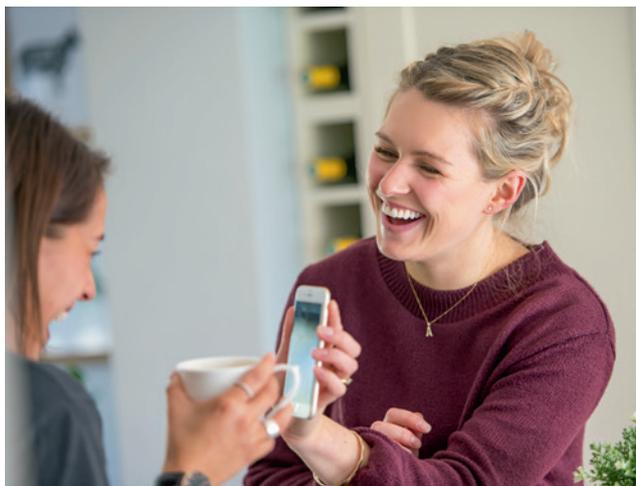


Operating with a positive effect on our stakeholders and society



Our sustainability strategy covers four main areas that are taken into account when making key business decisions: the communities in which we operate; our people; the relationships we have with our customers and suppliers; and the environment. The Board receives reports on each of these as appropriate. Responsibility for our sustainability strategy sits with our Chief Executive.

Our sustainability strategy is fully integrated and aligned with our business strategy. It is underpinned by three key objectives:

- 1** To use our expertise in communications technology to create a positive impact on all our stakeholders and the communities in which we operate.
- 2** To promote our values, both internally and in the way we do business with external stakeholders.
- 3** To engage and empower our people so they can make a positive contribution to our sustainability strategy and the causes that matter to them.

Community

Our aim is to operate in a way that benefits local communities as well as supporting our strategic business aims. Our significant presence in Hull & East Yorkshire, in terms of both employees and customers, means our business decisions are made with consideration of the potential impact on that community in mind.

[Read more](#)
page 36

People

Much of the value we deliver to customers is through the expertise and experience of our people. Our sustainability relies on our ability to attract people with the right skills and behaviours and to motivate, develop, support, recognise and reward them appropriately.

[Read more](#)
page 37

Customers and suppliers

Sustainable relationships with customers and suppliers are vital to our success. We have a responsibility to treat them fairly and with the highest ethical standards, and to do business in a way that has a positive effect on them and on society more widely.

[Read more](#)
page 38

Environment

We believe all businesses have a responsibility to minimise any negative impact they have on the environment and we make decisions with environmental sustainability in mind.

[Read more](#)
pages 39 and 40

Sustainability continued

Community

Achievements in the year

- > Our employees spent a total of 2,650 hours volunteering in the community.
- > We delivered learning activities in 65 local schools and colleges.
- > We provided support to 158 local charity and local interest groups.

Our community relations programme continues to focus on activities that support the growth and sustainability of the Hull & East Yorkshire economy and which increase life opportunities for local residents.

Getting behind Hull 2017

In addition to the support we provided to Hull UK City of Culture 2017 as a Principal Partner, 32 of our people played a part in making the year a success by joining the 2,500-strong army of volunteers who helped visitors find their way around the city, staffed exhibitions at galleries and museums and worked behind the scenes at festivals and outdoor events.

Marketing Manager Rachel Constable was among the KCOM employees who, between them, worked 224 shifts and contributed 647 hours to City of Culture events.

“I decided to become a 2017 volunteer because it was such a huge thing for the city,” she says. “I was proud that KCOM was supporting Hull’s year in the spotlight and really wanted to do my bit to make it a success. It was a once in a lifetime opportunity – I didn’t want to look back afterwards and think ‘I wish I’d done that.’”



Playing our part in the local business community

We continue to be an active member of business organisations including Humber Bondholders, which promotes the region as a destination for inward investment; For Entrepreneurs Only, a community interest company that helps local entrepreneurs create jobs and wealth; and C4DI (Centre For Digital Innovation), a technology hub that is helping to drive the development of the region’s digital sector.

Championing regeneration

Our investment as a Principal Partner of Hull UK City of Culture 2017 helped to unlock the significant boost to the region’s economy that the programme delivered. Hull’s year as UK City of Culture has been a catalyst for significant physical regeneration in the city and is expected to continue to bring economic, cultural and social benefits in the years ahead.

We are also active members of a number of regeneration bodies including the Humber LEP and City Leadership Group.

Supporting the region’s young people

During the year we increased our efforts to encourage the region’s young people to consider careers in science, technology, engineering and maths (STEM) through our involvement as an employer sponsor of the Ron Dearing University Technical College (UTC), which opened in September 2017. Our support of the UTC includes the delivery of learning modules and the provision of work experience placements and business mentors for students.

We engaged with a further 64 schools and colleges across the region to deliver STEM learning activities, support employability skills and help to raise aspirations and achievement levels.

Charity and community support

During the year we supported 158 community groups and charities in Hull & East Yorkshire by donating funds, employee time and business services. Our employees spent 2,003 hours volunteering by supporting charity collections, delivering educational activities in schools and helping local residents learn internet skills.

Beyond Hull & East Yorkshire, we continued our support of Teenage Cancer Trust, which provides care to young people in the UK who are affected by cancer. In the final year of our partnership our employees raised more than £15,000 for the charity, taking the total raised over three years to more than £177,000.

We have also continued our patronage of The Prince’s Trust, the UK’s leading youth charity, which changes young lives by offering training, personal development, business start-up support, advice and mentoring.

People

Achievements in the year

- > We have established a Company-wide, flexible, skilled-based resource pool.
- > We have improved significantly the way we manage the contract resources we employ to support delivery of customer projects in our Enterprise segment.
- > We have insourced engineering services previously provided by a third party to allow us to deliver the services more effectively.

A key focus during the year has been on ensuring we have the right technology skills within our Enterprise segment to deliver complex customer projects. In addition to investing in and fostering learning and development among our people through our professional communities, we have engaged a strategic partner for the management of flexible contract resources to supplement our capability and fill short-term skills gaps. This partnership gives us access not just to a wide talent pool, but also to valuable market intelligence to inform our people strategy.

We review our people strategy on an ongoing basis to ensure it is appropriate to support our business strategy. Changes in our business in recent years, and in particular the ongoing investment we are making in network transformation and the technologies we use and deliver, led us at the end of the year to bring in-house some engineering services that had previously been carried out on our behalf by BT. As well as allowing us to deliver the services in a more flexible and efficient way the move means we are better able to differentiate ourselves on the basis of customer experience.

Improvements in longer term workforce planning are enabling us to see further ahead in terms of demand for key skills and capabilities to deliver solutions to our customers and continue to develop our strategic propositions. As a result we have been able to increase our recruitment of graduate and apprentice talent, providing them with clear development plans to fulfil future capability needs. Most recently, we have engaged a number of graduates in technical functions within our Enterprise segment.

Encouraging employee health and wellbeing

Education is a key part of our approach to employee wellbeing. Our 'health and wellbeing' programme provides information and self-help tools to support physical and mental health and wellbeing.

As in previous years, we offered free, confidential health screening sessions where employees could have their Body Mass Index, cholesterol and glucose levels and blood pressure checked by an independent third party to help identify potential health issues.

A total of 411 employees attended sessions held at our eight main sites. A survey of attendees indicated that those who took part rated the service very highly, giving it an average score of 9.42 out of 10 for its overall value.

Feedback from participants included this comment: "This is an excellent health and wellbeing service. It is a great opportunity to assess and take responsibility for your own health, making lifestyle changes as and when required with the aim of avoiding future health problems."

We have also utilised the government's apprenticeship levy to employ new apprentices who will undertake development programmes within our engineering, finance, compliance and client services functions.

Employee engagement is a key factor in motivating and retaining people. Towards the end of the year we introduced a new employee engagement tool that gives people managers timely feedback and insight into how they can support their teams to perform at their best.

We have had an Employee Forum in place for some time which meets regularly to discuss organisational change and provides an opportunity for colleagues to give feedback on change programmes. We have recently expanded this team and have additional plans for engaging it further in the coming year.

Gender diversity and pay

We have clear policies in place which mean that men and women are given equal opportunities, throughout their careers with us. As at the year end the gender diversity of the Group was as set out in the table below:

	Male	Female	Female %
Board Directors	4	2	33%
Executive Leadership Team (ELT) ¹	5	3	38%
Other employees	970	480	33%

1. The ELT is defined as the senior leaders who have overall responsibility for key functional areas. It includes Executive Board Directors Bill Halbert and Jane Aikman.

Our first gender pay gap report, based on the snapshot date of 5 April 2017, showed a mean pay gap of 29 per cent and a median pay gap of 38.1 per cent, highlighting that there remains work to do to bring greater balance to our business.

While there are a range of factors that can affect gender pay equality, it is in part driven by the ratio of male to female employees within traditionally male-dominated technical and engineering functions. The ability to recruit from a larger, more diverse employment pool is clearly important for our business and we are placing significant focus on encouraging more diverse participation in these career streams. We are taking some longer-term actions as part of our engagement within the schools and colleges of our community, principally focused on encouraging participation in STEM subjects.

As well as addressing barriers to participation, we are committed to inspiring greater levels of female leadership by encouraging women to move through the various leadership levels of our business, supporting them where necessary to realise their potential and removing any obstacles that may exist.

This activity is being led by members of the ELT including Sean Royce, who has leadership responsibility for our Technology, Service and Operations functions.

Human rights

We respect fundamental human rights consistent with the United Nations Universal Declaration of Human Rights and we ensure that all of our internal policies are consistent with this. We do not have any current human rights issues.

Sustainability continued

Customers and suppliers

Achievements in the year

- > We became a supporter of Internet Matters, a not-for-profit organisation dedicated to promoting online safety.

Relationships with customers

We believe we have a responsibility to our customers to tackle issues that are important to them in relation to the products and services they buy from us.

In our Hull & East Yorkshire market we have continued to strive to address the barriers to digital inclusion faced by many in the community. During the year we carried out a significant review of our portfolio of broadband packages to introduce greater flexibility and more price points so that customers are better able to choose a service that meets their needs and budget.

In addition to hosting our own regular internet drop-in sessions, where customers can develop their online skills in a relaxed environment, we worked with local authorities to facilitate similar events in local libraries and community centres.

Through our support of Internet Matters we now have access to tools and guidance that have boosted our ability to raise awareness of e-safety issues affecting children and young people.

At the start of the year we improved our Social Access Package (SAP), a phone service for low-income households in Hull & East Yorkshire, by introducing a price cap. The price cap removes the worry of unexpected bills for our most vulnerable customers by ensuring that they will not be charged more than £10 per month in total for any calls made outside of those included in the package.

Relationships with suppliers

As well as treating our suppliers fairly and doing business with them in a sustainable way, we also have a responsibility to make sure that our suppliers also operate with high ethical standards.

We expect suppliers to sign up to our Supplier and Partner Code of Conduct and we work closely with key suppliers to ensure we understand their approach to sustainability and the way in which their business operates.

Contracts with key partners and suppliers include provisions relating to mitigation of risks that may affect their ability to provide us with goods and services, and we carry out regular credit checks on all suppliers.

In addition, our business continuity planning activities place significant focus on ensuring that in the event that key suppliers are affected by a business disruption we are able to continue supplying services to our customers. We test our business continuity plans regularly to ensure continuous improvement.



Helping to keep children safe online

The internet is one of the greatest innovations of our time, offering children endless opportunities to learn, create and communicate. But with these possibilities comes the challenge of ensuring they stay safe when they are online.

During the year KCOM became a supporter of Internet Matters, a not-for-profit organisation that helps parents keep their children safe in the digital world.

Backed by the UK's biggest broadband providers and supported by leading online child safety experts, it offers information on tackling e-safety issues and advice to help parents take practical and simple actions to help children enjoy the internet safely, whatever their age.

As a supporter of Internet Matters we are now better able to raise awareness of online risks among children and to signpost their parents towards the best guidance to reduce these risks.

We are also members of the Internet Watch Foundation, an international organisation focused on making the internet a safer place.

Environment

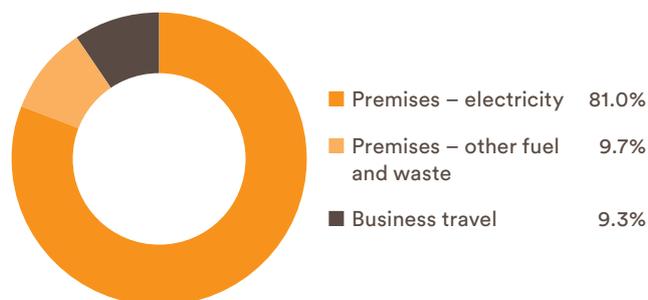
Our biggest environmental impact comes from the electricity we use in our offices, data centres and various network sites, both nationally and in the Hull & East Yorkshire region. During the year 81.0 per cent of our CO₂e emissions came from our electricity usage.

Each year we seek to reduce our emissions wherever possible through various energy-saving schemes and we continually review and improve the recycling facilities we have in place at our offices, with the aim of making it as easy as possible for our people to recycle any waste we produce.

Achievements in the year

- > Over 94 per cent of our waste has been recycled, with the actual tonnage of waste that has gone to landfill falling slightly from 17.9 tonnes to 17.5 tonnes. During the year we changed our waste management supplier and as a consequence much more of our waste is now recycled as Refuse Derived Fuel (RDF) which should significantly reduce the amount of our waste going to landfill in future years.
- > In the year the CO₂e tonnes produced from our electricity usage has fallen by 2,378 tonnes or 16.0 per cent. This reflects a two per cent reduction in the number of kilowatt hours of electricity used and a lower carbon factor published by the Department for Business, Energy and Industrial Strategy, which are the factors we use each year to calculate the conversion of our electricity usage and other carbon emissions into CO₂e tonnes.

Breakdown of our emissions %



Emissions in the year

The table below sets out our annual emissions in tonnes of CO₂e.

	Year ended 31 March 2018 CO ₂ e	Year ended 31 March 2017 CO ₂ e ¹
Combustion of fuel and operation of facilities	2,934	3,211
Purchase of electricity	12,520	14,898
Total	15,454	18,109
Tonnes of CO ₂ e per £'000 of revenue	0.051	0.055

- The 2017 figure has been restated to include overnight hotel stays, for which carbon factors have been published for the first time this year by the Department for Business, Energy and Industrial Strategy. We have restated the 2017 figures assuming the same carbon factors for both years which has meant an increase in the 2017 figure of 235 tonnes of CO₂e.

Reducing our energy consumption

During the year we have continued to seek opportunities to reduce our electricity usage.

Having already reduced the energy required for lighting last year by replacing fluorescent lighting with LED lighting in our main offices, we are now installing it at smaller sites on a tactical basis when other work is taking place at these sites.

We have also continued our deployment of PIR (passive infrared) motion sensors at technical sites, where visitors are infrequent, to further reduce lighting costs.

We continually review our generator assets to ensure we are able to maintain business continuity by securing our power supply during energy disruptions and are exploring the potential to assist in managing energy capacity in the UK by investing in networked generator controllers that will allow us to come off the National Grid during periods of peak demand. We intend to conduct a pilot to test the feasibility of this in the coming year.

As part of the transformation of our Hull & East Yorkshire network, we will also seek in the year ahead to introduce more efficient DC power systems in more than half of our exchanges.



Sustainability continued

Environment continued

Emissions in the year continued

Our carbon emissions from combustion of fuel and operation of facilities has fallen in the year by 8.6 per cent. This decrease is due entirely to a reduction in carbon emissions arising from less business travel in the year. This has arisen due to the continued encouragement of our employees to travel only when necessary, and to make full use of the online means of communication that we have in place. We acknowledge, however, that some travel is essential in order to do business and it is important that we are able to meet face-to-face with our customers whenever necessary.

Information for our carbon emissions reporting comes from our own internal systems, third party travel companies, suppliers of fuel, waste collection and recycling services and from our electricity supplier.

Area	Actual	Target for the year under review	Target met?	Future target for 2018/19
Total CO ₂ e	15,454 tonnes	Not to exceed 2016/17 levels of 18,109 tonnes. ²	✓	Not to exceed 2017/18 levels of 15,454 tonnes.
Waste sent to landfill	17.5 tonnes	To return to 2015/16 levels of 17.4 tonnes or less.	✗	No target has been set for 2018/19 ¹ .
Energy efficiency in transport	1,432 tonnes	No target was set for 2017/18.	N/A	Not to exceed 2017/18 business travel energy consumption levels of 1,432 tonnes.

1. No target has been set for 2018/19 for waste sent to landfill as our change of waste management supplier in the year means that in 2018/19 none of the waste produced at KCOM-managed sites will go to landfill. An alternative target has been set instead.
2. The target for the year has been restated to include overnight stays, to ensure we are comparing like with like.

Non-financial information statement

In order to comply with the requirements of the Companies Act Sections 414CA and CB, we have disclosed the following information in the places referenced below:

- > Information on environmental matters is shown in our Sustainability report on pages 39 and 40.
- > Information on our employees is also shown in our Sustainability report on page 37 and as part of Other disclosures on page 56.
- > Information on social matters is shown in the community section of our Sustainability report on page 36.
- > Our respect for human rights is set out in the People section on page 37.
- > Our approach to anti-corruption and anti-bribery matters is set out in Other disclosures on page 56.
- > Our business model is described on pages 10 and 11.
- > Our principal risks, and how we manage them, are described on pages 29 to 32.
- > Other non-financial key performance indicators are shown on pages 26 and 27.

Signed by order of the Board

Kathy Smith

Company Secretary
8 June 2018