

## Mid-year update

During the six months to 30 September 2020 we have made significant progress in transforming our business and executing our strategy, resulting in improved performance across all areas of our operations.

These results have been achieved even against the unexpected difficulties confronting the business and faced by employees.

Coronavirus has presented us all with many personal and business challenges and we are grateful to all our employees for the generous spirit in which they have remained flexible and help us adapt to meet these new needs.

Our focus has been to manage the wellbeing, health and safety of our employees and ensure all our customers are connected and supported, especially during periods of working and schooling from home, while managing business turnaround and transformation and doing what we could to help even more with direct support for the community.

### Progress on strategy

#### *Network expansion*

The expansion of our full fibre broadband network has progressed in line with our plans. At the end of the period we had passed premises in eight new East Yorkshire towns and villages, making our Lightstream services available to retail customers in Driffield, Market Weighton, Pocklington, Nafferton, Goole, Howden, Withernsea and Hornsea.

We have also announced our intention to expand our network to the North Lincolnshire towns of Barton, Brigg, Barrow upon Humber and Goxhill and, subject to market demand, to a number of smaller settlements in the county.

Our full fibre network continues to be recognised as a stand-out in the industry. We were a finalist in the Internet Service Providers' Association awards programme in the Best Infrastructure category. The completion of our full fibre rollout across our core Hull and East Yorkshire network was also recognised in the National Technology Awards programme, in which we were shortlisted in the Telecoms Project of the Year category.

#### *Wholesale capability*

Our regional business comprises a wholesale operation and a retail operation, with network services provided by the former to the latter.

In the first quarter of the year we reinforced the distinction between our wholesale and retail operations, creating a wholesale commercial business unit, introducing new branding to emphasise this difference in market focus and setting up new commercial governance structures.

As part of developing the capabilities of our wholesale operation, we appointed Tim Shaw as managing director of KCOM Wholesale & Networks and put in place a new senior team to drive and support the growth of our wholesale customer base through renewed engagement with communications providers, investment in new systems and processes and the development of our service offerings to this market.

#### *Retail performance*

We have continued to grow our retail consumer customer base in our original Hull and East Yorkshire network area during the period as well as increasing the proportion of retail customers connected to our full fibre Lightstream services.

Focus on improvements to our customer services have also seen a significant increase in customer satisfaction among our retail consumer base since the start of the year. This was recognised in the Internet Service Providers' Association awards programme, in which we were finalists in the Best Consumer Broadband ISP category.

The business has responded well to the demands presented by Covid-19, maintaining our supply chain access to customer premises equipment, with new online channels to market and new products and services to ensure easy and continued access to being connected.

#### *National business*

We have made good progress in establishing our National Business as a standalone commercial unit and preparing a plan for its future development and growth. Performance year-to-date has exceeded our turnaround targets and continues to improve.

At the same time the strengths and delivery capability of the National Business have been demonstrated by its response in tight deadlines in the early days of the Covid-19 pandemic to customers who required our support to adapt to new circumstances.

#### *Impact of Covid-19*

While we have not been unaffected by the challenges created by the Covid-19 pandemic our teams have stepped up to these to continue to extend our network and deliver vital services at a time when our customers are more reliant on them than ever for work, study and entertainment and to stay connected with friends, family and colleagues.

The minimal impact of the pandemic on our financial performance reflects not just the importance of fast, reliable connectivity to our customers but also the efforts throughout the period of our Pandemic team, People team and colleagues across the business in providing employee support, creating new products, services and channels to market and managing debt levels. Their positive, can-do approach and flexibility have allowed the business to adapt to these new and unexpected needs within tight timelines.

### **Investing in our people**

In the first half of the year we have expanded the scope of our People team to include responsibility for wellbeing, health and safety. This, together with the creation of a new, Group-wide wellbeing, health and safety leadership role, reflects our increased focus on these matters and provides senior policy and operational support for our work with the Board sub-committee on wellbeing, health and safety, which meets bi-monthly to monitor performance and progress.

Responsibility for the coordination of our activities relating to business sustainability and estates and facilities management are also now within the remit of our People team, in recognition that both are fundamental to the overall employee experience.

Under new leadership the People team has begun setting the foundations to create an environment that promotes employee engagement, improves career development opportunities and aligns individual performance and contribution more closely with reward.

They have been supported in this by a business-wide group established to define and embed our organisational values and culture.

We have also established a diversity and inclusion steering group which is supporting the design of policies and processes that will help us achieve our goal of creating a positive, inclusive workplace where everyone can thrive.

### **Increasing support for communities**

While the closure of schools during the initial pandemic lockdown meant we were unable to deliver our usual education programmes in the first half of the year, we have engaged with schools since the start of the new academic year to re-establish our careers and employability support activities on an online basis wherever possible.

We have also announced a new partnership with Hull City AFC which will see us expand the range of community-focused activities we support through the club to directly benefit more individuals and groups in our heartlands of Hull and East Yorkshire.

The new partnership will include the continuation of our successful KCOM Kits initiative, which provides kits for youth football teams. It will also see us joining forces with the club to host the region's first coding camps; using football as the vehicle to teach youngsters vital programming skills and opening the door to future employment opportunities in the digital world.

Other community investment during the period has been focused on supporting customers and communities affected by Covid-19.

### **Responding to Covid-19**

Having begun to plan for the impact of the Covid-19 pandemic in January, we were able to put in place measures as soon as they were required to protect the health and safety of our employees and continue delivering services to our customers.

#### *Protecting our people*

The vast majority of our employees are able to work effectively from home and we implemented this in advance of official government advice to do so. For the small number of employees with a need to work in our offices we put in place Covid-secure measures in line with government guidance, including social distancing, one-way systems and deep cleaning.

To protect our field engineers and allow them to fulfil their roles as key workers we provided high-quality personal protective equipment and implemented safe working practices, including detailed risk assessments.

Throughout the pandemic we have continued to provide advice and support to our people relating to their wellbeing, health and safety, including extra paid leave to manage family needs, provision for flexible working, wellbeing webinars hosted by mental health charity Mind UK and online exercise classes delivered by personal trainers.

We have also sought to promote stability and minimise disruption to our employees' lives during this period of uncertainty through a cautious approach and have communicated our intention to remain working from home well in advance of changes in government announcements and guidelines.

Management decided not to furlough any employees but instead to provide alternative work for any employees unable to continue working in their usual roles.

#### *Supporting our customers*

The pandemic has created a range of challenges for both our National Business customers and the many consumers and businesses we serve in Hull, East Yorkshire and North Lincolnshire. Our teams have worked tirelessly over the first half of the year to support them in adapting to these challenges and keep them connected at a time when it is more important than ever.

At the start of the pandemic we worked with many of our National Business customers to enable their employees to shift to home working, as well as supporting others to increase their contact centre capacity to handle new demands resulting from the circumstances. The work of the team during this period was an impressive demonstration of its delivery capability.

We also participated in government forums set up to coordinate the response of the communications industry to the pandemic. Among the measures we put in place to support customers were the removal of broadband data caps, a dedicated helpline and priority engineer visits for vulnerable customers and NHS workers, flexible payment plans for those experiencing financial difficulties and expanded eligibility for our low-cost social access package.

*Playing our part in the community*

In the early weeks of the pandemic we made employees and vehicles available to local community hubs to help with the delivery of essential supplies to vulnerable residents across East Yorkshire and made donations to local foodbanks to support their efforts in responding to increased financial hardship.

In addition we donated 26 Surface Go 2 64Gb tablets to Hull University Teaching Hospitals NHS Trust to help patients at Hull Royal Infirmary and Castle Hill Hospital stay connected with friends and family while face to face visiting arrangements were suspended.

We will continue for as long as necessary to support our people, our customers and the wider community in responding to the challenges presented by these unprecedented circumstances.