

Cattles plc

Report on Corporate Social Responsibility 2005



CSR
corporate
social responsibility

Cattles

Serving our customers in local communities



Opening statement

Corporate Social Responsibility (CSR) is a concept that has been introduced over recent years to address the way that companies interact with and impact on society and the environment around them. Whilst the language used may be new, the issues that need to be addressed are not – indeed they make sound business sense.

We know that our customers want good quality products that meet their needs, are straightforward and easy to understand, and are reasonably priced. They want to be treated well and in an honest way.

We know that our colleagues want to be motivated and work in a stimulating environment in which they are rewarded fairly and treated with respect.

Our regulators want to be confident that we comply with relevant legislation and regulations and that we operate in a way that is fair and honest.

And finally, our shareholders want to be assured that we have considered and taken into account the broad range of risks and opportunities that affect our business, including social, ethical and environmental issues.

Over the past few years these issues have been given a higher profile and more of our stakeholders are now

interested in the way we operate and how we address these concerns, as well as our financial performance. Indeed, as we grow, this interest will continue to grow. However, that is not to say that we have not been thinking about and acting on these issues for many years. CSR simply gives us a useful way to pull all these issues together, develop a more integrated approach and facilitate our communication on this subject.

Since our last CSR report for 2004, we have made considerable progress, particularly in strengthening our CSR management team. We have now formed the Cattles CSR Steering Group, led by our Company Secretary and comprising our CSR Manager and senior directors. This has given us the platform to ensure CSR is considered at the very highest level in the company and demonstrates our on-going commitment to our colleagues and interested parties outside the business. We have also

strengthened a number of our policies relating to CSR, including our community policy, and are introducing ethical standards in our supply chain.

We now have employee 'Hands Up' committees at all our major locations to support our community and volunteering programmes. These committees facilitate opportunities for all colleagues to choose activities local to them and within their own community. As a result the number of hours donated by the business has more than tripled over the past year.

We have also continued to support the promotion of financial education. As a financial services company, we believe arming young people with a firm grasp of money management and a basic understanding of financial products will help to reduce the number of people with debt problems. Furthermore, a better educated customer base will help to promote transparency and reduce the potential for mis-selling within our industry.



'Cattles is a very active member of Business in the Community.'

The drive and passion of Chief Executive, Seán Mahon, has played a major part in the success of our Cares movement (the largest group of companies supporting employee volunteering in the UK) and I am delighted that Seán is now Chair of our National Cares Leadership Team.

The Cattles team work closely with Business in the Community and we are so grateful to Seán for his inspirational personal commitment and energetic leadership, and we look forward to working with him and Cattles for many years to come.'

Julia Cleverdon, Chief Executive
Business in the Community

A recent employee survey indicated that 88% of our colleagues thought money management education was a good idea. Therefore, I am particularly pleased to highlight our support of DebtCred and the production of an innovative CD-Rom, KS4Finance (a young people's guide to personal finance). Free distribution to all UK secondary schools commenced in September and is being rolled out in collaboration with Local Education Authorities and Education Business Partnerships. It is designed to empower teachers to deliver personal finance education as part of the government's enterprise education requirement for Year 10 and 11 students.

During the year our relationship with Business in the Community (BITC) and its Cares programme has continued to grow. As founding chair of Leeds Cares, and now chairman of the National movement, I am delighted to see the Cares model now successfully established in 32 partnerships throughout England, Wales and Northern Ireland. During 2005 these partnerships generated 24,550 volunteers, each one helping to make a positive impact in the local community.

My appointment to the BITC board has further strengthened links with BITC and complements the Cattles commitment to improve our own impact on society and conduct our business responsibly.

Whilst we understand that Cattles has a long way to go in addressing all the issues presented by CSR, I am pleased that we are able to advocate the benefits. Indeed, in September we had the opportunity to present to a number of European business leaders on the benefits of CSR.

As the CSR agenda continues to evolve and our stakeholders expect more from us, we must work hard to ensure that we operate in a responsible, honest and transparent way. We have made great strides in the way we manage our approach and response to CSR and will continue to do so over the coming months and years. There will be many challenges and opportunities for our business, but I am confident in our ability to meet these.

Seán Mahon

Seán Mahon
Chief Executive



Approach to CSR and Management

Defining our values

CSR issues have the potential to affect our business performance in both the immediate and longer term, and they extend into almost every aspect of our business.

As responsible lenders, we aim to create products in line with the needs of our customers, whilst achieving open and honest relationships with our stakeholders. We seek to create a motivating and supportive culture for our employees and take an active role in the communities in which we live and work, whilst minimising our impact on the environment.

In 2005, we sharpened our focus on our mission and goals to help colleagues understand our culture and the way our business operates. Our way of working means that we are all team players and part of one team encompassing all levels throughout the company, with the common goal of delivering success.

The business has two key aims:

- We aim to be the first choice provider of financial services to consumers within the UK who either choose not to, or do not have access to, mainstream facilities.
- We are committed to doing business responsibly, serving local communities and caring for our customers, employees and the environment.

These aims are supported by five goals:

- **Customer driven:** To employ people of diverse backgrounds who enjoy working with our customers and to structure our business systems and products to anticipate and meet the changing needs of our existing and potential customers.
- **A provider of quality service and value:** To build quality, long term relationships with our customers and suppliers in local communities by providing professional, personalised, prompt and friendly service.
- **Financially strong:** To focus on maximising long term profitability and shareholder value whilst at the same time continuing to grow and expand our activities.
- **A good employer:** To sustain a healthy, equal opportunity, working environment that attracts, retains, develops, challenges and informs committed team players that share in and celebrates the success of the company they work for.
- **A quality, compliant company:** To demonstrate continuous improvement in all we do through compliance to quality operating practices and regulatory requirements to ensure every team player adheres to Cattles Policy and Procedures.

CSR management

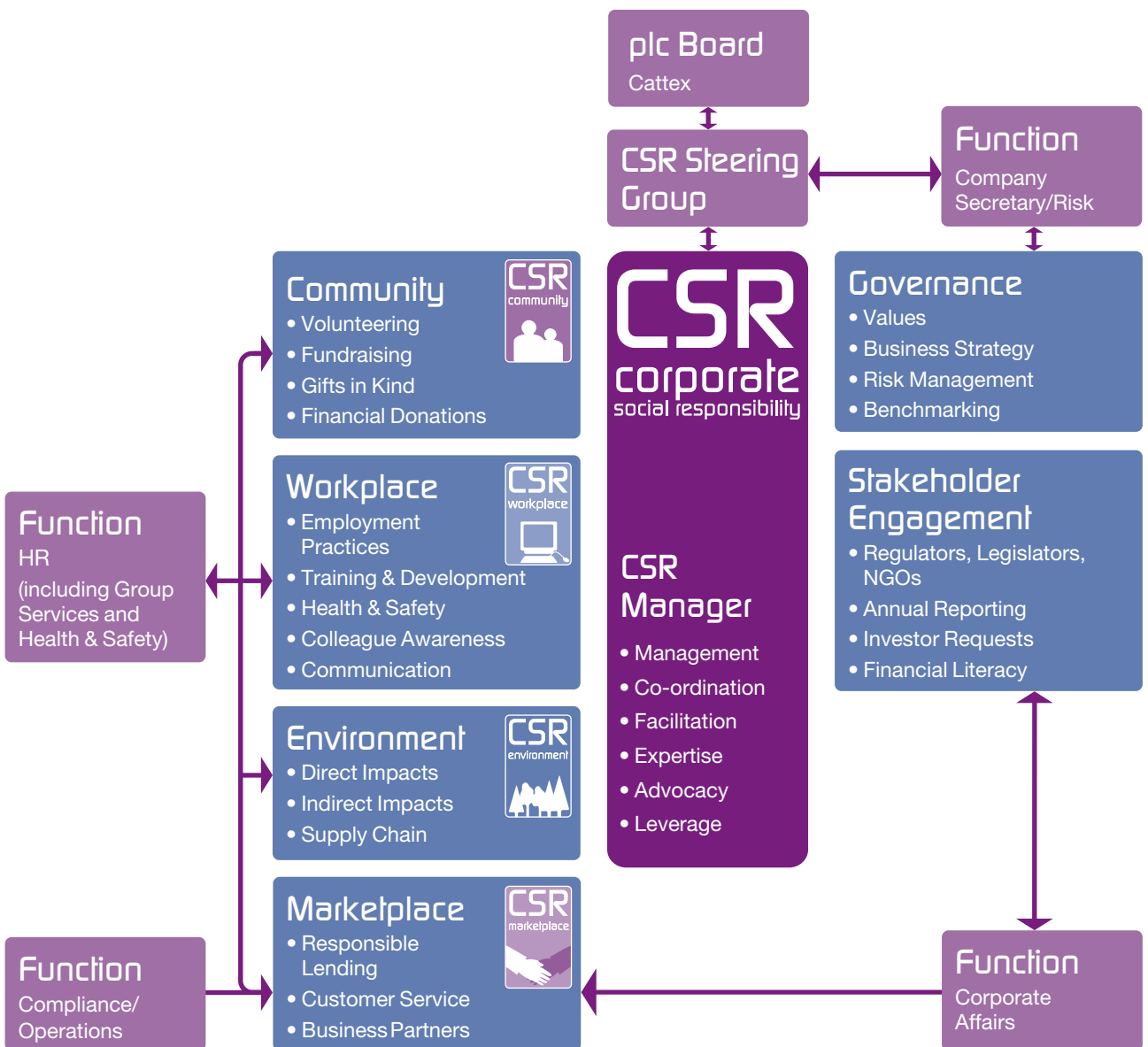
Overall responsibility for CSR rests with Mark Collins, Treasury & Risk Director for Cattles plc. This has remained unchanged since last year. However, our management structures for CSR have been strengthened. Management of CSR is now the responsibility of the Company Secretary. This reflects a strengthening of links between the risk management and governance processes within the business. It also facilitates the internal reporting process, for example, the inclusion of CSR on the Board agenda and regular reports to the Cattles Executive management team, Cattex. The Company Secretary is supported by a CSR Manager who undertakes the majority of activities in this area.

In addition, to help integrate CSR within the way we operate and ensure that the key issues around the business are identified and addressed, we have formed a CSR Steering Group. This group is made up of senior managers from the business, including the:

- Company Secretary
- CSR Manager
- HR Director
- Sales and Marketing Director
- Corporate and Regulatory Affairs Director
- Director of Group Services



CSR Management at Cattles plc





Approach to CSR and Management continued

Terms of reference for this group have been established and this group meets on a quarterly basis. Its purpose is to provide strategic direction for CSR within the business, review performance, and ensure CSR is considered at the highest level within the company through regular reports to the Board.

Our approach to CSR is supported by a suite of policies relating to different aspects of CSR. This includes policies relating to our employment practices (such as equal opportunities, whistle blowing, flexible working and health and safety amongst many others), working with the community (such as community investment and volunteering), the way we behave in the marketplace (such as our Standard Operating Procedures) and our impact on the environment. These are described within each section of this report, and the majority are available on request.

We have undertaken work this year to identify gaps in our approach and have developed appropriate policies to address these. In 2005, we have introduced policies relating to employee welfare and human rights, ethical standards in our supply chain, community investment and have revised both our environmental and health and safety policies to ensure their relevance to our business structure and operations.

Risk management and governance

The Board of Cattles plc aims to maintain the highest standards of corporate governance in the belief that such standards are essential to the process of delivering long term growth in profits and dividends. The Board has established three standing Committees, each with formal terms of reference; the Audit Committee, the Remuneration Committee and the Nomination Committee.

The Audit Committee has delegated responsibility for monitoring and reviewing the group's management of internal control and business risk, including non-financial risks and opportunities that are commonly considered part of CSR. It also ensures that the business takes adequate account of the emerging guidance on CSR related disclosures, such as the requirements of the new EU Accounts Modernisation Directive and the guidelines established by the Association of British Insurers (ABI).

The Audit Committee is supported by the Risk Management Group, whose membership includes the Company Secretary, thus maintaining a link with our CSR management process. This group meets twice a year and is responsible for identifying risks and opportunities, maintaining the group's risk register and developing strategies

to mitigate potential issues. Risks and opportunities are identified through workshop sessions, facilitated by external risk management experts and held throughout the business, and from input by the senior management team and CEO. The risk register and management plan is regularly reviewed and updated at least twice each year.

Understanding our stakeholders

Communication is important. We understand that our stakeholders, both inside and outside the company, have an interest in the way we operate. We also appreciate that these stakeholders can provide new perspectives and ideas. This is particularly relevant when we are developing new products and communicating with our customers.

We are always prepared to engage with interested stakeholders on issues relating to CSR, as well as any other business issue. However, we appreciate that direct contact or dialogue is often difficult and so we hope this report goes some way in fulfilling our stakeholders' needs and demonstrates our approach to CSR in an open and transparent way.

We have identified our main stakeholders and the way in which we communicate with each.



Customers

This is mainly achieved through our branch network and direct contact with customers in person, by telephone and via post. We also undertake regular customer surveys and monitor customer feedback. For example, customers of Welcome Financial Services rated us 7.96 out of 10 overall. Over 80% of our customers rated us 7 or higher, with 19% of customers rating us 10 out of 10.

Employees

Regular briefings are held at each branch to deal with local issues and operational performance. This is supported by regular group wide communications through management briefings and 'question and answer' sessions at our offices, our internal magazine, *Connect* and our regularly updated intranet, *Connectonline*. We also undertake an annual employee survey, 'Speak Up'.

Regulators and legislators

Dialogue with our regulators, particularly the Financial Services Authority (FSA), is managed at a group level by our Corporate and Regulatory Affairs team and senior managers. We also seek to develop good relationships with policy makers and legislators, and contribute to consultations affecting the consumer credit and financial services industry.

Investors

This is driven predominantly by the plc team with involvement from the business functions as required. Engagement is via a series of meetings, correspondence, our website and publications aimed specifically at investors. Cattles has remained a member of FTSE4Good since its inception, and continues to engage with its shareholders and key research agencies on CSR issues.

Suppliers and business partners

Relationships with our suppliers and business partners are managed by our Group Services department, supported by functional expertise when appropriate. We seek to develop long term mutually beneficial relations with them. This relies on good communication. This year we have introduced supplier standards to encourage our suppliers to consider the social, ethical and environmental issues.

Communities and charitable organisations

We actively get involved with local and national community initiatives that meet the criteria set out in our community investment policy. Communications with them are managed through our CSR team, with the involvement of appropriate colleagues from around the business.

Non Governmental Organisations (NGOs)

These are bodies that have no affiliation with governments and whose work is focused on specific issues on which they then campaign for change, sometimes directly with companies or indirectly via public awareness campaigns. We seek to engage with these bodies when appropriate and this is done in a variety of ways depending on the issues being addressed. However, in most cases the first point of contact will be through our Corporate and Regulatory Affairs or CSR team.



Responsible lending and borrowing

At Cattles, we are committed to responsible business practices and in particular to responsible lending and borrowing. In recent years, growth in consumer credit has largely come from areas in which Cattles does not compete, such as credit card borrowing. For our areas of focus, we have developed relevant bespoke screening and lending criteria. In addition, Cattles has a strong branch presence at the heart of the communities we serve. This enables us to maintain close contact with our customers and to provide personal support and assistance where it is needed.

We have continued our involvement with the work of our trade associations (FLA, CCA and CCTA), and engage regularly with government departments via discussion and consultation. These are important conduits allowing us to influence future policy on responsible lending. We strongly support balanced regulation which allows consumers the necessary protection but provides a level playing field for lenders. We welcome developments this year with the theme of 'Better and Single Regulation' in the Hampton Report and Better Regulation Task Force, and the DTI's periodic updating of its Tackling Overindebtedness Action Plan and associated reporting.

We are proud of our approved FSA status and are committed to maintaining the standards required and

expected of us by the FSA and the Codes of Practice of our trade associations. Our history has always put the customer at the centre of our business and we are committed to actively engaging with the FSA's guidelines on 'Treating Customers Fairly'. Across our business we operate to Standard Operating Procedures which help provide a consistency of service to our customers. We measure the on-going effectiveness of, and satisfaction with, our performance through internal reviews and independently obtained customer research. This feeds back into our product development and customer service proposition.

We recognise that occasionally some of our customers will experience problems in keeping up regular payments throughout the term of their loan. We seek to maintain close contact with customers to enable us to respond quickly and sympathetically to any difficulties that arise. In cases of difficulty, for example when customers experience longer term adverse changes in their financial position, customer accounts are transferred to a specialist Local Collection Unit (LCU). This allows us to work more closely with customers who have experienced a change of circumstances. This method is consistent with our strategy to be responsible lenders, not wishing to overburden customers and treating them with understanding and respect when they experience financial difficulties.

We continue to support the work of the Consumer Credit Counselling Services (CCCS) as a fair share partner. The purpose of this national UK charity is to assist people who are in financial difficulty. Through its free national telephone service and eight centres, CCCS is able to help people experiencing debt problems and financial difficulty by providing free, independent, impartial and realistic advice.

In addition, we offer customers of our Welcome products, direct access to an independent support line that offers free, confidential, independent advice. The support line, available 24 hours a day, 7 days a week, provides advice, information and counselling services on a wide range of issues from legal, tax and medical, right through to stress, bereavement and employment. It is fully independent from Cattles and is operated by qualified professional advisers, including lawyers and medical staff.

During 2005, we have been subject to an inquiry by the Competition Commission on Home Credit scheduled to be completed by July 2006. Cattles has continued to co-operate fully with the Competition Commission in both public and private hearings and to maintain regular dialogue with the inquiry team. In line with the group's strategy, home collected loans, which come within the scope of the inquiry, have continued to be reduced and now represent less than 8% of our consumer credit division's receivables.



Promoting financial education

Cattles believes in raising standards in financial education. From 31 May 2005, customers have been provided with pre-contractual information to ensure they receive the key information they need in order to make an informed choice. Credit agreements have also been made clearer and more transparent, so that for example, customers purchasing an insurance product together with a loan now need to indicate their agreement and acceptance of this with a separate signature.

Cattles has continued to support two key organisations in this area over the past twelve months; Credit Action and DebtCred. During 2005 we made financial contributions, together with donations of time and resources, in excess of £160,000.

Credit Action (www.creditaction.org.uk) is a charity that is now widely regarded as one of the most important voices in the area of money education in the UK and is widely consulted by Government and Opposition. For example, during the debate in Parliament in June 2005 on the Consumer Credit Act, the views of Credit Action were expressed six times. In addition, Credit Action has been invited to sit on several key committees. The higher profile has also led to increased media interest in the work of the charity and articles and interviews now appear regularly in the press as do appearances on radio and television.

The support offered by Cattles to Credit Action has enabled its National Director, Keith Tondeur, to develop these on-going relationships. More specifically it has also helped fund the charity's new money education guide '*Better thinking about money*' which has been very well reviewed, and received the following commendation from the Financial Secretary to the Treasury.

'Credit Action is to be congratulated on producing such a helpful guide, helping people get in control of their finances. It is full of sound advice and useful tips.'

DebtCred (www.debtcred.org.uk) is the High Sheriffs' financial literacy project. It offers traditional teaching that fits into a school's routine, with minimum input from teachers, to equip young people with basic money management skills in preparation for university or work. DebtCred concentrates on providing the crucial financial skills needed by young people venturing out on their own for the first time. These are: awareness of the need to manage money, budgeting, understanding the credit market and debt management. With Cattles' support, they are able to do this in three ways: through the availability of a DebtCred presenter to visit schools, the students' book '*Serious Money*' and the teacher resource pack '*Using Serious Money*'.

In May 2005, Cattles provided sole funding for the KS4Finance project. This project developed and produced

an innovative CD-Rom that has been designed to empower teachers to deliver personal finance education as part of the government's requirement to Year 10 and 11 students. The CD-Rom contains six modules, containing a student fact sheet, teacher notes, resource sheet, and video and PowerPoint presentation for classroom use.

The launch of this innovative new guide to personal finance for young people, free to all secondary schools across the UK, took place at Garforth Community College, Leeds. The event was attended by The High Sheriff of West Yorkshire together with trustees of DebtCred and representatives from the field of education, commerce and students from the college.

This guide has been awarded a PFEG (Personal Finance Education Group) quality mark, which indicates that it has been assessed as being appropriate for teaching personal finance, is effective classroom material, and is accurate and up to date. PFEG is an education charity whose mission is for all young people to leave school with the confidence, skills and knowledge they need in financial matters so that they can participate fully in society.



Our People

We will ensure that:

Our colleagues' views are listened to and that actions are developed, measured and evaluated

We will report on:

Leadership and Management, Learning and Development, Corporate Social Responsibility, Working Environment, Communication, and Relationship with the Company

As at 31 December 2005, we employed 4,389 colleagues, of which 92% were full-time and 8% part-time. This equates to 4,253 full-time equivalents. 49% of our colleagues are females. 6% of females are employed in senior management positions (i.e. branch manager or higher). The average age of our employees is 35 years, and the proportion of employees within each employment grade has remained constant throughout 2005.

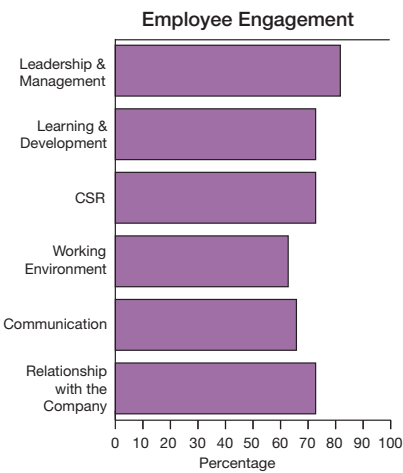
The dedication, skills and professionalism of our colleagues is a considerable factor in the success of our business. It is important to us that we actively encourage all our colleagues to maximise their talents and fulfil their potential to drive their own career and the business forward. Ensuring that our employees' welfare is considered, they have good working conditions, receive relevant training and have equal access to opportunities, are therefore fundamental to our business.

We have a number of group policies that help us to do this. These include policies and procedures relating to health and safety, equal opportunities and diversity, flexible working, whistle blowing, as well as grievance and disciplinary issues. These documents provide the foundations of our approach to people management. This year we have developed the Cattles

approach to '*Human Rights and Colleague Care*', and a copy of this policy can be found on our website. This outlines the way we aim to treat our employees and other people that come into contact with our business. It complements more detailed policies and helps us to communicate these commitments, define our culture and describe the way we work and how we manage our business.

We aim to reward our colleagues in a way that recognises good performance and reflects their contribution to the business. We have revised the way we do this during the year and developed our '*Total Reward*' concept, which includes regularly benchmarking external competitiveness and internal equity. Whilst having a suite of competitive benefits (such as pension, company car and bonus), we have also developed a number of voluntary benefits initiatives, including child care vouchers.

We operate a series of Standard Operating Procedures (SOPs) that define the way our colleagues work particularly in relation to complying with the rules of the FSA. In addition, we have procedures, including weekly training sessions involving all branch employees, that provide our colleagues with an understanding of why adherence to SOPs is important and provide them with broader market



awareness. Further training covers issues such as money laundering, harassment, data protection, the implications of the Consumer Credit Act, our relationship with the FSA and market issues, such as managing debt and over indebtedness.

We employ a range of methods for communicating with our colleagues, including briefings, team meetings and opportunities for colleagues to meet and question senior executives. Cattles also produces a quarterly internal magazine, *Connect*. This magazine highlights activities underway within the business and issues of particular interest or relevance (for example, our new health and safety systems). Each issue also includes an update on CSR activity. Our commitment to CSR is also documented and promoted via the Cattles intranet, *Connectonline*, and the Cattles website.

We encourage all our colleagues to give and receive feedback about the organisation in which they work. We produce an annual 'Speak Up' survey that enables colleagues to give feedback on the organisation. As a result of 'Speak Up', action plans are devised and listening groups set up to resolve any issues that arise. The latest survey, undertaken in September 2005, received more than 1,300 responses and provided useful feedback on issues, such as training and development, the

working environment and relationships with the company. The results of 'Speak Up' have been collated and a programme of activities developed to ensure that:

- The findings are shared
- The views are listened to
- Actions are developed, measured and evaluated

Six specific areas have been identified to report on:

- Leadership and Management
- Learning and Development
- Corporate Social Responsibility
- Working Environment
- Communication
- Relationship with the Company

The results of this year's survey show that our colleagues are generally engaged and satisfied with these aspects of the business.

The 2005 survey included three new questions relating to CSR. The survey indicated that 65% of colleagues thought we cared about the communities in which we work, 66% of colleagues agreed they were encouraged to support good causes and 88% of our colleagues thought money management education was a good idea. The results of these



Our People continued

questions are encouraging and show that our colleagues think these issues are important. They also provide key input into the future development of our CSR programme.

'Speak Up' is one measure of colleague opinion; however we also capture leaver opinion. Although we have a picture of why people leave the business, this area will be further explored during 2006 with a more robust process put in place to ensure a higher participation and a quality return. We also hold regular listening groups with colleagues, their suggestions are listened to and changes made as a result.

Cattles also runs an employee suggestion scheme called 'Innovate'. This was launched in May 2005 and has attracted more than 500 responses on improvements and savings that could be made within the business. So far these suggestions have led to potential savings of over £400,000 across the business.

'Innovate is a real catalyst for creative thinking. Cattles has demonstrated that they are not only willing to listen and learn, by implementing good ideas, but that they are prepared to give credit where it's due and reward employees for their contributions'.

Jayne Johnson, CSR Manager

Training and development

Using the 'Aspire' programme, we have continued to implement our customised approach to training, development and career progression. This provides Cattles with an on-going, comprehensive and robust process, ensuring that quality training and career development opportunities are available to all our employees.

2005 has seen the Aspire Training and Development brand strengthen, with a dedicated team of trainers reporting to a Head of Learning and Development. All colleagues have an Aspire Training and Development file, which caters for their own specific training and development requirements. This ensures they have all the skills they need to excel, driving their careers and the company forward.

The majority of our employees now have a *Career Path* that gives clear direction regarding their future career progression. This has led to 529 employees being promoted from within the business over the year – something that Cattles encourages and supports. Over 3,000 colleagues have attended a variety of training courses, run by the training and development team in 2005.

In 2005, 277 colleagues have been inducted onto our Management Advancement Programme, providing them with the skills and knowledge they

will require for a successful first step into management.

We have also enhanced our operational training: all of our branch and area managers from Shopcheck participated in a 3 day Standard Operating Procedures Accreditation training course to ensure their understanding of our working practices and external regulations.

Investors in People (IIP) have accredited Welcome Financial Services since 1994. In 2005, IIP re-assessed their accreditation, and visited a number of branches and business units across the group. Welcome were successfully accredited; this was particularly pleasing as the IIP Standard is now much more demanding; in some areas we excelled, far exceeding the basic requirements.

During 2005, we have introduced a section in the induction programme for new colleagues covering CSR. This module explains what is meant by CSR, how it is managed within the business and our commitment. It also outlines some of the key initiatives and activities underway, and introduces the key colleagues involved, such as Jayne Johnson, our CSR Manager. Colleagues are also encouraged to get in touch if they are interested in finding out more or have any suggestions.



Health and safety

Cattles has a duty to all colleagues, customers, visitors and members of the general public to ensure, as far as is reasonably practicable, their safety when they come into contact with the business and our activities.

Health and safety is managed on a day-to-day basis by our Health and Safety Manager and his team. He is supported by a Health and Safety Policy Committee, comprised of divisional directors, which agrees the strategic health and safety plan each year and reviews the implementation of the plan at quarterly meetings. This year we have revised our approach to 'Health and Safety', and a copy of this policy can be found on our website.

The group provides access to health and safety information via the Cattles intranet. Here colleagues can access modules that provide training and individual risk assessment for general introduction to health and safety, computer safety, manual handling and fire safety. Over 7,000 risk assessments were completed in 2005. Cattles received an award from the developers of these modules for the best implemented safety learning in 2005. New modules will include pregnancy and personal security. Work/life balance is also recognised as being of importance and for all colleagues to have a sense of

well-being. A review is being undertaken to provide an effective programme to achieve this.

With a company fleet of over 1,500 cars, we aim to minimise the occurrence of accidents and promote safe driving practices within the business. We also seek to reduce the level of motor accidents. With the help of the RAC, company car drivers can now complete on-line driver risk assessments. These assessments are then used to prioritise driver training. The RAC are assisting with safe driving seminars for operational area managers. A programme of driving licence checks with the DVLA is now in place.

The personal safety of colleagues is of key importance to Cattles directors and management. A process has been developed to provide training for employees and agents undertaking weekly collections. This process includes the risk assessment of each of the collection rounds. A programme to provide training to branch office colleagues throughout the group is also being implemented. During 2005 all agents were issued with a copy of 'A Guide to being Safe and Sound' (a 12 page booklet relating to personal safety whilst out collecting) and a collection sheet insert, which is a laminated best practice reminder that sits in the front of the agent's collecting

book. Personal security alarms are made available to all agents on request. We have introduced a Personal Safety Awareness training programme that is being delivered to agents in branches and almost 50% of our branches have completed this training programme during 2005. We have also recently developed an out-of-office hours incident reporting line.

Many colleagues donate time to various voluntary projects which are undertaken outside work. The Health and Safety team are working with the project agents to review the health, safety and welfare of colleagues during the course of the projects.



Working with local communities

2005

Financial donations*	£396,101
Volunteering	£26,079
Management time	£127,929
Total†	£550,109

* Including other community programme costs

† Total value of community investment

Volunteering hours

2004	491
2005	1,717
Increase	250%

Cattles is committed to working with and supporting the communities that it serves by addressing issues of social disadvantage, encouraging the improvement of financial literacy and improving the welfare of young people.

Developing strong relationships with communities around us, either locally or nationally, has benefits for the business: it increases awareness of the company, makes customers feel more predisposed towards Cattles and can help to attract a wider pool of high quality recruits. Moreover, our colleagues like to take part in these activities as they feel that they are contributing to their communities and appreciate that the company is supporting them in doing this. They are also able to learn new skills when working together.

This year we have developed the Cattles approach to 'Community Investment' which outlines the way we manage our community activities, and a copy of this policy can be found on our website. Community investment is achieved through a practical set of deliverable programmes and activities comprising employee engagement and external partnerships that enable us to mix business skills, time and resources with the needs of the community.

Cattles supports the community with resources both human and financial. In 2005 we invested £550,109 in community activities and initiatives. This equates to approximately 0.5% of our pre-tax profit.

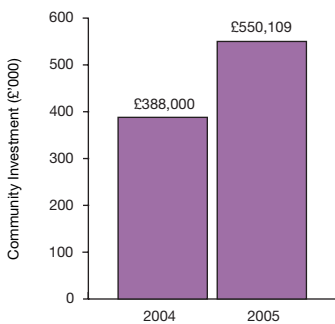
Employee volunteering activities

Cattles has continued to support Business in the Community's employee volunteering programme, with the business being Cares members at our main operating locations in Leeds, Nottingham, Hull and Bradford. In addition, our chief executive Seán Mahon chairs the programme at a national level. This initiative encourages businesses to develop partnerships with the local community and to enable employees to volunteer their expertise and skills to community projects and initiatives.

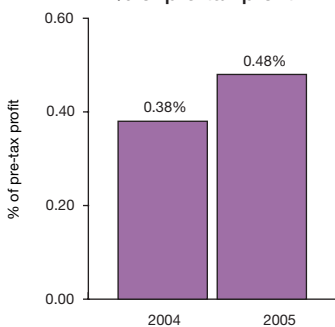
Using the Cares programme as a way of sourcing volunteering activities within the community, Cattles has developed its 'Hands Up' volunteering scheme. As part of the scheme we provide tools, marketing materials and eight hours of paid time per employee. Working individually or as part of a team, employees are able to complete different challenges designed to improve the lives of people living in the local area. Challenges are selected by 'Hands Up' committees at our key sites, comprising representatives from across the different business functions.



Community Investment



Community Investment as a % of pre-tax profit



'I was extremely pleased when Cattles introduced its employee volunteering policy, so much so that I decided to become a member of the Kingston House 'Hands Up' Committee. Through this role of organising and participating in Team Challenges, I feel that I can personally contribute to Cattles making a real positive contribution to our local community, whilst at the same time enjoying the opportunity to develop my own planning, team work and communication skills in a fun and rewarding environment.'

*Georgina Mills,
Cattles Group Accountant*

During 2005, volunteers from Cattles completed more than 18 community challenges and the company donated 1,718 hours of time. This compares to 491 hours in 2004. Whilst these activities are often small in scale, they do make a real difference to their recipients. Activities in 2005 included:

- In June, the Willerby & Hessle 'Hands Up' team undertook a challenge to give a new lease of life to a 'Peace Park' at a local primary school. Over 20 colleagues volunteered to provide a pupil relaxation area surrounded by nature.
- In Nottingham, a recruitment drive in June attracted 172 keen

volunteers to take part in a series of challenges, including gardening at local schools, painting a 20ft rainbow mural at Lenton Primary School (Nottingham) and clearing an overgrown woodland in Ollerton Pit Woods.

- Colleagues from our Kingston House office, in Birstall, took part in a challenge in September to re-decorate the Gingerbread community centre in Leeds. This centre offers a place for lone parents and their children to meet others in a similar position and receive support. In addition, 'Hands Up' volunteers from this office took part in individual activities to support local school children through mentoring or help with reading or maths.

'We have excellent facilities for younger children, including a crèche, but urgently needed help to create a more suitable area for the older children, whilst their parents attended the group. The help we have received from Cattles has been marvellous and made such a huge difference. Parents will now be able to bring their children to Gingerbread, whatever their age, knowing that they will have a great time in a safe environment'.

Donna Morrison, chairperson of the Leeds Gingerbread Social Group



Working with local communities continued

'Not many people have the chance to make a difference and we were fortunate enough to have been given the opportunity to assist in our local community. The challenge allowed us to put into practice skills which we never knew we had, such as tiling!! It was great fun spending time with people who you would not normally work with and being able to build up relationships between the departments.'

Lynsey Kinnea, Lewis Group
Collections Team Trainer

- Working with Hull Cares, colleagues at our Willerby & Hessle sites were asked to support a variety of activities, including home-made sweet and cake sales, in order to raise funds to provide Christmas gifts for disadvantaged children. Before being whisked off to see a pantomime, the children met up with Father Christmas and each received a gift.
- Brokered by Bradford Cares, our colleagues in Cleckheaton were challenged to renovate the toilets and main hallway at the Christian Family Centre in Bradford. The work undertaken by the 'Hands Up' volunteers included sanding, plastering, painting, tiling and adding fixtures and fittings to complete the transformation.

Other employee community programmes

As well as volunteering activities through the 'Hands Up' initiative and our support of financial education, Cattles runs other programmes to encourage community involvement, raise awareness in support of initiatives and develop partnerships with the community. These activities include:

Cattles 50/50 Club – A 'give as you earn' scheme in which employee contributions are matched by company contributions. The scheme, which is incentivised, supports five charities chosen through an annual employee ballot. In 2005, this initiative enabled us

to donate £59,274, which was distributed equally amongst our five chosen charities – ChildLine, The Children's Society, Weston Spirit, Leonard Cheshire and The Prince's Trust. During the year, monthly participation in the 50/50 Club averaged at 607 members, being 12.5% of the workforce.

CashMatch – An initiative that offers employees the opportunity to increase their fundraising for charitable and community activities by obtaining an equal contribution from Cattles, subject to certain criteria being met. During 2005, 17 community groups were able to benefit from CashMatch awards totalling £6,082.

Compliance Inspector, Mary Goodwin, organised a musical evening to raise some much-needed funds for the Ardgown Hospice in Greenock. The hospice provides free care services in the local community for the sick and terminally ill. Mary, who is part of 'Cantando', a ladies choral group said

'CashMatch made a big difference to our group's fundraising and team spirit. Knowing the company would match cash raised was a powerful incentive, and I am grateful to the company for its support.'

External community programmes

In 2005 we continued our support of the unique Leeds Project brokered by the Outward Bound Charity (OB). Cattles are a joint funding partner of this scheme



'This is a fantastic team building opportunity for the Hessle and Willerby sites, where staff are separated by several miles. We want them to feel part of the same team so we have formed a committee of cross-site representatives and the team challenges will be done in the same way. It gives our staff the chance to demonstrate the additional skills they possess and can help identify future leaders.'

Tina Ives,
Welcome CPU Sales Manager

which provides 72 Year 8 pupils from across the city with the opportunity to participate in a five day residential programme of self-discovery and personal development. Schools from some of the city's most disadvantaged wards are invited to nominate pupils who are most likely to benefit from the OB experience. OB's mission is to encourage individuals to reach their full potential, an ethic which has a strong resonance with the Cattles *Aspire* training programme.

We have also worked with the Duke of York's Community Initiative programme in Yorkshire this year. This scheme encourages the enhancement of community spirit throughout the four counties of Yorkshire. All across the region there are outstanding local community schemes that are doing excellent work especially in deprived areas. These schemes help the disadvantaged, particularly young people, by bringing them together in their local community. During the last four years the scheme has made significant progress in recognising excellence, has provided assessment and advice and awarded a total of 92 Charters of Recognition to local community groups.

In May 2005, Cattles supported the Yorkshire Women of Achievement Awards, sponsoring for the second time the prestigious Jane Tomlinson award for outstanding achievement.

Jane Tomlinson has terminal breast cancer, but she has proved that anything is possible with her determination to succeed, announcing in January 2005 that she had topped her £1 million fundraising target. Maximising the talent and drive of our employees is vital to Cattles' success and we feel strongly that our support of this award extends our commitment to recognise achievement.

We have supported the Variety Club on several occasions during 2005. In July we were delighted to provide lunch for over 400 disadvantaged and disabled children from throughout the Yorkshire region during a fun day at Harewood House, West Yorkshire.

During August youngsters from across Yorkshire had the chance to learn from football heroes of yesteryear in a schools challenge. Cattles were one of the main sponsors of this event which gave pupils from some of the region's most disadvantaged areas an opportunity of a lifetime to win a day at the Leeds United Football Academy. The event kicked off during mid-June with 200 children from 32 inner city schools taking part. Football legends Paul Reaney, Norman Hunter and Allan Clarke gave their time during June and July to coach the youngsters. The final, staged during August, took place at the South Leeds Stadium.



Managing our environmental impacts

Our priority areas are:

- Energy used in our buildings
- Use of materials and consumables, such as paper
- Waste generated through our activities
- Fuel used by our transport fleet, particularly company cars

Cattles is not a significant polluter as most of its activities are office based; however, we understand that our activities have some impact on the environment. As such, we aim to minimise these impacts where we can and comply with the relevant legislation and regulations placed upon us.

Policy and management

We have identified four significant environmental impacts and these form the basis of our approach to 'Environmental Management', and a copy of this policy can be found on our website. Our impacts and priority areas are listed opposite.

Environmental management is part of the group's Health and Safety team. Day-to-day environmental issues are managed by the Environmental Officer, supported by the 'Environmental Team' comprising the CSR Manager, Health and Safety Manager, and a representative from the Group Services team. This steering group reviews progress, develops objectives and targets, and facilitates performance improvement. It is also able to call on functional representatives from around the business when required. The steering group, which meets on at least a quarterly basis, ensures that

environmental activities are integrated with Cattles' approach to CSR and other business initiatives.

Environmental progress

In each of our environmental priority areas we set objectives and targets against which we measure our performance. Annual environmental objectives and targets can be found on the CSR pages of our website. Our performance against our 2005 environmental objectives and targets is summarised on page 18. The majority of these have been achieved and we are pleased with our overall performance in this area during 2005.

Summary of environmental activities and performance

Once again we participated in the BiE Yorkshire and Humber Index of Environmental Engagement to assess our environmental performance. In 2005, we achieved a score of 55% maintaining our performance of the previous year. However, we hope that with a strengthened approach to environmental issues this year, improved data management, greater communication throughout the business and the successful implementation of a number of environmental initiatives, we will achieve an increased score in the 2006 survey.



Energy consumption (Objective: To reduce the consumption of energy used in our buildings)		
Target	Result	
To collect data relating to gas and electricity used in our buildings on a quarterly basis and to have collated 12 months' data by December 2005.	Partially achieved. We now have data relating to electricity use for the group as a whole. As we only use a small amount of gas this data has been more difficult to obtain from our energy suppliers.	✓
Undertake a review of energy use and use this to develop energy saving plans, including appropriate initiatives, by December 2005 for implementation during 2006.	Not achieved. Efforts have focused on ensuring accurate data is available to establish a baseline against which we can assess performance. This target has been carried over to 2006.	X
Company car travel (Objective: To reduce the consumption of fuel used by our company car fleet)		
Target	Result	
To reduce fuel emissions by our car fleet by 1% per unit of revenue by December 2005.	Achieved. The CO ₂ emissions generated from our company car fleet have fallen by 5% per million pounds of revenue.	✓
Waste management (Objective: To reduce the amount of waste generated and to seek opportunities to increase recycling and the reuse of materials, such as paper, across the business)		
Target	Result	
To collect comprehensive data from all sites relating to the amount of waste generated by Cattles by December 2005.	Achieved. Data has been collected for the group and is reported.	✓
Consumables use (Objective: To reduce the amount of paper purchased and consumed)		
Target	Result	
To develop and implement a paper reduction campaign during summer 2005.	Achieved.	✓
To reduce paper used per colleague by 5% by December 2005.	Achieved. The reams of paper used per colleague has reduced by 7%.	✓

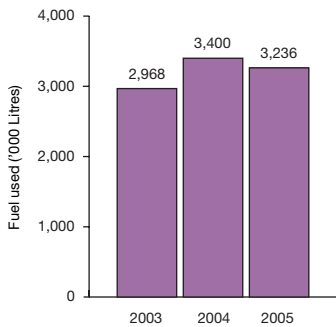
Over the past year, a number of articles and 'top tips' have been posted on our intranet, *Connectonline*, and in the internal magazine, *Connect*, to engage with colleagues on environmental matters and raise their awareness. This year we also hosted our inaugural environmental awareness day at our Ruddington Fields site in Nottingham. Under the theme of 'Small changes – Big difference... Together we can make a difference' colleagues were encouraged to sign up to 'environmental pledges' through which they would change their behaviour. This included simple things like reusing paper and finding alternatives to company car travel. We are delighted to report that approximately 98 colleagues made a pledge.

In addition, we have engaged with our customers on these issues. Although we do not manufacture products, we appreciate that financial products can be used to purchase products that may have an impact on the environment. To exercise some stewardship of our products and to encourage our customers to think about the environmental impact of the decisions they make we have produced a leaflet containing energy efficiency information for the 'home' and 'car' which we distributed to customers who had either completed a secured loan with us or who had purchased a car from us.

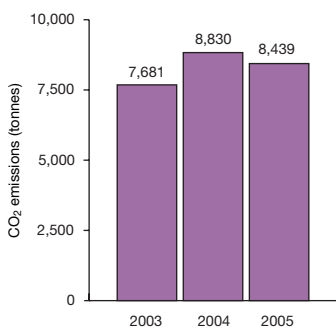


Managing our environmental impacts continued

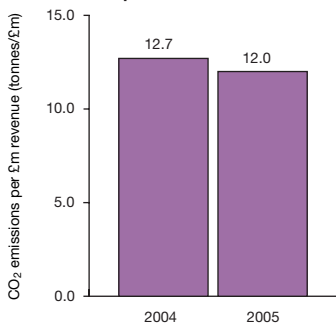
Fuel consumption by company cars



CO₂ emissions from company cars



CO₂ emissions from company cars per £m revenue



The following sections provide a summary of our performance in our environmental priority areas. Where possible, we have provided quantitative data over the past three years. As an indication of our efficiency we have also provided figures normalised by our group revenue. A change in the way that we now have to report our financial performance and a requirement to adopt International Financial Reporting Standards (IFRS), rather than the UK Generally Accepted Accounting Principles (UK GAAP) previously used, means we are unable to provide comparative normalised data for 2003. It also means that 2004 data has been re-based according to these new accounting principles.

Energy consumption

We use energy, predominantly electricity, to heat and light our buildings and to power our computers – and we have committed to maximise efficiencies in doing so. We have a large number of buildings in which we use energy, including our main office sites and our extensive branch network of small offices. Our branches tend to be quite small and are often part of larger buildings. Owing to this, data collection is difficult. In addition, at a number of our premises the energy bills are charged as part of a package of ‘domestic supplies’ due to their low usage, which further exacerbates the difficulties in collecting data. For these reasons we are unable to report our gas consumption this year. However, after extensive work with our energy

supplier we are able to report reliable electricity data for 2005.

Over the past twelve months, we have used 8.7 million KWhs of electricity. This equates to 3,748 tonnes of carbon dioxide, a greenhouse gas and significant contributor to climate change. As a measure of our efficiency, this represents 5.3 tonnes per million pounds of revenue. We will use this efficiency measure to compare our year-on-year performance in the future.

2005

Electricity use (million KWh)	8.7
CO ₂ emissions (t)	3,748
Emissions per £m revenue	5.3

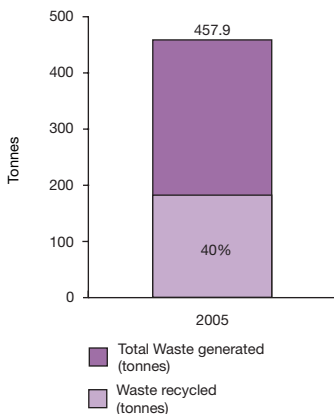
Company car travel

The majority of business travel at Cattles is undertaken by car and as such we have a substantial company fleet of 1,548 vehicles, although this has reduced in size by around 12% since last year (2004: 1,731).

The fuel consumed by these vehicles has an impact on the environment when it is converted to carbon dioxide emissions. In 2005, our company cars used 3,236 thousand litres of fuel, a reduction of 5% in absolute terms since 2004. This can be attributed to the reduction in the size of our car fleet this year. The fuel used by our car fleet generated some 8,439 tonnes of CO₂ emissions, which has reduced by a smaller amount (4%) since last year, as there are now fewer petrol cars in the fleet. As a measure of our efficiency, we



Total waste generated and recycled



monitor the emissions produced per million pounds of revenue. This has fallen by over 5%, indicating an improvement in the way we use our car fleet.

Most travel is undertaken by area managers between our branches and by other staff between our two main sites in Nottingham and Birstall. Whilst we encourage the use of public transport when possible, this is often not convenient and a car has to be used. Given this, we focus on encouraging our colleagues to consider whether the journeys they make are necessary and for them to think about the way they drive. At our annual area managers' conference, a leaflet '*Increasing Fuel Efficiency*', containing tips on how to drive safely and efficiently, was inserted into delegate packs.

Tele-conferencing has been available in the business during 2005, and has been used, but not widely. To encourage greater use of this facility, we are developing a simple user guide, centralising account numbers, and looking to run tele-conferencing roadshows to demonstrate how it works. We are also reviewing the opportunity of using web conferencing which is something the business is keen to explore.

Waste management

In 2004, Cattles appointed a national waste management company to collect waste from all of our locations, including our branch network. For the first time this year, we are able to

provide figures on the volumes of waste generated and how much of this was recycled.

In 2005, Cattles generated approximately 460 tonnes of waste. This was mainly paper and other general office waste. 40% of the waste generated was recycled. We are confident that we can recycle more of the paper we use and are planning to implement a number of initiatives during 2006. Expressed as a function of our business activity, Cattles generated 650 kilograms of waste for every million pounds of revenue. We will continue to monitor this over the next year.

In addition, we have to dispose of a significant amount of IT equipment each year. During 2005, we have developed a relationship with our IT service provider to remove redundant computers and monitors and to dispose of these in a safe and environmentally conscious way. During 2005, over 100 monitors and 148 terminals have been disposed of and recycled responsibly.

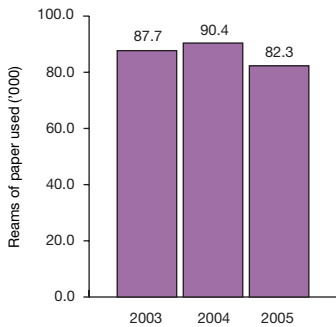
Consumables use

Cattles is an office based company and we use a significant amount of paper. In 2005, we used 82,292 reams of paper within the business. This represents a 9% decrease on the amount used last year (2004: 90,439 reams). The number of reams of paper used per colleague has also fallen to 16.9 reams per colleague compared to 18.2 last year – a 7% reduction – illustrating an improvement in the efficiency with which

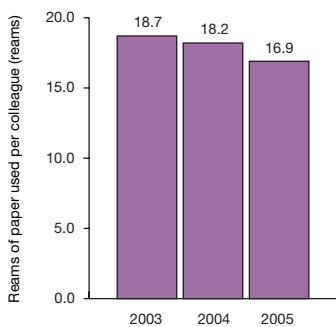


Managing our environmental impacts continued

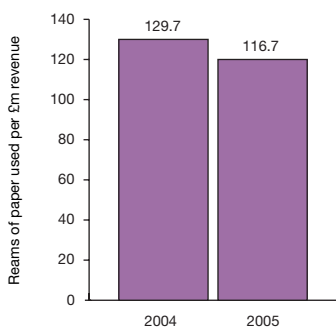
Paper consumption



Paper consumption per colleague



Paper consumption per £m of revenue



we use paper. When measured per unit of revenue, the number of reams used has fallen by over 10%. This indicates that our colleagues are using paper more efficiently to generate the same level of business.

During 2005, we implemented a paper saving project to encourage colleagues to 'Reduce, Reuse and Recycle' all office paper, which was endorsed by senior management. This project also included a review of the types and ways that paper is used. This has led to a number of savings: for example, we now use a lighter weight of paper for company letterheads across the business whereas before a variety of heavier papers were used. We hope to see further reductions in the amount of paper we use over the coming year.

In partnership with our stationery supplier, Oyez Straker, we promoted a Stationery Competition, which encouraged colleagues to avoid over-ordering and purchasing unnecessary items. Many departments chose to run stationery amnesties; allowing central stores to be restocked and removing unwanted items from local storage and workstations. The competition was a success right across the group because departments took up the challenge to reduce consumable use and financial spend. Compared to the same period last year, the competition delivered an average 30% reduction in stationery spend across the group, equating to a financial saving of £127,000.

Working with suppliers and business partners

We acknowledge that our corporate responsibility extends further than just from our activities and that our suppliers have a role to play too. To encourage them to consider their performance, we have incorporated CSR criteria into our supplier evaluation process on an equal basis to other factors, such as quality or cost and we have also embedded additional criteria into our supply chain policy.

We ensure, through our supplier evaluation process, that before we engage suppliers and business partners to work with us, they first have to demonstrate both an environmental awareness and, where appropriate, an environmental policy. We are committed to developing an environmentally aware supply chain, and continue to work in partnership with our suppliers to reduce our impact on the environment.

In 2005 we have continued to develop our 'Supplier Standards' policy and a copy of this policy can be found on our website. This ensures that our corporate responsibility is not simply considered when engaging suppliers, but is part of our on-going supply chain management. Minimum standards relating to environmental policy, health and safety, discrimination and equal opportunities, labour practices and ethical business practice, have all been embedded into our standard supplier contracts.



Feedback

Feedback is important to us and to the on-going development of our CSR programme. It enables us to improve our performance and ensures that we are reporting on relevant information.

We would value your feedback on this report, our activities and our approach to CSR.

To obtain a copy of any document referred to in this report, or to provide feedback, please contact:

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