

**OUR STATEMENT OF CONTINUED SUPPORT**

We are making steady progress towards our long term aim of becoming a truly sustainable water company. We understand the need to improve in areas where we already do well; to show excellence in the provision of our core services; to innovate continuously and to communicate our work to others.

Consequently, we are working hard to embed sustainability thinking into our everyday work and our strategic planning alike.

Responsible and ethical business practices, underpinned by high standards of corporate governance, are in complete agreement with our sustainability aims.

For these reasons we remain a committed signatory and firm supporter of the UN Global Compact and its principles and are pleased to report on our progress.

**David Elliott, Director of Environment and Assets**

## SUSTAINABILITY PROGRAMME

### High level strategy

Our approach to sustainability is set out in three main documents.

Our company aims show how customers, the environment, our employees and our investors are part of our aim to deliver high quality, sustainable water and environmental services.

Our sustainability vision details the long term outcomes we aim to achieve (based on the five capitals model of sustainable development - natural, human, social, manufactured and financial capital) and the activities needed to meet each outcome.

Our 25 year strategic direction statement vision, *Water – the way ahead* outlines our plan for the future, involving three key objectives of delivering top-class service, keeping bills affordable and coping with climate change.

### Implementation

Our sustainability aims are being put into practice through regulated work and other, discretionary initiatives:

Our five-year business plan (currently covering 2010-11 to 2014-15) sets out the improvements we plan to make for our customers and the water environment, as defined by our regulators. These include improvements to drinking water quality, customer service, effluent from sewage works and the condition of our physical assets in general. In early 2012 we began the stakeholder research which is the first stage of producing the business plan for 2015-16 to 2019-20. We began with a series of focus groups and in-depth interviews with customers and interest groups to understand views on the economy and priorities for water and sewerage services. At the time of writing, our strategic direction statement is being revised

Other work (which is *not* defined by regulators) includes efforts to reduce energy use and our carbon footprint; to increase waste recycling and reduction; to develop stakeholder engagement further; and to improve staff knowledge, skills and capabilities.

### Reporting

We continue to report on our progress against our objectives, including our web-based sustainability indicators and sustainability report *Striking the Balance*. The following information has been taken from these reports, our annual review and our annual report to the Office for Water Services, Ofwat. See also <http://www.wessexwater.co.uk/sustainability> for further information.

## 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.

Our risk management committee, comprising the executive directors, scrutinise and challenge the risks included within the risk register and requires additional work where necessary to better classify the risk or explore other mitigation methods which may be available. The audit committee uses the risk register to review and make recommendations to the board about the company's risk policy and controls. The risk register is formally reviewed at six-monthly intervals with emerging risks added as and when they are identified. Major new risks are reported to the board. The company's 12 principal risks are reported in its annual review.

## 2011-12 HIGHLIGHTS

- We completed our 35<sup>th</sup> consecutive year without imposing water use restrictions for customers despite exceptionally dry weather.
- Our water abstraction from the environment has continued to fall – made possible by reducing leaks and encouraging customers to use water wisely.
- We once again beat our leakage target, fixing 12,000 leaks in the process.
- We continued construction of a water supply grid to add further resilience to supplies and allow us to transfer spare water to neighbouring regions in future.
- For the fourth year in a row we have topped Ofwat's league tables for customer service.
- We further improved customer satisfaction while taking on responsibility for the performance and operation of 17,000 kilometres of private sewers – doubling the length of our sewer network.
- We helped more than 12,000 vulnerable households with our affordability schemes.
- We met all of our required environmental outputs.
- We won a number of awards from stakeholders and partners. We were named Utility of the Year at the annual utility industry achievement awards; and as the most efficient retailer of water services in Britain by the Scottish Water regulator.
- We were named as the leading water company in the government's Carbon Reduction Commitment league table. Our innovative low carbon, low cost approach to the refurbishment of the sewage treatment works at Weymouth won two 3R (Refurb, Rethink, Retrofit) awards.
- Our Target Twenty water efficiency campaign won two awards, including Best Marketing Campaign at the annual Utility Industry Achievement Awards.
- We won People Initiative of the Year at the Water Industry Achievement Awards for our work with the Prince's Trust.

## **CUSTOMERS AND COMMUNITIES**

### **Customer service**

Last year we were once again the industry leader of Ofwat's service incentive mechanism. However, led by our internal customer experience group we continue to look for ways to improve customer service and meet expectations. We focus on resolving problems first time, improving our processes and speed of response and improving communication. If things go wrong we work hard to resolve complaints at first stage and offer no quibble compensation where we fail.

Both billing and operational complaints have fallen again this year, with total complaints falling by 40%. We retained our government Customer Service Excellence award for our approach to customer services and continue to have the best overall package of customer guarantees in the industry.

### **Affordability, tariffs and debt recovery**

Our work with Citizens Advice, the Money Advice Trust and local debt advice agencies to help customers who have difficulty paying their bills remains of the utmost importance.

This year around 12,000 customers benefited from our tariffs including the Assist scheme, enabling those with the greatest difficulty in paying to make a modest contribution towards water and sewerage costs, and the Restart scheme, aimed at getting customers back on track with payments. In September 2011 we received the Best Partner award from Wiltshire Citizens Advice Bureau in acknowledgement of our innovative work on affordability and the success of our partnerships with CAB across our region.

### **Drinking water quality**

Overall drinking water compliance was 99.98%. Reducing the risk of discoloured water remains a high customer priority and during 2011 significant mains rehabilitation work was completed in Bridgwater and West Somerset. Over the next two years the mains water system will also be improved in the Taunton area. We are removing as much of the lead pipe as possible by proactively changing pipework identified through our monitoring programmes and in response to customer enquires. Sustainable management of nitrate levels in our water sources continues through our catchment management work. Expert advice is provided to farmers so that they can optimise their use of fertiliser while still maintaining crop yields and thus reduce the quantity of surplus nitrate.

### **Community engagement**

We continue to work with customers across our region to engage them in what we do and encourage them to use water wisely. Over the last year our education advisers met with more than 13,500 pupils at schools or at our education centres. They delivered lessons about our water and sewage treatment as well as activities on environmental topics and water saving.

We provide educational information to customers through our website and publications, encourage use of our online water and energy calculator, attend events and offer our free home water audits. We promote water efficient products to customers through our online shop as well as distributing free WaterSave packs. We provided a free water audit service to businesses and schools to encourage water efficiency and identify any areas where they can reduce their usage. We also launched an app for mobile devices, which is free to download, communicating to people what should and should not be put down the toilet.

We continue to support community projects through our Watermark Awards. The grant scheme is organised by the Conservation Foundation and can help any organisation with their environmental projects.

Effective stakeholder engagement should be very much 'business as usual' for companies in our sector. Our four liaison panels – customers and community, services and planning, environment and business provide a structured forum for the discussion of important topics including options for the next business plan. In 2011-12 we set up a customer scrutiny group (CSG) to work with us over the next few years as we develop our five-year and 25-year business plans for the regulator Ofwat. The CSG will make sure our customer research is robust and reflects the views of all customer groups across our region and together with the work of our four stakeholder liaison panels ensures more feedback from our customers to inform everything we do.

## **ENVIRONMENT**

### **Water environment**

We have made very good progress in delivering the quality and environmental programme. Wherever possible we develop lowest whole-life cost sustainable solutions and trial new technologies, rather than building conventional end-of-pipe treatment. Examples include our successful sustainable phosphorus removal trial at Somerton sewage treatment works.

Our catchment management activities now cover 15 catchments where nitrate or pesticide pollution is affecting raw water quality. Our team of six professionals provide advice and working in partnership with farmers to help reduce the impact of agriculture on our aquifers and reservoirs.

We are hosting the Frome and Piddle catchment initiative, a collaborative project that aims to deliver environmental improvements to help meet national targets in the area. The first stage, currently underway, is drawing up a catchment plan.

We sped up our programme to install telemetry at coastal sewerage overflows, ahead of our environmental obligations. In addition, we completed schemes to reduce pollution from storm overflows in Weymouth, in preparation for this summer's Olympic and Paralympic sailing events. Following a successful trial of CoastWatch during 2011, we extended the information on our website to provide more details on the designated bathing waters within our region, and display the spill history for 40 overflows at 27 bathing beaches. Work started at Weston-super-Mare sewage treatment works on a £26m scheme to improve secondary treatment and storm storage to meet the requirements of the revised Bathing Water Directive.

We made significant progress in our investigations aimed at ensuring sound science is applied to the identification of possible future work and the development of more sustainable solutions. Issues being investigated include:

- the impact of discharges from Wessex Water assets on bathing water quality in Somerset
- reed beds as a more sustainable process for phosphorus removal
- the impact of our assets on the nutrient levels in Poole Harbour, River Frome, and Bere Stream, all of which are Sites of Special Scientific Interest (SSSI)
- the presence and fate of certain priority hazardous substances in sewage and effluent

### **Biodiversity**

Since November 2011, 98% of our Site of Special Scientific Interest (SSSI) landholdings are either in favourable or unfavourable-recovering status, exceeding national targets. We completed the first phase of our five-year project aimed at understanding the importance of 16 of our sites with the greatest potential for birds, bats and invertebrates. The first phase involved detailed site surveys.

The seven external projects we are part-funding through our biodiversity action plan are progressing well, conserving and enhancing species and habitats in our region by:

- delivering on-the-ground improvements in the water environment. The Dorset Wild Rivers project provided 3km of river enhancement work in 2011-12
- building successful partnerships across the region. The BAP Scientific Services project links practitioners and academics in our region, through biodiversity research and training courses
- detailed scientific research or monitoring to enhance our understanding of biodiversity.

### **Carbon management**

We have a long-term aim to become carbon neutral. In 2011-12 we saved almost 13GWh over electricity over the year; installing more automated meters helped to obtain more accurate information about energy use and quickly identify increased energy usage at sites that may have gone undetected for long periods otherwise. Our energy bonus scheme engages all operational staff who are assisted with interactive energy audits, energy calculators and regular reports. Our first micro hydro turbine at Sutton Poyntz generated more than 18,000 kWh in its first 7 months.

### **Climate change adaptation**

Our climate change adaptation plan sets out key climate change hazards, the level of risk that each poses for our business and the adaptation options that we have in place or propose. These include a) measures to improve our security of supply – so that we ensure we can provide water in the event of a major incident, e.g., flooding, pollution or catastrophic failure of one of our sources and b) working in partnership with other groups to prepare for and find solutions to flooding.

## **LABOUR, HUMAN RIGHTS AND ANTI-CORRUPTION**

Our employees are at the heart of what we do. We value everyone's contribution, support an appropriate work life balance and provide training and development. People with different backgrounds, experiences and ways of thinking help us continue to improve our business. Wessex Water operates and promotes an equal opportunities policy which will ensure that everyone is treated fairly and equally.

### **Training & development**

We are committed to providing a comprehensive training programme of continued development and upskilling for our staff. Legal, regulatory and technical training continue to be our main priorities. In 2011-12, more than 1,600 people took part in a range of development programmes including regulatory and craft, IT, practical tool box talks and vocational professional development. We continue to invest in a range of National Vocational Qualifications (NVQs), in our Operations and WECS divisions with staff successfully achieving NVQ certificates in electrical and mechanical engineering, sewerage treatment, plant operation, customer services and team leadership. Our leadership capability programme, delivered in partnership with Coventry University, included 16 managers who achieved their certificate in professional development. In addition, we launched a series of management and leadership programmes, ranging from induction for new managers to senior management development programmes, and HR masterclasses. Our Wessex Water and WaterAid Business 4 Life programme raises money for WaterAid through entrepreneurial events organised by young members of staff.

To complement staff training there is a comprehensive programme of internal lunchtime presentations from all areas of the business, designed to broaden staff knowledge as well as updating people on new ideas and ways of working.

### **Health and safety**

Health and safety remains a vitally important indicator of our performance and we continue to work hard to maintain high levels of welfare. Health and safety advisers work throughout the business to ensure the safety of employees and others who could be affected by our activities. There were 12 reportable incidents in 2011, below the five-year average of 18 and the 14 reportable incidents in 2010.

### **Employees and innovation**

Our Eureka! scheme has been running for seven years and encourages staff to suggest ways to improve efficiency and quality. Financial rewards are given to those who suggest an idea that is successfully implemented. Since the programme began participation has grown. In 2011-12, 143 entries were submitted with 26 staff receiving £100 for their suggestions. Three overall winners were awarded a combined total of £10,000. Their ideas delivered efficiencies in de-sludging and improvements in the operation of biological aeration filters at sewage treatment works, and cost savings when replacing an automated control unit at Ham sewage treatment works.

Our innovation and technology forum continues to grow and is successful at trialling ideas, equipment and technologies which may provide the treatment solutions of the future. The forum draws together experts from across the company to promote innovative work and fund prospective projects. During the year, seven projects were funded including several trialling systems to improve the efficiency of phosphorus removal and de-sludging, which will reduce energy consumption and costs and reduce our carbon footprint.

### **Anti-corruption**

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.

Overall, 2011-12 presented continuing challenges because of the economic situation and the variable weather conditions. Our employees worked exceptionally hard though frost, drought and flood to continue providing outstanding service to customers.