SysGroup

Task Force on Climate-related Financial Disclosures Report 2023

INSPIRED
PLC

Introduction

We took further steps this year to understand the importance of climate change, the risks and opportunities it presents to our business. Climate change shifts may be natural, but since the 1800s, human activity has been a driver of climate change, primarily due to the burning of fossil fuels. Unpredictable changes in our climate, may bring with it challenges for the economy and society, with potential impacts on the success of our business. We are committed to acting responsibly and reducing our impact on the environment.

"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 continue to embed ESG into these processes. We were delighted that Inspired were able to provide an ESG and 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

About this Report

By committing to improving the sustainability of our operations, SysGroup aims to develop a strategy which is resilient to climate change, by following best practice and emerging industry regulation.

Since SysGroup is an AIM listed company with under 500 employees and £500m turnover, we are not required to comply with the UK Task Force on Climate-Related Financial Disclosures (TCFD) and regulation. However, we recognise that understanding climate change and its impact will support our wider ESG journey.

Therefore, we are pleased to **voluntarily report** our progress to embed the recommendations of the TCFD into our business. It communicates our progress, by identifying and assessing climate-related risks and opportunities and understanding our impact on the environment.

We understand that climate-related impacts may affect the success of our business.

We partnered with a third-party ESG consultancy, Inspired plc, to understand the climate-related risks and opportunities that our business may experience 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 on our business and reducing our impact on the environment.

This financial year we have prioritised the following:

- Calculating our FY23 Carbon Balance Sheet (Scope 1, 2 and 3 emissions).
- Widening climate scenario analysis to include acquired sites.
- Establishing an ambition to be net zero for Scope 1 and 2 by 2030 and for Scope 3 by 2040.

About the TCFD

We recognise that climate change presents a range of potential risks, which we may need to mitigate and opportunities that may benefit our business.

To identify, assess and address our climate-related risks and opportunities, we have commenced the process of embedding the TCFD recommendations into our business operations and strategy. We have used the TCFD framework as a tool to guide us in understanding climate change and its associated risks and opportunities.

Throughout this report, we will report through four themes (Governance; Strategy; Risk Management; and Metrics and Targets). Using this reporting structure, we can help to manage the impact of climate change across our operations.

Climate related risks and opportunities are grouped into two categories (transition and physical).

Transition risks and opportunities are associated with the world's transition to a decarbonised economy and cover four key areas (policy and legal; reputation; market; and technology).

Physicals risks and opportunities are those resulting from the physical impacts of climate change and are divided into two areas (acute and chronic). Acute risks and opportunities are due to event-driven weather events. Chronic risk and opportunities are due to longer-term changes in climate.

There are twelve climate-related risks, which we have incorporated into our corporate risk management framework, to ensure it has a high profile at Board level.

We recognise that we are at the early stages of this process. We will provide annual updates on our progress and intend to enhance our TCFD reporting process, as we expand and develop our climate strategy.

This report communicates our progress in understanding climate change and the development of our climate strategy to our stakeholders.

Our approach to **Climate Governance** can be found on page 7. This section outlines Board, Executive and Management's responsibility for managing climate-related risks.

The **Strategy** section on pages 13-21 outlines our approach to identifying and assessing our climate-risks and opportunities, and their potential impact on our business. This financial year, we identified three significant risks and one opportunity, details of which can be found on page 16.

Our **Risk Management** processes for climate-related risks and opportunities can be found on pages 23-26, detailing the development of our climate risk management framework.

The **Metrics and Targets** section on pages 28-32 outlines the journey to understanding our impact on the environment and our efforts to operate as a sustainable business.

About the Group

SysGroup is a multi-award-winning managed IT services and cloud hosting provider. Listed on the AIM market of the London Stock Exchange (LSE:SYS), we are supported by our shareholders to fulfil our strategy of being a consolidator in the UK IT managed services sector.

SysGroup delivers solutions using best of breed (the best solutions available), industry leading technologies, which are architected, supported and maintained by our highly skilled in-house teams.

SysGroup maintains several strategic partnerships and accreditations with leading technology vendors including, 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.

SysGroup focuses on the UK mid-market and works with its customers to drive strategic and operational IT change, providing secure, cost-effective services from a range of platforms.

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.

Following these two acquisitions, SysGroup now has offices in Liverpool, London, Manchester, Newport, Edinburgh and Bristol.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Responsibility for Climate-related Risks

Governance - organisations are recommended to establish and disclose appropriate internal governance processes for climate-related risks and opportunities.

Disclosure recommendations:

a) Describe the Board's oversight of climate-related risks and opportunities.

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

SysGroup's Board of Directors seek to follow the best practice in corporate governance as appropriate for a company of our size, nature and stage of development. We recognise the importance of having a governance framework that is robust and effective, which ESG and climate reporting can be embedded, with effective policies and procedures across the Group.

High-quality governance is reliant on the relationships between management, the Board and the Company's stakeholders.

The SysGroup Board has overall responsibility for the Group's climate-related risks and opportunities and ensuring it builds a business strategy that is as resilient as possible to climate change.

To equip the Board with the skills and knowledge required to embed climate change into future business decisions, we held an ESG training session in FY23 covering climate change, carbon emissions and net zero.

At SysGroup, we communicate regularly with our stakeholders and take their concerns into consideration when developing our strategy, business model and financial planning.

Board-level Responsibility

We recognise that our stakeholders are becoming more concerned about the impact of climate change, and this was a significant factor in our voluntary decision to conduct and disclose a TCFD Report for this financial year. The SysGroup Board of Directors is responsible for ensuring the Company delivers long-term sustainable value for its stakeholders. As part of this, the Board has overall responsibility for the Group's climate action and ensuring that SysGroup builds a business strategy that is as resilient as possible to climate change.

The Board has an important role to oversee the Group's TCFD efforts, authorise sufficient resources, and to consider feedback from our stakeholders. The board aims to develop its process of overseeing and monitoring progress against targets year-on-year. Moving forward, the Board aims to consider climate-related issues when guiding business strategy.

They provide oversight and approval for the Annual Report, which includes disclosure of the Group's climate-related risks and opportunities. The Board of Directors ensures appropriate mitigation plans and next steps are in place to manage the impact of climate change on our business operations.

The Board sets and develops targets for the business, including helping to develop SysGroup's net zero targets, to support reducing our impact on the environment. The Board meets formally each month, where updates on ESG performance and progress are delivered. In response to growing stakeholder interest in ESG, the Board established an ESG Committee in 2022 and delegated the responsibility of ESG and climate action to Martin Audcent, CFO. Further details of the ESG Committee can be found on page 10.

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.

Risk Governance

The Board has overall responsibility for monitoring the Group's principal risks and uncertainties, which are considered in the context of the nature, size and complexity of the business. This includes the Company's climate-related risks and opportunities.

We recognise the importance of managing climate-related risks and opportunities. We have integrated this into our existing risk management processes. The Group employs a Head of Legal, Risk and Compliance ("HLRC"), a Senior Leadership Team position, whose responsibility includes the identification of risks and the ownership and maintenance of the Corporate Risk Register.

The HLRC reports to the Chief Financial Officer in the organisation structure. The concept of risk and mitigation is embedded in our Senior Leadership Team. The risks that have been recorded in our Risk Register and Senior Leader business owners are responsible and accountable for the risks and controls.. The HLRC has been responsible for the identification and assessment of climate-related risks.

In March this year, we held a Climate Risk Management workshop, to assess the impact of climate-related risks and opportunities on our business over the short, medium and long-term. The workshop was held to build our understanding of climate change and its broader scope of associated impacts. After the workshop in March this year, a climate risk register was created to identify and accurately report all climate-related risks. This process will be repeated annually.

The HLRC maintains the Group's climate risk register, which forms part of our overall Corporate Risk Register. This is continually maintained throughout the year and is subject to a scheduled update and review each year with a formal report to the Board and Audit Committee. The Chief Financial Officer presents the outcomes of the Climate Risk Management Workshop to members of the Board annually, who signs off on the classification of each risk.

ESG Committee

To ensure ESG has an appropriate level of profile in the business, a continual level of oversight, and clear accountability, we have established an ESG Committee. The ESG Committee is responsible for the Group's overall climate policy and action, managing the Group's climate-related risks and opportunities, and implementing controls to minimise their impact.

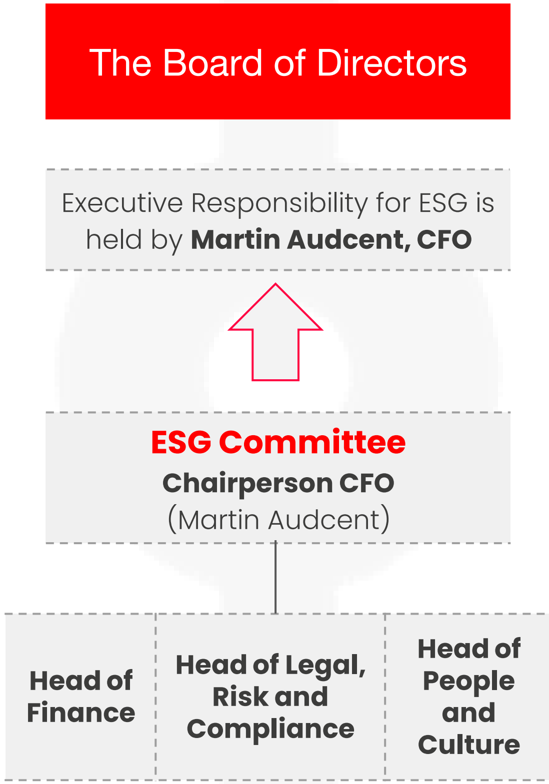
The ESG Committee comprises the Chief Financial Officer (Chairperson), Head of Finance, Head of Legal, Risk and Compliance and the Head of People and Culture, with other members of the Senior Leadership Team co-opted into meetings, as required.

The ESG Committee meets on a quarterly basis to review the progress of the ESG Programme across the Group. The Chief Financial Officer provides an update to the Board on a periodic basis and formally on an annual basis. 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.

The ESG committee were also involved in the climate risk management workshop, where they were informed of the potential climate-related risks and opportunities and assessed the likelihood and impact of each. During the workshop, the ESG Committee members were provided with an overview of climate change and the background and purpose of TCFD. The ESG committee aims to make year-on-year progress to monitor and manage these risks, where appropriate.

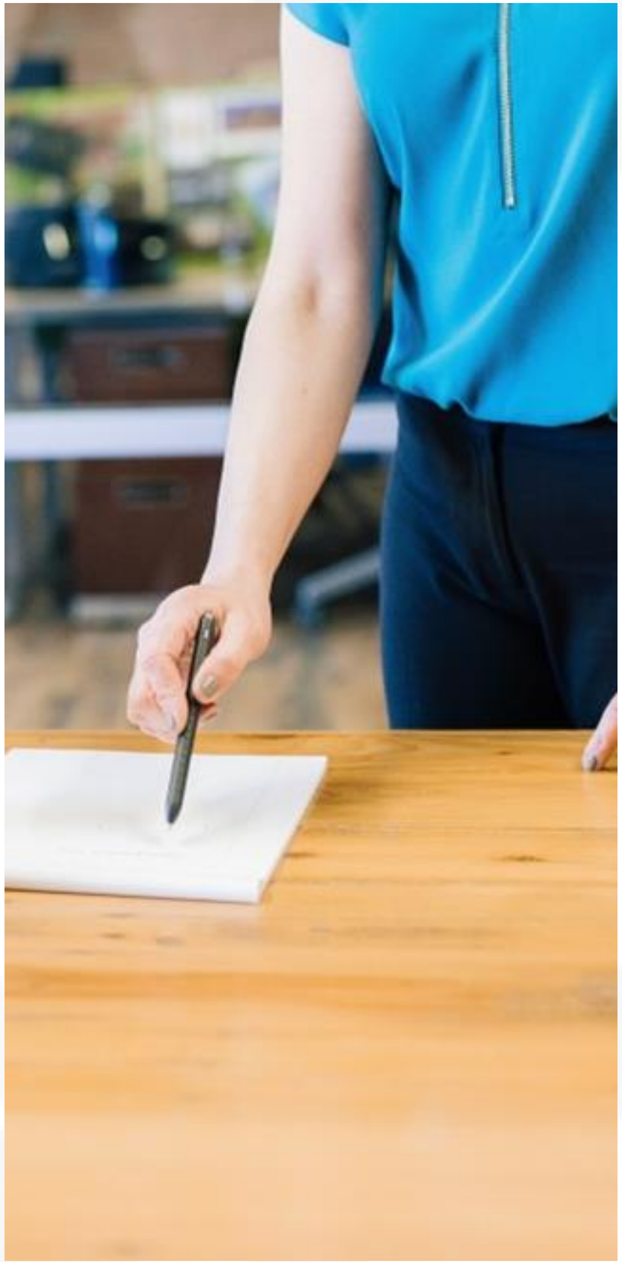
During the current financial year, the ESG Committee continued to manage a robust data collection process, to support the calculation of SysGroup's Carbon Balance Sheet, and to understand our impact on the environment. The emissions data collection processes will be enhanced annually to monitor progress.

Supported by our third-party ESG consultancy, the ESG committee remained informed on climate and net zero matters. In January 2023, Inspired,, our ESG consulting partner, presented an overview of climate change, including SysGroup's strategy, and net zero to the Board. The FY22 Carbon Balance Sheet was also presented and discussed and a review of ESG and TCFD progress was provided.



Overview
Governance
Strategy
Risk Management
Metrics & Targets

Management of Climate Risks



We understand the importance of climate change and the potential impact it may have on our business over time. To reflect this importance, we have developed processes to ensure the management of climate-related risks is held at various levels across the business, as we aim to integrate them within our daily operations.

During the current financial year, we set targets to be net zero for Scope 1 and 2 by 2030 and for Scope 3 by 2040, which were approved by the Board. Having established our baseline, our next step is to develop a net zero strategy roadmap. As part of this project, we will explore the feasibility of potential energy efficiency projects and the Head of Finance will track and record capital expenditure on installing any energy efficiency technology to manage climate-related risks.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities.

Our Climate Strategy

Strategy - It is recommended that organisations disclose the nature and impact of their material climate-related risks and opportunities, as well as the resilience of their strategy under each climate scenario chosen.

Disclosure recommendations:

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

SysGroup has a clear strategy and purpose to become the leading provider of managed IT services to businesses in the UK. As we grow, we are committed to operating as a sustainable and transparent business, reducing our impact on the environment. By following the TCFD recommendations, we ensure that our long-term business strategy remains robust and resilient to future changes in the Earth's climate and the associated potential impacts and opportunities.

Modelling the potential risks and opportunities for our business allows us to build upon our existing risk management processes and develop an internal climate risk management framework.

Our Approach

Inspired plc have conducted a detailed climate scenario analysis across all our sites, including the two newly acquired sites. Climate scenarios are referenced models of the future climate based on global emission levels, used to identify potential climate-related risks and opportunities.

The scenario modelling considered the risks associated with the transition to an increasingly decarbonised global economy at Group level. In contrast, the physical impacts of climate change were evaluated on a site-by-site basis and rolled up into the Group level. We aim to develop our climate scenario analysis annually, to include key disruption routes and suppliers.

Our Climate Scenarios

The TCFD recommends using a range of climate scenarios and timelines, to fully evaluate the potential impact of climate change on our operations, business strategy and financial planning.

The scenarios that we have considered are outlined below.

Below 2°C Scenario

This scenario represents a pathway where governments and companies align with the Paris Agreement target of pursuing efforts to limit warming to 1.5°C by 2100 and achieve the UK 2050 net-zero target. It is anticipated that Governments will introduce policies in a timely and coordinated manner, to reduce carbon emissions. Organisations will compete to become leaders in minimising emissions and reducing environmental impact. This scenario is associated with high transition risks in the short term but minimal physical risks due to prompt action.

Our Climate Strategy/continued

Between 2-3°C

This scenario predicts a delayed response to climate change, resulting in an uncoordinated implementation of policies and regulations. The policies and agreements made in COP26 will lead to this pathway, making it the most probable outcome, producing a global temperature rise of 2°C. This pathway predicts a staggered response to climate change from governments, introducing policies in an uncoordinated manner to reduce global emissions. The business continues as usual in the short term, but the delayed action results in the highest levels of transitional risks within the medium term with some increased severity of physical risks in the long term compared to the 'Below 2°C' scenario.

Above 3°C

In this scenario, limited climate action is taken in the short or medium term. Fossil fuels remain the dominant global energy source, leading to rising emissions until 2040. The inevitable rise in temperatures and subsequent physical risks will eventually pressure governments to act, leading to policies being introduced in an uncoordinated method in the long term. This scenario contains the highest levels of physical risk, due to several tipping points being surpassed.

Time Horizons

The risks associated with climate change pose an everlasting threat that can span decades into the future. To ensure both the current regulations and long-term future impacts are accounted for, we have modelled our scenarios over three timeframes, enabling us to describe the time horizon a risk is more likely to occur. The time horizons were chosen to be aligned with the UK Government's target to be net zero by 2050.

The time horizons are as follows::

- Short-term (2023-2025)
- Medium-term (2025-2035)
- Long-term (2035-2050)

Models

We used several accredited external datasets to conduct climate scenarios, including the Intergovernmental Panel on Climate Change's (IPCC's) Representative Concentration Pathways (RCPs), the International Energy Agency's (IEA's) World Energy Models (WEMs) and the Shared Socioeconomic Pathways (SSPs).

The combination of models provides insight into how GHG emissions, economies, and governments will change and adapt to the challenges of climate change. Our models cover a range of climate-related indicators including temperature, precipitation, aridity, sea-level rise, and flooding, which are combined to reveal the potential future climate under each scenario.

Climate Scenario Results Overview

The results of the climate scenario analysis were presented to the ESG Committee in March 2023, to categorise the impact of each potential climate-related risk across the Group.

This financial year we identified twelve potential climate-related risks and one opportunity. We defined a risk to be significant to SysGroup if it had the potential to cause at least a small disruption to our operations.

Whilst this is our second year of reporting against the TCFD, we are still early on in our journey, therefore, we have not modelled the financial impact of each risk. However, we aim to explore this process further over the next few years. We classified three of the twelve risks as significant to SysGroup.

Significant Risks

- Increased cost of energy and materials: Short - Medium-term (2023-2035)
- Increase in carbon pricing: Medium-term (2025-2035)
- Increased frequency and severity of flooding: Long-term (2035-2050)

Opportunities

- Transitioning to lower emissions technologies: Short - Medium-term (up to 2035)

Transition Risks

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 to 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

SysGroup may be exposed to 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 Company in the near term, we will continue to monitor the physical risks at all our offices and third-party data centre locations.

During the climate risk workshops, members of the SysGroup team came to joint conclusions on scoring the likelihood and impact on operations, based on the information presented. Material risks are those deemed to have a more significant impact on the business. The likelihood and potential impact scores are from one to five, with one being very unlikely / very small disruption to operations.

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.

Transition climate-related risks and opportunities

Risk/Opportunity	Timeline	Scenario	Potential Impact	Likelihood
Increase in regulation due to climate change - Enhanced emissions-reporting obligations	Short - Medium Term (2023 to 2035)	<2°C 2-3°C	**1 – Very small disruption to operations** While this risk is likely to occur due to an already increasing number of environmental, we do not view it as material to the Group, due to our existing voluntary reporting efforts. We are already engaging with a third-party, to produce our voluntary SECR, TCFD and ESG reports prior to the introduction of regulations. Through this partnership, we carefully monitor legislative developments and maintain a strong awareness of intended government action.	4 – Likely
Mandates on and regulation of existing products and services	Short - Medium Term (2023 to 2035)	<2°C 2-3°C	**1 – Very small disruption to operations** From 1st April 2022, organisations that manufacture or import ten or more tonnes of finished plastic packaging material, will need to register for the Plastic Packaging Tax. If this packaging does not contain at least 30% recycled plastic, the organisation will be charged at a rate of £200 per tonne of plastic packaging. The Group classifies this as a very low risk, as we do not import plastic packaging.	1 – Extremely Unlikely
Increase in Carbon/GHG pricing	Medium Term (2025-2035)	2-3°C	**3 – A slowing down of operations** SysGroup is not currently impacted by carbon pricing. However, we recognise that this may change over time, as government regulation is expected to increase in this area. The Group would be at the highest risk within the 2-3°C scenario, particularly in 2026, when carbon pricing is projected to peak. Based on 2021 emissions (Scope 1 and 2 emissions of 356 tons CO2) could indicate a potential tax of £39,254 in 2026 under the reactive scenario, based on 5% year-on-year decrease. The potential financial impact has been modelled using our Scope 1 and 2 emissions, potential year-on-year reductions and our internal carbon price projections based on a global weighted average. Our carbon emissions will likely decrease annually, as we work towards net-zero net zero for Scope 1 and 2 by 2030 and for Scope 3 by 2040. We will model potential carbon costs, as we set interim targets and reduce our emissions annually. Financial modeling will be reviewed over the next few years.	2 – Unlikely

Transition climate-related risks and opportunities/continued

Risk/Opportunity	Timeline	Scenario	Potential Impact	Likelihood
Changing customer behaviour	Medium Term (2025-2035)	<2°C 2-3°C	**1 – Very small disruption to operations** As the world becomes increasingly concerned about climate change, customers will aim to purchase more sustainable products and services. This will result in a requirement to provide lower emissions alternatives. The Group classified this risk as insignificant, as we regularly review changes in market trends as part of existing processes. This risk is not significant to the Group, due to the nature of our operations and services, and our efforts to operate as a sustainable business. We are communicating our company's ESG journey, targets, and commitments to our stakeholders to ensure transparency.	2 – Unlikely
Increased cost of energy and raw materials	Short - Medium Term (2023 to 2035)	<2°C 2-3°C	**3 – A slowing down of operations** Increases in costs could adversely impact the business's profitability. This risk is currently heightened due to: • General inflation. • Increases in the National Living and Minimum Wages. • The Group has experienced an increase in energy prices and some costs of finished products. • This could escalate over time from climate change, geopolitical events and the government introducing a patchwork of policies. • We aim to monitor this risk and review the impact, as we explore energy efficiency technology and initiatives to reduce our energy usage. • Financial modelling will be reviewed over the next few years.	5 – Extremely Probable

Transition climate-related risks and opportunities/continued

Risk/Opportunity	Timeline	Scenario	Potential Impact	Likelihood
Transitioning to lower emissions technology	Short – Medium Term (2023 to 2035)	<2°C 2-3°C	**1 – Very small disruption to operations** There is a risk of rising costs associated with the transition to lower emissions technology. Shifting to more efficient technology and sustainable products, may require a write-off or the retirement of existing assets, at a high impact on businesses and increased capital investments over time, due to a reduced demand for existing products and services that is high emitting. Due to the nature of our business operating in mostly landlord owned buildings, this risk is deemed as low. The Group views Transitioning to Lower Emissions Technologies as a potential opportunity, which would mitigate this risk. Financial modelling will be reviewed over the next few years.	1 – Extremely Unlikely
Transitioning to lower emissions technology	Short – Medium Term (up to 2035)	<2°C 2-3°C	**To be fully calculated in the next couple of years.** The Group views this as a potential opportunity, as investing in energy efficiency technology could reduce our energy usage. This may result in reduced operating costs, mitigating the risk of 'Increased cost of Energy and Materials'. Financial modeling will be reviewed over the next few years.	Transitioning to lower emissions technology

Transition climate-related risks and opportunities/continued

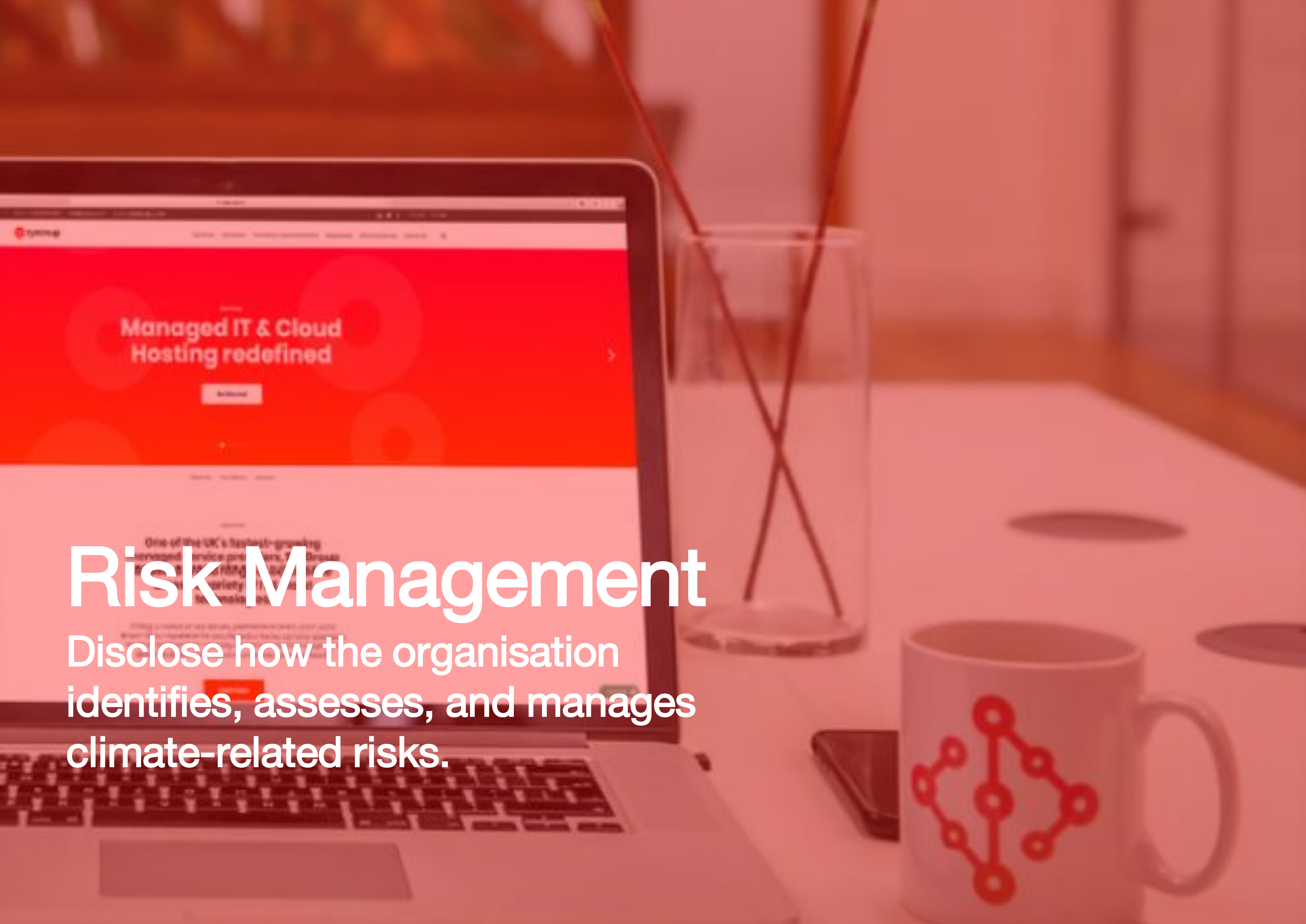
Risk/Opportunity	Timeline	Scenario	Potential Impact	Likelihood
Changing customer behaviour	Medium Term (2025-2035)	<2°C 2-3°C	**1 – Very small disruption to operations** As the world becomes increasingly concerned about climate change, customers will aim to purchase more sustainable products and services. This will result in a requirement to provide lower emissions alternatives. The Group classified this risk as insignificant, as we regularly review changes in market trends as part of existing processes. This risk is not significant to the Group, due to the nature of our operations and services, and our efforts to operate as a sustainable business. We are communicating our company's ESG journey, targets, and commitments to our stakeholders to ensure transparency.	2 – Unlikely
Increased cost of energy and raw materials	Short - Medium Term (2023 to 2035)	<2°C 2-3°C	**To be fully calculated in the next couple of years.** The Group views this as a potential opportunity, as investing in energy efficiency technology could reduce our energy usage. This may result in reduced operating costs, mitigating the risk of 'Increased cost of Energy and Materials'. Financial modeling will be reviewed over the next few years.	5 – Extremely Probable

Physical climate-related risks and opportunities/continued

Risk/Opportunity	Timeline	Scenario	Potential Impact	Likelihood
Heatwaves/ Extreme heat	Short - Long Term (2023 to 2050)	2-3°C >3°C	**2 – Small disruption to operations** Rising mean temperatures will likely lead to a higher demand for cooling across the UK. However, air conditioning is available in all offices. Energy costs will rise as sites require additional cooling, to maintain optimum temperatures for staff and operations. Staff wellbeing may be impacted if adequate cooling is not maintained. Employees may require more frequent breaks, to avoid health risks associated with higher temperatures. Power outages due to increased demand and pressure on the grid, can lead to operation disruption. However, no power outages were recorded in data centres in 2022 during the 40°C extreme weather event.	2 - Unlikely
Rising Mean Temperatures	Medium - Long Term (2025-2050)	2-3°C >3°C		
Increased Severity of Flooding	Long Term (2035-2050)	>3°C	**2 – Small disruption to operations** Direct damage to Property, Plant and Equipment could affect our ability to operate from a location. Our London and Edinburgh sites were shown to potentially be at risk of flooding, however, the Edinburgh office is on the sixth floor. Damage to transport networks resulting in increased cost, potential delivery delays and operations disruptions. Employee accessibility would be affected by damage to transport networks. Although, with employees working from home, this impact would be minimal. Insurance costs could increase. Global property insurance premiums are forecast to rise by 29% by 2040, as weather-related catastrophes become more intense and frequent.	2 – Unlikely

Physical climate-related risks and opportunities/continued

Risk/Opportunity	Timeline	Scenario	Potential Impact	Likelihood
Water Stress	Long Term (2035-2050)	>3°C	**1 – Very small disruption to operations** This may result in restricted water usage and additional regulation to report on water consumption. Our London site is deemed to be in an area of potential water stress. Water will require greater treatment, which will result in increased costs. Pressure is put on energy generation as hydropower, nuclear, gas and coal power stations reduce productivity. The Group does not consider this a material risk to the business operations, as they do not require water-intensive services. Reporting on water usage, maintenance for leaks, and water efficiency measures may become more applicable in the future. The Group will consider commencing water monitoring over the next few years.	2 - Unlikely
Increased frequency of wildfires	Long Term (2035-2050)	>3°C	**1– Very small disruption to operations** Wildfires will become more frequent as temperatures rise, soil moisture decreases, and the environment becomes more arid. However, due to the UK having more of a globally mild climate, the disruption to the Group's operations is considered very small. Suppliers procuring products from across Europe and further afield may be impacted. Disruption to transport networks may prevent employees from travelling to and from work, but with employees working mostly from home, this impact is considered very small.	1 - Very unlikely



Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Climate Risk Management Framework

Risk Management - It is recommended that organisations disclose their processes for identifying, measuring and managing climate-related risks, as well as describing how these processes are integrated into the organisation's overall risk management.

Disclosure recommendations:

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

SysGroup aims to evaluate and manage its potential climate-related risks and opportunities as the business pursues its growth strategy. We have brought the recommendations from the TCFD into our existing risk management processes, to support the development of an internal climate risk management framework. We will annually review the potential impact of climate-related risks on the business, based on the climate scenario results. Our climate risk management framework consists of four crucial steps, to evaluate our risks and determine mitigation actions to control their impacts.

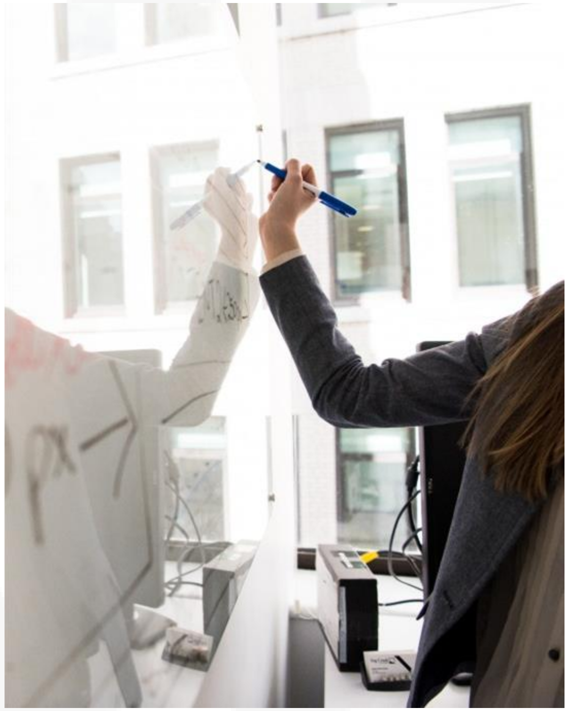
Identify

We have partnered with Inspired plc, a third-party ESG consultancy, to identify the Group's potential climate-related risks and opportunities. A robust six-step climate scenario analysis was conducted across all our sites, covering five regions of the UK, to identify the relevant physical climate-related risks and their impacts. Transition risks were identified, and all risks were modelled across three warming pathways and three-time horizons. In summary, we identified twelve climate-related risks and one opportunity. This is our second TCFD report, to help fully understand the potential risks climate change may have on our business.

Assess

We held a Climate Risk Management Workshop with members of the ESG Committee in March 2023, to assess the potential impact of each climate-related risk over the short, medium and long-term, and assess if there has been changes from our analysis last financial year. This workshop allowed us to evaluate the potential impacts of each physical and transition risk on our business.

After the workshop, a climate risk register was created and certified, to assess and accurately report all climate-related risks. These results were presented to the Chief Financial Officer and members of the Board in March 2023, for their approval. We determined there are three significant climate-related risks relevant to SysGroup.



Climate Risk Management Framework/continued

Appraise

Following the creation of a climate risk register, mitigation processes were evaluated based on their ability to reduce the impacts of climate change. From this step, controls were developed and agreed upon, based on the effectiveness of building climate resilience into our existing strategy and planning. These classifications were signed off by the Chief Financial Officer, members of the Audit Committee and members of the Board this year.

Address

Lastly, we identified the ongoing mitigation methods underway, to reduce the potential impact of the risks. We continue to research initiatives as part of our ESG programme, which will mitigate the impacts of climate-related risks on our business. Having established our baseline our next step is to develop a net zero strategy roadmap within the next year and set targets aligning to our ambition to be net zero for Scope 1 and 2 by 2030 and for Scope 3 by 2040.

As part of this process, we will introduce initiatives throughout the Group to help mitigate the impact of our climate-related risks. We will report on our progress annually. We plan to assess the impact and capitalise on the climate-related opportunity, transitioning to lower emissions technology. We will conduct an annual climate scenario analysis, to broaden our scope of risk classification.

Climate-related Risk Mitigation

TCFD Area	Climate-related risk	Description
Market	Increased cost of Energy and Materials	The Group aims to reduce energy consumption by benefiting from more efficient and sustainable third party datacentre supplies, reducing the amount of energy required for operations. The Group will aim mitigate these risks further in the next few years.
Policy & Legal	Increase in Carbon Pricing	This financial year we established an ambition to be net zero for Scope 1 & 2 by 2030 and for Scope 3 by 2040. We will monitor carbon pricing regulation over time to prepare for proposed action which may affect SysGroup. As we develop our net zero strategy, we plan to further disclose how we will meet these targets.
Acute	Increased Frequency and Severity of Flooding	To minimise the risk of flooding, we aim to ensure that drainage systems are well maintained at every site. We aim to continuously monitor the risk at a site-by-site level throughout upcoming reporting periods.

Climate-related Opportunity Management

TCFD Area	Climate-related opportunity	Description
Technology	Transitioning to Lower Emissions Technologies	During the transition to a decarbonised economy, switching to more energy-efficient technologies will minimise our impact on the environment, while reducing our energy consumption. We view this as an opportunity as it allows us to improve our sites, while simultaneously helping the environment. For example, implementing new lighting, equipment, and infrastructure. We will explore this opportunity over the next few years.

Metrics & Targets

Disclose the organisations metrics, emissions, and initiatives implemented to improve sustainability

Understanding our Impact

Metrics and targets - It is recommended that organisations disclose the metrics and targets they use to assess and monitor climate-related risks and opportunities.

Disclosure recommendations:

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

To reduce the impact of climate-related risks and explore the ability to capitalise on our climate-related opportunities, we have introduced a range of metrics relating to our impact on the environment.

In FY22, we launched a data collection process to calculate our Scope 1, 2 and 3 emissions, to develop a baseline and identify areas to reduce our GHG emissions.

This process was continued during FY23, which enabled us to understand further the material emissions sources across our business and value chain. This has helped to identify areas where we can make the most significant impact on emission reductions.

Our full Scope 1, 2 and 3 emissions can be found within our Carbon Balance Sheet on page 31.

Greenhouse Gas Emissions

Scope 1 emissions are direct greenhouse gas ('GHG') emissions that occur from sources that we control or own (gas usage and transport fuel), accounting for 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 comprised 15% of our total emissions.

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

Scope 3 emissions are the indirect GHG emissions within our value chain. The emissions associated with our value chain comprise 83% of our total emissions for this financial year. 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.

Understanding our Impact/continued

Under the GHG Protocol, Scope 3 has fifteen reporting categories. A total of nine categories are applicable to SysGroup. Those not applicable were either encapsulated in Scope 1 and 2 emissions, or not relevant to SysGroup. Due to the difficulty of this task and 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 couple of years, to include all relevant categories and improve the accuracy of our reporting.

This process enables us to recognise and assess the impact of our operations and prepare us for the development of our net-zero strategy.

Datacentres

Our Scope 2 emissions are the indirect emissions associated with electricity consumption. The electricity consumed at third party datacentres is used for cloud hosting, which accounts for most of our Scope 2 emissions (15% of total emissions). We recognise the high energy nature of datacentres. Although, we have limited ability to impact this directly, we aim to engage with our datacentre providers to understand their energy usage and efforts to operate sustainably.

Net-zero Strategy

Having established our baseline, our next step is to develop a net zero strategy roadmap within the next year and set targets aligning with our ambition to be net zero for Scope 1 and 2 by 2030 and for Scope 3 by 2040. As part of this process, we will introduce initiatives throughout the Group, to help mitigate the impact of our climate-related risks. We will report on our progress annually.

Scope	FY23 Gross Emissions (tCO_2e)	FY23 % of Total Emissions	FY22 Gross Emissions (tCO_2e)	FY22 % 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%

Understanding our Impact/continued

Total consumption (kWh) figures for energy supplies reportable by the Group.

Utility and Scope	FY23 Consumption (kWh)	FY22 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**

Intensity metric of tCO2e per £m revenue for the annual total consumption for the current and previous reporting periods.

Intensity Metrics	Location-based tCO2e		
	FY23 UK Intensity Metric	FY22 UK Intensity Metric	% change
All Scopes tCO2e per revenue £m	14.63	25.73	-43.12%

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	
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.

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