SysGroup

Environment, Social, and Governance Report 2023

Introduction

At SysGroup we are committed to minimising our impact upon the environment and associated local communities. We are committed to being a good corporate citizen, good employer and working to reduce our carbon emissions.

We understand the importance of operating sustainably and are proud to present our second voluntary ESG Report. This report outlines our efforts in developing our ESG strategy and the next steps to operate more responsibly and sustainability across our operations. Last financial year, we established a baseline for reporting, to measure our KPI's and execute our commitments.

"Interest in Environment, Social and Governance ('ESG') amongst our team and stakeholders continues to grow, and we recognise that SysGroup has a part to play to reduce our environmental impact and enhance our support for social development, both within our organisation and in our local communities.

We have an established and strong governance structure in place, and we continue to embed ESG into these processes. We were delighted that Inspired were able to provide an ESG & net zero training session to our Board of Directors in January.

We are still in the early stages of our ESG journey and are taking the necessary steps to build an effective ESG vision and strategy which aligns with our values and those of our stakeholders."

Adam Binks, CEO
Martin Audcent, CFO

Overview

Governance & Strategy

Economic

Environment

Social

About the Group

SysGroup is a multi-award-winning managed IT services and cloud hosting provider, which is listed on the AIM market of the London Stock Exchange (LSE:SYS). We specialise in managed IT services, cloud hosting, security solutions, connectivity and strategic technical consultancy.

We have offices in Liverpool, London,, Manchester, Bristol, Edinburgh and Newport. SysGroup delivers solutions using best of breed (the best solutions available), industry leading technologies. These are architected, supported and maintained by our highly skilled in-house teams.

We focus on the UK midmarket and work with its customers to drive strategic and operational IT change, providing secure, cost-effective services from a range of platforms. Our approach is technology-agnostic, ensuring our solutions fit customers' needs and enable the best possible outcomes. SysGroup maintains several strategic partnerships and accreditations with leading technology vendors.

For example, Dell (Gold), WatchGuard (Platinum), Veeam (Gold), Microsoft (Gold Datacentre), VMWare, Mimecast and Zerto. Accreditations include ISO 27001:2013 and ISO 9001:2015 for quality management and Visa Level 1 Merchant Service Provider status, to underpin our PCI:DSS hosting capabilities. This enables our technicians to deploy best of breed technologies in client solutions.

SysGroup made two acquisitions in FY23 which have increased the size of the Group: Truststream Security Solutions Limited and Orchard Computers Limited.

Truststream is a company with an office and team based in Edinburgh. They are a leading provider of professional and managed cyber security services.

Orchard IT is a managed IT service provider based in Bristol. Orchard has been in operation for over 30 years and has a longstanding and diverse customer base largely in the Southwest of England.

Our Services

At SysGroup, we offer hosting services. Cloud-based public, private and hybrid hosting are designed to deliver optimum performance, resilience, high availability, security and ease of management. Technology agnostic, is tailored for the specific customer's requirements, including PCI compliance, locked rack and dedicated hardware, creating cloud-based or on-premises IT platforms.

We offer first-class service delivery, affordable fixed costs, and the most up-to-date know-how. Our agile approach and agnostic delivery methods allows us to respond swiftly to your business challenges, solving problems and creating a managed services system.

We develop an infrastructure that responds to the customer's unique concerns and issues, designed to scale as a company grows.

At SysGroup, we are also serious about IT security. Being ISO 27001 accredited, we combine an exceptional reputation for IT security, which includes platinum partner status with WatchGuard.

03

About the Group/continued

We also offer critical company secure data back-up, with a reliable and rapid recovery from any IT issue. We offer seven UK-based data centres to ensure maximum business continuity and unparalleled peace of mind.

In addition, we support businesses with a broad range of connectivity choices, from super-fast broadband and ADSL to leased lines, WANs, VPNs and PWANs. SysGroup provides impartial, independent advice that clarifies the benefits of the variety of solutions.

SysGroup boasts vast expertise working across platforms and projects of every size and scale, creating solutions that are cost effective and flexible.

Our Solutions

When IT systems are a mixture of new and old or on-site and cloud based, it can be overwhelming to plan a migration project. The stakes are high, and you can't risk the security of your data or costly downtime. We demystify, simplify, and streamline the migration process.

At SysGroup, we can also help with a business continuity plan, from hosting in our state-of-the-art data centres, to a fully managed Disaster Recovery as a service (DRaaS) strategy. In addition, we also offer compliance and data management solutions. Data security is at the heart of our operations, and we can offer PCI-compliant hosting, GDPR automation, and bespoke cloud environments that blend public and private options for optimal security. Furthermore, we offer powerful pen testing, email security, education and training on best practices and new ways to guard against security threats.

At SysGroup, our Tech Workshop methodology involves an in-depth assessment of a company's IT estate. We assess the company's IT strengths and weaknesses. Our team evaluates current structures, compares them to a company's goals, and creates a detailed outline of suggestions for improvement and growth. This process sharpens focus before a large or complex migration process.

Overview

Governance & Strategy

Economic

Environment

Social

04

About this Report

As SysGroup, we are proud to present our second voluntary ESG Report. We aim to provide our stakeholders with a detailed review of our ESG strategy and journey during FY23. SysGroup is not currently subject to ESG regulatory reporting requirements, as we are significantly below the size thresholds. However, we are committed to reducing our impact on the environment, further developing our teams, and contributing to local communities where we operate.

Partnering with experts

Following the Board's decision to embark on the Project, we took the decision to partner with a specialist ESG consultancy, Inspired plc, to help us navigate the ESG reporting landscape and develop our ESG strategy. To ensure our strategy is developed using best practice guidance, we have followed the ESG disclosures and reporting frameworks.

For example, we have used the **Streamlined Energy and Carbon Reporting (SECR)** to calculate and voluntarily report on our energy usage, associated emissions and energy performance (page 25). We will use this framework when considering energy consumption and carbon emissions.

Also, we have published our second **Task Force on Climate-Related Financial Disclosures (TCFD) Report,** to monitor risks to the business and to prepare for emerging regulation.

In addition, we have used the **Global Reporting Initiative (GRI)**, to prepare our second ESG Report, which outlines the development of the Group's ESG project and next steps to our stakeholders. The GRI is an in-depth ESG reporting framework that enables organisations to report on their environmental, social, economic and governance performance.

We published our first voluntary ESG report during the last financial year, to help understand how our current practices affect our impact on the local communities and environment. Moving forward, as our second year of reporting, this financial year we aimed to strengthen our ESG strategy and reporting. We have introduced KPIs and initiatives to minimise our environmental and social impact.

Overview

Governance & Strategy

Economic

Environment

Social

Governance & Strategy

Our Purpose

The Group's clear strategy and purpose is to become the leading provider of managed IT services to businesses in the UK.

SysGroup delivers solutions that enable clients to understand and benefit from industry leading technologies and advanced hosting capabilities.

SysGroup focuses on a customer's strategic and operational requirements, which enables clients to free up resources, grow their core business and avoid the distractions and complexity of delivering IT services.

To ensure we meet our strategic goals, it's vital that our organisation is structured, managed and operated in accordance with our core values.

Core Values

Love what you do

Our people are passionate about what they do, committed to their team, their colleagues, and the success of our business. Loving your job is a part of everybody's role at SysGroup. We aim to inspire our colleagues and customers by our energy, tenacity and adaptability.

Work smart

Being part of a fast-paced, dynamic and growing organisation, it is critical that our people work hard, to help us achieve our goals and vision. We encourage people to be innovative, contribute ideas and to work in a way that is efficient and helps them to get the job done. Our people get a real buzz from the pace at which our business operates and works with a strong sense of urgency and purpose, which places them outside of their comfort zone.

Own it

Our people stand up and take ownership of tasks and take accountability for their actions.

They volunteer to step up when help is needed from their colleagues. Our people are expected to use their own judgement and consistently challenge their own assumptions.

Delight your customers

At SysGroup, we don't want happy, we want delighted! At the heart of everything we do is the desire to set ourselves apart from our competitors by delighting our customers. We want to build our business through our excellent reputation. We take the same approach with our internal customers, taking the time and making the effort to delight our colleagues and stakeholders to promote a positive working environment.

Be bold and deliver

Our people are sharp, agile and insightful. We actively promote an environment where suggestions and ideas are welcome, where people can speak up about an idea, discuss it, then formulate a way to deliver it.

Overview

Governance & Strategy

Economic

Environment

Social

ESG Risk Management

At SysGroup, we aim to assess and mitigate risks and their associated impacts, to minimise the potential physical and financial damage that the Group may experience. Over the course of our regular operations, the Group identifies and takes preventative action to mitigate various risks that could disrupt our business operations. The Board pertains overall responsibility for managing the Group's risks, including climate-related risks.

Climate Risks

As part of our TCFD progress, we took the steps to understand the importance of climate change, the risks and opportunities it presents to our business. We worked with a third-party ESG consultancy, to identify and assess the climate-related impacts that our business operations may experience over three potential warming scenarios (below 2°C, between 2-3°C, and above 3°C), over the short (2023-2025), medium (2025-2035), and long-term (2035-2050).

We have concluded that due to the nature of our business and the location of our sites across the UK, climate change poses a low risk to our operations and business strategy. However, we are committed to mitigating the risks of climate change and reducing our impact on the environment.

Transition Risks

The risks associated with the transition to a low carbon economy poses more of a potential impact to our operations than the physical effects of climate change, due to the nature of our business and locations of our sites. For SysGroup, our most significant climate-related risk is the increased cost of energy and materials. We have experienced an increase in energy prices and some costs of finished products. It's likely that energy prices will increase further in the short-medium term (2023-2035) and under the below 2°C scenario and the 2-3°C scenario. We aim to monitor this risk closely and review the impact, as we explore more energy efficiency technology, supply chain management, and initiatives to reduce our energy usage.

SysGroup is not currently impacted by carbon pricing. However, we recognise that this may change over time if the government increases regulation in this area. The impact of this risk would be highest for SysGroup within the 2-3°C scenario, particularly in the medium-term when carbon pricing is expected to peak.

Physical Risks

Physicals risks and opportunities are those resulting from the physical impacts of climate change. SysGroup may experience the impact of physical risks. For example, increased risk of flooding and sea-level rise within the above 3°C scenario in the long-term (2035-2050). While these risks do not impact the Group in the near term, we will continue to monitor the physical risks at all our offices and third-party data centre locations. Overall, we determined that climate change has the potential to cause a slowing of our operations within the short to medium term, and a small disruption to our operations within the long term. Details of all climate-related risks and opportunities can be found in our TCFD Report, which is available on our website.

Our ESG Project

While we are at the beginning of our ESG journey, operating as a good corporate citizen has always been embedded within our purpose, culture and core values. We aim to act responsibly, with consideration for the environmental and the local communities in which we operate.

Last financial year, we launched our ESG Project, to disclose our carbon emissions, understand the environmental and social impact of our operations, and report on the social and governance activities that we've undertaken.

In FY23, we launched a robust data collection process, to understand the environmental and social impact of our operations for the second time. Following this in-depth review of our current processes and policies, we are currently developing our ESG Strategy, to introduce initiatives to reduce our impact and operate more sustainably.

FY23 ESG Highlights

Governance

- ESG education workshop.
- Climate change and Net Zero education workshop.
- Continued to integrate ESG into sound corporate governance procedures.

Environment

- Cycle to work scheme implemented.
- Planning to reduce the use of plastic in offices
- Established an ambition to be net zero for Scope 1 & 2 by 2030 and for Scope 3 by 2040.

Social

- Implemented a Learning Management System using Skillsoft (Percipeo).
- Raised funds for our chosen charity, Mind.
- Sponsored a local non-league football team in Bristol, Yate Town FC.
- Quarterly prize draws for team members

09

ESG Governance

We aim to follow the best practice in corporate governance as appropriate for a company of our size, nature and stage of development. Our intention is to embed ESG into our existing governance framework, company policies and procedures across the Group.
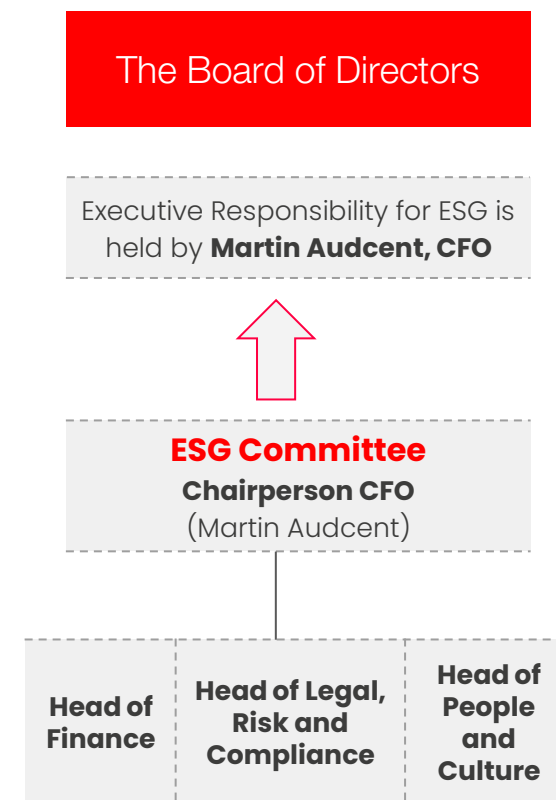
Board Level Responsibility

We recognise the importance of ESG amongst our stakeholders. The Board has overall responsibility for the Group's ESG programme and has an important role to oversee the Programme, allocate sufficient resources, and consider feedback from our stakeholders.

They provide oversight and approval for all disclosures within the Annual Report, which includes ESG disclosures and reporting. To equip the Board with the skills and knowledge required to embed climate change into future business decisions, we hosted an ESG training session in FY23 covering climate change, carbon emissions and net zero.

The Board sets and develops targets for the business and will oversee the development of SysGroup's net-zero roadmap, to support us in reducing our impact on the environment, establishing an ambition to be net zero for Scope 1 & 2 by 2030 and for Scope 3 by 2040.

The Board meets formally once a month, and review periodic updates on ESG performance and progress. In response to growing stakeholder interest in ESG, the Board has established an ESG Committee and delegated the responsibility of ESG and climate action to Martin Audcent, CFO.

Further details of the ESG Committee can be found on page 12. The Board has delegated its ESG responsibilities to the ESG Committee. The committee plays a crucial part in the Group's progress in ensuring long-term sustainable development.

The Board of Directors

Executive Responsibility for ESG is held by **Martin Audcent, CFO**

ESG Committee
Chairperson CFO
(Martin Audcent)

| Head of Finance | Head of Legal, Risk and Compliance | Head of People and Culture |

The Board of Directors

Director	Responsibility
Michael Edelson **Non-Executive Chairman**	Michael brings a wealth of experience as a Board Director to SysGroup PLC. He has been a Founding Director or Chairman of several companies admitted to the AIM market, including Prestbury Group PLC, Knutsford Group PLC, Mercury Recycling Group PLC (now Ironveld PLC) and ASOS PLC. Michael was non-executive Chairman of Bramhall PLC, subsequently renamed Magic Moments Internet PLC and then Host Europe PLC, which acquired Magic Moments Design Limited in September 1999. He has also been on the Board of Manchester United Football Club since 1982.
Adam Binks **Chief Executive Officer**	Adam joined SysGroup as Chief Operating Officer in August 2014 and was formally appointed to the Board in October 2017. Leveraging Adam's vast equity capital markets and M&A experience, he was promoted to Group CEO in April 2018. He is responsible for setting and delivering the Group's overall strategy, to become the leading provider of managed IT services to the UK mid-market. He has extensive experience in the Managed IT, Hosting & Telecoms sectors across a 20-year career. Adam has played a pivotal role in the transformation of the group from a mass-market web hosting company to an award-winning technology solutions provider. Adam has previously held several senior management and Board level positions within the sector.
Martin Audcent **Chief Financial Officer**	Martin was appointed as Chief Financial Officer in July 2018 as part of a newly established board, to deliver on the next stage of growth. Martin has significant senior finance and operational experience. He is a Chartered Accountant, having qualified with PwC in 2000, and joined the Group from NCC Group PLC and served for four years as Associate Director of Finance and Group Financial Controller. Previously, he worked at Baker Tilly and MBL Group PLC in senior finance positions.
Mike Fletcher **Non-Executive Director**	Mike has extensive public markets experience and is the Managing Partner of Arete Capital LLP, a specialist venture and advisory business. He sits on the Board of several privately owned growth companies. Previously, Mike was a managing director for European investment bank GCA Altium, where he gained 10 years of experience in M and A and corporate finance. He has advised a range of clients from public companies, private equity houses and entrepreneurs. Mike is a chartered accountant, qualifying with PwC in 1999. He is both FCA and SRA approved.
Mark Quartermaine **Non-Executive Director**	Mark has over 30 years of experience in the ICT industry in a variety of executive, sales and marketing roles. He started his career at IBM in 1984, where he held different executive positions both in the UK and abroad, culminating in managing the point-of-sale business in the US as the Worldwide Marketing Director for the Retail Division. In January 2013, Mark joined the board of Alternative Networks as a Non-Executive Director. Subsequently, he moved to become COO in January 2014 and was then appointed CEO in September 2015. Alternative Networks was subsequently sold to Daisy Group in December 2016.

ESG Committee

In recognition of growing interest in ESG amongst our stakeholders, we have established an ESG Committee, to support the Group's efforts in developing its ESG Strategy. The primary role of the ESG committee is to ensure that the appropriate attention and resources are assigned to ESG matters. The ESG Committee is responsible for the development of the Group's ESG Strategy, managing the Group's ESG performance and progress, and implementing initiatives to minimise their impact. The ESG Committee was established at the beginning of 2022 and comprises of the Chief Financial Officer (Chairperson), Head of Finance, Head of Legal, Risk and Compliance and the Head of People and Culture, with other members of the Senior Leadership Team co-opted into meetings as required. The ESG Committee aims to meet on a quarterly basis, to review the progress of the ESG Programme across the Group. The Chief Financial Officer provides a formal update to the Board annually and periodic updates at monthly Board meetings.

The Committee is mandated by the Board to introduce and enhance data collection methods throughout the Group, recommend and implement ESG related initiatives and oversee ESG reporting. In FY22, the ESG Committee introduced and managed a robust data collection process, to support the calculation of SysGroup's Carbon Balance Sheet and to understand our impact on the environment and the communities in which we operate, which was repeated this year. These data collection processes will be enhanced annually to monitor progress.

Overview

Governance & Strategy

Economic

Environment

Social

Stakeholder Engagement

Employees

The Group's employees are key stakeholders in the success of the business. We aim to recruit high calibre individuals and the Group invests in their ongoing development needs through internal and external training.

All employees are encouraged to communicate openly with line managers and colleagues. Senior Leadership Team meetings are held formally once a month, to ensure the teams are working with co-ordination and focus in the right areas.

We have undertaken an employee engagement survey during the current financial year. The results from the survey has led to the Senior Leadership team identifying new ways to engage with their teams and support their well-being.

Customers

We aim to delight our customers and this sentiment is at the heart of everything we do.

We have a team of Account Managers and a Head of Customer Experience who regularly meet with our customers, to understand how we can help them solve their IT problems and improve our services.

We measure the performance of our helpdesk support by asking clients to provide an automated response for their level of satisfaction for every service ticket we complete.

Our monthly Board Meetings include reviews of Sales, Marketing, Technical Operations and Customer Experience, all of which highlight areas which directly affect our customers.

Strategic decisions that the Board discuss that may particularly affect our customers are on the portfolio of services and products we offer, the supplier partners we engage with and changes to our operational structure.

Suppliers

The Board is briefed on major contract negotiations and strategy with regards to key suppliers, notably with the Group's providers of datacentre services, software and connectivity.

The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers, alongside the need to obtain value for money for our shareholders and ensuring continued high quality and service levels for our customers. SysGroup pay suppliers on monthly payment runs.

In FY23, we engaged with our top 10 suppliers, to assess their stance on ESG credentials. This due diligence process allows us to assess our supply chain and ensure that our suppliers' values in relation to ethical and environmental practices are aligned with our values.

Stakeholder Engagement/continued

Shareholders

The Directors recognise the importance of listening to and communicating openly with the Company's shareholders, to ensure that the strategy, business model and financial performance are understood. The Executive Directors meet our major shareholders individually following the release of the full year and interim results. They are available for meetings, if requested.

All shareholders are invited to attend the AGM. Our ESG Report, Annual Report, and TCFD Report are considered key communications to our shareholders. They provide a clear explanation of the business performance, financial position, organization, structure changes and prospects.

The Community

SysGroup endeavours to operate as a "good citizen" to its local communities and environment. We encourage and support our employees to participate in charitable events and members of our teams have voluntarily contributed their own time to support local educational groups, with careers advice and developments in information technology. Where possible, we try to "buy local", to ensure we support the surrounding economies of our office locations.

Regulators

As an AIM listed Group, we recognise the importance of maintaining high-quality regulatory compliance and internal governance, which is described in further detail in the Corporate Government Report. We comply with regulations for AIM, the Companies Act, Employment, GDPR, Health & Safety, Anti-Bribery and Corruption, and all other relevant regulations.
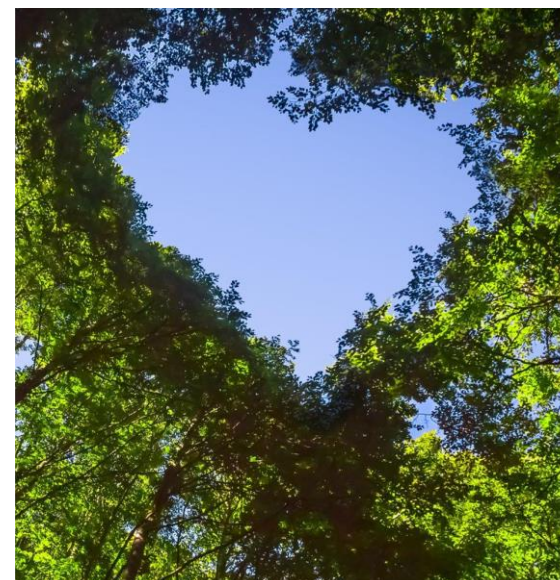
Business Integrity

SysGroup ensures that we uphold the highest levels of business integrity.

We have long standing relationships with our suppliers, and we aim to ensure that all our key suppliers uphold the same values. We are in the process of formalising our engagement processes with our suppliers, to ensure the companies we partner with operate in a responsible manner, as we comply with future changes made by the International Organisation for Standardisation (ISO).

Procurement Policy

We operate a Procurement Policy that governs who can purchase in the organization and to what level of authorized expenditure.

Additionally, business expense claims and company credit card purchases are governed by the Group's "Expenses Policy".

We operate an electronic requisition and purchase order system so there is a clear audit trail and appropriately controlled level of authorization for expenditure.

SysGroup uses a list of preferred suppliers for most purchases. If the supplier is not on the list, a request is sent to the procurement team, to check and verify the new supplier and create an active supplier account. To ensure that the necessary financial and legal reviews have been undertaken, only the CEO or CFO have the authority to sign supplier and vendor contracts.

Whistleblowing Policy

We are committed to conducting our business with honesty and integrity. However, like all companies, things may go wrong from time to time, and there is a risk of illegal or unethical conduct taking place without our knowledge. A culture of openness and accountability is essential, to prevent incidents and address any occurrences.

We encourage staff to report suspected wrongdoing as soon as possible. Any concerns that are raised will be taken seriously and investigated so that appropriate action can be taken. If concerns are reported, confidentiality will be respected.

Even if the concerns turn out to be mistaken, our employees will be protected from suffering any victimisation or reprisals for having reported them. Our Whistleblowing Policy covers all employees, officers, consultants, contractors, casual workers, and agency workers.

Anti-bribery and Corruption

We are committed to acting professionally, fairly and with integrity in all our business dealings, wherever we operate. As a company, we take a zero-tolerance approach to bribery and corruption. We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. We recognise that we remain bound by UK laws, including the Bribery Act 2010, in respect of our conduct both at home and abroad. It is a criminal offence to offer, promise, give, request, or accept a bribe. Individuals found guilty can be punished by up to ten years of imprisonment and/or a fine..

15

Business Integrity/continued

As an employer, we take our responsibility to prevent bribery and corruption very seriously as, if we fail to do so, we can receive an unlimited fine and reputational damage.

Environmental Policy

We are currently developing an environmental policy that will dedicate the Group to improving our energy efficiency and minimising our impact upon the environment.

Discrimination

There were no instances of discrimination throughout the reporting year.

Compliance

We ensure that our team leaders are informed about our whistleblowing and human rights policies and procedures during their face-to-face sessions. We aim to implement a formal training procedure in the next few years that will incorporate anti-slavery, which will likely be implemented into our online portal.

There were no instances of non-compliance with any laws and regulations within the social or economic sector.

Political Contributions

The Group made no political donations within FY23.

Labour

We have no operations and deal with no suppliers that are at significant risk for incidents of forced, compulsory, or child labour.

Overview

Governance & Strategy

Economic

Environment

Social
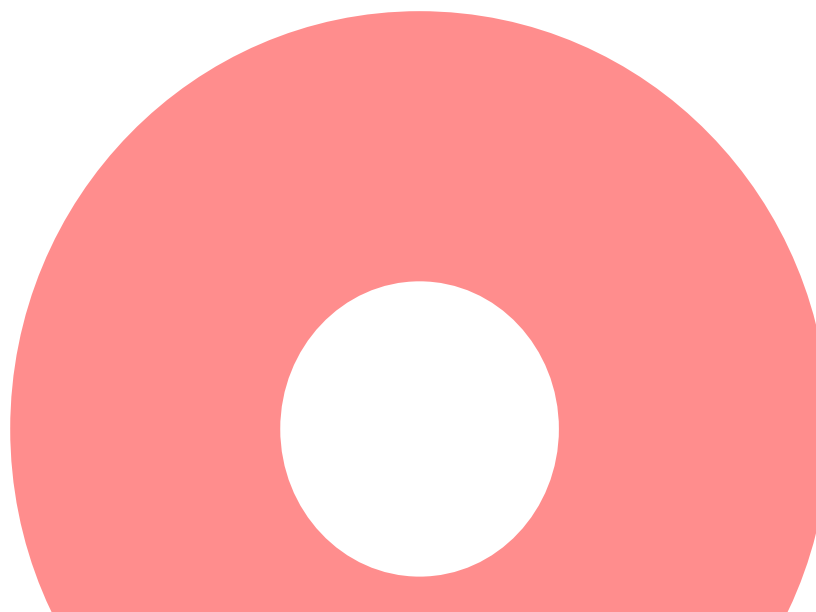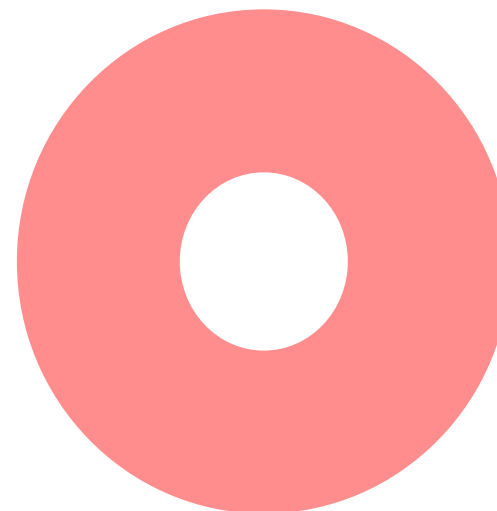
Economic

Financial Highlights and Strategic Developments

FY23 has been another year of progress for SysGroup in spite of the continued difficult economic backdrop. The Group achieved revenue growth of 47% to £21.6m (FY22: £14.7m) and an Adjusted EBITDA increase to £3.33m (FY22: £2.82m). The growth has been driven by the acquisitions of Truststream and Orchard (the "Acquisitions"), both in April 2022.

Truststream's IT security services have proved to be a strong area of growth with cyber security being a key concern for our mid-market and enterprise level customers. The Orchard business, which provides customers with a broad set of managed IT services, has been integrated into the SysGroup operational structure and it has been pleasing to see new business won during the year whilst their customer churn has remained at relatively low levels. Revenue in the core business has remained broadly level, though we are seeing a stronger pipeline of opportunities.

Adjusted EBITDA was £3.33m for the twelve months to 31 March 2023 (FY22: £2.82m) which is an Adjusted EBITDA margin of 15.4% (FY22: 19.1%). The lower margin percentage reflects the change in the revenue and gross margin mix following the acquisitions of Truststream and Orchard.

Revenue

£21.65m

(2022: £14.75m)

Adjusted EBITDA

£3.33m

(2022: £2.82m)

Adjusted Profit Before Tax

£(0.10)m

(2022: £0.60m)

Gross Profit

£11.10m

(2022: £8.92m)

Our Accreditations

Cyber Essentials

Cyber Essentials is a Government backed, industry-supported scheme. SysGroup is Cyber Essentials certified. We can help organisations protect against common online threats.

ISO 27001

ISO 27001 is a specification for an information security management system (ISMS). It is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes.

ISO 9001

ISO 9001 is the internationally recognized Quality Management System (QMS) standard that is designed to be a powerful business improvement tool. It allows us to continually monitor and manage quality across our business, to identify areas for improvement.

Quoted Companies Alliance

The Board has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code ("the QCA Code"), to support the Company's governance framework. Outlined below are examples of compliance with the ten principles in the QCA Code.

G-Cloud

The G-Cloud framework is an agreement between the government and suppliers that provide cloud-based services. SysGroup is listed on the G-Cloud framework for cloud hosting and cloud support services.

PCI DSS

We provide verified PCI-compliant hosting and our infrastructure and internal processes have been audited by a third-party security company. This includes internal and external penetration tests, vulnerability scans and staff interviews.

Strategic Developments

SysGroup made two acquisitions in FY23 which have increased the size of the Group: Truststream Security Solutions Limited and Orchard Computers Limited.

Truststream is a company with an office and team based in Edinburgh. They are a leading provider of professional and managed cyber security services.

Orchard IT is a managed IT service provider based in Bristol. Orchard has been in operation for over 30 years and has a longstanding and diverse customer base largely in the Southwest of England.
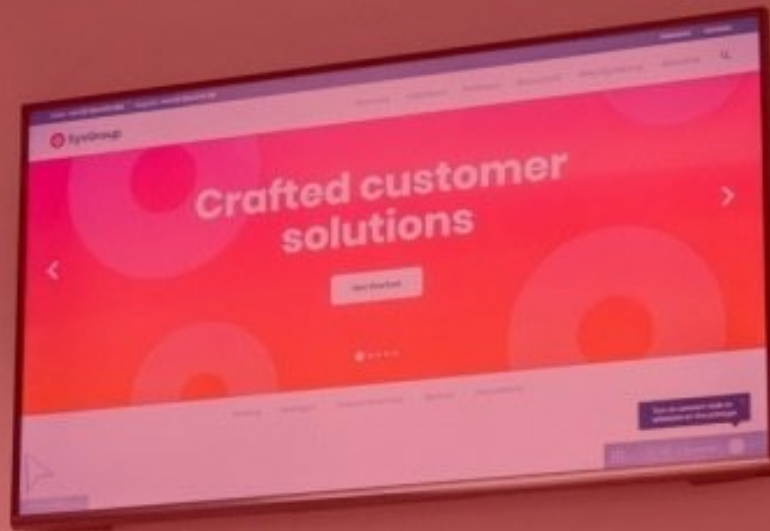
19

Our Partners

Environment

Environmental Approach

Operating responsibly is embedded throughout our culture and in embarking on our ESG journey. We are at the start of understanding our impact on the environment, including our carbon emissions.

As part of the development of our ESG programme, we have introduced and embedded data collection processes throughout our business practices. We aim to measure and report on our progress annually and enhance our data collection processes for waste, water and biodiversity.

During FY23, we set net-zero targets and for the next step, we will create a net-zero roadmap that will provide us with incremental environmental goals to achieve.

Greenhouse Gas Emissions

Reducing our carbon emissions is important to becoming a more sustainable business. We produced a Carbon Balance Sheet (Scope 1, 2 and 3 emissions) for the second time, which can be found on page 27.

Scope 1 emissions are direct greenhouse gas ('GHG') emissions that occur from sources that we control our own (gas usage and transport fuel), comprising 2% of our total emissions.

Scope 2 emissions are indirect GHG emissions associated with our purchase of electricity, steam, heating or cooling. Our offices and data centre racks consume electricity, and this comprises 15% of our total group emissions.

Scope 3 emissions are the indirect GHG emissions within our value chain. The emissions associated with our value chain make up 83% of our total group emissions.

We have collected and calculated our Scope 1 and 2 emissions and energy performance data as we have voluntarily disclosed under the UK SECR as implemented by the Companies (Directors' Report) and the Limited Liability Partnerships (Energy and Carbon Report) regulations.

Our SECR Report can be found on page 26. Our Scope 3 emissions have been calculated to understand the impact of our value chain, which was calculated following the Greenhouse Gas Protocol (GHG) Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Under the GHG Protocol, Scope 3 reporting has 15 reporting categories, nine of which apply to SysGroup. Due to the difficulty of this task and the availability of data, we have not been able to calculate the emissions for all nine relevant categories.

We aim to broaden and strengthen our data collection methods in the next few years, to include all relevant categories and hence improve the accuracy of our reporting. This process enables us to recognise and assess the full impact of our operations on the atmosphere. During the financial year, we established an ambition to be net zero for Scope 1 & 2 by 2030 and for Scope 3 by 2040.

In FY23 we enhanced our data collection processes, to improve the accuracy of our Scope 3 data, by engaging with members of the business to gather more detailed information on Category 7: Employee Commuting. Also, we improved internal systems, to collect more granular data surrounding Category 6: Business Travel.

In addition, we conducted an initial assessment of our top ten suppliers, to understand their ESG credentials and strategy. Over time we aim to develop this process further, to engage with suppliers on our ambition to reduce our carbon emissions.

Greenhouse Gas Emissions/continued

Our FY23 Scope 1 and 2 emissions comprise 17% of our total group emissions, with our Scope 3 emissions representing the remaining 83%.

SysGroup's total Scope 1, 2 and 3 carbon emissions are as follows:

Emissions Scope	FY23 Gross Emissions (tCO$_2$e)	FY23 Percentage of Total Emissions	FY22 Gross Emissions (tCO$_2$e)	FY22 Percentage of Total Emissions
Scope 1	29	2%	–	–
Scope 2	277	15%	356	19%
Scope 3	1,545	83%	1,486	81%
Total	**1,850**	**100%**	**1,842**	**100%**

Streamlined Energy and Carbon Reporting (SECR)

SECR requires companies to report on their energy usage (kWh) and its associated emissions (tCO2e). For SysGroup, this specifically includes separating our energy usage into Scope 2 supplied electricity and Scope 3 transportation emissions.

The total location-based emission (tCO$_2$e) figures for energy supplies reportable by SysGroup PLC are as follows:

	Location-based tCO$_2$e		
Intensity Metric	FY23 UK Intensity	FY22 UK Intensity	% Change
tCO$_2$e / £m	14.63	25.73	-43.12%

This reporting helps us and our stakeholders to understand the energy performance of the Group. We have reported our intensity metric of tCO2e per £m revenue to track our progress over time as our business grows.

Scope 1, 2 and 3 consumption and CO$_2$e emissions data has been calculated, in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases [2022] version 1 has been used, utilising the current published kWh gross calorific value (CV) and kgCO$_2$e emissions factors relevant for reporting year [01/04/2022 – 31/03/2023].

Intensity metrics have been calculated using total tCO$_2$e figures and the selected performance indicator agreed with SysGroup PLC for the relevant report period total revenue (£m), which was £21.65m in FY23, compared to £14.75m in FY22.

24

Greenhouse Gas Emissions/continued

Datacentres

The electricity consumed at the data centres that we use for cloud hosting, is responsible for a high proportion of our Scope 2 emissions, accounting for 254 tCO_2e in FY23, compared to 280 tCO_2e in FY22. We recognise the high energy consumption of datacentres. Although, we have a limited ability to impact this, many of our datacentre suppliers have communicated their own ambitions to be net zero, along with a commitment to utilise renewable energy where possible across their sites. We aim to engage with our datacentre providers to further understand their energy usage and efforts to operate sustainably.

Total Consumption (kWh) figures for energy supplies reportable by the SysGroup PLC are as follows:

Utility and Scope	2023 Consumption (kWh)	2022 Consumption (kWh)
Scope 1 Total	**142,939**	**0**
Gaseous and other fuels	85,136	0
Transportation	57,803	0
Scope 2 Total	**1,430,125**	**1,676,193**
Grid-Supplied Electricity	1,430,125	1,676,193
Scope 3 Total	**50,084**	**101,523**
Transportation	50,084	101,523
Total	**1,623,149**	**1,777,716**

Total Location-based emissions (tCO2e) for energy supplies reportable by SysGroup PLC are as follows:

Utility and Scope	FY23 Emissions (tCO_2e) Location-based	FY22 Emissions (tCO_2e) 2022 Consumption (kWh)
Scope 1 Total	**28.67**	**0.00**
Gaseous and other fuels	15.54	0.00
Transportation	13.13	0.00
Scope 2 Total	**276.56**	**355.91**
Grid-Supplied Electricity	276.56	355.91
Scope 3 Total	**11.55**	**23.54**
Transportation	11.55	23.54
Total	**316.78**	**379.45**

Overview

Governance & Strategy

Economic

Environment

Social

25

Carbon Balance Sheet

Emissions Scope and Scope 3 Category	GHG Emissions (tCO2e)	Share of Total Emissions
Scope 1	**29**	**2%**
Gas	16	1%
Transportation (excluding grey fleet)	13	1%
Other Fuels	N/A	0%
Scope 2 (Location-based)	**277**	**15%**
Scope 2 (Market-based)	N/A	N/A
Scope 3	**1,545**	**83%**
1. Purchased Goods and Services	1,092	58%
2. Capital Goods	150	8%
3. Fuel-related Emissions	104	6%
4. Upstream Transportation and Distribution	14	1%
5. Waste Generated in Operations	3	0%
6. Business Travel	75	4%
7. Employee Commuting	107	6%
8. Upstream Leased Assets	N/A	0%
9. Downstream Transportation and Distribution	N/A	0%
10. Processing of Sold Products	N/A	0%
11. Use of Sold Products	0	0%
12. End-of-life Treatment of Sold Products	0	0%
13. Downstream Leased Assets	N/A	0%
14. Franchises	N/A	0%
15. Investments	N/A	0%
Total All Scopes (Location-based)	**1,850**	**100%**

A third-party use of the company's data has been used to calculate emissions, but no formal assurance has been provided.

Environmental Initiatives

Energy Efficiency

We are developing a net zero strategy over the next year, having set targets to reduce our emissions. As part of this process, we will introduce initiatives throughout the Group to help mitigate the impact of our climate-related risks. We will then continue to report on our progress across the targets and initiatives annually. Over the next few years we aim to introduce energy efficiency measures across our business, to reduce our emissions and energy usage.

Reducing Waste

Due to the nature of our operations, SysGroup is a low-waste business. Our offices are fitted with recycling bins and employees are encouraged to recycle. Our products and services require minimal or no packaging. At SysGroup we recycle our old IT equipment using CPR Computer Equipment Recycling (CPR). Partnering with CPR ensures our equipment is wiped to comply with GDPR, before being restored and recycled, with profits from retail sales being donated to UK charities. We aim to review the possibility of measuring our waste production moving forward.

27

Minimising Our Impact

Biodiversity

Due to the nature of our business, The Group has little impact on biodiversity. However, we are constantly researching opportunities to enhance biodiversity within our local communities and around our offices, including through employee engagement.

Water

We do not operate in a water-intensive sector. Water consumption across the Group is for employee use only and is kept to a minimum.
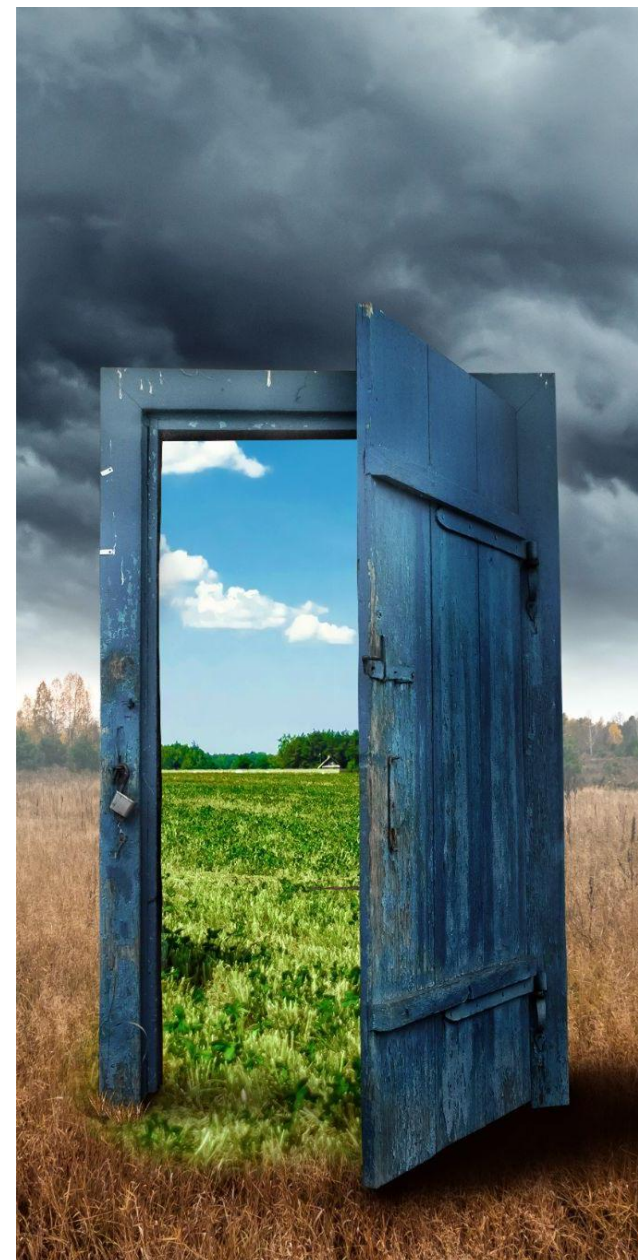
28

Social

Our People

The Group's employees are key stakeholders in the success of the business. Our people are core to our operations, and we ensure that our teams are frequently interacting with one another and the communities.

This financial year, we employed on average 107 full and part-time employees across our six office locations in Liverpool, Manchester, Newport, Edinburgh, London & Bristol.

Employee Engagement

We recognise that a happy and engaged workforce is key to driving success. We encourage our team leaders to meet with team members regularly face-to-face, to discuss and address any work or personal concerns raised by employees. We conduct employee surveys to obtain the views of our team members.

Annually we hold an employee survey to hear the views of our team members and gather feedback and suggestions to improve our business.

Following an 85% participation rate in FY23, "You Said, We Did" sessions were held to highlight improvements which have been made across the business.

As a result, we introduced a quarterly newsletter and an improved intranet. We also introduced focus groups across the business to further identify and introduce improvements, as well as improving team collaboration.

In January 2023, our Culture Advocates conducted informal temperatures checks, by engaging with team members to understand what our employees would like to see introduced.

Every Friday we issue a companywide "shout-out" that appreciates the hard work of employees across our teams in the form of e-cards. These employees are selected by their colleagues, who are encouraged to submit their nominations each week. Employees can access their social wall to view their gift-card and send eCards to other colleagues, such as thank you cards, as a display of appreciation. We plan to launch a new recognition intranet in FY24.

We hold celebrations for all national holidays, and we take great pride in our efforts to celebrate on 3rd March for employee appreciation day.

We believe it's important that our people have energising office spaces to work, which fits with our overall cultural value of "love what you do". We are committed to creating energising working environments with current technology for our employees.

As part of our benefits, employees are enrolled in a quarterly free prize draw, where they can win one of ten exciting prizes.

Our People/continued

Culture Advocates

We have designated Culture Advocates that meet regularly to form the Culture Advocate Group.

The main role of a workplace Culture Advocate is to represent and provide a voice for team members. Advocates review the company culture and identify opportunities to expand team members' experiences. Advocates from across the organisation and at all levels, engage with colleagues, peers and leaders about the subject of culture within the organisation, providing a unique approach to starting and maintaining conversations about 'the way we do things around here'.

At SysGroup, our culture and values set expectations for how our people behave, work, and function as a team. Great workplace culture can break boundaries, guide decision making and enhance team member engagement. Our Culture Advocates drive inclusivity by engaging, listening and delighting our team members through an exceptional experience.

In January 2023, our Culture Advocates engaged with team members regarding potential initiatives for 2023. For example, lunch and learns, team building days, and a continuation of charity fundraising events.

31

Our People/continued

Employee Welfare

We take the wellbeing and health of our employees very seriously. Our People & Culture (P&C) team continue to keep in close contact with our teams and our employees are able to access wellbeing and occupational health support service when required.

The P&C Team work to encouraging social interaction across the business, hosting a range of activities and events such as quizzes, photo competitions, bake competitions, exercise clubs and book clubs. Our P&C team remains committed to promoting a healthy and enjoyable work environment for our employees.

Employee Benefits

We are pleased to offer a wide range of benefits to our employees. We offer private medical insurance cover for all employees, bringing peace of mind to our people in the unfortunate event of illness or accident. This insurance policy also includes up to six sessions of free mental health counselling, prioritising both the mental and physical health of our employees.

Additionally, all employees receive Medicash coverage, which reimburses smaller medical and dental expenses.

Through our company intranet platform, our team members can access discounts of retail and experience discounts for a variety of establishments including gym memberships.

We introduced a cycle to work scheme in May which had been requested by a number of our team members.

Other SysGroup employee benefits include life assurance, financial advice, free quarterly prize draws, annual events to support team health and wellbeing and an additional half-day of annual leave on their birthday.

To help our people spread the positivity that we implement into our working environment, we also have a Candidate Referral Bonus Policy. The purpose of this scheme is to incentivise our team members to refer people they know directly to the company as candidates for positions.
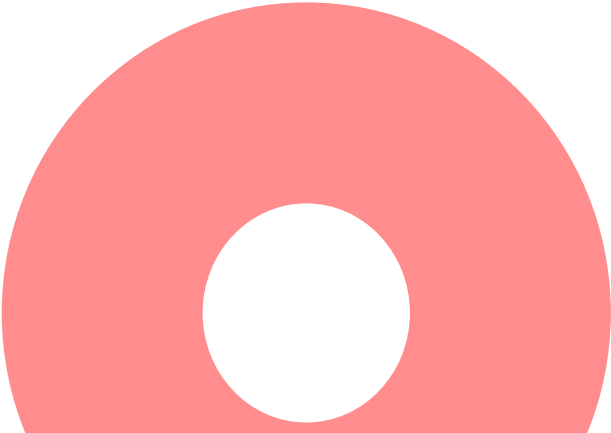
Diversity & Inclusion

We believe that a diverse team is the foundation of a successful business, a happy and productive culture and empowered employees. We are committed to building a more diverse workforce. SysGroup is in the process of developing its Diversity Policy, which will outline our commitment to increasing our employee diversity including by gender, race, ethnicity and ability.

Gender Diversity

While we are committed to increasing our diversity, we have initially focused our efforts on addressing gender diversity. The tech industry has a particularly low representation of women, as it stands just 26% of the tech workforce is female.

We aim to take steps to improve this representation and are currently exploring how we can identify and encourage female candidates throughout the recruitment process moving forward.

We have previously advertised job opportunities specifically on online female careers communities, to encourage more women to join

SysGroup and enter the technology sector. We have recently engaged with several external organisations to support us in understanding potential future opportunities.

We are proud advocates for an increase in female representation in the industry and have sponsored events, which aim to celebrate excellence in women, from personal achievements to outstanding contributions in business. We will continue to look for opportunities to encourage women to work in the technology industry.


Overview

Governance & Strategy

Economic

Environment

Social

33

Diversity & Inclusion/continued

Equal Opportunities

We are committed to promoting equality of opportunity. We aim to create a working environment for our workforce, to make the best use of their skills, free from discrimination or harassment. Our Equal Opportunities Policy applies to all employees and to individuals such as agency staff, consultants and casual staff that are not direct employees, but who undertake work for the company (staff). Also, it applies to people who have applied for work with the Group (applicants). The Group will not unjustifiably discriminate against our staff or applicants based on their sex, marital or civil partner status, gender reassignment, sexual orientation, race, colour, nationality, ethnic or national origin, religion or belief, pregnancy or maternity, disability or age. The Group recognises and supports the rights of fixed-term and part-time workers not to be treated less favourably because of their status.

The policy applies equally to the way we treat our visitors, clients, customers and suppliers and the way they in turn treat our staff.

We are proud to state that we have no minimum wage workers, and we proactively implement measures to ensure all employees are compensated.

Overview

Governance & Strategy

Economic

Environment

Social

34
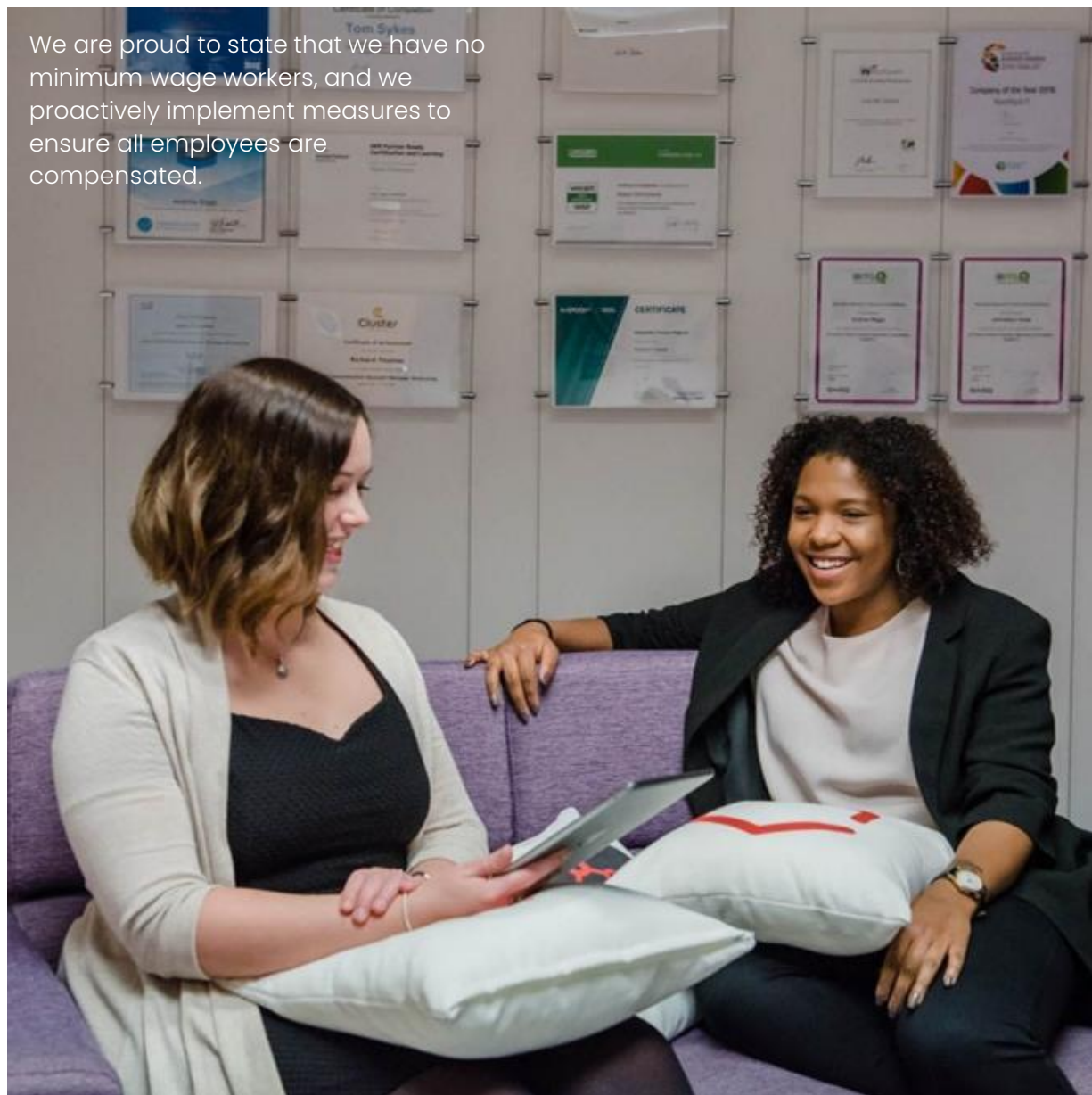
Learning & Development

We are a strong believer that the business provides the best customer service from a team that is motivated, trained well and curious to learn more. Therefore, we encourage constant improvement/upskilling, by providing our employees with a variety of learning and development opportunities.

Our people receive a range of training, from general onboarding to role-specific development training. During onboarding, all employees are trained on health and safety, information and security. For example, General Data Protection Regulation (GDPR), and an assortment of online safety modules (social media and phishing).

In FY23 we implemented a Learning Management System using Skillsoft (Percipeo), which provides appropriate learning opportunities for all team members, including technical and other business needs. At SysGroup, we are committed to promoting the professional development of our workforce in their chosen careers within our company.

We fund professional qualifications for personal development and plan to review the possibility of introducing a leadership development program in the next few years.

To enhance our learning and development programme we continued our Lunch & Learn scheme, where guest speakers provided presentations on various topics to our teams, bringing everyone together in an educational space at least once a month. Examples of Lunch & Learns included discussing topics such as compliance policies and informative sessions hosted by the charity Mind.

We are in the process of expanding our leadership development programmes, by introducing apprentices and graduate programmes. We aim to engage with mentors within the business to provide support and guidance where necessary.

Health & Safety

We consider the health and safety of our employees and visitors to be of paramount importance. We use the services of a third-party provider to source independent H&S Advice.

To enhance our governance and oversight of H&S in SysGroup, we have a Health & Safety Committee which meets on a quarterly basis. The chairperson is the Head of People & Culture, and fellow members are the CFO, Head of Legal, Risk & Compliance, Senior People & Culture Advisor and Executive Assistant. The remit of the Committee covers employee H&S training; fire wardens and training; first aid kits and training; electrical appliance testing; evacuation procedures; working at height policy; personal protective equipment; review and actioning of H&S Office visit reports; maintaining and promoting the H&S Policy.

Due to the nature of our operations, very few H&S incidents occur. These tend to be associated with minor injuries. Any incident is recorded in an accident log, and any necessary health and safety changes are implemented.

There is also a member of staff trained in first aid across all our sites.

Health & Safety Policy

We operate a Health & Safety Policy which outlines the steps we must take to protect the health and safety of employees and visitors attending our premises.

Managers are responsible for ensuring the team under their leadership follow the policy. Each team member is responsible for ensuring they are familiar with the policy, follow the safety rules, and take appropriate steps to minimise health and safety risks.

Overview

Governance & Strategy

Economic

Environment

Social

36

Charitable & Local Communities

We aim to have a positive impact on the local communities in which we operate. This year we invited everyone to submit suggestions for a suitable charity for SysGroup to support. We received a number of charity nominations.

After a company-wide vote, we selected to support the mental health support charity Mind to support people struggling with their mental health and wellbeing. Colleagues are provided with information on how to support Mind, encouraging them to volunteer. We raised charitable funds through several team member events such as Freaky Friday for Halloween and the Christmas Jumper appeal.

We actively encourage and support our employees to participate in charitable events and donate their time to support local educational groups, with careers advice and developments in information technology.

In collaboration with partner organisations, we donate unused and refurbished laptops to underprivileged children in our local areas.

We are supporting the local community in Bristol, by sponsoring the non-league football team, Yate Town FC, which is located near to our Bristol office.

We have also implemented additional initiatives to give back to our local communities, such as installing food bank boxes in our kitchens and making donations for charitable appeals.

Where possible, we try to "buy local" to ensure we support the surrounding economies of our office locations, partnering with local suppliers where possible. When we refurbish offices, we donate the old office furniture and equipment to not-for-profit organisations so they benefit from receiving second-hand office equipment in good condition free of charge.

SysGroup has also worked with the Grace Eyre Foundation (Grace Eyre), which supports people with learning disabilities and mental health needs in Brighton, Hove and across Sussex. Grace Eyre helps people develop their independence, obtain housing, find employment and learn new skills. SysGroup provides technical consultancy, strategic advice and IT problem resolution to support Grace Eyre.

Overview

Governance & Strategy

Economic

Environment

Social

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