

## Corporate social responsibility

# Our CSR strategy has three main areas of focus: community, people and environment.

We are committed to acting as a responsible member of the business community as an employer, investor and contributor to the communities in which our people live and work. Corporate social responsibility (CSR) is key to delivering our business strategy and is vital in maintaining the trust of our customers and all our stakeholders.

### Community

The evidence of our work with customers and wider communities keenly demonstrates that corporate social responsibility in KCOM Group is embedded firmly in our business. Examples of this commitment can be found in every corner of the Group, from sponsorship activities and community volunteering initiatives to mentoring schemes and charitable support.

Our quarterly community grants scheme awarded grants of £150, £250 and £500 to help schools and members of the community and their organisations get their community projects off the ground. In the past twelve months we have helped support hundreds of projects including purchasing training equipment for clubs and schools, helping to establish local enterprises and supporting a variety of national and local charities and initiatives.

Supporting the valuable work undertaken in the charitable sector is another strand of our responsible business approach. Each year we select a Group Charity of the Year to support. The decision is made by our people by voting on a shortlist of UK registered national charities. In 2010/11 we raised £45,000 for The Stroke Association. Across the country, our people have achieved this through a series of fundraising events and activities which are organised through our network of charity champions, employees who dedicate some of their time to supporting and organising regional activities.

For the financial year 2011/12 we will be partnering with Help the Hospices and hope to raise similar levels of support. Our people chose Help the Hospices because of the charity's strong local links to all our major offices, meaning the money raised at each office can be channelled directly to a local hospice.

Help the Hospices wants the very best care for everyone facing the end of life. It is there to support member hospices and other organisations as they strive to grow and improve end of life care throughout the UK. The money raised will help the hospices provide vital care that is tailored to patients' individual needs that supports their friends and family.

A large part of our community investment programme is delivered in East Yorkshire through our KC brand. The KCOM Group is one of the largest employers in this area. We believe there is a valuable role for our business in helping to make the region a better place to live, work and visit. We play a part in the regeneration of the area through our KC in the Community programme. This regionally focused programme has two main aims; firstly, to help raise the aspirations of children and young people and secondly, to involve our business and employees in our regional communities.

Investing time as well as financial assistance in communities is an inherent part of our responsible business agenda. During 2010/11 our people donated 183 hours per month.

**During 2011/12 our Group community objectives are to:**

- ★ **raise in excess of £45,000 for our Group charity partner;**
- ★ **increase volunteering opportunities through our KC in the Community programme; and**
- ★ **recruit more business partners into the Hull & Humber KC Cares programme.**

**Group charity partner 2011**



## Corporate social responsibility continued

### Children's University

**The challenge:** to create an inspiring facility where learning could take place.

**What we did:** refurbished one of our city centre training rooms, to provide a dedicated, fully ICT-equipped classroom.

**Achievement:** Hull Children's University now has a state-of-the-art facility where children taking part in the programme can learn through specifically designed education modules.



#### Community continued

Key regional programmes include:

##### Hull & Humber KC Cares (Cares)

Cares offers well-established expertise in employee engagement that delivers benefits for companies, employees and communities. In addition to providing a brokerage service for high-quality volunteering opportunities, Cares also campaigns nationally to increase the impact of employee volunteering in communities of greatest need and to address social issues including education, employability and economic renewal.

Our partnership with Cares has seen regional membership more than double over the past year as we have used our business resources and contacts to better highlight the programme to other organisations.

Throughout the year, we have helped Cares identify and approach potential new members. Our knowledge of the business sector is helping to encourage a new approach to marketing Cares as we are able to use the skills of our people to increase awareness of the business benefits of the programme.

##### Cat Zero

Cat Zero is a not-for-profit organisation which creates opportunities for young adults aged 17–19 living in Hull who are not currently in education, employment or training. The programme helps them to develop skills and prepares them for the work environment. Participants take part in challenging educational and personal development programmes which use sailing as a focal point. The experience is designed to motivate and bring about attitudinal change.

Our KC brand joined the Cat Zero programme as a business partner when it launched in 2009. We are helping to deliver the programme by providing mentors and three-day work placements. One of our senior executives has been appointed recently to the Cat Zero board to help support its fundraising programme. In the past year, we have delivered a telephony solution to enable the young people on the programme to contact their mentors directly and one of our employees has become a mentor for young people on the Cat Zero programme.

##### Hull Children's University (HCU)

Hull Children's University is an innovative and dynamic project, aimed at children aged 7–14 years old, which raises their self-esteem, achievements and learning aspirations through the delivery of inspiring learning programmes.

We have worked with the organisation for a number of years and have witnessed the value that it brings to young people in the region. Kevin Walsh is a member of the board of the Hull Children's University and in December 2010 we officially opened the HCU KC Learning Zone, a dedicated classroom in the city centre where learning can take place and children can gain access to ICT equipment. During the past year, our people have developed two new learning modules and we have provided financial support by funding two posts within HCU.



We are proud  
to support

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## Our people

Our value-based culture seeks to attract and retain the very best people, with each and every individual understanding and being rewarded for their contribution.

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Recognising and celebrating the achievements of employees is an important part of our workplace ethos. Across the Group we have employee recognition schemes focused around our four brands' promises. Employees nominate the person that best demonstrates our brand and Group's core behaviours. At the end of the year, these schemes culminate in one employee being recognised and rewarded as our Group Employee of the Year.

In 2010/11 we commenced work on designing a people strategy that aims to create a workplace in which every employee is recognised as an individual and inspired to deliver exceptional business performance. That strategy is built around our Group values and long-term vision enabling every individual to contribute in creating excellence together. In 2011/12 we will focus on embedding our culture and testing ourselves against our values, further development of outstanding leadership capability across the business and concentrating on resource planning, talent management and organisational development.

In accordance with our people strategy, over 44 employees attended our leadership programme, Engage, this year. Also this year we undertook a Group-wide employee survey to gain feedback on issues relating to employment in keeping with our open and flexible values achieving an 84% response rate. Plans are underway also to review our new starter and induction processes.

We encourage our employees to participate in the success of the Group through share ownership. Our award winning Share Incentive Plan (SIP) scheme is now entering its fifth year with 1,157 of the Group's employees owning shares in the business through the scheme. Recognising that our employees have individual and differing requirements we have entered into our eighth year of offering a flexible benefits programme and take-up of the scheme remains high with the most popular choice being the ability to buy or sell holiday entitlement. Through effective people policies and planning we are pleased that 56% of employees have been with the Group in excess of five years with 31% having ten years or more service. Through effective management and return to work initiatives, our Group sickness absence remains at 2% of total working days.

## Wellbeing

The Group's wellbeing initiative is now in its third year. In 2010/11 the percentage of people who attended the Group's wellbeing sessions increased from 27% to 30%. The sessions consist of checks on blood pressure, cholesterol, weight, body fat percentage, lung age and diabetes tests. The roll-out of monthly health awareness and wellbeing campaigns was very well received and was supported by giving all employees a desktop health and wellbeing calendar with each month highlighting a different focus. A new calendar of campaigns commenced in April.

At the end of last year we started also an employee assistance programme which provides independent advice to employees and line managers on a range of topics including: bereavement, debt, legal problems, family issues, stress and anxiety.

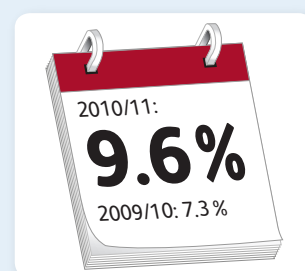
## Employee absence

Employee absence in 2010/11 has reduced from 2009/10.



## Employee turnover

Figures exclude employees that have TUPE transferred to our partner organisations.



## Corporate social responsibility continued

**The KCOM Group is one of the first companies within the industry to have a Group-wide BS OHSAS 18001 compliant health and safety management system.**

### Creating excellent environmental standards

#### Environmental management

At KCOM Group we take environmental matters very seriously and for a number of years we have worked hard to minimise our impact on the environment. We have ISO 14001 accreditation and an environmental management system in place that helps us to manage our environmental responsibilities effectively.

We have an Environmental Operations team with membership from across the Group, which meets regularly to monitor our progress against our environmental plan and to ensure that environmental initiatives are communicated to all our employees.

Each year we set ourselves targets to try to ensure that we protect the environment as much as we can. These targets, and our achievements, are shown below.

We are very proud of exceeding our targets in relation to landfill, the proportion of waste recycled, business travel and the printer and photocopier paper used.

The increase in overall CO<sub>2</sub> emissions is due to an increase in recorded electricity consumption. This is due to two main factors:

- ✳ during the year we have implemented automatic meter readers across the Group which has enabled us to measure our consumption more accurately, rather than using estimates; and
- ✳ as a Group we have seen more activity in relation to our data centres, which has had an inevitable impact on the amount of electricity consumed.

As noted on page 9, the Group has plans for growth and therefore some of our targets for 2011/12 are

simply to maintain figures at current levels. We believe that these represent challenging targets but we are committed to working hard to minimise the environmental impact of our growth in future years.

#### Energy

During the year we have engaged with our power supplier, npower, to provide us with regular management information on our electricity consumption. The Group continues also to purchase good quality combined heat power.

Last year we completed a request for information from the Carbon Disclosure Project. This required us to provide information on our strategic awareness about climate change, our carbon reduction ambition, our reporting capabilities and our implementation practices. Our response was benchmarked against over 1,100 other suppliers and, thanks to the robustness of our environmental programmes, we achieved a score of 60 against an average of 48.











#### Waste

Waste management is an essential part of our sustainability commitments. This year we have reduced the amount of CO<sub>2</sub> generated from waste by 18%. We have several waste management initiatives in place, such as cable, mobile phone and battery recycling.

In 2010/11 we recycled 200 tonnes of batteries from telephone exchanges. We raised also £2,500 for our 2010/11 Group charity, The Stroke Association, through recycling mobile phones. We will continue to work with our partners and look at ways to generate revenue from waste streams to fund our chosen charities and internal initiatives during 2011/12.

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Targets and achievements	Target 2010/11	Achieved	Actual 2010/11	Actual 2009/10	Target 2011/12
 <b>Total CO<sub>2</sub> emissions</b>	To reduce by 3% from 2009/10		<b>+7.49%</b> from 2009/10	<b>-6.09%</b> from 2008/09	To maintain at 2010/11 levels
 <b>Landfill</b>	To maintain landfill at 2009/10 levels		<b>-2.58%</b> from 2009/10	<b>-34.7%</b> from 2008/09	To maintain at 2010/11 levels
 <b>Proportion of waste recycled</b>	To maintain at 2009/10 levels		Proportion recycled <b>+6.93%</b>	<b>-21.2%</b> from 2008/09	To increase proportion recycled by 3% on 2010/11 levels
 <b>CO<sub>2</sub> arising from business travel</b>	To reduce by 10% from 2009/10		<b>-41%</b> from 2009/10	<b>-38.1%</b> from 2008/09	To maintain at 2010/11 levels
 <b>Printer and photocopier paper used</b>	To reduce from 2009/10 levels		<b>-24.49%</b> from 2009/10	<b>-22.5%</b> from 2008/09	To maintain at 2010/11 levels

#### Business travel

Following on from the significant progress we made in this area last year, we asked each individual brand to specifically target reducing unnecessary travel. This, combined with our continued use of Microsoft OCS technology as well as audio and video conferencing, has meant that we have successfully reduced our business travel in the year by 41%.

#### 10:10

Our commitment to the 10:10 initiative has continued this year. The 10:10 project unites the UK in working together to reduce the UK's carbon emissions.

To support this, the Group introduced cycle to work and Institute of Advanced Motorists Cycle schemes.

#### Health and safety

Health and safety awareness and best practice is embedded within the Group's culture, values and behaviour. This is demonstrated by the commitment of our employees to health and safety training and professional qualifications and through our various accreditations and standards.

The KCOM Group is one of the first companies within the industry to have a Group-wide BS OHSAS 18001 compliant health and safety management system. To achieve accreditation, the Group underwent a vigorous external audit process with BSI that was conducted across our sites and operations.

Our Health and Safety team is approved and registered to run in-house accredited courses covering health and safety in the workplace and manual handling. A large number of our managers attend a two-day health and safety training workshop and work towards a CIEH Level 2 risk assessment qualification. Our risk assessors are also CIEH Level 3 qualified.

There were no work related fatalities or health and safety enforcement notices during the year.

#### Risk management and procurement

We recognise that in order to be a responsible business we need to support our suppliers in meeting the highest environmental and ethical standards. Our Group Purchasing and Supplier Management Policy helps us to implement the processes and tools we need to work responsibly with our suppliers and to ensure that we are all working together under the same vision and values.

We undertake also supplier evaluations to ascertain their environmental practices and health and safety standards.

#### Working days lost due to accidents



Reduction due in part to the transfer of some engineering staff to BT and Phoenix in 2009/10. Excluding this, working days lost have remained consistent year-on-year.



#### Reportable accidents



Reportable accidents have remained at the same level as 2009/10.

