



KCOM Group Limited's Greenhouse Gas Emissions and Intensity Ratio

Year ended 31 March 2020



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1 Management Statement

The Directors of KCOM Group Limited are and shall be responsible for this Management Statement and for reporting the Scope 1 & 2 emissions and intensity ratio in accordance with the reporting criteria set out on page 30-31 of the KCOM Group Limited Annual report and accounts. In doing so we have:

- designed, implemented and maintained internal controls and processes over information relevant to the measurement and preparation of the Scope 1 & 2 emissions and intensity ratio that is free from material misstatement, whether due to fraud or error;
- established objective reporting criteria for measuring and preparing the Scope 1 & 2 emissions and intensity ratio and applied them consistently;
- presented information, including the criteria, in a manner that provides relevant, reliable, comparable and understandable information; and
- measured and reported the Scope 1 & 2 emissions and intensity ratio based on the reporting criteria.

A handwritten signature in blue ink, appearing to read 'Matthew Pearson', with a long horizontal line extending to the right.

Matthew Pearson
Chief Legal and Regulatory Officer
On behalf of KCOM Group Limited
31.03.21



Independent Limited Assurance Report to the Board of Directors of KCOM Group Limited

The Board of Directors of KCOM Group Limited (“KCOM”, “the Group”) engaged us to provide limited assurance on the information described below and set out in KCOM’s Annual Report for the year ended 31 March 2020.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 March 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the information marked with the symbol **A** in KCOM’s Annual Report 2019/20 (the “Selected Information”).

The Selected Information and the Reporting Criteria against which it was assessed are summarised on KCOM’s websiteⁱ:

<https://www.kcom.com/responsibility/corporate-governance/reporting/>

Selected Information	Reported performance FY20
Scope 1 emissions (tCO ₂ e)	1,570
Scope 2 emissions (tCO ₂ e)	6,822
Intensity ratio (tCO ₂ e per £’000 revenue)	0.04

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance engagements on greenhouse gas statements’, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We have complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the provisions of the IESBA Code related to assurance engagements.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which KCOM is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different,

but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 31 March 2020.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of KCOM’s management, including the Group Sustainability Team and those with responsibility for sustainability management and Group sustainability reporting;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected Information.

Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time (in particular, information and conversion factors derived from third parties as explained in the RTFO Guidance).

Our assurance work has not included examination of the derivation of conversion factors. Additionally, the Carbon and Sustainability Characteristics rely on information assessed by third parties. Our assurance work has not included an examination of the underlying information assessed by those third parties unless something has come to our attention that causes us to believe they were not sufficiently competent and/or objective.

Furthermore, our conclusion is based on historical information and the projection of any information or conclusions in our report to any future periods would be inappropriate.

Directors’ responsibilities

The Directors of KCOM are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the 2020 Annual Report.

ⁱ The maintenance and integrity of KCOM’s website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on KCOM’s website.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of KCOM.

This report, including our conclusions, has been prepared solely for the Board of Directors of KCOM in accordance with the agreement between us, to assist the Directors in reporting KCOM's greenhouse gas emissions and intensity ratio performance and activities. We permit this report to be referred to in the Annual Report 2019/20 for the year ended 31 March 2020, and disclosed online at <https://www.kcom.com/responsibility/corporate-governance/reporting/> to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and KCOM for our work or this report except where terms are expressly agreed between us in writing.



PricewaterhouseCoopers LLP
Chartered Accountants
London
31 March 2021



3 KCOM GHG Emissions Reporting Criteria 2020

Greenhouse Gas emissions and intensity ratio

Greenhouse Gas (GHG) emissions of 8,392 tonnes of carbon dioxide equivalents (t CO₂e), comprised of CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆ emissions, during the reporting year.

Of which

Scope 1 GHG emissions of 1,570 t CO₂e

Scope 2 GHG emissions of 6,822 t CO₂e

Scope 3 GHG emissions of 2,178 t CO₂e

This results in an intensity ratio of 0.04 t CO₂e per £'000 of revenue, based on £265,997,405 revenue in 2019/20.

- Scope 1 emissions relate to the combustion of natural gas (kWh), transport fuel (mileage), diesel (litres), gas oil (litres) and fugitive emissions resulting from the use of refrigeration and air conditioning equipment (kilograms).
- Scope 2 emissions relate to purchased electricity (kWh).
- Scope 3 emissions relate to business travel in addition to electricity and waste to landfill from sites where service provision is controlled by a third party.
- The organisational boundary of the 2019/20 footprint is aligned with the Greenhouse Gas (GHG) Protocol 'Operational Control' approach under which a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control.
- Operational control is defined as any operation over which the Group has the full authority to introduce and implement its operating policies.
- Where subsidiaries, sites or joint ventures are deemed not to be under operational control of the Group or are not material to the Group, their energy and fuel usage have not been included within the scope of the GHG emissions reported.
- CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆ emissions are measured. NF₃ emissions are not included in the organisational boundary.
- Microsoft Excel has been used to consolidate the carbon data and apply emissions factors. It has been used to calculate the final Scope 1, Scope 2 and Scope 3 GHG emissions.
- CO₂e emissions for the Group have been determined on the basis of measured or estimated energy and fuel use, multiplied by the relevant emission factors from the Calculated GHG emissions consisting of the combined Scope 1 and Scope 2 emissions within the organisational boundaries of the Group. The source of the emissions factors is from the following sources:
 - <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>
 - Refrigerant R417A is not captured in the DEFRA tables but can be agreed to: <https://www.climalife.co.uk/refrigerants-hfc-refrigerants-r417a-freon-mo59>



- Emission sources included in the scope of GHG emissions reported which are deemed material to the Group include:
 - Electricity consumption
 - Gas consumption
 - Fuel combustion – diesel (generator and vans) and gas oil
 - Refrigeration – air conditioning
 - Transportation – staff travel, business miles and vans.

No emissions sources are excluded from the scope of GHG emissions reported.

The following assumptions have been made when calculating the following source of emissions:

Electricity

- Where actual electricity use for any operation or period of time is not available, an estimate of usage is made based upon the best available information (i.e. applying an average across a similar period). This approach applies to both Scope 2 and Scope 3 electricity.

Refrigerants

- Refrigerants data is based on data obtained from the third-party supplier of the refrigerants.

Natural Gas

- Gas consumption has been based on invoiced amounts, but where data for a period of time is not available, an estimate of usage is made based upon the best available information (i.e. applying an average across a similar period).

Diesel

- Diesel consumption relating to company vans is based on quantities recorded on the company fuel cards.
- Diesel consumption in 2019/20 relating to power generators at 2 sites, Manchester Switch and Coventry Road LDN, is based on data obtained from the third-party supplier of the generator maintenance.

Petrol

- Petrol consumption relating to company vans is based on quantities recorded on the company fuel cards.

Gas oil

- Gas oil consumption is based on meter readings from the boilers at Carr Lane, Hull.



Transportation – Business Miles

- Business mileage relating to company cars is obtained from company expense systems – Concur, Keyed in and Capita reporting systems.
- The Scope 3 emissions from business miles includes air, bus, taxi and rail travel and business mileage from privately-owned vehicles. Information is obtained from company expense systems – Concur, Keyed in and Capita reporting systems. These systems provide mileage information for cars. However, the air travel is manually calculated based on destination and bus, taxi and rail travel is calculated by applying an average distance factor to the quantity of journeys made.

Waste

- The waste from operationally controlled sites is fully recycled and is based on data obtained from the third-party supplier.
- The small (approx. 3%) of total waste that is not recycled that is included within Scope 3 emissions is an estimate of waste from sites where service provision is controlled by a third party.

Adjustments

- KCOM Estates maintain a register of current sites.
- A prior year adjustment is made in the event of an error being identified or a significant business development (acquisition, disposal, new business activity) that requires restatement to reflect changes in comparability.
- The 2019 prior year comparative for 'combustion of fuel and operation of facilities has reduced by 126 tonnes (4.6% of that categorisation) due to a more accurate way of converting litres of fuel, as disclosed in fuel card reports, being identified.