

OUR STATEMENT OF CONTINUED SUPPORT

As a responsible company we know that continuous development in all areas of our business is fundamentally important as we work to become a truly sustainable operation.

Our approach to sustainability underpins our commitment to act responsibly, ethically and in accordance with high standards of corporate governance.

We strive to embed sustainability firmly into daily operations and innovation, and remain a committed signatory and firm supporter of the UN voluntary initiative, Global Compact, and its principles.

Dr Julian Dennis, Director of Compliance and Sustainability

SUSTAINABILITY PROGRAMME

Our five-year business plan sets out how we will meet the required improvements for customers and the water environment. Some of these are directly affected by the many global and national challenges that both the water industry and our customers face.

While looking at a five-year horizon, our business plan is aligned with:

- Our 25 year vision, *Water – the way ahead*, published in December 2007. This strategic direction statement outlines our plan for the future, set around the three key objectives of delivering top-class service, keeping bills affordable and coping with climate change.
- Our *Sustainability vision*; which sets out what a sustainable Wessex Water would look like and what is needed to help achieve this. The *Vision* was developed around the five capitals model of sustainable development (natural, human, social, manufactured and financial) and first published in 2004.

During the last year we carried out a review of our *Sustainability Vision* in consultation with our Sustainability Panel, which monitors progress and discusses major issues of current and future concern. We also published *Water-delivering the vision*, an update on *Water-the way ahead*, setting out our perspective on issues around the implementation of our long term goals.

We regularly report on our progress against our objectives, including our *Sustainability Indicators* and annual sustainability report on progress, *Striking the Balance* (in place since 1997). The following summary has been taken from sections of these reports, as well as from our annual financial review.

Information is also available from our online sustainability pages, providing information on a wide range of our sustainability activities during 2010-11.

<http://www.wessexwater.co.uk/sustainability>

CORPORATE GOVERNANCE

We are committed to high standards of corporate governance. Although Wessex Water is not listed on the stock exchange (being a private company), we are required by the regulator to conduct our water and sewerage businesses as if we are a public limited company. In so doing the directors take account of the principles of good governance in the UK Corporate Governance Code.

The board maintains full control and direction over strategic, financial, risk management, organisational and regulatory issues. Our organisational structure has defined lines of responsibility and delegation of authority. Alongside our advisory Sustainability Panel, top level governance comes from four board committees covering audit, risk management, remuneration and nomination.

In 2010-11 we structured and established our new risk management committee, the purpose of which is to identify and manage the key business risks faced by the company. An annual risk management plan is produced by the committee to address systems, practices and procedures to ensure effective identification, management and compliance with risk management policies.

The board maintains its responsibility for reviewing risk in the business, ensures we maintain an internal audit group and receives regular updates on changes to the legal and regulatory framework within which our business operates.

Our business ethics and company policy on bribery and corruption outline our determination to maintain our reputation as a company that observes the highest standards of personal and corporate integrity, by adhering to a strict code of business ethics and maintaining the highest standards of business conduct. We aim to be the best, value everyone's contribution in our pursuit of excellence, be honest in the way we conduct our business, and treat one another, our customers and the environment with respect.

During the year we successfully maintained our Public Available Specification 55 (PAS55) accreditation. The aim of PAS55 is to ensure a business manages its assets in a way that is totally consistent from the boardroom through to day-to-day maintenance work.

EMPLOYEES

We have a number of human resource policies overseen by our human resources team, including those on health, safety and welfare, training, whistle blowing and equal opportunities. We comply with all statutory codes of conduct and have a number of management guidelines addressing staff welfare including standards of conduct, flexible working, good employee relations, time off for dependants, bullying and harassment at work, and occupational health advice.

Over the past year the challenging economic and climatic conditions proved not only how much the success of Wessex Water depends on its employees, but also that we have the best in the business. Throughout this period staff continued to provide outstanding service to our customers, in particular working for prolonged periods to deal with the sub-zero temperatures and then the subsequent thaw of December 2010. During the year a package of terms and conditions, including a three-year pay deal, was agreed with the trade unions, staff and management.

We have continued to place a high priority on employee communications, with methods including monthly team meetings, televisual communication, conferences and the wide availability of the company intranet. In 2010-11 we held a staff awards evening to reward innovative ideas and staff hard work, with 12 categories including health and safety, process improvements, best recycling idea, best energy initiative, improving customer experience, outstanding customer care, community award, best team and hero of the year.

Health, safety and welfare

On a day to day basis staff have to deal with many potentially dangerous situations. Health and safety is not an optional extra and over the last year our commitment to health and safety has remained strong. We have a core health and safety group within our Compliance and Sustainability Directorate plus dedicated advisors in each of our business areas to promote safe working and safety awareness, development of company targets and monitoring compliance with company standards.

There were 14 reportable incidents in 2010, which is below the five-year average of 22 but slightly higher than the 12 reportable incidents in 2009. The increase was caused by one occurrence of a reportable disease (hand arm vibration syndrome) and an increase in the number of injuries longer than three days from eight to nine. Since 2006, the average absence days per employee has dropped by one third.

Our continued focus on health and safety over the last year culminated in our operations department achieving a British Safety Council International Safety Award as a result of their 100% pass rate. This award was given to only 33 of over 600 UK entrants.

Training

To ensure staff are suitably trained to operate the new technology found on sites we run a series of technical and regulatory training sessions. In 2010-11, 200 staff carried out plant and equipment training or reassessment, 400 staff undertook a programme of best practice training, 113 staff completed NVQs and over 1,600 received tool box talks from managers on around 80 different topics.

During the year, as part of our Wessex Water Academy, we launched the Leadership Capability Programme in partnership with ACUA – Coventry University’s business arm. The overall aim was to identify and develop our potential future leaders.

WORKING WITH OTHERS

We take stakeholder engagement very seriously and prefer to discuss issues openly with interested parties, from day to day matters to more strategic discussions. We have regular, well-established arrangements for discussions with customers, regulators, interest groups, businesses and others with an interest in our activity.

During the last year we restructured our engagement work, forming four liaison panels – environment, customers & communities, service & planning, business customers. These meet twice a year with an annual stakeholder forum bringing all members together. They will also feed into our Customer Challenge panels which will help to guide our five year business plan for 2015-2020 (2014 price review).

During 2010-11 we continued work on customer engagement including our twice-a-year customer newsletter, summer shows, town tours and our education programme - with 13,337 children and students attending our education service. Our customer campaigns covered topics such as water efficiency, ‘Turn on to tap water’ and awareness of bogus house calls.

As part of our water efficiency work, during the last year we exceeded our target of helping customers save one litre of water per property per day, primarily as a result of the distribution of water saving devices for the home through the WaterSave pack we offer customers on request.

We also became the first water company to:

- offer a free smartphone app for customers to easily report a leak, have water saving tips at their fingertips and contact us via social networking. Our ‘smart community’ project which will explore ways to engage with customers and communities on water efficiency, using the latest technology
 - publish information showing when coastal storm overflows have been in use, providing near real-time information for the public via our website to help them make informed decisions on their use of bathing waters. As part of this work we have focussed on installing telemetry monitors across our coastal sites to help us understand how our assets perform during different weather conditions.
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CUSTOMER SERVICE

We continue to put customers at the heart of what we do and provide the best levels of customer service in the industry.

In April 2010, Ofwat, our financial regulator, introduced a new approach to measuring and incentivising customer service, the Service Incentive Mechanism (SIM). One element of SIM is a new independent survey of customer satisfaction. We are the industry leaders in this survey, largely due to prompt, warm voice telephone answering, quick response, first time resolution of problems and keeping customers informed of what we are doing at all times.

Over the last year, 98% of the 2,000 customers surveyed in our monthly satisfaction surveys rated our service as good or very good.

We were also pleased to retain the government standard Customer Service Excellence award for our standards of customer service in 2010-11, which focuses on delivery, timeliness, information, professionalism and staff attitude.

During 2010 we achieved 99.98% compliance with strict drinking water quality standards.

Affordability

Our commitment to work on affordability continues unabated and is reflected in our strong links to, and partnership with, Citizens Advice Bureaux (CAB). We have also formed a partnership with the Money Advice Trust, in particular its National Debtline service, to which we direct customers who are keen to take a more self-help approach.

Over the last year around 7,000 customers continued to benefit from our Assist tariff, which enables those with the greatest difficulty in paying to make a modest contribution towards the costs of water and sewerage services. Our measures to help customers adopt an affordable payment routine have seen payment collection increase by 30% despite cutting charges by around 50%. Similarly, our Restart schemes, designed to get customers who are having difficulty paying back on track, continue to work well and evidence suggests 14 out of 15 people on the schemes will not fall into arrears again.

To help understand the best way to achieve a fair and sustainable charging system we have been running a three-year trial with 5,000 metered customers using three sophisticated tariffs – rising block, seasonal and peak-seasonal tariffs. This trial has now run for two full years with one year to go.

ENVIRONMENT

Our objective is to protect and where possible enhance all aspects of the environment that are used or are affected by our activities. We also aim to have a biodiversity-rich landholding, while contributing to the biodiversity of our region through catchment management work and effective partnerships.

Resources are managed via a thorough environmental management system, with a high-level environmental policy, working procedures, specific plans (eg, our Water Resources Management Plan) and related standards and targets.

Climate change

Climate change is the biggest long term challenge we face as a company. The water sector is a big user of energy. Our electricity use (at 260 gigawatt hours in 2010/11) has grown over the last decade, triggered by various European water directives and is the biggest source of our carbon emissions.

We have long recognised that we need to both significantly reduce our carbon footprint to lessen the amount of warming for future generations and adapt to any changes that an inevitable amount of global warming may bring.

We have reported our greenhouse gas (GHG) emissions since 1998, well before it was common to do so. Today, carbon reporting is much more formalised. We now report our emissions annually to our financial regulator, Ofwat, and have continued to improve our ability to measure and manage our use of energy and fuels within our operations. This work has assisted us in meeting the requirements of the government's new Carbon Reduction Commitment (CRC) scheme, which aims to promote better understanding of energy usage to save energy and reduce emissions. During the last year we successfully submitted our footprint report and first annual report for the scheme.

We also track our emissions against the UK Climate Change Act's required emissions cut of 80% between 1990 and 2050 and have an ambitious long-term goal to become carbon neutral by 2020. In line with this, we have a carbon management strategy based on the hierarchy of emissions avoidance, energy efficiency and renewables. Over the last year we have continued to improve within these areas, for example:

Avoidance:

We have been carrying out further work to avoid unnecessary energy use and manage the carbon footprint of water supply. This has included work to help control leakage, encourage water efficiency in the

home and manage water supply catchments to reduce pesticides and fertilisers entering groundwater supplies, known as catchment management (CM).

Over the last year we have further embedded our CM programme. Working in partnership with farmers, will help avoid the need for 15 new water treatment works to remove high levels of nitrates and pesticides from the water, with associated savings of 14,000 tonnes of CO₂ and around £75m. We won the Green Apple award for this work and are under consideration to lead a wider partnership in the Frome and Piddle Catchment, where we can apply our experience to improve river and floodplain habitats.

Energy efficiency:

Our energy efficiency work includes monitoring sites to identify those whose energy use is higher than benchmark levels, so that efficiency improvements are carried out in a focused manner. Over the last year:

- Our energy management database has expanded to include over 300 efficiency projects, with an increasing number coming from the water production and supply side of our activities.
- We have increased our adoption of Automatic Meter Reading (AMR) to help ensure that accurate data is available to identify problem sites early and minimise inefficient operation.
- As part of our pumping efficiency programme we have developed a focused plan to identify and rectify inefficient pumping plant and systems in all parts of the business.
- We successfully trialled three real-time control (RTC) systems at our Holdenhurst sewage works, to help control the aeration of the nitrification process and the volumes of sludge returned. This work has reduced the site's power demand by around 25% and work is now underway to identify additional sites to which this RTC technology can be applied.
- We refurbished our aeration system at Weymouth sewage treatment works to reduce the amount of air being pumped into the disinfection process with significant power savings arising as a result.

Renewables:

We have been generating electricity from biogas produced by sludge digesters for more than 40 years. Recent improvement to this process means over the last year we increased our generation to around 17% of our total electricity use – of which we exported 6GWh.

We are now planning to invest £20m at our sewage works in Taunton to improve the efficiency and capacity of the existing facilities and increase biogas production.

We have also been developing smaller scale renewables by installing a micro turbine on one of our water supply sites and actively looking at the possibility of using solar-PV systems on some of our current buildings as part of our renewable energy generation portfolio.

Outside our regulated business, our renewable energy arm, GENeco, has gained planning permission and the required environmental permit for a food waste reception facility at our Bristol sewage works and converted a car (the BioBug) to run on sewage gas to demonstrate the versatility of sustainable power. We also have planning permission for four wind turbines at the Bristol site.

Climate change adaptation:

While it is important that we reduce our carbon footprint to lessen the amount of warming for future generations, a certain amount of global warming seems inevitable due to historic greenhouse gas emissions. In January this year we produced our Climate Change Adaptation Plan which sets out the climate change hazards that we recognise, the level of risk that each poses for our business and the adaptation options that we have in place or propose.

For example, the adaptation plan considers:

- measures to improve our security of supply – so that we ensure we can provide water in the event of a major incident, eg, flooding, pollution or catastrophic failure of one of our sources
- working in partnership with other groups to prepare for and find solutions to flooding

Future opportunities:

As the UK economy grapples with decarbonisation, we see many challenges and opportunities ahead. We have long argued for pragmatic regulation that recognises both localised and wider environmental issues which can preserve and improve our local water quality and environment, but protect against the wider impacts of climate change. This means using low carbon solutions where practicable and applying them in a responsible way. Last year we began a set of sustainable solution investigations to run over the next five years. These include alternative methods for phosphorus removal and algae control.

Biodiversity and habitat management

We are located in an environmentally sensitive region, containing more than 450 Sites of Specific Scientific Interest (SSSI), almost 7,000 county wildlife sites and more than 4,000 Scheduled Ancient Monuments (SAM). We also have a high density of sites which are protected at a European level to preserve important habitats and species.

To ensure that the maintenance and development of our assets does not impact on such sites we carry out environmental and ecological assessments on construction projects and produce environmental method statements that provide management strategies where there are concerns.

For our operational sites we have an ecological database and GIS system that maintain records of sensitive habitats and species to assist those working on site. We own 302 hectares designated as SSSIs and have 50 sites with individual environment plans to support and improve biodiversity. By October this year we had successfully increased our SSSI sites in favourable or recovering condition to 96.5% through our extensive programme of habitat management.

Last year we launched two novel biodiversity projects investigating the presence of birds, bats and bees on some of our key sites, to better understand their use of our sites and the ways in which we can enhance the species we have. We are testing the limits of invertebrate identification, discovering rare species and want to be able to quantify how important our sites are in order that they can be protected.

Our Biodiversity Partners Programme provides funding to water-related projects carried out by wildlife organisations to *conserve* and *enhance* biodiversity throughout our region. The latest phase of our programme began last year, with seven projects across our region.

The programme has led to some notable conservation successes over the last 12 years, with the hard work involved recognised by The Green Organisation which presented us with a silver Green Apple award last year.

Wiltshire Wildlife Trust also presented their Outstanding Contribution Award to us at their charity's annual awards last year, which celebrates environmental best practice within local businesses.

Managing waste

We treat sewage and sludge so that it can safely be returned to the environment and have a target of zero waste to landfill by 2020.

During 2010 we had no category 1 or category 2 pollution incidents and the lowest rate of pollution incidents from sewage works and pumping stations in the sector.

Our region has around 560km of coastline. A wide range of factors affect the cleanliness of beaches and bathing waters, including agricultural and urban run-off. We have now had seven consecutive years that the bathing waters in our region have achieved 100% compliance with mandatory bathing water standards, while compliance with the tighter Guideline standard has improved year-on-year.

In 2015 the mandatory quality standards for bathing waters will increase due to the implementation of the revised bathing water directive. To help us understand the bacterial inputs into these waters and guide future investment and improve water quality, last year we began a three year study at some of our bathing waters using an innovative technique called microbial source tracking (MST). MST is a form of genetic fingerprinting of bacterial DNA and is a first for the water industry.

In preparation for the 2012 Olympics we have carried out a series of investments to cater for additional demand and help ensure the highest quality standards are maintained. Work includes improvements to six combined sewer overflows.

Last year we began a sustainable nutrient removal trial to understand how passive reed bed treatment systems remove nutrients from sewage. The trial involves six reed beds each with different media, many of which are waste products. We hope our investigations will help reduce nutrient loads in upper river catchments, using a more sustainable alternative to chemical treatment, as well as requiring little or no energy.

We recycle 100% of our sludge to land in accordance with safety standards. We have also now successfully completed an innovative trial using similar processes to composting, to minimise our grit and screenings waste, and divert it away from landfill. The trial was a UK first for using this treatment process type for this material and we were pleased to win a Green Apple award for this work this year.