpose of this scenario was to consider if there was a significant risk that the Company would move to being cash negative in any of the months in the going concern period. Even at these lower levels of activity, which the Directors believe is a highly unlikely outcome, the Company continues to be profitable, and maintains a positive cash balance at all times. Despite this, management have modelled further cost saving and working capital action (see mitigating actions) that will enable the Company to mitigate the impact of reduced cash generation further and achieve the Board's desired minimum cash position, should this scenario occur. The Directors are confident that they can implement these actions if required.

Mitigating actions

There are several potential management actions that have not been included in the severe but plausible forecast and it is estimated that the total cash impact of these actions is in excess of a £21m cost reduction on an annualised basis and additional annual working capital savings of £30m. The actions which if implemented would offset the reduced activity:

- bonus costs scaled back in line with performance;
- no interim dividend in H2 of FY2024;
- savings in discretionary areas of spend;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management.

The mitigations are deemed achievable and reasonable as the Company benefits from a flexible business model with a high proportion of costs linked to performance.

Reverse stress test

The Directors have performed a reverse stress test exercise to assess the impact on liquidity, should a scenario more extreme than the severe but plausible scenario occur. The impact of these conditions, when combined, would place a strain on liquidity and raise short term concerns to the business, however, would not result in cash falling below a nil position. The conditions go significantly further than the severe but plausible scenario and reflect a scenario that the business consider remote.

The four combined stresses modelled, compared to the base case, are as follows:

1. reduction of 15% in Gross invoiced income, compared to the base case;
2. reduced achievable gross margin by 3%;
3. additional bad debt write offs of £10m per year across the forecast period; and
4. extending the debtor days by three days from historic levels achieved and no change to historic supplier payment days.

All four inputs are greater than the business has ever experienced in its history. In the modelled scenario, prior to mitigations, cash may not be sufficient for day to day operations.

Whilst the Board considers such a scenario to be remote a programme of further actions to mitigate the impact, in excess of those set out above, would be actioned should the likelihood of such a scenario increase. The Board considers the forecasts and assumptions used in the reverse stress test, as well as the event that could lead to it, to be remote.

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Company to date, the Directors consider that the Company has sufficient liquidity headroom to continue in operational existence for the thirteen-month period from the date of this report (the going concern period) until 30 November 2024. Accordingly, at the October 2023 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements. Should the impact of these conditions be even more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Company would need to implement additional operational or financial measures.

Disclosure of information to the auditor

The Directors in office at the time of approval of the Directors' Report are listed on pages 82 and 83 and have each confirmed that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any such relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

The Company's 2023 AGM will take place on 13 December 2023 at the Company's registered office: Softcat plc, Fieldhouse Lane, Marlow, Buckinghamshire SL7 1LW.

The Chairman of the AGM intends for a poll to be called in respect of each of the resolutions to be voted on at the 2023 AGM. In the event of a show of hands every holder of ordinary shares who is present in person or by proxy at a general meeting has one vote on each resolution and, on a poll, every holder of ordinary shares who is present in person or by proxy has one vote on each resolution for every ordinary share of which he/she is the registered holder. A proxy will have one vote against a resolution in the event of a show of hands in certain circumstances specified in the Articles. The Notice of AGM specifies deadlines for exercising voting rights. The Notice of AGM can be found in the Investor Centre section of the Company's website, www.softcat.com, and is being posted at the same time as this Annual Report. The Notice of AGM sets out the business of the meeting and provides explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

A holder of ordinary shares may usually vote personally or by proxy at a general meeting. Any form of proxy must be delivered to the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote (for this purpose, the Directors may specify that no account shall be taken of any part of a day that is not a working day). A corporation which is a holder of ordinary shares in the Company may authorise such persons as it thinks fit to act as its representatives at any general meeting of the Company.

Annual General Meeting continued

No holder of ordinary shares shall be entitled to attend or vote, either personally or by proxy, at a general meeting in respect of any ordinary share if any call or other sum presently payable to the Company in respect of such ordinary share remains unpaid or in certain other circumstances specified in the Articles where there is default in supplying the Company with information concerning interests in the Company's ordinary shares. The results of each of the resolutions to be voted on at the 2023 AGM will be published to the London Stock Exchange and will be available on the Company's website.

The AGM is the Company's principal forum for communication with private shareholders and the Directors recognise its important role. The Chairman of the Board and the Chairs of the Committees, together with the other Directors, will be available to answer shareholders' questions at the meeting. Additionally, shareholders will be given the opportunity to submit questions via email, to the Directors, ahead of the meeting. Questions may be submitted to cosec@softcat.com or by letter addressed to the Company Secretary at the Company's registered office. Questions should be received up to 24 hours in advance of the meeting and a response will be provided. Further information and requirements can be found within the Notice of AGM.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company's financial statements in accordance with UK-adopted International Accounting Standards ('IFRSs'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Fair and balanced reporting

Having taken advice from the Audit Committee, the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Responsibility statement pursuant to FCA's Disclosure Guidance and Transparency Rule 4 ('DTR 4')

Each Director of the Company (whose names and functions appear on pages 82 and 83) confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements, prepared in accordance with UK-adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The responsibility statement has been approved by the Board of Directors and is signed on its behalf by:

Graham Charlton
Chief Executive Officer
23 October 2023

Katy Mecklenburgh
Chief Financial Officer
23 October 2023

The Directors' Report has been approved by the Board of Directors and is signed on its behalf by:

Luke Thomas

Luke Thomas
Company Secretary
23 October 2023

FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Softcat plc for the year ended 31 July 2023 which comprise the Statement of profit and loss and other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes 1 to 27, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding management's process and controls related to the assessment of going concern;
- checking the arithmetical accuracy of the cash flow forecast models and assessing the Company's historical forecasting accuracy;
- obtaining management's going concern models which included a base case, (testing for consistency to the board approved three-year plan), a severe yet plausible downside cash flow scenario, and a reverse stress test covering the going concern assessment period. These forecasts include an assessment of available cash balances given the Company has no external debt arrangements as well as understanding how the impact of the ongoing macro-economic uncertainty had been reflected in the forecasts;
- considering the downside scenarios, including the reverse stress case, identified by management, independently assessing whether there are any other scenarios which should be considered, and assessing the quantum of the impact on the available cash flows of the downside scenarios in the going concern period;
- challenging management's assumptions within the cash flow forecasts in relation to the forecast revenue growth rates, operating cost inflation and working capital in the going concern period, including searching for sources of contradictory evidence in our assessment of management's forecasting, such as assessing historical budgeting accuracy and comparing the forecast with analyst expectations and other external data sources. Due to uncertainty in the economy, we have focused our work on further sensitivities to the severe but plausible scenario and whether the reverse stress test scenario is considered remote;
- assessing the reasonableness of managements potential mitigating actions, principally the removal of forecast, undeclared dividends;
- assessing whether any material climate-related risks that should be incorporated into Softcat's forecasts to 30 November 2024:
- assessing the adequacy of the going concern assessment period until 30 November 2024, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate;
- inquiring of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern
- comparing management's forecasts to actual results through the subsequent events period and performing enquiries to the date of this report; and
- assessing if the going concern disclosures in the financial statements are appropriate and in accordance with the revised ISA (UK) 570 going concern standard.

Our Key Observations

- The Directors' assessment is that Softcat plc has sufficient liquidity and headroom in cash throughout the going concern period to 30 November 2024. Management's severe by plausible scenario demonstrated that a worsening of all key assumptions against the base case would not result in liquidity concerns. This is prior to further potential mitigations modelled by management. The changes in assumptions modelled are considered to be highly unlikely based on historical financial performance.
- We have not identified any material climate-related risks that should be incorporated into Softcat plc's forecasts to 30 November 2024.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 November 2024.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Overstatement of performance through the misstatement of revenue recognised at or near year end • Presentation of revenue in respect of principal versus agent • Misstatement of rebate income to overstate reported results at or near year end
Materiality	Overall materiality of £7.0m which represents 4.9% of profit before tax.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Softcat plc. The Company has determined that the most significant future impacts from climate change on its operations will be from business interruption driven by extreme climate or failure to evolve technology product offerings in line with consumer and investor demands. These are explained on pages 58 to 63 in the required Task Force for Climate related Financial Disclosures and on pages 76 and 77 in the principal risks and uncertainties. They have also explained their climate commitments on pages 66 to 67 All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Company's business and any consequential material impact on its financial statements.

As explained in note 1, the basis of preparation, consideration of climate change impact on the judgements in the accounts is not considered to have a material impact at this time. Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted International Accounting Standards ('IFRS').

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments and the effects of material climate risks disclosed on pages 58 to 63. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Overstatement of performance through the misstatement of revenue recognised at or near year end

During the year the Company recognised revenue of £985.3m (2022: £1,077.9m).
Refer to the Audit Committee Report (page 96 to 105); Accounting policies (page 156 to 166); and Note 2 of the Company Financial Statements (page 166 to 167)

Management's process for accounting for certain revenue transactions, particularly the review process at year end to record revenue in the appropriate period, is mostly manual and therefore susceptible to error (either deliberate or without intent). The accounting is made more challenging due to the reliance on suppliers to notify the Company of delivery, and for international shipments which results in a longer delivery lead time needing to be built into the assumptions utilised by management. There is a risk that revenue is recognised prematurely or fictitiously.

Our response to the risk	Key observations communicated to the Audit Committee
We performed the following procedures: • Performed walkthroughs to update our understanding of the revenue recognition processes and key controls. • Updated our understanding of management's cut off assessment, including the delivery lead time assumptions utilised, which we validated to historic averages. • Tested revenue cut off by obtaining management's sales cut off assessment and independently testing a sample of transactions therein by vouching to invoices and proof of delivery. • Tested unbilled receivables by obtaining management's analysis and independently testing a sample of transactions therein by vouching to invoices and proof of delivery. • Tested an independent sample of transactions invoiced in the two weeks either side of the year end. We stratified the population between revenue type and selected our sample based on the following criteria: – Key items based on a quantitative threshold or specific qualitative factors; – Statistical sample of items invoiced within the seven days prior to the balance sheet date, which we considered to be of higher risk based on average delivery lead times • We tested our sample by vouching to invoices and proof of delivery, to confirm these had been recorded in the correct period. • To address the risk of management override – we tested a sample of journal entries recorded at or near year end as well as top-side adjustments by verifying to appropriate supporting documentation • Tested a statistical sample of sales transactions deferred at the year end. We recalculated the split of revenue recognised and the deferred elements based on a review of the supporting documentation to obtain assurance over the recognition of revenue. We also selected a sample of invoices from billing data and assessed whether the revenue was appropriately recognised or deferred, based on completion of the performance obligation. • Analysed sales related journal entry data to track sales from revenue through to accounts receivable through to cash collection using data analytics tools. We used this analysis to validate the appropriateness of transaction flows and tested a sample of transactions to determine if the journals accurately reflected the substance of transactions recorded. • Assessed appropriateness of disclosures in the Annual Report and Accounts by comparing the disclosures against the requirements under International Financial Reporting Standards.	We concluded that the revenue recognised at or near year end was properly accounted for and that revenue has appropriately been recognised in accordance with IFRSs. We concluded that management's disclosures in relation to revenue, including disclosed accounting policies and those relating to critical accounting judgements, to be appropriate. As part of our procedures, we noted no indication of deliberate or other manipulation of revenue cut-off or management override.

Key audit matters continued

Presentation of revenue in respect of principal versus agent

During the year the Company recognised revenue of £985.3m (2022: £1,077.9m).

Refer to the Audit Committee Report (pages 96 to 105); Accounting policies (page 156 to 166); and Note 2 of the Company Financial Statements (pages 166 and 167)

There is a risk that the reported revenue may be incorrectly presented on a gross basis as a result of the incorrect assessment of whether the Company has control over the products or services sold and consequently if the Company is principal or agent in its arrangements with customers. As products and services offered continually evolve the assessment of control needs to be revisited on an ongoing basis.

The nature of the current systems is to process all revenue streams gross, and a manual adjustment is made by management at year end to record revenue on a net basis where Softcat are the agent in the arrangement.

Our response to the risk	Key observations communicated to the Audit Committee
We performed the following procedures: • Performed walkthroughs to update our understanding of the revenue recognition processes and key controls. • Updated our understanding of management's judgement over the classification of transactions between gross and net presentation. • Assessed management's judgement made for any significant new product types by independently assessing the nature of such products and meeting with key members of the sales and solutions teams to develop an understanding of Softcat's responsibilities in relation to the sale. We challenged whether Softcat has primary responsibility for fulfilling the promise of the goods or service and whether Softcat is exposed to inventory risk during the delivery period, in order to help ascertain the exercise of control of goods prior to their delivery, and ultimately concluded if the principal (gross) or agent (net) treatment applied was appropriate according to the criteria set out within IFRS 15 and management's revised accounting policies. • Tested a sample of transactions across the year to determine the Company's control over the product or service including: – Verifying the product type to external sources, such as supplier websites, and met with key members of the sales and solutions teams to develop an understanding of Softcat's responsibilities in relation to the sale. For each sample selected, we challenged whether Softcat has primary responsibility for fulfilling the promise of the goods or service and whether Softcat is exposed to inventory risk during the delivery. – Corroborating the related cost for each sample item to supporting purchase invoices. – Assessing if principal (gross) or agent (net) treatment should be applied and compared this to management's conclusion to determine if this was appropriate according to the criteria set out within IFRS 15. • Reperformed management's calculation of the adjustment to record revenue on a net basis. • Assessed appropriateness of disclosures in the Annual Report and Accounts by comparing the disclosures against the requirements under International Financial Reporting Standards.	We concluded that the judgements made by management are consistent with the evidence we have observed, the presentation and disclosure of revenue is materially correct, and has been recognised in accordance IFRSs. We concluded that managements disclosures in relation to revenue, including disclosed accounting policies and those relating to critical accounting judgements, to be appropriate.

Key audit matters continued

Misstatement of rebate income to overstate reported results at or near year end

Accrued rebate income at 31 July 2023 amounts to £9.3m (2022: £10.5m).

Refer to the Audit Committee Report (pages 96 to 105); Accounting policies (pages 156 to 166); and Note 11 of the Company Financial Statements (page 171).

Rebates are recorded through a primarily manual process. While most rebates are agreed with the supplier and received during the year, there is an opportunity to misstate results through adjustments to the balance sheet rebate receivable.

Our response to the risk	Key observations communicated to the Audit Committee
We performed the following procedures: • Performed walkthroughs to update our understanding of the rebate processes and key controls. • Obtained confirmations from a sample of sales and vendor management personnel to confirm no rebate agreements outside of standard practise. • Tested the year end accrued income by confirming a sample of rebates due from suppliers to third party source documentation. • Analysed the rebate receivable by vendor and compared the largest vendor level balances (making up 82% of the balance) against the 31 July 2022 comparative balances to identify unusual movements that are not in line with our expectation or understanding of the business. We performed analysis to understand the drivers of increases or decreases in the underlying balances. • Assessed the cash conversion of rebates accrued at the year end and tested a sample to subsequent receipts. • Tested a sample of rebate transactions recorded in the statement of profit and loss throughout the year and obtained underlying support to consider whether the transactions have been recorded in the correct period. • Assessed appropriateness of disclosures in the Annual Report and Accounts by comparing the disclosures against the requirements under International Financial Reporting Standards.	We concluded that the rebate receivable and corresponding income are materially correct and have been recognised in accordance with IFRSs. We concluded that management's disclosures in relation to accrued income, including disclosed accounting policies, to be appropriate. As part of our procedures, we noted no indication of deliberate or other manipulation of accrued income or management override.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £7.0 million (2022: £6.5 million), which is 4.9% (2022: 5%) of profit before tax. We believe that profit before tax provides us with the most appropriate basis as it drives shareholder returns and is a key measure of Company performance .

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £3.5m (2022: £3.2m), in line with the prior period. We set our performance materiality at this level to reflect the quantum of audit adjustments identified in the prior period.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.35m (2022: £0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 142, including the Strategic report set out on pages 1 to 78 and the Corporate governance report set out on pages 79 to 142, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 140 and 141;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 78;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 78;
- Directors' statement on fair, balanced and understandable set out on page 142;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 72;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 72; and;
- The section describing the work of the audit committee set out on page 96.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 142, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (IFRS, the Companies Act 2006 and the UK Corporate Governance Code 2018), relevant tax compliance regulations in the UK, relevant employment law in the UK and Data Protection Act 2018. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements, being the Listing Rules of the London Stock Exchange.
- We understood how Softcat is complying with those frameworks by making inquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes, discussions with the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The key audit matters section above addresses procedures performed in areas where we have concluded the risks of material misstatement are highest (including where due to the risk of fraud). In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2018.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, review of board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit Committee on compliance with regulations, review of reporting of internal audit, enquires of the Company Secretary and management and review of any instances of whistleblowing reporting.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were re-appointed by the company on 13 December 2022 to audit the financial statements for the year ending 31 July 2023 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is eleven years, covering the years ending 2013 to 2023.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 October 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 £'000	2022 £'000
Revenue	2	**985,300**	1,077,946
Cost of sales		**(611,466)**	(750,736)
Gross profit		**373,834**	327,210
Administrative expenses		**(232,936)**	(191,065)
Operating profit	3	**140,898**	136,145
Finance income	4	**1,171**	252
Finance cost	4	**(205)**	(253)
Profit before tax		**141,864**	136,144
Income tax expense	5	**(29,835)**	(25,739)
Profit for the year		**112,029**	110,405
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign exchange differences on translation of foreign branches		**(204)**	3,562
Net (loss) on cash flow hedge		**(799)**	–
Total other comprehensive income		**(1,003)**	3,562
Total comprehensive income for the year		**111,026**	113,967
Profit attributable to:			
Owners of the Company		**112,029**	110,405
Total comprehensive income attributable to:			
Owners of the Company		**111,026**	113,967
Earnings per ordinary share (p)			
Basic	18	**56.2**	55.5
Diluted	18	**56.0**	55.3

The Statement of profit or loss and other comprehensive Income has been prepared on the basis that all operations are continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	7	11,348	11,270
Right-of-use assets	8	9,969	6,162
Intangible assets	9	7,155	7,978
Deferred tax asset	15	2,997	2,508
		31,469	27,918
Current assets			
Inventories	10	3,591	5,104
Trade and other receivables	11	490,041	541,424
Income tax receivable		—	296
Cash and cash equivalents	14	122,621	97,316
		616,253	644,140
Total assets		647,722	672,058
Current liabilities			
Trade and other payables	12	(359,627)	(419,108)
Contract liabilities	13	(23,851)	(31,564)
Income tax payable		(6)	—
Lease liabilities	8	(2,734)	(2,716)
		(386,218)	(453,388)
Non-current liabilities			
Contract liabilities	13	(3,032)	(3,620)
Lease liabilities	8	(7,027)	(3,950)
		(10,059)	(7,570)
Total liabilities		(396,277)	(460,958)
Net assets		251,445	211,100
Equity			
Issued share capital	17	100	100
Share premium account		4,979	4,979
Cash flow hedge reserve		(799)	—
Reserves for own shares		—	—
Foreign exchange translation reserve		3,358	3,562
Retained earnings		243,807	202,459
Total equity		251,445	211,100

These financial statements were approved by the Board of Directors and authorised for issue on 23 October 2023.

On behalf of the Board

Graham Charlton
Chief Executive Officer

Katy Mecklenburgh
Chief Financial Officer

Softcat plc company registration number: 02174990

Equity attributable to owners of the Company

	Share capital £'000	Share premium account £'000	Cash flow hedge reserve £'000	Foreign exchange translation reserve £'000	Reserves for own shares £'000	Retained earnings £'000	Total £'000
Balance at 1 August 2021	100	4,979	–	–	–	174,065	179,144
Profit for the period	–	–	–	–	–	110,405	110,405
Other comprehensive income	–	–	–	3,562	–	–	3,562
Total comprehensive income for the year	–	–	–	3,562	–	110,405	113,967
Share-based payment transactions	–	–	–	–	–	2,541	2,541
Dividends paid	–	–	–	–	–	(84,020)	(84,020)
Dividend equivalents paid	–	–	–	–	–	(215)	(215)
Tax adjustments	–	–	–	–	–	(317)	(317)
Balance at 31 July 2022	100	4,979	–	3,562	–	202,459	211,100
Profit for the period	–	–	–	–	–	112,029	112,029
Impact of foreign exchange on reserves	–	–	–	(204)	–	–	(204)
Net (loss) on cash flow hedge	–	–	(799)	–	–	–	(799)
Total comprehensive income for the year	–	–	(799)	(204)	–	112,029	111,026
Share-based payment transactions	–	–	–	–	–	3,330	3,330
Dividends paid	–	–	–	–	–	(74,175)	(74,175)
Dividend equivalents paid	–	–	–	–	–	(66)	(66)
Tax adjustments	–	–		–	–	230	230
Balance at 31 July 2023	**100**	**4,979**	**(799)**	**3,358**	**–**	**243,807**	**251,445**

The share capital and share premium accounts represent the nominal value and premium arising on the issue of equity shares.

The reserve for own shares refers to ordinary shares held by a Share Incentive Plan ('SIP') Trust.

During the year ended 31 July 2023, 174,791 share options (2022: 305,266) were exercised and new shares were issued to satisfy this exercise. Proceeds of £Nil (2022: £Nil) were realised from the exercise of these share options.

As at 31 July 2023, the SIP Trust held 159,996 shares (2022: 187,771) awarded to employees as part of the free share award, subject to service conditions. A further 368,545 shares (2022: 353,797) were held on behalf of employees who have taken part in the Company's voluntary partnership share purchase programme. The SIP also held 51,041 unallocated shares (2022: 51,007).

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 £'000	2022 £'000
Net cash generated from operating activities	19	104,802	83,644
Investing activities			
Finance income	4	1,171	252
Purchase of property, plant and equipment	7	(2,544)	(1,890)
Purchase of intangible assets	9	(701)	(3,334)
Net cash used in investing activities		(2,074)	(4,972)
Financing activities			
Issue of share capital		—	—
Dividends paid	6	(74.175)	(84,020)
Payment of principal portion of lease liabilities	8	(2,839)	(2,369)
Payment of interest portion of lease liabilities	4,8	(205)	(253)
Net cash used in financing activities		(77,219)	(86,642)
Net (decrease)/increase in cash and cash equivalents		25,509	(7,970)
Cash and cash equivalents at beginning of year	14	97,316	101,724
Exchange gains/losses on cash and cash equivalents		(204)	3,562
Cash and cash equivalents at end of year	14	122,621	97,316

1 Accounting policies

1.1 Corporate information

The financial statements of Softcat plc for the year ended 31 July 2023 were authorised for issue in accordance with a resolution of the Directors on 23 October 2023. Softcat plc is a public limited company incorporated and domiciled in the United Kingdom and whose shares are publicly traded. The registered office is Solar House, Fieldhouse Lane, Marlow, Buckinghamshire, in the United Kingdom.

The principal activity of the Company continued to be that of a value-added IT reseller and IT infrastructure solutions provider to the corporate and public sector markets.

1.2 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards (IFRS) in accordance with the requirements of the Companies Act 2006. IFRS includes the application of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee ('IFRIC') interpretations.

These financial statements have been prepared under the historical cost convention and are presented in the Company's presentational and functional currency of Pounds Sterling and all values are rounded to the nearest thousand ('£'000'), except when otherwise stated.

The Company applied all standards and interpretations issued by the IASB that were effective as at 1 August 2022. The accounting policies set out below have, unless otherwise stated (see below), been applied consistently to all periods presented in these financial statements.

The potential climate change-related risks and opportunities to which the Company is exposed, as identified by management, are disclosed in the Company's TCFD disclosures in the Annual Report. Management has assessed the potential financial impacts relating to the identified risks and exercised judgement in concluding that there are no material financial impacts of the Company's climate related risks and opportunities on the financial statements. These judgements will be kept under review by management as the future impacts of climate change depend on environmental, regulatory and other factors outside of the Company's control which are not all currently known.

Going concern

Overview

In considering the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic Report (see pages 28 to 31) and Chief Financial Officer's review sections (see pages 34 to 35) of this Annual Report. Given the current macro-economic environment and considering the latest guidance issued by the FRC the Directors have undertaken a fully comprehensive going concern review.

The Company has modelled three scenarios in its assessment of going concern. These are:

- the base case;
- the severe but plausible case; and
- the reverse stress test case.

Further details, including the analysis performed and conclusion reached, are set out below.

The Directors have reviewed detailed financial forecasts for a thirteen-month period from the date of this report (the going concern period) until 30 November 2024. All the forecasts reflect the payment of the FY2023 dividend of £59.0m which will be paid in December 2023 subject to approval at the AGM.

The Company operates in a resilient industry. Our UK Corporate customer base spend is increasingly non-discretionary as IT continues to be vital to gain competitive advantage in an increasingly digital age. Public Sector, a large and fast-growing area of the business, continues to invest in technology to provide efficient services to the public and this has continued apace despite the pandemic and recent turbulence in the UK economy. The Company strategy remains unchanged and will continue to focus on increasing the customer base and spend per customer during the going concern period.

Liquidity and financing position

At 31 July 2023, the Company held instantly accessible cash and cash equivalents of £122.6m, with net current assets of £230.0m. Note 21 to the financial statements in the Annual Report includes the Company's objectives, policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk. Operational cash flow forecasts for the going concern period are sufficient to support the business with the £75.0m cash floor set by the Board not being breached.

There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Challenging economic environment

Management have, in all three scenarios, considered the principal challenges to short term business performance which are expected to be;

- An economic downturn in the UK economy, aided by high broad-based inflation and increasing interest rates; and
- Higher risk of credit losses.

1 Accounting policies continued

1.2 Basis of preparation continued

Going concern continued

Challenging economic environment continued

Despite the challenging economic environment, the Company has traded well, delivering double-digit year-on-year growth in gross profit and operating profit growth in line with expectations, following an expected rebound in travel and entertainment costs, following periods of reduced spend due to the COVID-19 pandemic. The Board continue to monitor the global and national economic environment and organise operations accordingly.

Base case

The base case, which was approved by the Board in October 2023, takes into account the FY2024 budget process which includes estimated growth and increased cost across the going concern period and is consistent with the actual trading experience through to September 2023. The key inputs and assumptions in the base case include:

- continued revenue growth in line with historic rates;
- rebate income continues to be received in proportion to cost of sales as in FY2023;
- employee commission is incurred in line with the gross margin; and
- increased levels of cost to reflect continued investment in our people and the businesses IT infrastructure.

The Company has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. In making our forecasts we balanced our customer needs alongside employee welfare. Year to date trading to the end of September 2023 is consistent with the base case forecast.

Severe but plausible case

Given the current economic challenges facing our customer base and supply chain, we have modelled a severe but plausible scenario. In this case we have modelled a decline in revenue, versus the base case, which is below any historic trend and more severe than experienced during the height of the pandemic. Further impacts of this scenario such as reduced margins and greater credit losses have also been considered.

The key inputs and assumptions, compared to the base case, include:

- an average 7.5% reduction in revenue;
- reduced gross profit margins of 1% in the period;
- additional bad debt write offs of £5m across the forecast period;
- extending the debtor days from historic levels achieved and no change to historic supplier payment days;
- paying a reduced interim dividend in line with lower profitability but still within the range set out in the dividend policy; and
- both commission cost and rebate income adjusted downwards in line with reduced profitability and cost of sales, but at the same percentage rates as in the base case.

The purpose of this scenario was to consider if there was a significant risk that the Company would move to being cash negative in any of the months in the going concern period. Even at these lower levels of activity, which the Directors believe is a highly unlikely outcome, the Company continues to be profitable and maintains a positive cash balance at all times. Despite this, management have modelled further cost saving and working capital action (see mitigating actions) that will enable the Company to mitigate the impact of reduced cash generation further and achieve the Boards desired minimum cash position, should this scenario occur. The Directors are confident that they can implement these actions if required.

Mitigating actions

There are several potential management actions that have not been included in the severe but plausible forecast and it is estimated that the total cash impact of these actions is in excess of a £21m cost reduction on an annualised basis and additional annual working capital savings of £30m. The actions which if implemented would offset the reduced activity:

- bonus costs scaled back in line with performance;
- no interim dividend in H2 of FY24;
- savings in discretionary areas of spend;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management.

The mitigations are deemed achievable and reasonable as the Company benefits from a flexible business model with a high proportion of costs linked to performance.

1 Accounting policies continued

1.2 Basis of preparation continued

Going concern continued

Reverse stress test

The Directors have performed a reverse stress test exercise to assess the impact on liquidity, should a scenario more extreme than the severe but plausible scenario occur. The impact of these conditions, when combined, would place a strain on liquidity and raise short term concerns to the business, however, would not result in cash falling below a nil position. The conditions go significantly further than the severe but plausible scenario and reflect a scenario that the business consider remote.

The four combined stresses modelled, compared to the base case, are as follows:

- reduction of 15% in Gross invoiced income, compared to the base case;
- reduced achievable gross margin by 3%;
- additional bad debt write offs of £10m per year across the forecast period; and
- extending the debtor days by three days from historic levels achieved and no change to historic supplier payment days.

All four inputs are greater than the business has ever experienced in its history. In the modelled scenario, prior to mitigations, cash may not be sufficient for day to day operations.

Whilst the Board considers such a scenario to be remote a programme of further actions to mitigate the impact, in excess of those set out above, would be actioned should the likelihood of such a scenario increase. The Board considers the forecasts and assumptions used in the reverse stress test, as well as the event that could lead to it, to be remote.

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Company to date, the Directors consider that the Company has sufficient liquidity headroom to continue in operational existence for the thirteen-month period from the date of this report (the going concern period) until 30 November 2024. Accordingly, at the October 2023 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements. Should the impact of these conditions be even more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Company would need to implement additional operational or financial measures.

1.3 Critical accounting judgements and key sources of estimation uncertainty

When applying the Company's accounting policies, management must make a number of key judgements involving estimates and assumptions concerning the future. These estimates and judgements are based on factors considered to be relevant, including historical experience that may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Revenue cut-off

The Company's management information systems are configured to recognise revenue upon notification of dispatch from the supplier or distributor which in instances, especially regarding physical shipments, may not be aligned to when control has been transferred to the customer and the performance obligation has been met by the Company. Management therefore performs an exercise to capture items that may have been dispatched from the distributor but not delivered in the financial year, and subsequently defers the recognition of revenue and associated cost into the following year. This gives rise to a deferred income, which is recognised as a contract liability, and associated inventory in the Statement of Financial Position. The exercise applied includes assumptions, which management believes are reasonable, in order to identify items that fit the criteria for deferral. Separately, management reviews individual large transactions on a case-by-case basis, which reduces the opportunity for error.

The key judgements that are made in the cut-off process are as follows:

- When identifying transactions to review in the cut-off process, management limits the review period to a fixed number of days before and after the period end and validates the date of dispatch.
- Management incorporates a one-day shipment delay assumption onto the sale of hardware items to reflect the time taken between vendor shipment and customer delivery. We further assess a five day risk window for international hardware shipments.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent

Significant judgement is required in determining whether the Company is acting as principal, reporting revenue on a gross basis, or agent, reporting revenue on a net basis. Softcat evaluates each revenue stream against the following indicators when determining whether it is acting as principal or agent in a transaction: (i) primary responsibility for fulfilling the promise to provide the specified goods or service, (ii) inventory risk before the specified good or service has been transferred to a customer and (iii) discretion in establishing the price for the specified good or service. Certain revenue streams present a more balanced judgement than others when assessed against the above criteria and the conclusion may be reliant on the weighting applied to the responses to these criteria. When applying the weighting and concluding on whether principal or agent treatment is appropriate, the Company exercises significant levels of judgement due to the balanced nature of the assessment. The specific judgements made for each revenue category are discussed in the accounting policy for revenue as disclosed below.

1 Accounting policies continued

1.3 Critical accounting judgements and key sources of estimation uncertainty continued

Determining the lease term of contracts with renewal and termination options

Softcat determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Softcat has several property leases that include termination options and Softcat applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, that Softcat considers all relevant factors that create an economic incentive to exercise either the renewal or termination option. Factors in considering extension or termination options include, but are not limited to, capacity constraints and growth plans, budgets and forecasts, trading relationships as well as current state of property. After the commencement date, Softcat reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not exercise the relevant option available.

1.4 Adoption of new and revised standards

Finance (No 2) Bill 2023, that includes Pillar Two legislation, was substantively enacted on 20 June 2023. The Company has applied the mandatory exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 International Tax Reform-Pillar Two Model Rules which was issued in May 2023.

There have been no other new standards effective, or issued but not yet effective, in the period to 31 July 2023, that materially affect Softcat. There have also been no changes to accounting standards that will materially affect Softcat based on existing standards.

1.5 Revenue recognition

Revenue is recognised based on the completion of performance obligations at the transaction price allocated to the performance obligation. The transaction price is determined by the price specified in the underlying contract or order. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. No discounts, loyalty points or returns are offered to customers. All performance obligations are separately listed as individual items on the order and the price is allocated on this basis. A performance obligation is satisfied when control of the promised good or service is transferred to the customer. The following indicators are used by the Company in determining when control has passed to the customer:

(i) the Company has a right to payment for the product or service;

(ii) the customer has legal title to the product;

(iii) the Company has transferred physical possession of the product to the customer;

(iv) the customer has the significant risks and rewards of ownership of the product; and

(v) the customer has accepted the product.

Principal versus agent

The Company evaluates the following indicators amongst others when determining whether it is acting as a principal or agent in the transaction and recording revenue on a gross, or net, basis:

(i) the Company is primarily responsible for fulfilling the promise to provide the specified goods or service;

(ii) the Company has inventory risk before the specified good or service has been transferred to a customer; and

(iii) the Company has discretion in establishing the price for the specified good or service.

Hardware revenue

The Company sells hardware that is sourced from and delivered by multiple vendors and distributors. Revenues from sales of hardware products are recognised on a gross basis as the Company is acting as a principal in these transactions, with the gross value of the consideration from the customer recorded as revenue with the exception of public sector partner business revenue as explained below. The Company is acting as principal as it has primary responsibility for the acceptability of goods sold following the provision of consulting services which are not considered to be separately identifiable. Softcat is also exposed to inventory risk during the delivery period and establishes the selling price itself. Revenue from the sale of these goods is recognised when the control has passed to the buyer, therefore the Company has satisfied its performance obligation. In line with industry standard terms, payment is generally due 30 days after invoice date.

Vendors typically provide standard warranties on most of the hardware products the Company sells. These manufacturer warranties are assurance-type warranties and are not considered separate performance obligations. The warranties are not sold separately and only provide assurance that products will conform with the manufacturer's specifications.

1 Accounting policies continued

1.5 Revenue recognition continued

Principal versus agent continued

Software revenue

Revenue from software licence sales is recognised on a net basis as the Company is acting as an agent in these transactions at the point the software licence is delivered to the customer. The Company is deemed to be acting as agent in these transactions as these products are intangible, customer specific and in most cases sent directly to customers by the vendor electronically, removing inventory risk for the Company, prior to delivery. Despite the ability to set pricing, the lack of inventory risk and the vendor having primary responsibility for the product meeting customer specifications, through largely standardised products, underline that these sales should be recorded as agent.

The revenue associated with the license sale is recognised upon the transfer of the license to the customer. At this point Softcat has satisfied its performance obligations. Payment is generally due 30 days from invoice date.

The Company sells cloud computing solutions which include Software as a Service ('SaaS'). SaaS solutions utilise third party partners to offer the Company's customers access to software in the cloud that enhances office productivity, provides security or assists in collaboration. As the Company has satisfied its performance obligations by arranging the transfer of the licensing to the customer, revenue is recognised in full at that point on a net basis as the Company is acting as an agent in the transaction, with an invoice subsequently raised. Payment is generally due within 30 days from invoice date.

The Company offers access to corporate enterprise agreements, a specific licensing program for eligible customers, exclusively through a single vendor. For these transactions the Company introduces the customer to the vendor who then fulfils the sale, including transfer of licensing, invoicing and cash collection, without further involvement of the Company. In return for this introduction the vendor compensates the Company with a fee as the Company has satisfied its performance obligations at the point of initial transaction being completed between the vendor and the customer. This fee is recognised net as the Company is acting as an agent in these transactions. Payment is generally due within 30 days of the initial transaction between the vendor and the customer.

Service revenue

Softcat sells professional services days which are fulfilled by either Softcat's own internal team of consultants or by consultants provided by third parties. The Company recognises the revenue on these transactions, irrespective of whether they are fulfilled internally or externally, when confirmation has been received from the customer that the work has been satisfactorily completed. In most cases there is a short timeframe between a customer order and subsequent delivery of the sold service days. As such, the Company does not recognise revenue on a percentage completion basis as this would not have a material impact.

On rare occasions the Company will sell professional service days which cover an extended period. For these transactions, management assesses the individual contract and, if required, recognises the revenue over time according to the output method. Softcat recognises revenue on the basis of direct measurements of the value to the customer which for professional days would be days completed as a percentage of total days. Revenue is recognised on a gross basis; the Company is deemed to be acting as principal in these transactions as it is responsible for selecting the external party, where relevant, for the acceptability of the services and for determining the price charged to the customer.

The Company also provides hosted managed services to its customers offering Infrastructure as a Service ('IAAS') and managed print services among others. The Company hosts these services using internal resources and recognises revenue on a straight-line basis over the contractual service period. The Company recognises the respective revenue on a gross basis as the Company is acting as a principal in the transaction as it has both managerial involvement and effective control over the services being provided throughout the contract period.

Softcat also sells extended or enhanced warranty products provided by third parties. These warranties are sold separately to hardware and provide the customer with a service in addition to assurance that the product will function as expected. For these enhanced warranty products, the Company is arranging for those services to be provided by the third party over an extended period and therefore is acting as an agent in the transaction and records revenue on a net basis at the point of sale. Revenue from such services is recognised in full at the point of service commencement as the Company has no ongoing obligation in relation to delivery of the underlying service.

Payments for these goods are generally received on industry standard terms of 30 days from the date of invoice.

Public sector partner business revenue

The Company transacts with several partners in the public sector where the partner is responsible for the solution and customer relationship. These transactions incorporate the provision of hardware, software or services to the end customer. For this business, the Company's responsibilities of invoicing and cash collection are more aligned to those of an agent and therefore this business is recognised as agent and presented net of cost of sales.

Revenue is recognised in full on satisfactory completion of the work by the partner, as this is the point the Company has satisfied its performance obligations. Payment is generally due within 30 days from completion of the work.

1 Accounting policies continued

1.5 Revenue recognition continued

Principal versus agent continued

Deferred costs

IFRS 15 requires certain costs to fulfil a contract to be recognised as a separate asset. These deferred costs are deferred until the performance obligation to which they relate has been met. Deferred costs are measured at the purchase price of the associated goods or services received. Deferred costs are released from the Statement of Financial Position in line with the recognition of revenue on the specific transaction. There are no significant or material judgements made by management in the measurement or recognition of these deferred costs, as costs are matched to an associated sale and the period of deferral is typically short.

Commissions have been incurred in respect of contracts whereby the performance obligation has not yet been satisfied, however, the Company has applied the practical expedient and recognised the commission as an expense when incurred given that the period over which the commission would have been recognised is less than a year.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which Softcat has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before Softcat transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). This occurs infrequently and is usually to support the wishes of the customer who sometimes may prefer to provide funds upfront which can then be allocated to future orders. Contract liabilities are recognised as revenue when Softcat performs obligations under the contract. Further details of contract balances are provided in note 13.

1.6 Cost of sales

The Company recognises cost of sales at the point at which it recognises revenue as explained above. Cost of sales predominantly relate to the cost of goods or services purchased from suppliers and then sold to customers. In addition to these costs, the following elements are also included within cost of sales.

Rebates

Included within cost of sales are rebates received from commercial partners. Further details are provided on rebates in 1.8, below.

Managed service infrastructure costs

The Company operates its own network operating centre which facilitates the selling of Softcat hosted managed services. The costs of maintaining this capability include, but are not limited to, the rental of space in data warehouses, energy and licensing costs. These costs represent the cost of sale of selling hosted managed service solutions and are included within cost of sales.

Funded training costs

The Company carries out numerous training programmes, activities and schemes that aim to educate its sales force and internally promote the products the business resells. The costs of these activities are recognised within cost of sales.

Early settlement discounts

Through the normal course of business, the Company receives credits from distributors and suppliers for the prompt settlement of invoices. Softcat recognises these discounts in cost of sales as they are considered to be a reduction in the cost of goods sold.

1.7 Rebates

Rebates from suppliers are accounted for in the period in which they are earned and are based on commercial agreements with suppliers. Rebates earned are mainly sales volume related and are generally short term in nature, with rebates earned but not yet received typically relating to the preceding quarter's trading. Other forms of rebate received from commercial partners include income from training provided to staff. Rebate income is recognised in cost of sales in the Statement of Profit or Loss and Other Comprehensive Income and rebates earned but not yet received are included within accrued income in the Statement of Financial Position.

1.8 Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate ('EIR') applicable. EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

1 Accounting policies continued

1.9 Property, plant and equipment

Property, plant and equipment other than freehold land is stated at cost, net of accumulated depreciation and/or impairment losses, if any. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Freehold buildings	fifty years straight line
Building improvements	remaining period of lease – ten years straight line
Computer equipment	three to five years straight line
Fixtures, fittings and equipment	six years straight line
Motor vehicles	three years straight line

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised.

Building improvements relate to expenditure on improving both leasehold property and the freehold property of Solar House in Marlow. Improvements to Solar House are depreciated over a ten-year period, which represents their useful life. Leasehold improvements are depreciated over their useful life which is the lesser of the remaining length of the lease or ten years.

The residual values, useful lives and methods of depreciation are reviewed for reasonableness at each financial year end and adjusted for prospectively if appropriate.

1.10 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is provided for at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Computer software	three to fifteen years straight line

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

1.11 Cloud software licence agreements

Licence agreements to use cloud software are treated as service contracts and expensed in the Company's income statement, unless the Company has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor. In such cases, the licence agreement is capitalised as software within intangible assets. Costs to configure or customise a cloud software licence are expensed alongside the related service contract in the Company's income statement, unless they create a separately identifiable resource controlled by the Company, in which case they are capitalised.

1.12 Leases

A lease is a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company's leases, which predominantly relate to property leases, are recognised in line with IFRS 16.

The leases policy under IFRS 16 is as follows:

1 Accounting policies continued

1.12 Leases continued

i) Right-of-use assets

Softcat recognises right-of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property lease assets	three to ten years straight line

The right-of-use assets are also subject to impairment reviews.

ii) Lease liabilities

At the commencement date of the lease, Softcat recognises lease liabilities measured at the present value of lease payments to be made over the lease term adjusted for any termination options. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Payments to be made under the reasonably certain extension option are also included.

In calculating the present value of the lease payments, Softcat uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments from a change in index or rate, or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low value assets

Softcat applies the short-term lease recognition exemption to any short-term leases it enters into (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). Softcat also applies the lease of low-value assets recognition exemption to leases that are considered to be low value and under £5,000. Lease payments on low-value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

1.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Inventories include goods in transit and other products ordered to fulfil customer orders where the right of ownership is yet to transfer.

1.14 Financial instruments

Financial assets

The Company's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Company becomes party to the contractual provisions of the instrument.

i) Trade receivables

Trade receivables are recognised and measured at the transaction price less allowance for expected credit losses. Trade receivables do not carry interest.

The simplified approach on expected credit losses (ECL's) for trade receivables and contractual assets has been used as there is not a significant financing component to these assets. In accordance with the simplified approach for impairment of trade receivables and accrued income under IFRS 9, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses and includes a forward-looking element as well as an assessment based on history and experience. Factors considered when assessing the expected credit losses include prior experience, specific customer credit ratings, communication quality, industry factors and the current economic climate.

Due to the size of the receivables ledger and the volume of smaller balances, it is not possible to review all balances individually and therefore a portion of the ledger is reviewed collectively and provided for as such. More material or higher risk balances are reviewed individually looking at specific circumstances including payment history, the forecast of economic conditions in the sector the customer operates in, communication quality and responsiveness, to determine future expected credit losses, and are provided for individually with respect to the perceived level of risk. In addition, any entities that are in administration or have been passed to debt collection are provided for individually.

Unbilled receivables are recognised when a contract results in completion of a performance obligation in advance of the customer being invoiced.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, call deposits and bank overdrafts. Cash and cash equivalent balances have a maturity of three months or less and are subject to an insignificant level of risk to change in value.

1 Accounting policies continued

1.14 Financial instruments continued

Financial assets continued

iii) Accrued income

Accrued income predominantly relates to supplier rebates and is recognised according to both rebate agreements and supplier spend in the financial year.

As accrued income has a contractual right to receive cash, it is a financial asset and therefore also subject to loss allowances under IFRS 9. The loss allowance for accrued income is measured at an amount equal to lifetime expected credit losses and includes a forward-looking element as well as an assessment based on history and experience. Factors considered when assessing the expected credit losses include prior experience, supplier credit ratings, communication quality, industry norms and the current economic climate.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The Company's financial liabilities comprise trade and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

i) Trade payables

Trade payables are initially measured at fair value. Trade payables due after one year are measured at amortised cost, using the effective interest rate method.

Derecognised financial instruments

For a small number of customers, Softcat acts as intermediary to provide financing arrangements between the customer and a third-party financing provider. Following the delivery of the goods or services, which represents our performance obligation in full, Softcat receives settlement of the customer invoice, by the third-party financing company. Receivables are derecognised only when Softcat has transferred the receivable, meaning that it has retained the contractual rights to the cash flows, but has assumed an obligation to pay those cash flows to the finance provider, in the case where all three of the following conditions are met:

- Softcat has no obligation to pay amounts to the finance provider unless it collects equivalent amounts from the receivable;
- Softcat is prohibited from selling or pledging the receivable; and
- Softcat has an obligation to remit the cash received without material delay.

The transfer described above qualifies for derecognition as Softcat has transferred substantially all the risks and rewards of ownership of the receivable. Its only continuing involvement following delivery is to act as agent in the receipt and transfer of cash payments and, in line with the derecognition criteria set out above, the customer receivable is derecognised. Softcat does not retain or regain ownership of any assets at the end of these arrangements and the finance provider takes on the credit risk of future cash flows from the customer.

Cash flows in respect of these arrangements are recognised within cash generated from operations and typically result in a £Nil impact given that the Company acts as agent in the receipt and transfer of cash payments.

1.15 Pensions

The pension costs charged in the financial statements represent the contributions payable by the Company during the year on the defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged to the income statement represent the contributions payable to the scheme in respect of the accounting period and represent the full extent of the Company's liability.

1.16 Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1 Accounting policies continued

1.16 Deferred taxation continued

For deferred tax on leases, Softcat has applied the initial recognition exception under IAS 12. Under the general approach of IAS 12, the depreciation of the right-of-use asset is regarded as reducing the temporary difference that arose on initial recognition of the asset, and therefore gives rise to no tax effect. However, the accretion of the finance costs on the liability gives rise to an additional deductible temporary difference arising after initial recognition of the liability, requiring recognition of a deferred tax asset. This gives rise to an immaterial deferred tax asset for the years ended 31 July 2022 and 31 July 2023.

1.17 Current taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Softcat applies judgement in identifying uncertainties over income tax treatments and considered whether it has any uncertain tax positions and determined that it is highly probable that its tax treatments will be accepted by the taxation authorities. Where it is not probable that an uncertain tax treatment will be accepted the most likely amount or expected amount is recognised depending on which method better predicts the resolution of the uncertainty.

1.18 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

The assets and liabilities of foreign operations are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Income and expense items are translated using average exchange rates, which approximate to actual rates, for the relevant accounting period. Exchange differences arising, if any, are classified as other comprehensive income and recognised in the foreign exchange translation reserve in the statement of financial position.

1.19 Share-based payments

During the year the Company operated the following equity-settled share option schemes:

Share Incentive Plan ('SIP')

The Company operates a SIP for employees who were awarded free shares following the initial public offering in November 2015. Shares were allocated to employees on the basis of length of service. Free shares awarded to an employee under the SIP are subject to a minimum holding period of three years following the date on which beneficial interest in the relevant ordinary shares is conferred by the SIP Trustee to the employee.

The fair value of the SIP shares was determined by the share price at date of grant, on 9 December 2015. A fair value charge was recognised as an expense in the income statement over the vesting period with a corresponding increase in equity. The charge was recognised only on the expected number of shares to vest. The assumption used for expected leavers within three years from the date of award was calculated with reference to historical employee retention rates.

In addition, the Company's voluntary partnership share purchase programme, which is open to all eligible employees, is administered through the SIP. Through this programme, employees have the option to purchase shares from their gross income, the cost of which is not borne by the Company.

Long Term Incentive Plan ('LTIP')

Details in relation to the Softcat LTIP awards to Executive Directors are included in the Directors' Remuneration Report on page 122.

LTIP awards will only vest and become exercisable upon achievement of performance targets, linked to earnings per share and total shareholder return, as well as being conditional upon continued employment with the Company. The fair value is measured using a suitable valuation model where appropriate. Non-market vesting conditions are taken into account by adjusting the number of LTIP shares expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of LTIP shares that will eventually vest. Market vesting conditions are factored into the fair value of the LTIP shares granted. The cumulative expense is not adjusted for failure to meet a market vesting condition. The resulting fair value charge is charged as an expense in the income statement over the vesting period with a corresponding increase in equity. Employer's National Insurance contributions are payable, on exercise, on the market value of the award and are accrued for within the share-based payments expense in the Statement of profit or loss and other comprehensive income.

Deferred shares

One-third of the Executive Directors' annual target bonus is paid in deferred shares. The Company accrues for the cost of the non-cash bonus over a four-year period, including the year in which the bonus targets are assessed and the following three-year vesting period. Employer's National Insurance contributions are payable, on exercise, on the market value of the award and are accrued for within the share-based payments expense in the Statement of profit or loss and other comprehensive income.

SIP Trust

The Company operates a SIP Trust for the benefit of eligible employees. The Company recognises the assets and liabilities of this trust as its own until such assets held vest unconditionally with identified beneficiaries. The Company meets all costs incurred by the trust.

1 Accounting policies continued

1.20 Company accounts

The Company has applied the exemption from preparing consolidated accounts available under s402 as the inclusion of subsidiary undertakings is not material for the purposes of giving a true and fair view. The SIP Trust, which hold shares on behalf of employees, are not consolidated within the results of Softcat plc and instead are treated as extensions of the Company.

1.21 Adjusted Performance Measures

The Company uses two non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Company. Gross invoiced income is a measure which correlates closely to the cash received by the business and therefore aids the users understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning and reporting and have remained consistent with the prior year. These non-GAAP measures comprise of gross invoiced income and cash conversion.

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to Gross invoiced income is provided within note 2, Segmental information.

Cash conversion ratio comprises of cash flows from operations net of capital expenditure as a percentage of operating profit. Cash conversion is an indicator of the Company's ability to convert profits into available cash.

A reconciliation to the adjusted measure for cash conversion is provided below:

	Notes	2023 £'000	2022 £'000
Net cash generated from operating activities	19	**104,802**	83,644
Income taxes paid		**29,793**	25,344
Cash generated from operations		**134,595**	108,988
Purchase of property, plant and equipment		**(2,544)**	(1,890)
Purchase of intangible assets		**(701)**	(3,334)
Cash generated from operations, net of capital expenditure		**131,350**	103,764
Operating profit		**140,898**	136,145
Cash conversion ratio		**93.2%**	76.2%

2 Segmental information

The information reported to the Company's Chief Executive, who is considered to be the chief operating decision maker for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Company. The Company has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'value-added IT reseller and IT infrastructure solutions provider'. The Company's revenue, results and assets for this one reportable segment can be determined by reference to the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position. An analysis of revenues by product, which form one reportable segment, is set out below:

Revenue by type:	2023 £'000	2022 £'000
Software	**188,797**	150,000
Hardware	**610,638**	797,897
Services	**185,865**	130,049
	985,300	1,077,946

Gross invoiced income by type:	2023 £'000	2022 £'000
Software	**1,543,501**	1,365,343
Hardware	**617,844**	810,241
Services	**401,963**	331,953
	2,563,308	2,507,537

Revenue and gross invoiced income can also be disaggregated by type of business[1]:

Revenue by type of business:	2023 £'000	2022 £'000
Small and medium	**555,541**	535,823
Enterprise	**253,229**	222,064
Public sector	**176,530**	320,059
	985,300	1,077,946

2 Segmental information continued

Gross invoiced income by type of business:	2023 £'000	2022 £'000
Small and medium	1,103,851	1,169,255
Enterprise	512,839	427,249
Public sector	946,618	911,033
	2,563,308	2,507,537

Note:
1. Types of business are split by entity staff size. Small and medium business represents work forces of up to 2,000 seats. Enterprise is above 2,000 seats and public sector represents government and other public bodies.

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. Softcat continue to report gross invoiced income as an alternative financial KPI as this measure allows a consistent, year on year, understanding of gross income billed, business performance and position and correlates closely to working capital movements. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

	2023 £'000	2022 £'000
Gross invoiced income	2,563,308	2,507,537
Income to be recognised as agent under IFRS 15	(1,578,008)	(1,429,573)
Revenue	985,300	1,077,946

The total revenue for the Company for the year has been derived from its principal activity as an IT reseller. Substantially all of this revenue relates to trading undertaken in the United Kingdom.

During the period there was no direct customer (FY22: one) that individually accounted for greater than 10% of both the Company's total revenue and gross invoiced income, and a considerably lower proportion of Gross Profit. Gross invoiced income and revenue generated from this customer in FY22 was £251.3m and £227.5m respectively.

3 Operating profit

Operating profit is stated after charging:	2023 £'000	2022 £'000
Depreciation of property, plant and equipment	2,466	2,373
Depreciation of right-of-use assets	2,127	1,594
Amortisation of intangible assets	1,525	558
Low value asset and short-term lease expense	83	32
Foreign exchange (gain)/loss	(1,052)	2,938
Inventories expensed in the year	515,477	705,539
Movement in trade receivables provision as potentially uncollectable, recovered or written off during the year	(1,038)	1,544
Auditor's remuneration		
Fees payable for the audit of the Company's annual accounts	733	545
Fees payable for audit-related services	—	133
Total for statutory audit services	733	678
Fees payable for the half year review of the condensed financial statements	42	40
Total for non-audit-related services	42	40

For details on employee numbers and employee costs, please see note 24.

4 Finance income and finance cost

	2023 £'000	2022 £'000
Bank interest income	1,171	60
Interest on tax	—	192
Lease liability interest cost	(205)	(253)

5 Income tax

The major components of the income tax expense for the years ended 31 July 2023 and 31 July 2022 are:

	2023 £'000	2022 £'000
Statement of Profit or Loss		
Current income tax charge in the year	30,414	25,979
Adjustment in respect of current income tax of previous years	(160)	52
Foreign tax relief/ other relief	—	(2)
Foreign tax suffered	—	3
Total current income tax charge	30,254	26,032
Deferred tax		
Current year	(275)	(110)
Adjustments in respect of prior periods	229	7
Effect of changes in tax rates	(373)	(190)
Deferred tax credit	(419)	(293)
Total tax charge	29,835	25,739
Reconciliation of total tax charge		
Reconciliation of tax expense and accounting profit multiplied by the Company's domestic tax rate for 2023 and 2022:		
Profit on ordinary activities before taxation	141,864	136,144
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 21% (2022: 19%)	29,791	25,867
Effects of:		
Non-deductible expenses	267	112
Adjustment to previous periods	69	59
Effect of changes in tax rates	(373)	(190)
Effects of overseas tax rates	1	1
Share options	74	(110)
Other differences	6	—
	44	(128)
Income tax charge reported in profit or loss	29,835	25,739

In the year ended 31 July 2023, £159,460 (2022: £616,745) of current tax was credited to equity and £69,825 (2022: £933,778 debit) of deferred tax was credited to equity.

6 Dividends

	2023 £'000	2022 £'000
Declared and paid during the year		
Special dividend on ordinary shares (12.6p per share (2022: 20.5p))	25,122	40,806
Final dividend on ordinary shares (16.6p per share (2022: 14.4p))	33,098	28,663
Interim dividend on ordinary shares (8.0p per share (2022: 7.3p))	15,955	14,551
	74,175	84,020

A final dividend of 17.0p per share has been recommended by the Directors and if approved by shareholders will be paid on 19 December 2023. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 10 November 2023. Shares in the Company will be quoted ex-dividend on 9 November 2023. The dividend reinvestment plan ('DRIP') election date is 28 November 2023.

6 Dividends continued

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 12.6p has been proposed. If approved this will also be paid on 19 December 2023 alongside the final ordinary dividend.

The Board recommends the final and special dividend for shareholders' approval.

Softcat's ordinary dividend policy remains a progressive one which targets an annual dividend of between 40% and 50% of the Company's profits after tax in each financial year before any exceptional items. In determining the level of dividend in any year in accordance with the policy, the Board considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Company;
- future cash commitments and investment needs to sustain the long-term growth prospects of the business; and
- potential strategic opportunities.

Softcat's constitution does not limit or oblige the Company to any minimum or maximum dividend payments. However, no dividend may exceed the amount recommended by the Directors and all dividends shall be paid in accordance with any relevant legislation.

The Audit Committee on behalf of the Board reviews the distributable reserves of the Company as part of its half-year and full-year reviews. The Board then considers the Audit Committee's review as part of its process to approve or recommend dividends.

Softcat intends to continue to fund its dividends through the cash generated by the business. Details of the Company's continuing viability and going concern can be found on page 78 and pages 140 and 141 respectively.

7 Property, plant and equipment

	Freehold land and buildings £'000	Building improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 August 2021	2,649	7,963	1,292	3,721	152	15,777
Additions	—	98	647	1,082	63	1,890
At 31 July 2022	2,649	8,060	1,940	4,803	215	17,667
Additions	168	966	324	528	558	2,544
At 31 July 2023	**2,817**	**9,026**	**2,264**	**5,331**	**773**	**20,211**
Depreciation						
At 1 August 2021	231	1,926	623	1,141	102	4,024
Charge for the year	25	1,149	512	642	45	2,373
At 31 July 2022	256	3,075	1,135	1,783	148	6,397
Charge for the year	25	1,151	514	717	59	2,466
At 31 July 2023	**281**	**4,226**	**1,649**	**2,500**	**207**	**8,863**
Net book value						
At 31 July 2023	**2,536**	**4,800**	**615**	**2,831**	**566**	**11,348**
At 31 July 2022	2,393	4,985	805	3,020	67	11,270

Freehold land amounting to £1.4m (2022: £1.4m) has not been depreciated. No assets are subject to restrictions on title or are pledged as security for liabilities (2022: £Nil).

8 Right-of-use assets and lease liabilities

Leases – as a lessee

Softcat has lease contracts for various offices across the country used for its operations. Property leases generally have lease terms of between 3 and 10 years. A number of these contracts include extension and termination options which are discussed below.

Set out below are the carrying amounts of right-of-use assets recognised and movements during the year:

Property Leases	2023 £'000	2022 £'000
Opening right-of-use asset as at 1 August	6,162	7,022
Lease additions and modifications	5,934	734
Depreciation	(2,127)	(1,594)
Closing right-of-use asset as at 31 July	9,969	6,162

The weighted average incremental borrowing rate as used for the period is 2.7%.

Set out below are the carrying amounts of lease liabilities included under current and non-current liabilities and the movements during the period:

Property Leases	2023 £'000	2022 £'000
Opening lease liability as at 1 August	6,666	8,302
Lease additions and modifications	5,934	734
Accretion of interest	205	253
Payments	(3,044)	(2,623)
Closing lease liability as at 31 July	9,761	6,666
Split as:		
Short-term	2,734	2,716
Long-term	7,027	3,950

Lease modifications in the year were in respect of extension of specific lease terms of existing property leases.

Softcat had no variable leases expenses or income from sub-leases charged to the Statement of profit or loss and other comprehensive income, nor any sale and leaseback transactions.

Softcat has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio to align to business needs. Management exercise significant judgement in determining whether these options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in lease term:

As at 31 July 2023	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	–	–	–

As at 31 July 2022	Within five years £'000	More than five years £'000	Total £'000
Termination options expected to be exercised	4,376	1,279	5,655

Following the lease modifications above, the termination options on existing property leases were no longer expected to be utilised.

The total value of lease charges for low value and short-term leases to Statement of profit or loss and other comprehensive income for the year was £82,569 (2022: £31,656).

9 Intangible assets

	Software under development £'000	Computer software £'000	Total Intangibles £'000
Cost			
At 1 August 2021	4,833	888	5,721
Additions	3,195	139	3,334
Reclassifications	(8,028)	8,028	–
At 31 July 2022	–	9,055	9,055
Additions	–	702	702
Reclassifications	–	–	–
At 31 July 2023	**–**	**9,757**	**9,757**
Amortisation			
At 1 August 2021	–	519	519
Charge for the year	–	558	558
At 31 July 2022	–	1,077	1,077
Charge for the year	–	1,525	1,525
At 31 July 2023	**–**	**2,602**	**2,602**
Net book value			
At 31 July 2023	**–**	**7,155**	**7,155**
At 31 July 2022	–	7,978	7,978

Software under development as capitalised in FY22 related to the new enterprise resource planning (ERP) system being designed and built internally. This was completed and put in to use in FY22. The net book value of this asset as at the end of FY23 is £6.549m with a remaining useful economic life of 6 years.

The amortisation of intangible assets is included in administrative expenses within the income statement. See note 3.

10 Inventories

	2023 £'000	2022 £'000
Finished goods and goods for resale	**3,591**	5,104

The amount of any write down of inventory recognised as an expense in the year was £Nil (2022: £Nil).

11 Trade and other receivables

	2023 £'000	2022 £'000
Trade and other receivables	**429,569**	497,308
Provision against receivables	**(3,920)**	(4,958)
Net trade receivables	**425,649**	492,350
Unbilled receivables	**34,508**	26,192
Prepayments	**6,344**	4,338
Accrued income	**9,270**	10,534
Deferred costs	**14,270**	8,010
	490,041	541,424

The provision against receivables follows the expected credit loss model under IFRS 9. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

11 Trade and other receivables continued

The ageing profile of trade receivables was as follows:

	2023 £'000	Related provision £'000	Net £'000	2022 £'000	Related provision £'000	Net £'000
Current	309,006	(2,478)	306,528	335,579	(3,453)	332,126
0–30 days	76,269	(396)	75,873	79,981	(622)	79,359
31–60 days	22,331	(194)	22,137	28,402	(227)	28,175
61–90 days	11,892	(140)	11,752	26,332	(43)	26,289
Over 90 days	10,071	(712)	9,358	27,014	(613)	26,401
Total due	429,569	(3,920)	425,648	497,308	(4,958)	492,350

The Company provides against its trade receivables using the forward-looking expected credit loss model under IFRS 9. An impairment analysis is performed at each reporting date. Provisions against future recoverability are set to reflect probability-weighted outcomes, analysis of prior events, current conditions, including an assessment of COVID-19 related factors. Further details on how the Company manages its credit risk can be found in note 21. Movement in the provision for trade receivables was as follows:

	2023 £'000	2022 £'000
Balance at beginning of year	4,958	3,415
Increase for trade receivables regarded as potentially uncollectable	604	4,207
Decrease in provision for trade receivables recovered, or written off, during the year	(1,642)	(2,663)
Balance at end of year	3,920	4,958

Set out below is the information about the credit risk exposure on Softcat's trade receivables:

31 July 2023	Current £'000	<30 days £'000	31–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	0.80%	0.52%	0.87%	1.18%	7.07%	0.91%
Estimated total gross carrying amount at default	309,006	76,269	22,331	11,892	10,071	429,569
Expected credit loss	(2,478)	(396)	(194)	(140)	(712)	(3,920)

31 July 2022	Current £'000	<30 days £'000	31–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	1.273%	0.78%	0.80%	0.16%	2.27%	1.00%
Estimated total gross carrying amount at default	335,579	79,981	28,402	26,332	27,014	497,309
Expected credit loss	(3,453)	(622)	(227)	(43)	(613)	(4,958)

Unbilled receivables and accrued income have been reviewed by management and have been determined to have an immaterial impact on our expected credit losses. The Company does not hold collateral as security.

As part of our assessment of expected credit losses, we assess for specific potentially uncollectable debt as well as wider macro-economic factors that may require provision. See note 21 for details on how the Company approaches its exposure to credit risk.

12 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	254,907	280,769
Other taxes and social security	13,699	23,078
Accruals	90,222	115,261
Other creditors	799	–
	359,627	419,108

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

13 Contract liabilities

	2023 £'000	2022 £'000
Deferred income	26,883	35,184

Deferred income is split as follows:

	2023 £'000	2022 £'000
Short term deferred income	23,851	31,564
Long term deferred income	3,032	3,620
	26,883	35,184

Contract balances

Deferred income includes short-term and long-term goods or services to be delivered to a customer by Softcat for which there is a contractual obligation arising from receipt of consideration or amounts due from the customer. The outstanding balances on these accounts has moved in line with the activity of the business and customer base. During the current year, £31.564m (2022: £12.759m) has been recognised in revenue resulting from these contract liabilities existing as at 31 July 2022. As at 31 July 2023, £26.883m remains on the Statement of Financial Position as a contract liability resulting from transactions arising from the year to 31 July 2023 Softcat expects that £23.851m of the balance as at 31 July 2023 will be released in FY23 with the balance released within 2–5 years of the end of FY23.

14 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	122,621	97,316

Cash and cash equivalents comprise cash at bank and cash in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates. All cash held is accessible and is not restricted for any period of time.

15 Deferred tax

The deferred tax asset is made up as follows:

	2023 £'000	2022 £'000
Accelerated capital allowances	(313)	95
Share-based payments	1,969	1,442
Other temporary differences	1,341	971
Deferred tax assets	2,997	2,508

	2023 £'000	2022 £'000
Reconciliation of deferred tax asset		
Balance at 31 July 2022 (PY: 31 July 2021)	2,508	3,149
Adjustment in respect of prior years	(229)	(7)
Profit and loss account	648	300
Credit/(charge) to equity	70	(934)
Balance at 31 July 2023 (PY: 31 July 2022)	2,997	2,508

The Company recognises all deferred tax movements in the year within the income statement, except for £69,825 (2022: £933,778 credit) debited to equity in relation to deferred tax movements on share-based payments.

15 Deferred tax continued

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

	2023			2022		
	Income statement £'000	SOCIE £'000	Total £'000	Income statement £'000	SOCIE £'000	Total £'000
Current tax						
Movement in respect of prior years	(160)	—	(160)	52	—	52
Movement in respect of current year	30,414	(160)	30,254	25,979	(617)	25,363
Total current tax	30,254	(160)	30,094	26,031	(617)	25,415
Deferred tax						
Movement in respect of prior years	—	—	—	7	—	7
Movement in respect of current year:						
Share options	(458)	(70)	(528)	(222)	934	712
Fixed assets	408	—	408	18	—	18
Other temporary differences	(369)	—	(369)	95	—	95
Total deferred tax	(419)	(70)	(489)	(293)	934	641
Total tax	29,835	(230)	29,605	25,739	317	26,056

16 Pension and other post-retirement benefit commitments

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund. At the year end, pension contributions of £738,372 (2022: £570,782) were outstanding.

	2023 £'000	2022 £'000
Contributions payable by the Company for the year	3,671	2,813

17 Share capital

Authorised share capital

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company's Articles of Association have been amended to reflect this change.

	2023 £'000	2022 £'000
Allotted and called up		
199,555,082 (2022: 199,354,076) ordinary shares of 0.05p each	100	100
18,933 (2022: 18,933) deferred shares[1] of 1p each	—	—
	100	100

Note:
At 31 July 2023 deferred shares had an aggregate nominal value of £189.33 (2022: £189.33).

In the year ended 31 July 2023, 174,791 (2022: 305,266) new ordinary shares were issued to satisfy the exercise of share options and 26,215 ordinary shares (2022: nil) were issued to satisfy exercises under the deferred share bonus plan.

No issued ordinary shares of 0.05p each were unpaid at 31 July 2023 (2022: nil unpaid).

All ordinary shares rank pari passu in all respects.

Deferred shares do not have rights to dividends and do not carry voting rights.

Own share transactions

In the year ended 31 July 2023 the SIP Trust returned £Nil (2022: £Nil) to the Company through share recycling.

18 Earnings per share

	2023 p	2022 p
Earnings per share		
Basic	56.2	55.5
Diluted	56.0	55.3

The calculation of the basic earnings per share and diluted earnings per share is based on the following data:

	2023 £'000	2022 £'000
Earnings		
Earnings for the purposes of earnings per share, being profit for the year	112,029	110,405

The weighted average number of shares is given below:

	2023 '000	2022 '000
Number of shares used for basic earnings per share	199,237	198,976
Number of shares expected to be issued at nil consideration following exercise of share options	922	884
Number of shares used for diluted earnings per share	200,159	199,443

19 Notes to the Statement of Cash Flows

Reconciliation of operating profit to net cash inflow from operating activities

	2023 £'000	2022 £'000
Operating profit	140,898	136,145
Depreciation of property, plant and equipment	2,466	2,373
Depreciation of right-of-use assets	2,127	1,594
Amortisation of intangibles	1,525	558
Loss on disposal of fixed assets	—	—
Dividend equivalents paid	(66)	(215)
Cost of equity-settled employee share schemes	3,330	2,541
Operating cash flow before movements in working capital	150,280	142,996
Decrease in inventory	1,513	33,307
Decrease/(increase) in trade and other receivables	51,383	(211,694)
(Decrease)/increase in trade and other payables and contract liabilities	(68,581)	144,379
Cash generated from operations	134,595	108,988
Income taxes paid	(29,793)	(25,344)
Net cash from operating activities	104,802	83,644

20 Financial commitments

Guarantees

As at the reporting date, Softcat plc has a class guarantee facility of £Nil (2022: £Nil) with HSBC UK Bank plc.

21 Financial instruments and financial risk management

The Company's principal financial liabilities comprise trade and other payables and lease liabilities. The primary purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets comprise trade and other receivables and cash that derive directly from its operations.

Financial assets

The financial assets of the Company were as follows:

	2023 £'000	2022 £'000
Cash at bank and in hand	122,621	97,316
Trade and other receivables	469,427	529,076
	592,048	626,392

The Directors consider that the carrying amount for all financial assets approximates to their fair value.

In respect of assets and liabilities that should be derecognised as at 31 July 2023, there remained a receivable of £208,374 (2022: £627,779 receivable) on the Statement of Financial Position. The receivable recognised at the 31 July 2022 was due to timing difference between the transfer of cash that spanned the year end date.

Financial liabilities

The financial liabilities of the Company were as follows:

	2023 £'000	2022 £'000
Trade payables	(254,907)	(280,769)
Accruals	(90,222)	(115,261)
Lease liabilities	(9,761)	(6,666)
	(354,890)	(402,696)

The Directors consider that the carrying amount of financial liabilities (excluding lease liabilities) approximates to their fair value.

Financial risk management

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and ensures that the Company's financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. During the year, no external debt was required and no facilities were entered in to.

The Board of Directors reviews and agrees the policies for managing each of these risks, which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year end the Company has no borrowings and therefore the exposure to interest rate risk is limited to the rates received as interest income on cash deposits. The Company accepts the risk of losing interest on deposits. Due to the limited exposure to interest rate risk no sensitivity analysis has been prepared.

Foreign currency risk

The Company is exposed to foreign currency risk when dealing with customers and suppliers who wish to be billed in a currency other than Pounds Sterling. As the vast majority of transactions are with UK customers and are denominated in Pounds Sterling, the Directors consider this foreign currency risk to be small and do not hedge this risk due to the limited exposure. The level of foreign currency transactions is monitored closely to ensure that the level of exposure is manageable. Due to the limited exposure to currency risk no sensitivity analysis has been prepared.

21 Financial instruments and financial risk management continued

Financial risk management continued

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Credit risk from trade receivables is managed in accordance with the Company's established policy, procedures and control relating to customer credit risk management. A customer's credit quality is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored. At 31 July 2023, the Company had 2,151 customer accounts (2022: 2,173) that owed the Company more than £25,000 each. These accounts accounted for approximately 22% (2022: 20%) of total customers and 91% (2022: 92%) of the total value of amounts receivable. There were 778 customers (2022: 841 customers) with balances greater than £100,000 accounting for just over 8% (2022: 8%) of the total number of receivable accounts and 75% (2022: 78%) of the total value of amounts receivable.

The Company continues to monitor the impact of the current macro-economic environment, for example the cost of living crisis and how this impacts our customer base. The receivables balance continues to be well diversified and individual customers typically represent a very small proportion of the outstanding balance.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data and expected credit losses. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The Company has evaluated the concentration of risk with respect to trade receivables, as there is limited reliance on single, or few customers; instead, sales are typically small in size but large in volume as are the number of customers, the Company considers concentration risk to be low. This is reflected by the fact that as at 31 July 2023, no more than 3.3% (2022: 3%) of receivables are due from any one customer.

The Company provides against its trade receivables using the forward-looking expected credit loss model under IFRS 9.

Financial instruments and cash deposits

Credit risk from cash balances with banks and financial institutions is managed in accordance with Company policy. The Company has significant cash reserves which are accessible immediately and without restriction. Credit risk with respect to cash deposits is managed by carefully selecting the institutions with which cash is deposited and spreading its deposits across more than one such institution to ease concentration risk. Cash balances are only held across a number of financial institutions and only with financial institutions with a credit rating at least one grade above investment grade. Credit ratings are reviewed on a regular basis.

Liquidity risk

The Company generates positive cash flows from operating activities and these fund short-term working capital requirements. The Company aims to maintain significant cash reserves and none of its cash reserves are subject to restrictions. Access to cash is not restricted and all cash balances could be drawn upon immediately if required. The Board carefully monitors the levels of cash deposits and is comfortable that for normal operating requirements, no external borrowings are currently required.

The following table details the Company's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
2023					
Trade payables	**(254,907)**	**—**	**—**	**—**	**(254,907)**
Accruals	**(90,222)**	**—**	**—**	**—**	**(90,222)**
Lease liabilities	**(2,734)**	**(2,162)**	**(5,060)**	**(1,232)**	**(11,188)**
	(347,863)	**(2,162)**	**(5,060)**	**(1,232)**	**(356,317)**
2022					
Trade payables	(280,769)	—	—	—	(280,769)
Accruals	(115,261)	—	—	—	(115,261)
Lease liabilities	(2,716)	(1,829)	(1,722)	(1,098)	(7,365)
	(398,746)	(1,829)	(1,722)	(1,098)	(403,395)

In both the current year and the prior year, materially all of the financial liabilities, other than lease liabilities, above have a contractual settlement date of between zero and three months.

21 Financial instruments and financial risk management continued

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Company Statement of Changes in Equity. The Company is not subject to externally imposed capital requirements.

22 Capital commitments

At 31 July 2023 the Company had £Nil capital commitments (2022: £Nil).

23 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	2,521	2,619
Company pension contributions to defined contribution schemes	3	15
	2,524	2,634

During the year ended 31 July 2023 the Directors of the Company were awarded a total of 107,110 LTIP shares (2022: 70,470) at an average exercise price of £Nil (2022: £Nil) and 52,591 shares (2022: 35,590) under the FY17 Deferred Share Bonus Plan.

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to one (2022: one). The number of Directors who are entitled to receive shares under long-term incentive schemes during the year was two (2022: two).

Gains on share options exercised in the year were £1,155,578 (2022: £2,612,553).

Share-based payment charges include £1,163,390 (2022: £983,983) in respect of Directors.

For further information on Directors remuneration, please also see pages 114 to 134.

24 Employees

Number of employees

The average monthly number of employees (including Directors) during the year was:

	2023 Number	2022 Number
Sales	1,415	1,141
Services	377	332
Administration	359	323
	2,151	1,796

Employment costs

	2023 £'000	2022 £'000
Salaries, commissions and bonus	157,680	131,296
Social security costs	18,535	16,205
Other pension costs	3,671	2,813
Employment costs – subtotal	179,886	150,314
Share option charge	3,330	2,541
Total employment costs including share option charge	183,216	152,855

25 Share option schemes

The Company operates a Long Term Incentive Plan ('LTIP') for Executive Directors and senior management and a Share Incentive Plan ('SIP') for all employees.

The Company recognised the following expenses related to equity-settled share-based payment transactions:

	2023 £'000	2022 £'000
LTIP	3,330	2,541
Share option charge	3,330	2,541
Employer's national insurance contributions payable on all plans	464	220
Share option charge including employer's national insurance	3,794	2,761

All options vest at the end of the vesting period relating to that option or on the occurrence of a contingent event. This includes substantial sale or substantial business asset sale. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, the vesting of these share options is dependent on continued employment.

Following the public listing of shares in the Company, share options become readily convertible assets for which the Company is liable for employer's National Insurance contributions. The Company accrues for National Insurance contributions on a straight-line basis from the date of award to the vesting date.

LTIP

The LTIP provides share awards to Executive Directors and senior management.

Executive Directors

Details in relation to the Softcat LTIP awards to Executive Directors are included in the Directors' Remuneration Report on page 122.

During the year 107,110 (2022: 70,470) share awards related to LTIP schemes were issued to two Executive Directors at nil exercise price with a performance period of three years. The fair value of these awards was £1,082,899 (2022: £980,942). Performance conditions are linked to earnings per share and total shareholder return over the vesting period. The EPS linked element of the LTIPs awarded in the year were valued using the Black-Scholes model and a Monte-Carlo simulation was used for the TSR linked element of the award. The following assumptions were used to reach the below fair value:

	31 July 2023		31 July 2022	
	EPS	TSR	EPS	TSR
Proportion of LTIP award	60%	40%	50%	50%
Share price at grant date (£)	12.59	12.59	18.63	18.63
Weighted average exercise price at grant date	—	—	—	—
Risk-free interest rate	3.00%	3.00%	0.10%	0.10%
Expected volatility	51%	51%	51%	51%
Dividend yield	—%	—%	—%	—%
Performance period (years)	3	3	3	3
Fair value (£)	12.59	6.40	18.63	9.22

Expected volatility has been determined using historical data reflecting share price movements covering the financial year.

During the year 70,035 (2022: 125,000) LTIP options were exercised with an average weighted share price at the date of exercise of £11.99 (2022: £18.45).

Deferred Share Bonus Plan

One-third of the Executive Directors' annual bonus is paid in deferred shares. In the year 52,591 (2022: 35,590) deferred shares relating to the 2020 Deferred Share Bonus Plan were issued to two Executive Directors with a £Nil exercise price and a further vesting period of three years. The fair value is calculated using the share price on the date of grant and the number of shares awarded. The fair value of deferred shares issued in the year is £726,451 (2022: £663,063).

During the year 26,215 (2022: 16,596) options arising from deferred share bonus plans were exercised with an average weighted share price at the date of exercise of £12.01 (2022: £18.47).

25 Share option schemes continued

LTIP continued

Executive Directors continued

Senior management

An award of 242,263 (2022: 121,508) shares was made to members of the Executive Leadership Team and other senior management in the year. These shares had an exercise price of £Nil at the date of grant and a performance period of three years. The fair value of these awards was £2,672,247 (2022: £2,037,325). As the exercise price of the options awarded in the year was £Nil, the charge has been calculated by multiplying the number of shares issued by the share price on the date of grant, adjusted for an expected forfeiture rate. The share price is the fair value of the equity instrument granted, which was £12.59 (2022: £18.63) at grant date. The resultant fair value is then recognised over the performance period.

During the year 50,082 shares (2022: 51,032) were forfeited as members of senior management left the business prior to completion of the vesting period.

The weighted average remaining contractual life under exercise period of all LTIP awards is 8.19 years (2022: 8.05 years).

Share Incentive Plan

The Company awarded free shares to its employees following the initial public offering in November 2015. Shares were allocated to employees on the basis of length of service. Free shares awarded to an employee under the SIP were subject to a minimum holding period of three years.

Historical employee attrition rates were used to calculate the expected number of shares expected to vest. The resulting income statement charge was spread over the three-year vesting period with a corresponding entry in equity.

In addition, the Company's voluntary partnership share purchase programme, which is open to all employees, is administered through the SIP.

As at 31 July 2023 the SIP Trust held 579,582 (2022: 592,575) ordinary shares in the Company. The market value of the shares held by the SIP Trust as at 31 July 2023 was £8.7m (2022: £8.3m).

The weighted average remaining contractual life of share-based payment arrangements at the year end was 3.36 years (2022: 3.36 years).

All share-based payment arrangements

The number and weighted average exercise price of all share-based payment arrangements (including LTIP) are as follows:

	Weighted average exercise price £	No. of shares as at 31 July 2023	Weighted average exercise price £	No. of shares as at 31 July 2022
Outstanding at 1 August	—	927,021	—	1,098,374
Granted during the year	—	401,964	—	232,832
Forfeited during the year	—	(50,082)	—	(51,032)
Exercised during the year	—	(217,681)	—	(353,153)
Outstanding at 31 July		1,061,222		927,021
Exercisable at 31 July		241,560		251,268

The fair value of share-based payment arrangements granted in the year was £4,222,307 (2022: £3,747,316), relating entirely to Long Term Incentive Plan awards.

The weighted average remaining contractual life of share-based payment arrangements at the year end was 7.43 years (2022: 7.21 years).

26 Post balance sheet events

Dividend

A final dividend of 17.0p per share has been recommended by the Directors and if approved by shareholders will be paid on 19 December 2023. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 10 November 2023. Shares in the Company will be quoted ex-dividend on 9l November 2023. The dividend reinvestment plan ('DRIP') election date is 28 November 2023.

In line with the Company's stated intention to return excess cash to shareholders, a further special dividend payment of 12.6p has been proposed. If approved this will also be paid on 19 December 2023 alongside the final ordinary dividend.

27 Related party relationships and transactions

Transactions with key management personnel

The remuneration of key management personnel, which consists of persons who have been deemed to be discharging managerial responsibilities, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2023 £'000	2022 £'000
Short-term employee benefits	2,955	3,061
Post-employment benefits	6	23
Key management personnel share-based payment charges	1,391	1,083
	4,352	4,164

Key management personnel received a total of 177,283 share awards (2022: 117,228) at a weighted average exercise price of £Nil (2022: £Nil).

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Dividends to Directors

	2023 £'000	2022 £'000
M Hellawell	1,563	1,773
G Watt	32	18
G Charlton	44	37
R Perriss	6	6
V Murria	62	70
K Mecklenburgh	—	—
K Slatford	—	—
L Weedall	—	—
	1,707	1,904

Katy Mecklenburgh started on 19 June 2023.

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Katy Mecklenburgh (CFO)
Robyn Perriss (Independent NED)
Vin Murria OBE (Independent NED)
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