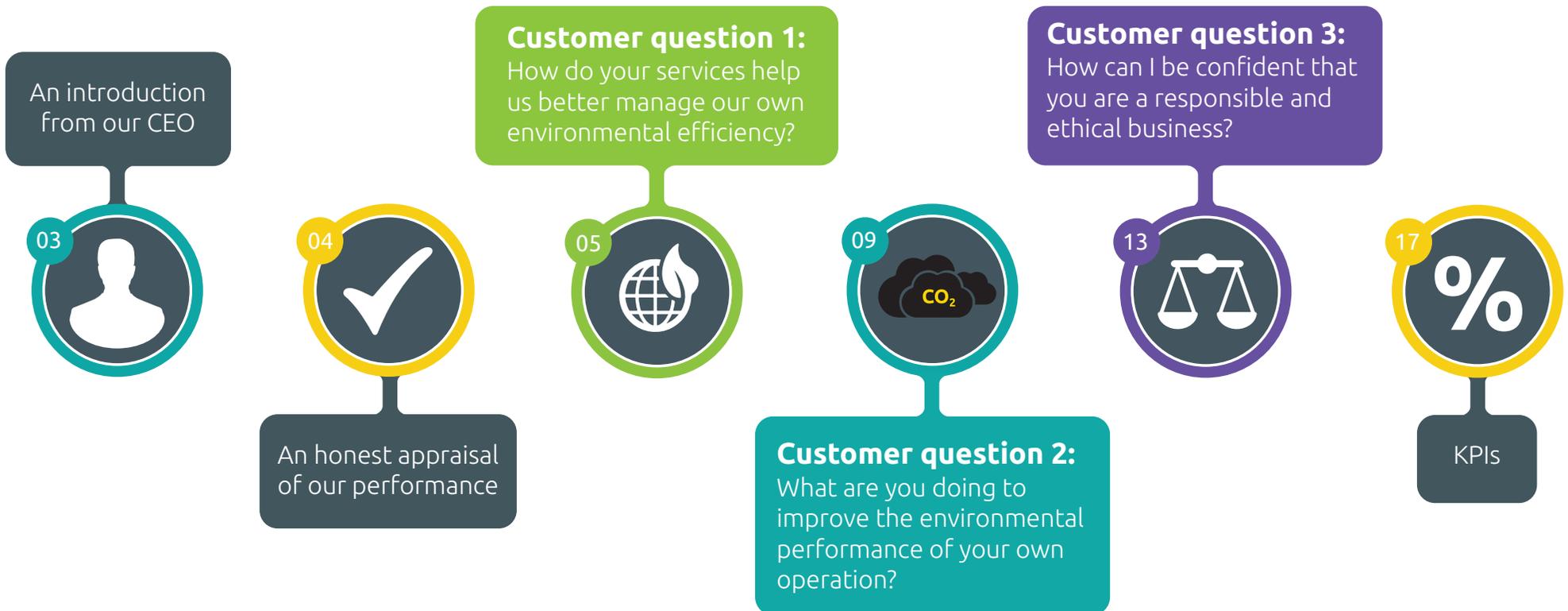


Sustainability Report Highlights 2016/17

- Focused on the sustainability challenges that matter most



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An introduction from our CEO

phs provides washroom, healthcare and floorcare hygiene services, and a range of specialist services, to more than 90,000 customers at 300,000 locations. In doing so, we meet the needs of a population of more than 100 million people. Our products and services play a vital role in making our customers' premises safer and healthier places that meet the changing needs of society. That's something I'm very proud of.

Being Human

We are a business that helps our customers to better deal with the fundamental challenges of being human. We expect high standards of hygiene and live in a society where more people are spending longer in the workplace. The amount of waste we are producing as human beings is increasing every year as the population grows and ages. Given this increasing need for the products and services we provide, it's our responsibility to find more sustainable and innovative solutions to meet our customers' needs.

Being There

As the leading hygiene services provider in the UK and Ireland, our team of more than 3,000 expert personnel provide a service at more than 300,000 locations. Our network gives full coverage to a population of more than 100 million. We are next door, everywhere. We take our responsibility to be a good neighbour seriously and aim to maximise the positive impact that we have on the communities we serve. We have invested over £1.2 million in training our service teams to be safer and more fuel efficient drivers. This is one of the projects that has helped us to reduce our organisational carbon footprint by 12,000 tonnes of carbon over the last 3 years.

Being Leaders

2016/17 has been a year of significant advancement and positive change as we have successfully tackled some of the biggest challenges facing our business and our sector.

The launch of our LifeCycle™ process is central to our commitment to develop and promote innovative and environmentally responsible solutions. This unique and ground-breaking process enables our customers to choose a service that eliminates the practice of landfilling absorbent hygiene waste. We can now process items such as nappies, medical dressings and sanitary waste on an industrial scale and turn them into refuse derived fuel (RDF), which creates a reliable source of renewable energy and helps to limit the UK's dependence on landfill. We are now well on our way to achieving zero to landfill for all of our customers' absorbent hygiene waste, enabling them to achieve their own environmental targets.

Alongside LifeCycle™, this report highlights other projects where we have been the first in our industry to find innovative solutions. Throughout this report, we address the issues that our customers really care about and honestly appraise our performance. We have celebrated our successes but we also know that the ongoing challenges we face will need continued work to improve.

As CEO, I am proud of what the team at phs has achieved, and our ambition extends even further. I sincerely hope that this report answers the key questions that you have. I look forward to hearing your comments.



Justin

Justin Tydeman
Chief Executive Officer

> An honest appraisal of our performance

phs is, and has always been, a customer-led business

For over 50 years, we've built a successful company by finding innovative solutions to the everyday challenges of being human – whether that be disposing of sanitary and medical waste, providing mats that prevent slips and trips or supplying products to create hygienic washrooms.

So, when it comes to updating our customers on our performance, we decided to take a similarly practical, accessible and down-to-earth approach.

In fact, we challenged ourselves to produce an annual sustainability update that addressed the real concerns we hear from our customers day in and day out. This led us to three customer questions that we feel our sustainability report should answer:

- 1** How do your services help us better manage our own environmental efficiency?
- 2** What are you doing to improve the environmental performance of your own operation?
- 3** How can I be confident that you are a responsible and ethical business?

This report is our attempt to provide our customers with the answers to these three key questions. Throughout we will showcase the positive steps we are taking but also acknowledge the long-term challenges we must address if we are to continue to grow successfully and sustainably.

Question 1:

> How do your services help us better manage our own environmental efficiency?



Answer: For over 50 years, **phs** has been helping customers to create safer, more hygienic and efficient workplaces



A

Even before it was commonplace to care about the environmental impact of your waste, energy and water usage, **phs** was providing services to help our customers make better use of their resources. From the safe disposal of sanitary waste, to washrooms water controls, energy efficient hand dryers and entrance mats that reduce the need for floor cleaning, our focus on providing cost-effective services has delivered measurable environmental improvement to over 90,000 customers across the UK.

Workplaces are busy and complex spaces and it can be easy to overlook areas such as washrooms. However, these small yet essential rooms are likely to be one of the most significant water and energy consumers on commercial premises. According to WRAP, toilets account for as much as 75% of water usage and controlling the amount of water used for hand washing will also reduce the energy needed to heat hot water. For this reason, **phs** offers a range of simple and practical services that can make a significant impact on your resource efficiency.

Key Fact

We estimate that our washroom water products save our customers in excess of 2.6 million cubic meters of water each year*

*Customer water saving estimate made utilising FY14-15 contract pool numbers and externally verified savings, assuming every product replaces less efficient comparator

Answer: We invest in innovative solutions to address global challenges



A

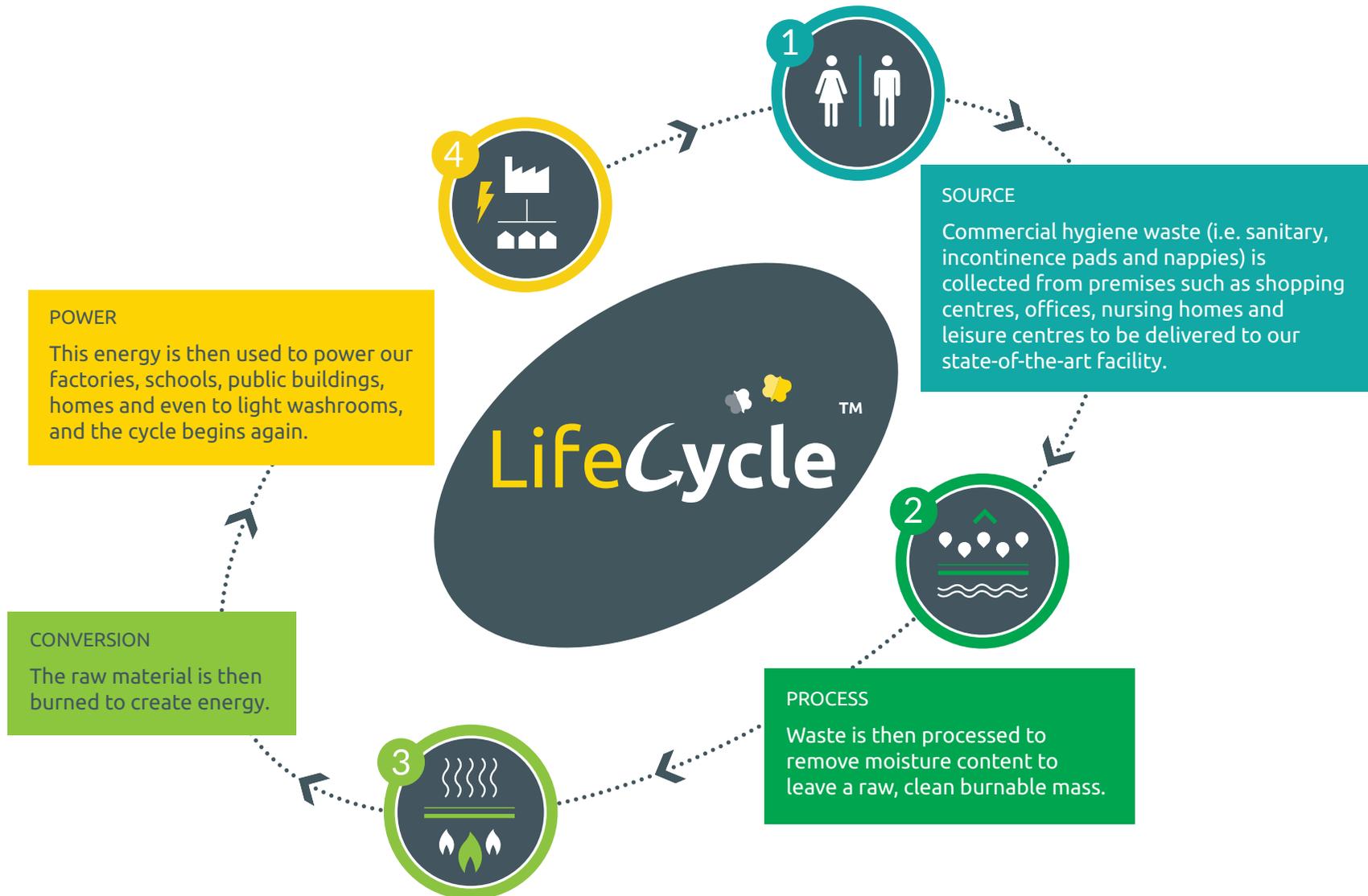
Our customers trust us to collect thousands of tonnes of waste each year; waste that is produced as a result of the essential need for sanitary and hygiene products. Of course these customers expect us to dispose of their waste in a compliant manner but for us compliance is not enough. We are committed both to improving our own environmental impact and to offering our customers a more sustainable alternative to disposal via landfill. So, in November 2016, after nearly 10 years of research and a multi-million-pound investment, we launched our patented LifeCycle™ service.

LifeCycle™ works by converting this wet and difficult to manage waste into Refuse Derived Fuel (RDF) a fuel that can then be used as a power source in biomass plants. By turning a waste product into a useable material, our process helps to limit the need for landfill, finds a valuable outlet for a former waste product and supports the use of alternative energy. As landfill charges continue to rise to meet environmental targets, this ground-breaking process offers financial as well as environmental benefits to our customers.

Key Fact

By the end of 2017, the LifeCycle™ process will be provided to all our customers at no additional cost

Innovative environmental solutions



Question 2:

> What are you doing to improve the environmental performance of your own operation?



Answer: We prioritise sustainable customer service



A

It's a well-recognised fact that even the most resource efficient business will fail if it cannot consistently and effectively meet customer expectations. We put our frontline team at the heart of our business and we recognise how critical our service drivers and operations teams are to our success. They are the ones who care for our customers day-in and day-out. We are therefore committed to finding people who share our passion for delivering outstanding customer service and for us, this starts with our recruitment process.

Last year, we successfully implemented a new Strengths Based Recruitment process for our hygiene service drivers that has radically changed how we shortlist and select candidates. By focusing on aptitude, attitude and potential, we attract diverse candidates who are driven by the need to deliver outstanding customer care. This new approach is delivering benefits not only for our customers but also for our business. In the last year we have improved the retention rate of new service operatives by over 53%, effectively bringing stability to our operation and adding value to our frontline customer relationships.

Key Fact

Strengths Based Recruitment principles have helped us to improve our service driver retention rate by over 53%*

* based on new employee retention rate at 3 months

Answer: We are focused on both the day-to-day management and future sustainability challenges facing our business



Each day, **phs** employees undertake 20,000 service visits at our customers' sites. Naturally, getting to and from these customers to perform the essential services they require is our primary operational challenge. The fuel used in our vehicles is currently responsible for 75% of our organisational carbon footprint and is one of our most significant environmental impacts. We are working hard to control this and our efforts are focused on 3 areas: choosing efficient vehicles that are the best-fit for our needs, taking practical steps to reduce the fuel we use and looking to the future to understand how we can transition to low carbon transport solutions.

So far, our ongoing investment in fleet replacement and driver behaviour training has enabled us to improve our average driver mpg by over 15%. Last year we invested over £16 million in new vehicles, enabling us to both downsize vehicles and consolidate routes to reduce the number of waste vehicles on the road. However, replacing the large diesel fleet that is the engine of our business represents the greatest opportunity to reduce our impact. We are working closely with manufacturers to identify new solutions and will be actively trialling electric vans in large urban areas during 2017-18.

Key Fact

Over the last 3 years, our average driver mpg has improved by 15%

Reducing our organisational carbon footprint

Organisational Carbon Footprint



* combined impact of energy efficiency measures and organisational restructure

** Department of Energy and Climate Change (DECC) Committee on Climate Change (CCC) Fifth Carbon Budget Report 2015

Question 3: Responsible Business

> How can I be confident that you are a responsible and ethical business?



Answer: Safeguarding our people and our customers is our most important responsibility



A

As an employer of over 3000 people, many of whom spend their days driving on our busy roads, we never forget that our primary responsibility as an employer is to make sure that our people are safe from harm. Having well trained people who can operate both safely and efficiently whilst on our customer's premises is essential if our customers are to continue to rely on us to deliver the essential services they need. In 2016-17 we launched a series of measures to reinvigorate the way in which we manage our Health and Safety obligations: - from our reporting of near-misses, KPIs and risk identification through to regional support, incident investigation and training.

We are proud to say that this renewed effort by all our people has paid dividends. Last year we successfully reduced our total incidents by 52% and the number of days lost to workplace injuries by 54%. We finished the year with three consecutive months without a single RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accident. Our aim is to continue to improve our Health and Safety performance and further address the real dangers that our workforce, particularly our mobile workforce, face each day.

Key Fact

Last year we more than halved the number of absence days following a workplace incident

Answer: We work closely with our suppliers to ensure the highest standards of ethical and environmental performance



A

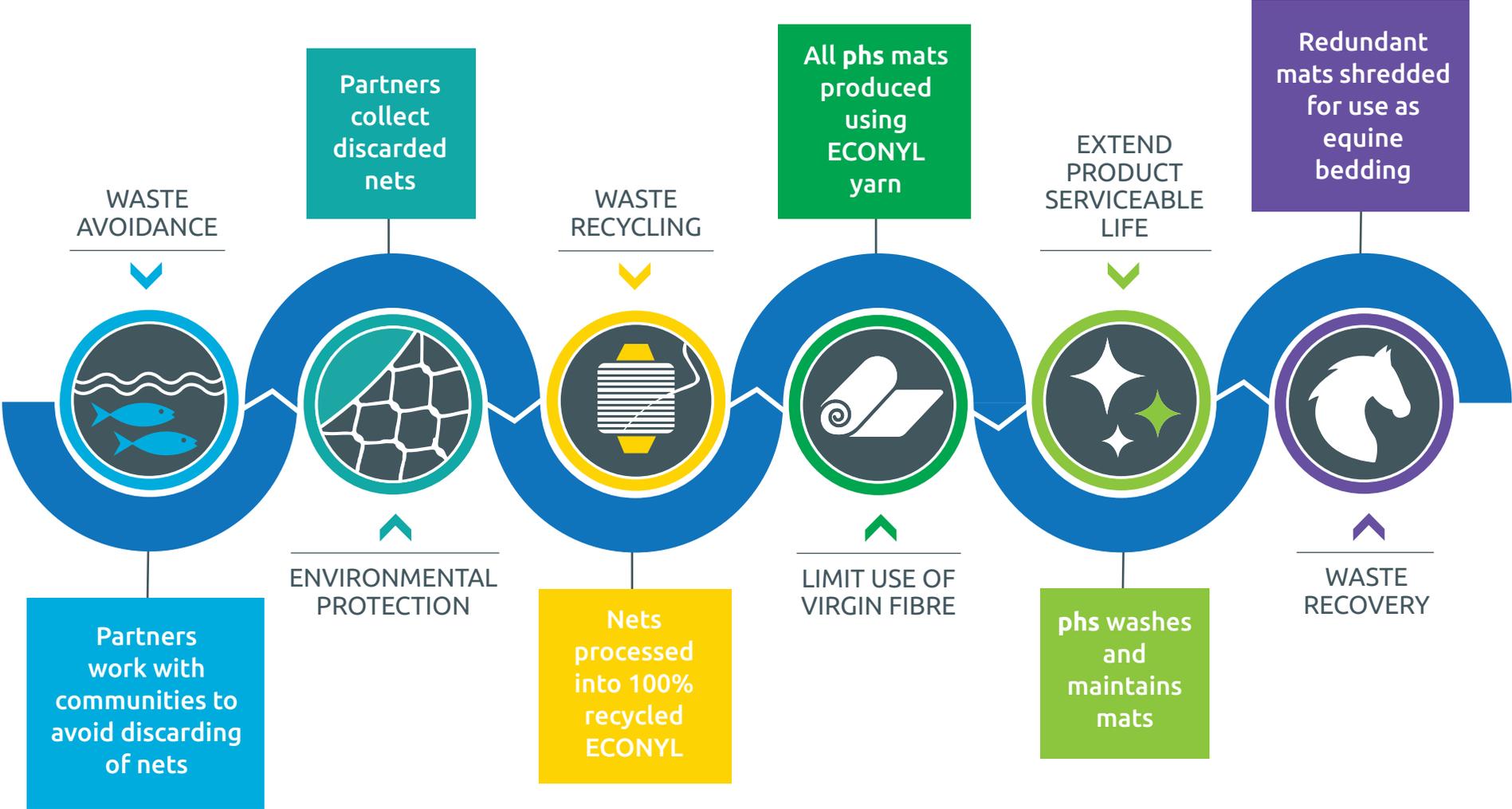
phs has always been committed to offering the best available solutions at a cost-effective price and our 100% recycled mats are just one example of how we deliver innovative products as standard. From 2017, all of the mats we sell will be made from ECONYL, a unique yarn that utilises global supply chain collaboration to tackle the very real issue of 'ghost' nets. Each year an estimated 640,000 tonnes of nets are abandon in our oceans; killing wildlife, damaging reefs and eventually degrading to create micro-plastics that enter our food chain.

Our carefully chosen partners are working with communities across the world to find a valuable and environmentally-beneficial use for this damaging waste stream. Once collected the nets are processed into a recycled polyamide, which is virtually indistinguishable from 'virgin' yarn. This yarn is then used to create our unique range of mats that offer not just high quality materials and robust performance but also deliver genuine environmental benefits. One way in which **phs** is leveraging the potential of ethical supply chains and enabling our customer to make better, more sustainable purchasing decisions.

Key Fact

From 2017, all our mats will be made from 100% recycled yarn

Working with our partners to deliver sustainable supply chains



> phs Group

KPIs 2016/17

outstanding people

The roll out of our strengths based recruitment programme has helped us to improve our new driver retention rate by over



53%*

* based on new employee retention rate at 3 months

employee safety

Last year we reduced our accident numbers by



52%

safer drivers

In the last 3 years, we have invested over

£1.2 million

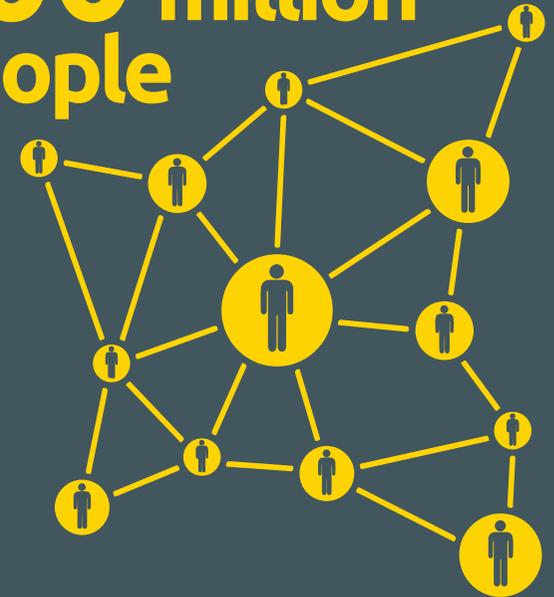
in training our service teams to be safer and more fuel efficient drivers



nationwide reach

Our services cover a population of more than

100 million people



loyal customers

Over

30,000

of our customers have been with us for 10 years or more



efficient business travel

We reduced our air travel by 9%



and increased our use of rail by 7%



efficient equipment

Our investment in new equipment has helped us to reduce the gas used to wash our mats by

9% 

building management

Improvements at our Head Office have enabled us to reduce our electricity consumption on site by

22% 

saving fuel

Our investment in fleet replacement, downsizing and driver behaviour change has enabled us to improve our average driver mpg by over

15%



carbon reduction

Over the past 3 years, we have reduced our organisational carbon footprint by over

12,000 tonnes of carbon*



* combined impact of energy efficiency measures and business restructure



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