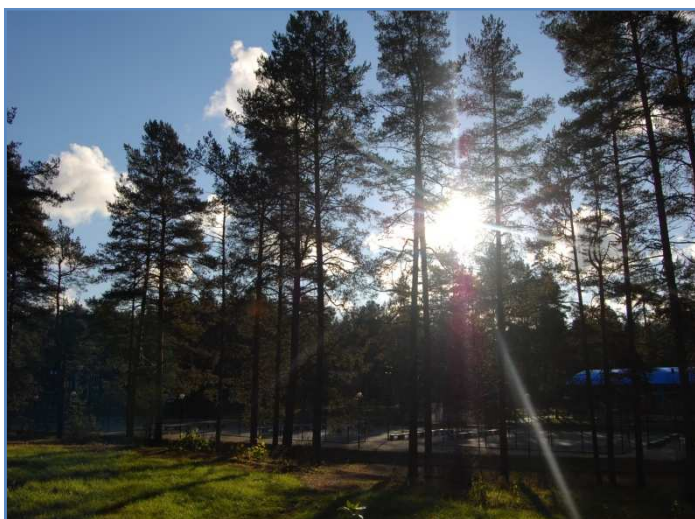




Communication on  
progress

2008





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## Felix V. KARMAZINOV, Director General of SUE "Vodokanal of St. Petersburg"



In 1987, the present CEO of SUE "Vodokanal of St. Petersburg", Felix V. Karmazinov, became manager of Lengorispolkom's Water and Sewerage Administration "Vodokanal" later transformed into SUE "Vodokanal of St. Petersburg" and now – the country's biggest water company, a traditional leader of the water sector.

Felix V. Karmazinov is a Doctor of Technology, Professor, Academician of the Engineering Academy, Academician of the International Academy of Ecology, Human Safety and Nature; Honorable Professor of the European University and International Academy of Sciences of Nature and Society; Honored Engineer of Russia; Vice-President of the Russian Water Companies Association; President of the North-West Russian Water Companies Association.

Felix V. Karmazinov is a Laureate of State Prize for Science and Technology (2001), is awarded the "Plaque of Honour" Order (1998), is the author (or co-author) of 100 publications on water and sewerage topics, has 69 patents and certificates of authorship, and is awarded:

- the Title "Honorable Worker of the Russian Federation's Water Sector" (1998),
- the Knight's Medal of the French National Order "For Distinguished Service" (2000),
- Golden Honorable Plaque "Public Recognition" (2001),
- Honorable Plaque "Leader of Russian Economy-2003,2005»,
- the Order "For Service to St. Petersburg" (2004),
- the Title "Honorary Citizen of Kronstadt" (2004),
- the First Class Commander's Plaque of the Order of the Lion of Finland (2004),
- the Title "Honorary Citizen of St. Petersburg" (2005),
- the Order of Friendship (2005),
- the Swedish Baltic Sea Water Award 2005,
- Prizes "Russian National Olympus" (2006), etc..

SUE "Vodokanal of St. Petersburg" which celebrated its 150<sup>th</sup> anniversary in 2008, has always been focused on one important task: to provide to the city's corporate and individual consumers the water and wastewater services, such as potable water production and supply, wastewater treatment and disposal and sewage sludge treatment and utilization, ensuring environment-friendly development of the above services.

SUE "Vodokanal of St. Petersburg" is determined to provide the level of services comparable with the European standards..

The company management system is now based on the international standards:

ISO 9001 "Quality Management System"

ISO 14001 "Environmental Management System"

OHSAS-18001 "Occupational Health and Safety Management System"

Vodokanal cooperates with its international partners in various fields, such as improvement of process technologies, upgrading of process equipment, elaboration of management techniques.

The studying of international experience and systematic work enabled the transformation of Vodokanal into a sustainable and fast-developing company effectively managed on the basis of high technologies, innovative activities and detailed development. Programmes which ensure the European quality of water and wastewater services for the citizens of St. Petersburg.

Felix V. Karmazinov  
SUE "Vodokanal of St. Petersburg"  
Director General





On 10 October 1858, the Emperor Alexander II approved the Charter of "St. Petersburg Water Pipelines Company".

Before that, the magnificent capital of the Russian Empire had no centralized water supply.

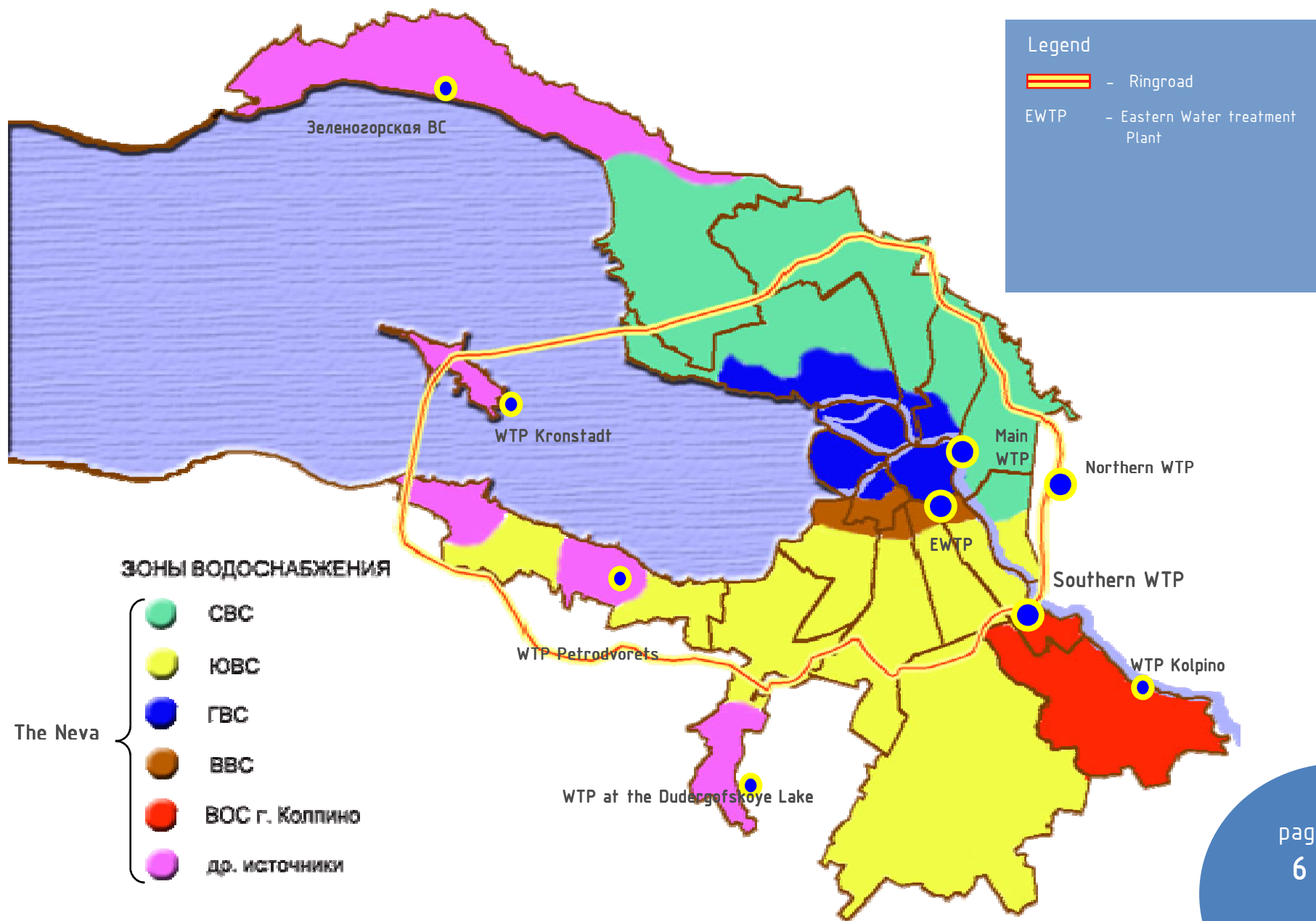


St. Petersburg had no sewerage before the second half of XX century.

3,500,000 m<sup>3</sup>/day of wastewater were discharged to watercourses without any treatment.





In 1978, the first stage of the Central WWTP (750,000 m<sup>3</sup>/day) was put into operation.

## Water supply zones in St. Petersburg

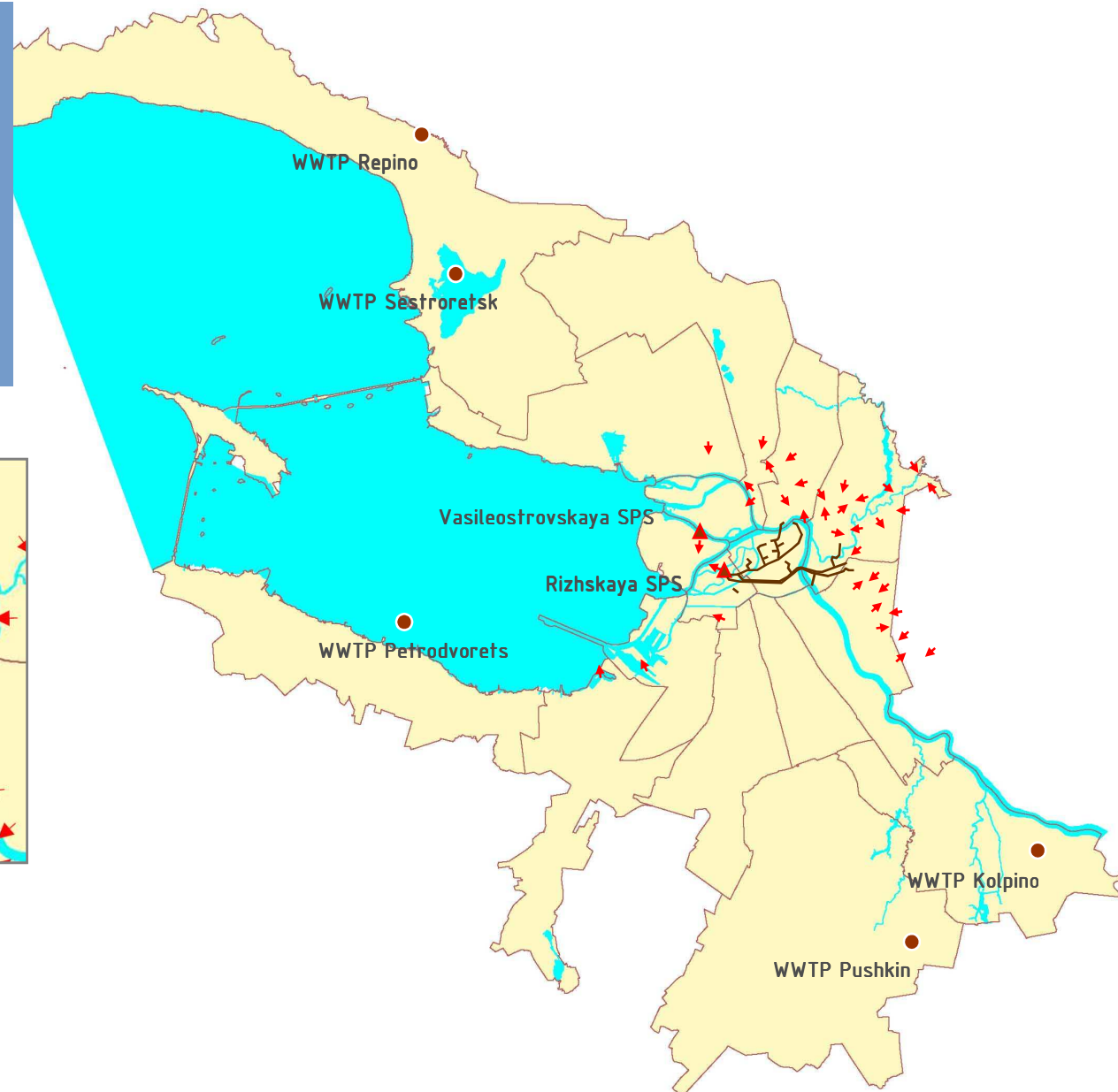


## Wastewater disposal system in Leningrad in 1977

### Legend

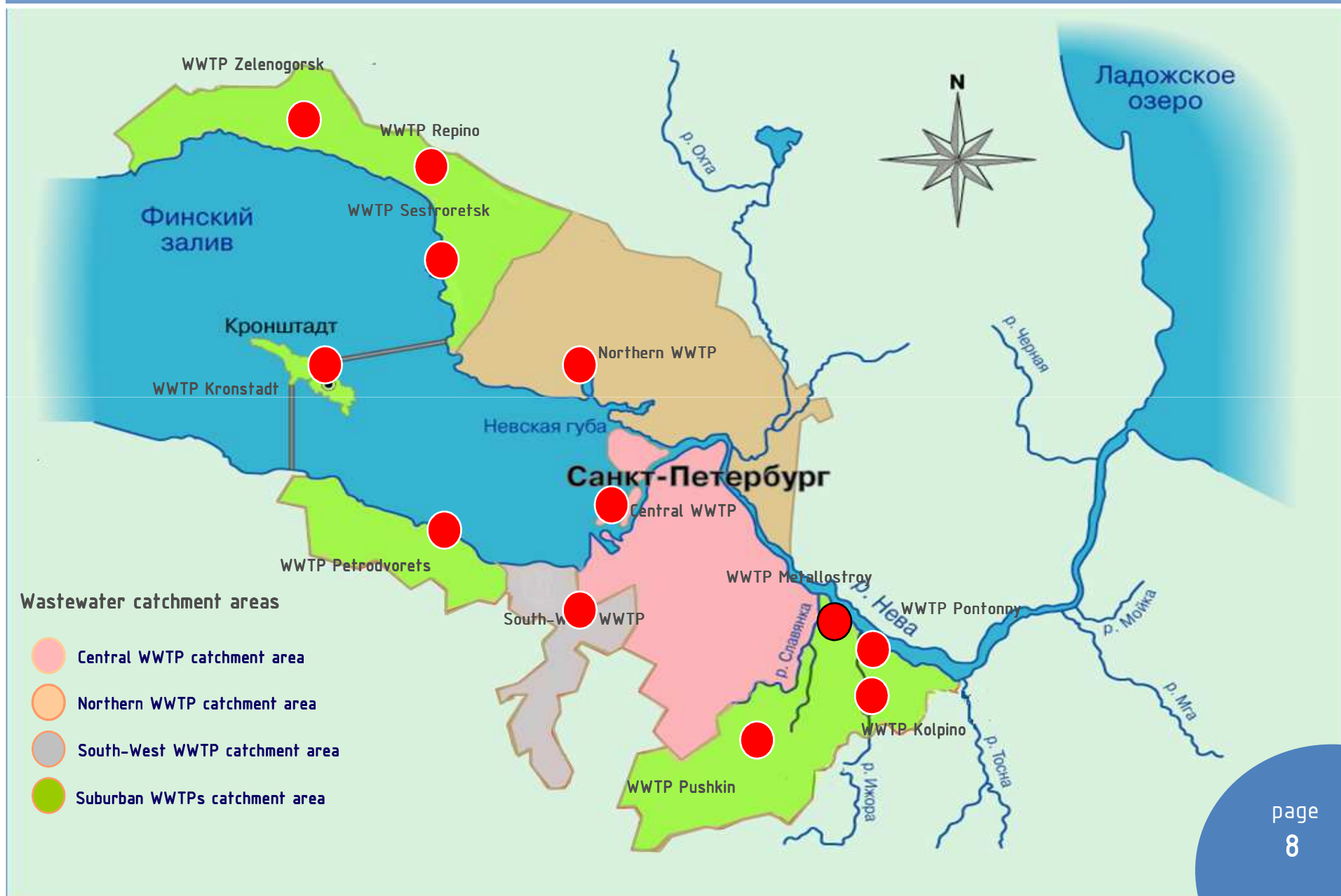
-  Wastewater treatment Plants (WWTPs)
-  Sewage Pumping Stations (SPSs)
-  Untreated wastewater discharges
-  Tunnel sewers

### Central part of the City





## Wastewater Catchment Areas in St. Petersburg

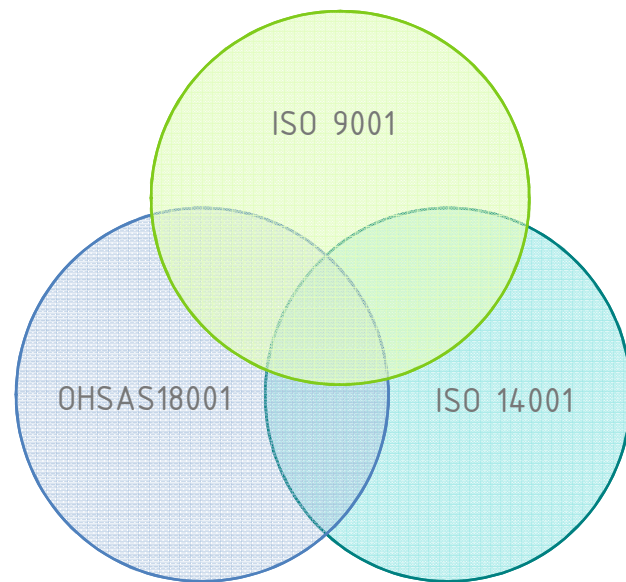


## Integrated Management System Development Phases:

2000 – 2003 – implementation of the ISO 14001-based Environmental Management System;  
 2003 – 2005 – implementation of the ISO 9001-based Quality Management System;  
 2003 – 2004. – implementation of the OHSAS 18001-based Occupational Health and Safety Management System;  
 2006 – self-assessment and participation in the competition for the RF Government's Quality Prize;  
 2007 – 2008 – re-engineering of business-processes.

Number of jobs with adverse working environment	2001	2002	2003	2004	2005	2006	2007	2008
	1852	1614	474	751	953	453	475	420

Funds spent on occupational safety measures, '000 Rbls..	2001	2002	2003	2004	2005	2006	2007	2008
	17156,6	39775,27	61727,9	94500,0	73415,5	79139,1	83640,0	107130,0



## Policy of Corporate Social Responsibility (CSR)

With regard to the society in general CSR is expressed in the following:

- strict compliance with the laws of the Russian Federation, including the tax payment;
- compliance with demands and standards of the international agreements;
- implementation of socially effective projects in social and environmental spheres both at the national and international levels.

CSR proposes the usage of resource saving technologies, safety of environmental and industrial production.

With regard to local communities CSR of Vodokanal is expressed in the following:

- supporting employment;
- tax payment to local and regional budgets;
- implementation of projects promoting the social and economic development of territories and social sphere;
- participation in the environmental projects;
- rendering charitable assistance to vulnerable groups of population.

With regard to staff CSR consists in:

- providing jobs with a competitive level of salary and social benefits;
- strict compliance with standards established by laws and collective agreements in the sphere of social and labour relations;
- providing safe working conditions and a high level of social conditions in the industrial environment;
- promoting the comprehensive professional and cultural development of the company's employees.

## Company Position

Social policy of SUE "Vodokanal of St. Petersburg" is based on the following principles:

- compliance with the laws
- progressive financial and business activity

Promotion of the best working methods in such spheres as personnel employment and relations, environment impact management.

In its social activity the company sets the following priorities:

- creating conditions for high effective and initiative labour;
- creating conditions for a healthy lifestyle of the employees and their families;
- improvement of the social security of staff, non-working pensioners and veterans of the company;
- improvement of labour and social relations in the team;
- Assistance to social groups and public associations in need of support.



## Human rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights.

**Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.

SUE «Vodokanal of St. Petersburg» operates in the Russian Federation on the basis of the international regulations of human rights developed and adopted by the United Nations Organization and its Committees.

SUE «Vodokanal of St. Petersburg» cooperates with clients and partners regardless of their nationality and religion.



## Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labour.

**Principle 5:** Businesses should uphold the effective abolition of child labour.

**Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

We apply the principles of cooperation and interdependency between all employees of SUE «Vodokanal of St. Petersburg» based on mutual trust and respect. We seek optimal decisions and methods to improve employees' working conditions and give possibilities for personal and professional development of every employee.

SUE «Vodokanal of St. Petersburg» employs personnel on regular basis and temporary personnel on contract basis regardless of their sex, nationality and religion. With all full-time employees SUE «Vodokanal of St. Petersburg» concludes open-ended employment agreements in which working conditions, voluntary nature of work done, the right to dissolve the agreement (including the description of relevant procedures) and also sanctions in case of violations of conditions of the employment agreement are specified.

SUE «Vodokanal of St. Petersburg» determines a comparable salary level for similar work both for regular and temporary staff. The company makes regular indexation of salary on the grounds of the consumer price index, and also periodically increases salary as a result of growth of labour efficiency.

Men and women have equal labour conditions at every activity level in the company. Women hold more than 50% of the managerial posts.

SUE «Vodokanal of St. Petersburg» implements a friendly approach to its employees, who are on a maternity and parental leaves, keeping their jobs during the whole leave, specified in the laws of the Russian Federation.

The practice of acknowledging employees' achievements, financial and moral incentives of the employees of every level based on their labour results including creative, innovative and cognitive activity, is widely used in the company, for example :

- On the basis of the results of the external audits an order concerning the incentive of the most distinguished employees is issued. The incentive is usually made at two levels: at the level of the company and at the level of the branches;
- After putting into operation particularly significant units the employees are granted governmental awards, state prizes, certificates of merit of ministries or city administration. The title "The honorable employee of SUE "Vodokanal of St. Petersburg" is conferred on the employees who significantly contributed to the development of Saint-Petersburg;
- The employees are informed about the most significant events, connected with cognitive or innovative activities via the internal corporate net Intranet, local newspaper "Vodokanal. News", magazine "Ecochronicles".

Thanks to harmonic application of financial and moral motivation approaches the creative activity of the staff raises. For example, every year the number of employees wishing to become inner auditors of the management systems is increasing. When conducting inner audits more and more constructive and useful proposes concerning the improvement are made by the employees of the audited divisions. Everybody is concerned about the problems of quality, environment, production processes.

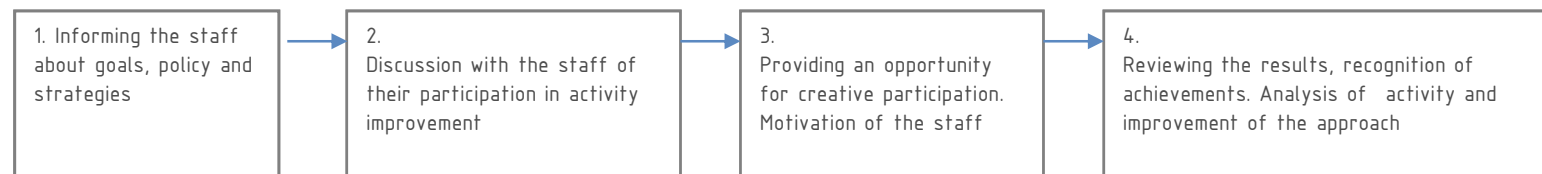
Creative and effective participation of the employees in achieving their goals depends on how they understand the set goals and planned events, their role in solving problems and connections of the goals set with their personal expectations and hopes.

In the company the following approach to the development of creative activity of employees has been formed:

1. Informing the staff about goals, policy and strategies
2. Discussion with the staff of their participation in activity improvement
3. Providing an opportunity for creative participation. Motivation of the staff
4. Reviewing the results, recognition of achievements. Analysis of activity and improvement of the approach.

Informing the staff and explanation the company mission, strategic and operative goals, acceptable policy of the general development and strategies for achieving goals to them have a significant motivational aspect. Therefore provision of staff with information is of great importance.

Director General organizes monthly Board meetings with the directors of branches, departments and his deputies, and also weekly operative meetings. Problem oriented meetings and general technical discussions are regularly hold. Meetings of the managers with the branch staff at the trade union conferences are of great importance. Director General and his deputies inform, explain, discuss with the company staff all strategic directions of the company activity, target and plan values, and also the results, achieved during the previous period and corrective actions for the coming period. Besides, such work is followed by further discussions of the goals in subdivisions.



## Staff management

is one of the basic directions of the company policy.

Strategic targets in the field of providing services demand personnel changes to ensure consumer value of the services. Unique qualities and unlimited opportunities of the staff and at the same time its passivity (slow changes in comparison with financial, material, informational, technological resources) encouraged us to create policy and strategy of human resource development.

The main target of staff management is staff recruitment in accordance with the company demands and involving the staff into achieving strategic and operative company goals, adopted in the corporate development plan.

In this respect the main directions of work, determined by the staff policy, are:

- staff resource planning;
- motivation of staff;
- professional staff development and training;
- modern staff methods and technologies;
- informational and analytical staff management support;
- corporate culture.

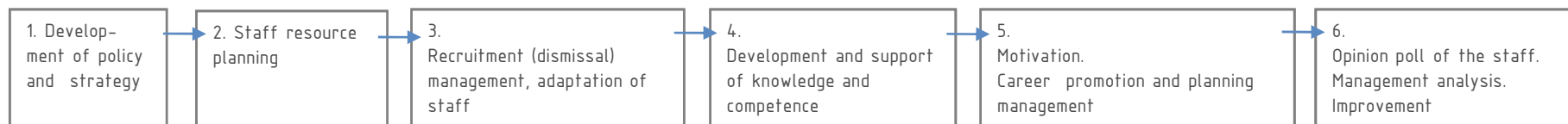
Implementation of the policy is made by means of development of the strategy and appropriate plans. Involving the staff into active and creative work depends not only on the competence of every employee, but on matching his/her private interests the strategies applied and their purposes. Therefore, when developing the policy, strategy and plans employees' opinions regarding training opportunities, career promotion, good working conditions, goal achieving etc, are taken into account.

## Human resource planning

provides: personnel records and adequacy of the staff for its job; analysis of company development plans and forecasting demand for personnel; drawing up a programme including definite recruitment plans and events, training and career promotion. To estimate the adequacy of the employees for their jobs job descriptions as part of the quality system were developed in which the following is described: work performed and corresponding functions; responsibilities and authority (for the managers); educational qualifying requirements, experience and knowledge. Estimation of the staff and its qualification was performed for all processes and divisions. In this respect not only demand but also supply on the labour market were estimated.

The change in the organizational structure and transition from the functional management system to the process management system demanded to solve the problem of professions of the staff and its number and structure optimization. A strategy of changing the ratio of managers to the rest employees (increasing the number of workers) and also reduction of the general number of the staff. The problem of staff reduction was decided by means of transition from the functional management system to the process management system, implementation of a new production technology and information support, modern equipment, professional development of workers and managers.

It was taken a course to employ more youth that are young workers, graduates of high schools and colleges and fitting them to the working environment.





## Staff recruitment/dismissal management, adaptation, training

The search and selection of personnel is the element within the integrated system closely related to, practically, all key activities of the personnel departments. The personnel can be selected from the company's own human resources or recruited at the external labour market. The company is actively using the resources of the internal labour market by means of competitive selection to ensure fair recruitment and employment of personnel.

The company organises competitive selection of candidates for positions of managers, specialists and workers. The information about job opportunities is displayed on information boards in every structural division of the company and published in the corporate newspaper.

Should no acceptable candidates be found inside the company, a candidate from the external labour market will be invited.

To support professional development of the newly employed and to help them fit into the company's social environment, the tutorship procedure is used.

The adaptation procedure has been developed for the newly employed to master their positions in a quicker way, to have a positive image of the company, to overcome the discomfort of the first working days, as well as to assess the qualification level and the potential of new employees.

In order to "tie" younger personnel to the company and ensure social security, the employees who are conscripted to the Army and then demobilized and regain their positions in the company, are offered material assistance to help them settle in.

In 2005, the company established the Young Specialists Council made up of over 150 young employees to support professional growth and career development, acquisition of experience and exchange of knowledge, as well as to benefit from the individual potential of each young employee. The Young Specialists Council has been initiated by Vodokanal management; it helps solve different problems of young employees and plays the role of a link between the company administration and young specialists.

## Management of promotion and career planning

Is based on the mechanism of creating a personnel reserve to ensure reliable operation of SUE "Vodokanal of St. Petersburg". The personnel reserve is a group of the company's full-time employees (usually, managers and specialists) who meet the criteria for positions of different ranks, have managerial skills and good health, have received systematic professional training and have the reputation of good professionals. There is a "short-time" reserve – for the next two or three years, and a "long-term" reserve – for the next 5–10 years.

Innovative methods are widely used to improve the personnel management function: in 1999, a unified database of the company personnel was created; in 2004 it was decided to change over to a new software product which would enable real-time access to the personnel data at all company branches.

Any person who took a job and received appropriate training is rather valuable for the company, therefore he or she must be involved in the activities, meet expectations of the management and justify the money spent on his/her training. Hence, further personnel management is focused on ensuring the employee's satisfaction with his job and elimination of any obstacles to efficient work.

There are different ways of learning the employees' opinions and wishes: by filling in special questionnaires or in connection with transferal to another job; during training sessions; by collection of wishes and applications; during performance reviews in accordance with the plans of structural divisions; and by discussing achievement of individual targets. The information received from the employees helps find new approaches to the improvement of knowledge and creative activity, is used to optimize the operations, to adjust the policy and strategy and to improve the personnel management process in general.

Starting from 1999, the company has conducted opinion polls of its employees. Such polls revealed certain regularities which helped improve the personnel management.



Knowing the importance of social security for the employees, the company management believes that the development of multiple social programmes is a priority task. The company uses the Unified Collective Agreement which guarantees social security to the employees.

Being a corporate, responsible member of society and a fair participant of the market economy, and observing the Russian labour legislation, the company has set the following priorities in its socially oriented activities:

- to create conditions for highly efficient and self-motivated work of the employees;
- to create conditions for healthy lifestyle of the employees and their families;
- to strengthen social security of the employees, retired pensioners and veterans of the company, and support the invalids;
- to improve labour and social relations in the corporate community;
- to provide assistance to vulnerable social groups and the public associations in need of support.



## Social Policy

The need to implement the principles of the Global Compact and Corporate Social Responsibility urged Vodokanal to set the most challenging social goals. These goals are achieved by implementing the above-listed social programmes (social investments) and through individual initiatives which result in higher social security, better motivation and labour efficiency, higher degree of skill, team spirit, healthy lifestyle and, primarily, lower staff turnover.

In this way, the corporate culture is created, and the employees feel socially secure and have confidence in the future.



The social policy of SUE "Vodokanal of St. Petersburg" is implemented under the following target programmes:

- Social protection programme and material assistance to employees
- Conferment of titles upon employees
- Recreation programme (cultural events, sports events, corporate festivals)
- Health care and recreation programme for employees and their families
- Consumer loans programme for employees
- Improvement of living conditions
- Local canteens and transport for employees

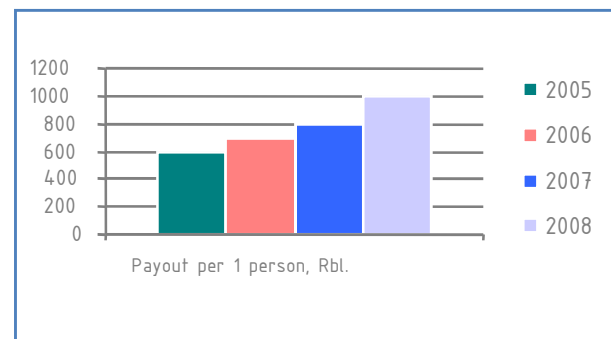




### Social protection programme and material assistance to employees

In 2008, on the basis of Vodokanal's Collective Agreement and in compliance with the applicable Provision on Material Assistance to the employees and retired pensioners (former Vodokanal employees) and close relatives of employees and retired pensioners, the following payments were made:

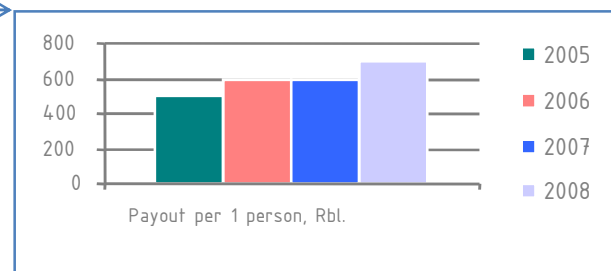
- One-time allowance to retiring employees;
- Target material assistance (1000 Roubles) paid to veterans of World War II (former Vodokanal employees) on a monthly basis, and payments to veterans of the war, inhabitants of besieged Leningrad and prisoners of Nazi concentration camps on the occasion of the Day of Complete Lift of Leningrad Blockade and the Victory Day.



year	Annual average number of recipients (monthly payments to veterans of the war)	Amount paid, Rbl.	Annual average number of recipients (on the Day of Complete Lift of Leningrad Blockade)	Amount paid, Rbl.	Annual average number of recipients (on the Victory Day)	Amount paid, Rbl.	TOTAL payments, Rbl.
2005	124 (130-117)	1 491 000	420	420 000	650	660 000	2 571 000
2006	<b>108</b> (113-100)	1 293 000	422	422 000	610	610 000	2 325 000
2007	<b>95</b> (99-89)	1 139 000	389	389 000	584	584 000	2 112 000
<b>2008</b>	<b>81</b> (86-80)	<b>976 000</b>	<b>366</b>	<b>366 000</b>	<b>550</b>	<b>550 000</b>	<b>1 892 000</b>

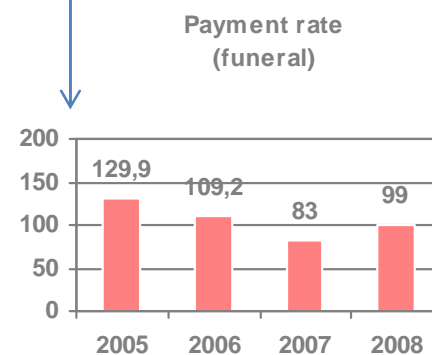
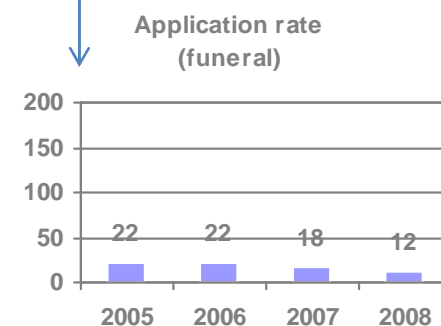
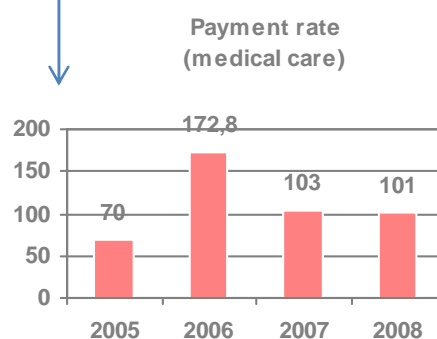
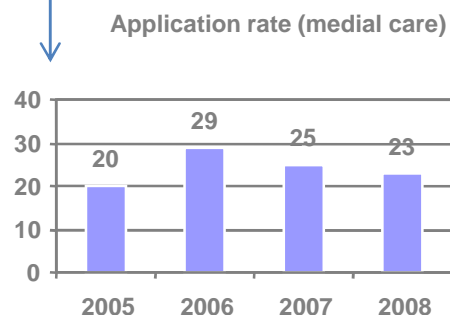
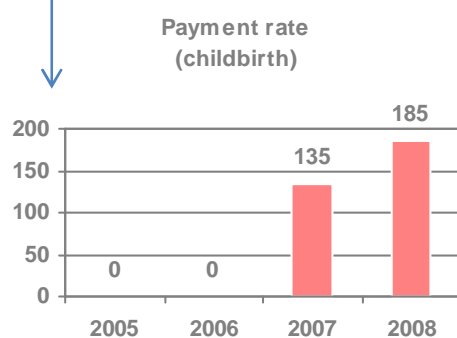
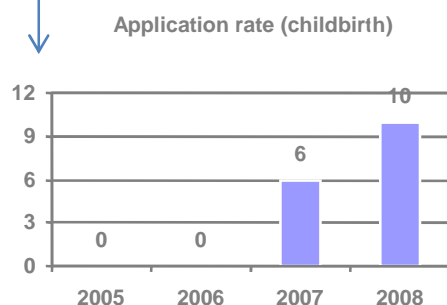
- Target material assistance to retired pensioners (former Vodokanal employees) paid on a quarterly basis

year	Amount paid per person, Rbl.	Annual average number of recipients	TOTAL payments, Rbl.
2005	500	1546	3 110 000
2006	600	1570	3 866 400
2007	600	1670	4 032 600
<b>2008</b>	<b>700</b>	<b>1655</b>	<b>4 634 000</b>



■ Material assistance on employee's request

year	On childbirth		For purchase of medicine and medical treatment		To employees in a critical situation (theft, fire, etc..)		For funeral		For other purpose		TOTAL payments, Rbl.
	Number of persons.	Amount, Rbl..	Number of persons	Amount, Rbl.	Number of persons	Amount, Rbl.	N of pers.	Amount, Rbl.	N of pers.	Amount, Rbl..	
2005	None		20	70 000	-	-	22	129 909	-	-	199 909
2006	None		29	172 820	-	-	22	109 198	1	10 000	292 018
2007	6	135 000	25	103 000	-	-	18	83 000	2	22 500	343 500
2008	10	185 000	23	101 000	-	-	12	99 019	2	193 091,17	578 110,17



## Conferment of titles to the company employees

### ■ Conferment of title "Veteran of Work with SUE "Vodokanal of St. Petersburg"

On the basis of the Provision on conferring the title "Veteran of Work with SUE "Vodokanal of St. Petersburg", this title is conferred twice a year upon the employees who have worked with the company continuously for at least 20 years (as an exception, for at least 10 years, in consideration of the employee's special contribution to the company activities), where they receive a special plaque "Veteran of Work with SUE "Vodokanal of St. Petersburg" and a pecuniary reward in the amount of their monthly salary as of the date of conferment.

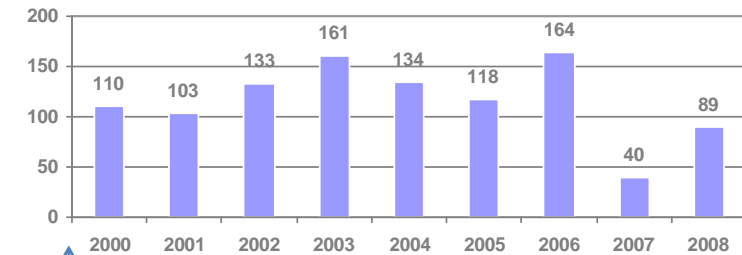
The conferment of the "Veteran of Work" title is an evidence of the employee's significant contribution to the process of control and production, implementation of new water treatment technologies, of his/her achievements related to the improvement of the quality of services, environmental activities, implementation of the major tasks of environmental policy, participation in rectification of emergency situations and active participation in the company's social life.

The conferment of the "Veteran of Work" title is a moral incentive and motivation to further production activities; the employees strive to improve their efficiency indicators.

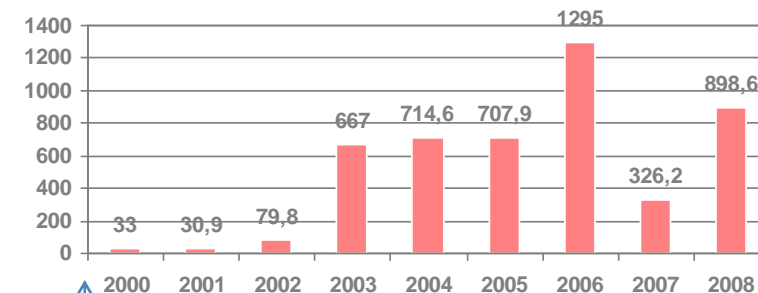
In 2008, the title "Veteran of Work with SUE "Vodokanal of St. Petersburg" was conferred on 89 employees (all in all, 898,550 Roubles were paid out).

year	2000	2001	2002	2003	2004	2005	2006	2007	2008
N of pers.	110	103	133	161	134	118	164	40	89
amount, Rbl.	33 000	30 900	79 800	667 024	714 646	707 875	1 295 106	326 165	898 550

Number of conferees, by years

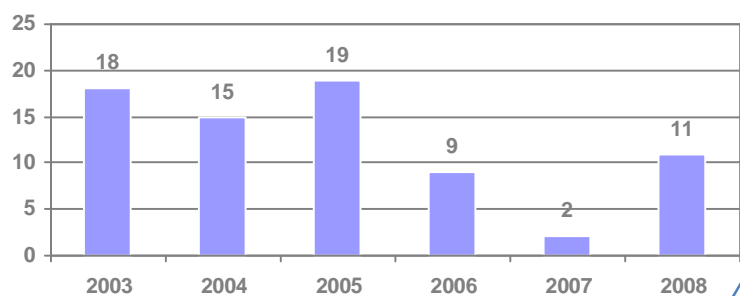


Payouts, by years

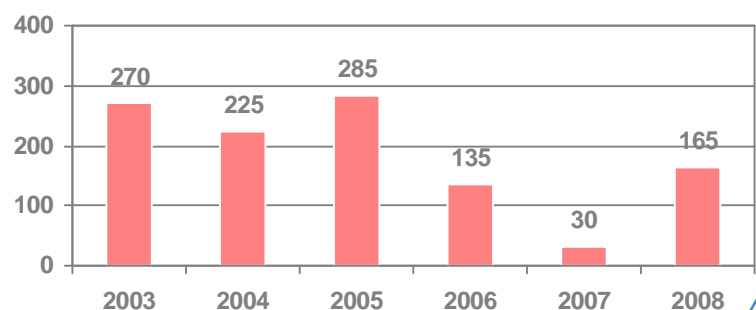




Number of conferees, by years



Payouts, by years



#### ■ Conferment of the title "Honorable Worker of "Vodokanal St. Petersburg"

The title is conferred, on the motion of managers or work teams, upon the company employees and other persons who have made a significant contribution to the development of water and wastewater systems in St. Petersburg.

The title "Honorable Worker of Vodokanal St. Petersburg" may be conferred for design, adaptation and implementation of up-to-date equipment or advanced technologies; for the use of the labour management techniques giving a significant economic benefit; for the strengthening of the company's positive image in Russia and foreign countries, tutorship, improvement of corporate culture and high professionalism.

When the title is conferred, the conferee is given the award badge "Honorable Worker of Vodokanal St. Petersburg" and the relevant certificate, moreover, the relevant entry is made in the conferee's labour book and a money reward is paid to him/her.

The honorable worker is entitled to get a free voucher for a stay in Vodokanal's Sanatorium "Burevestnik" where he/she will be offered health resort therapy.

In 2008, the title "Honorable Worker of Vodokanal St. Petersburg" was conferred on 11 employees ( all in all, 165,000 Rbls. were paid out.)

year	2003	2004	2005	2006	2007	2008
N of pers.	18	15	19	9	2	11
amount, Rbl.	270000	225000	285000	135000	30000	165000

#### ■ Professional skill contests “Best Professional”

Competitions and professional skill contests “Best Professional” are a good method to motivate employees.

The main aim of such competitions is to identify the best qualified specialists, to provide a moral and material incentive which makes the employees interested in the results of their work; to raise the prestige of blue-collar professions; to develop tutorship; to improve the performance; to disseminate advanced work methods and practices; to improve the knowledge of occupational health and safety rules.

A special scenario is elaborated and approved for each competition or contest. The process of competition is photographed and video recorded; the outcome is publicized in the company's media.

In this way, the motivational effect on the employees is multiplied for the purpose of developing the skill of fault-free operation, exchanging best practices, and improving workmanship. The winners of “Best Professional” contest are awarded valuable prizes and diplomas, those who take the first place are given a higher labour grade.

In 2008, the company held 10 professional skill contests, the winners were given valuable presents in the total amount of 202,127.24 Rbl.

year	Number of contests	Amount, Rbl.
2006	10	196 200,00
2007	11	216 597,22
<b>2008</b>	<b>10</b>	<b>202 127,24</b>

## Staff development

Vodokanal's Information and Training Centre contributes to the corporate development by continuous improvement of professional skills of all staff categories according to the company needs and material status, and in line with the level of production automation and modernization and long-term development plans.





### Professional College No. 89 (PC-89)

The aim of cooperation with PC-89 is to create, for the St. Petersburg labour market, a reserve of qualified specialists – potential employees of SUE “Vodokanal of St. Petersburg” and other public utilities or construction companies – who have an optimal array of professional competences.

In 2006, a joint “Industrial Training Unit for Water Specialists” was established where the company employees and their potential colleagues – PC-89 students – are trained.







## Leisure time

### Cultural events, corporate holidays

Festive events with participation of the Company's employees, Vodokanal veterans and Second World War veterans are held on national holidays days (8<sup>th</sup> of March, 23<sup>th</sup> of February, New Year, Victory Day, Lifting of Leningrad Siege Day, Navy Day, Day of Housing and Utility Sector Officers).

Tickets to New Year theatre performances and Book Day events with giving presents are bought for employees' children during school holidays.

The Company's day is annual in October when the best employees are awarded.

### Sports events

The comprehensive corporate programme for health improvement and sports events organization helps to develop and support healthy life style. The Company cooperates actively with international partners and Russia utilities not only in the field of operations but they also have joint regional and international sports contests and competitions.



In 2008 it was hold:

- 2 tourist jamborees. More than 900 persons participated;
- 2 tournaments in mini-soccer and volleyball. 215 persons participated;
- City championship in volleyball, soccer and basketball. 48 persons participated
- 3 sport contests:
  - «Vodokanal» of Saint-Petersburg – Helsinki Water (30 participants);
  - For water companies from different cities of Russia (80 participants);
  - FSO «Russia» in 14 sports (300 participants);
- 4 sport festivals:
  - in Ryazan (15 participants);
  - 2 in Saint-Petersburg (95 participants);
  - in Smolensk (30 participants);
- Soccer tournament of Russian cities «Golden Standard» in Turkey. 25 persons participated
- Sport contest of the Central District in 12 sports. 120 persons participated
- Sport contest of the city and region trade union interregional committee in 6 sports. 80 persons participated

Employees were given out about 1500 season tickets to the rental swimming pools (LDM, SKA) and gym halls.

An agreement regarding corporate discount to the company's employees in the fitness club net "Fitness-house" was achieved.



## Healthcare and recreation programme for the employees and their families

The priority of the social policy is the rest of the employees and their families.

For these purposes two company's sanatoriums operate: sanatorium "Burevestnik" and sanatorium "Orlovsky"; branch "Medical Center" is established.



Sanatorium «Orlovsky»



Sanatorium "Burevestnik"





### Sanatorium "Burevestnik"

The main task of the sanatorium "Burevestnik" is health care and promotion of the company employees, who need in resort therapy to cure diseases connected with the working-environment factors and labour conditions.

Sanatorium specializes in curing hear-vascular and nervous systems, digestive and respiratory organs. Company employees can buy sanatorium vouchers at concession prices.

On the 15<sup>th</sup> of February, 2008 the differentiated voucher payment system was implemented. The employees pay according to the size of their salary. Before that the employees had to pay 30% of the voucher value.

In 2008 the occupancy of sanatorium "Burevestnik" was in general 60%  
The growth in comparison with 2007 is 25%

The occupancy of the sanatorium	2006		2007		2008	
	Bed days	% occupancy	Bed days	% occupancy	Bed days	% occupancy
	65 172	36,30%	82 195	45,80%	106 048	60,10%





The comprehensive approach is used in the sanatorium: there are new methods of prevention, diagnostics and cure of different diseases types, introduction of new organizational forms using modern equipment.

The methods in the sanatorium "Burevestnik" are biological and adequate for patients. Their specific characteristic is influence on all disease pathogenesis elements when the whole organism is involved into rehabilitation process and a patient takes active part in medical and rehabilitation process at all treatment stages.

Moreover, the peculiar feature of the sanatorium treatment is rehabilitation of not only the affected system but the whole patient organism what has important meaning for preventive health care. This helps to implement the main task – to reach long-lasting effect for the whole year without problems.

In order to protect health and to prevent professional diseases, the Company's employees (working in harmful and dangerous conditions) are offered a vacation additional to one under the Russian Federation laws. The vacation length is 10 days.

Taking into account the possibility it is given to an employee only for rehabilitation and cure in the sanatorium "Burevestnik" with a free voucher.

363 employees were rehabilitated in the sanatorium "Burevestnik" in 2008



Special attention is paid to organization of the company employees children rest in the **children's health camp "Zvezdny"** during school holidays. In other time, family rest programmes are developed and introduced including sport events "Father, mother and myself – sport family" for the company employees in the territory of the sanatorium "Burevestnik" territory.









## Children's Holiday Camp "Zvezdny"

Children's holiday programme includes :

- swimming (swimming pool)
- exercises in the sports center
- games on the open sports ground
- swimming in the lake (in summer)
- horse and pony riding in open riding manege
- coteries
- quizzes, contests, musical concerts and disco.
- excursions

The unique developing classes are conducted in the Youth Environmental Center in the camp's territory. These classes help children to widen their environmental knowledge, to feel like a part of nature, society, team. International environmental workshops and conferences are also held in the Youth Environmental Center.



Occupancy of CHC "Zvezdny" was more than 100% in 2008  
1600 children visited the camp in summer (in average – 400 children per 1 shift), 411 – in autumn, 416 – in winter

	SPRING			SUMMER(in average)			AUTUMN			WINTER		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006/07	2007/08	2008/09
Number of children	199	391	<b>398</b>	398	398	<b>400</b>	312	390	<b>411</b>	398	378	<b>416</b>
% of full occupancy	50%	98%	<b>100%</b>	100%	100%	<b>&gt;100%</b>	78%	97.90%	<b>103.30%</b>	100%	94.90%	<b>104.50%</b>

### Sanatorium "Orlovsky"

The sanatorium has up-to-date foreign and domestic equipment and offers to its patients different rehabilitation and health-improving programmes developed by medical and rehabilitation specialists.

The medical and health-improving programmes are made individually for each patient taking into account his/her diseases, indications and contraindications and assume both long-term being in the sanatorium and short "weekend rest".

The health-improving programmes for the Company's employees are based on annual preventive medical examinations, patient complains and within rehabilitation after diseases.

Rehabilitation programmes are focused on correction of different problems (antistress and general health-improving programmes, organism cleaning and weight correction).



### Medical Center

Multi-field medical and diagnostic center provides up-to-date diagnostics and cure for the Company's employees, members of their families, veterans of Vodokanal as well as provides diagnostic and medical care for the City residents

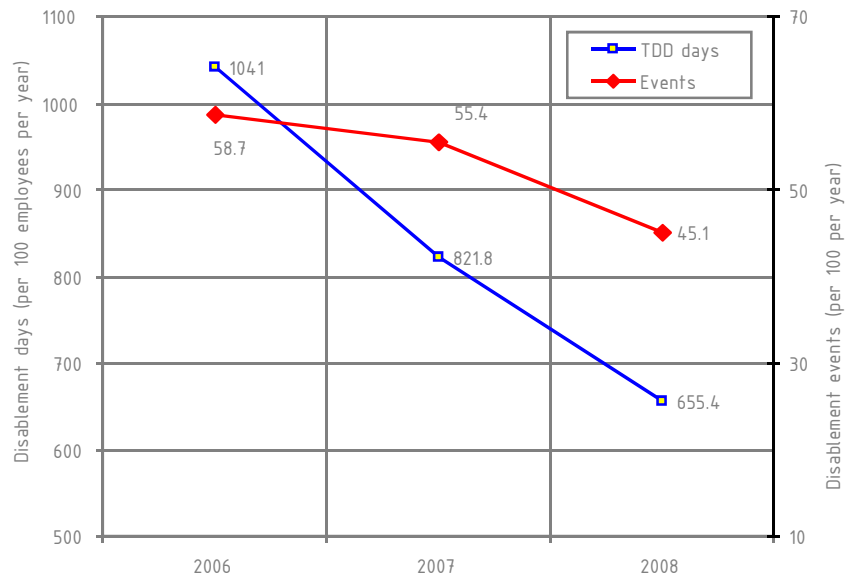
The Medical Center of Vodokanal provides wide range of medical assistance, latest diagnostic and medical treatment technologies, well-qualified personnel.

Dental Clinic of the Company provides the following services:

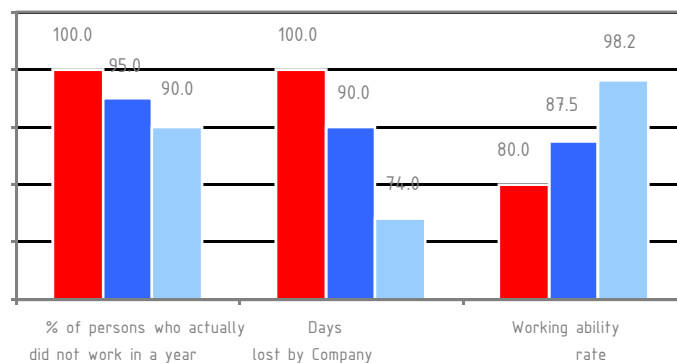
- Preventive dentistry
- Dental surgery with implant dentistry
- Prosthetic dentistry
- Pediatric dentistry
- Orthodontic dentistry
- Parodontopathy
- X-ray diagnostic



Trends of temporary disablement disease (TBB) rate with in 2006-2008  
( per 100 employees per year)



Trends of economic effect of temporary disablement disease in 2006-2008 with visual indicators (% by 2006)



## Consumer loans

All repayments under consumer loans due and payable in 2008 have been made.

## Programme for improvement of living conditions

In 2008, the issue of resettlement from the house in emergency conditions (40 17-Lines, Vasilievsky Island) was solved. 10 families were resettled into new separate flats.

## Local canteens and transport for the company personnel

- Public catering at concession prices is provided to the company employees;
- Workers of emergency repair teams and the drivers who work around-the-clock are offered free **hot food at their working places at the night time**



mobile canteen



mobile canteen

- The employees are transported to their working places in the morning and to the nearest metro station at the end of the working day
- the employees can get the petrol tickets at concession prices

## Environment

**Principle 7:** Business are asked to support a precautionary approach to environmental challenges.

**Principle 8:** undertake initiatives to promote greater environmental responsibility.

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

The Company's activity has considerable influence on the environment. SUE "Vodokanal of St. Petersburg" makes all efforts to improve environmental situation in the Baltic Sea region. Environment protection is one of the priority aspects of the Company's operation.

In order to reduce influence on the environment, Environmental management System is introduced which aims to reach stable improvement of environmental parameters as well as to minimize using of resources complying with the environmental Principles of the United Nations Global Compact.



Aland Foundation Award



Swedish Baltic Sea Water Award



Golden Heron  
(National water resources  
committee, Poland)

## Cooperation between Russia and the Nordic countries : Environmental technologies for reduction of phosphorus discharge into the Baltic Sea

Fruitful cooperation between Russia and the Nordic countries started in 1991. Cooperation is based on environment protection programme adopted by the Helsinki Commission or HELCOM.

Different companies and organizations from the Nordic countries became our partners during these years.



## BUSINESS PARTNERS OF THE COMPANY

## HELSINGIN VESI

EBRD/Development of water sector in St. Petersburg: Corporate Development Support Programme (CDSP). Coordination and development of cooperation with the Nordic countries; Bilateral cooperation of specialists from Helsinki Water and Vodokanal of St. Petersburg

STOCKHOLM  
VATTEN

Danske  
Bank

European  
Bank

SIDA

Coordination and financing of SWWTP completion works, examination and recommendations for modernization and extension of the Northern WWTP

FMoE

Financial assistance to implementation of the projects dedicated to improve the environmental situation in the Baltic Sea region. Financing of training programmes



DEPA

Completion of SWWTP construction, reconstruction of WWTP in Pushkin

NEFCO

TACIS

NDEP

## Relations with Greenpeace

The representatives of Greenpeace Russia support the Company's action plan for solving the problem of industrial untreated wastewater discharge into utility networks.

The important part of discharges control is arrangement of monthly check of the industrial companies wastewater.

Vodokanal presents the results of St. Petersburg sewerage system check to the representatives of Greenpeace Russia on regular basis.



On 24<sup>th</sup> of October 2008, the representatives of Greenpeace Russia were invited by the Director General to visit Vodokanal of St. Petersburg.

During the discussions (one hour and a half) the representatives of Vodokanal and Greenpeace Russia shared their opinions on the city situation with industrial wastewater discharge into the municipal sewerage system and on the ways to solve this problem.

Head of the St. Petersburg branche of Greenpeace, Dmitry Artamonov, said: "We are glad to see that Vodokanal understands the problem of industrial wastewater discharges and has plans how to solve it. I am sure that here we have possibilities for cooperation".

Among the issues raised during the meeting was the issue of cooperation between Vodokanal and Greenpeace in order to promote the Ladoga Lake protection law. The representatives of Greenpeace Russia mentioned that Vodokanal did great work to remove phosphorus and nitrogen from wastewater, and drinking water treatment is at high level.

When navigation starts on the Neva, the Greenpeace patrol will work again for the purposes of detection unit discharges and investigation of industrial wastewater quality.

"Thanking to cooperation with Vodokanal we expect that in 2009 this work will become easier because as the practice showed Vodokanal reacts on information about the law breach even quicker than the relevant authorities", said Dmitry Artamonov.

A joint check (Vodokanal and Greenpeace) of industrial discharges into Vodokanal's system is also planned, detection of contaminations will be made according to a big list.



### South-West Wastewater Treatment Plant

Successful implementation of the biggest in Europe environmental investment project became a symbolic event for all countries in the Baltic Sea region. The SWWTP start-up ceremony took place on September 22, 2005.

SWWTP start-up with capacity of 330 000 m<sup>3</sup> per day allowed to reduce discharge of untreated wastewater into the Neva and the Gulf of Finland by 10%. Use of up-to-date wastewater treatment technologies and additional UV disinfection before discharge into the water bodies guarantees high quality of wastewater treatment.

The project was implemented through the public private partnership. For the first time, Vodokanal's own funds, the city budget funds, grants, IFI loans and private capital were combined without direct guarantees of the federal subject – St. Petersburg and the Russian Federation.

Parameter	2007	2008
Total Nitrogen, mg/l	7.8	7.5
Phosphorus, mg/l	0.8	0.4



South-West WWTP





## Problem of wastewater sludge treatment and utilization is solved

St. Petersburg – the first megalopolis in the world that has solved wastewater sludge utilization problem



SIP at the Northern WWTP



SIP at the South-West WWTP



SIP at the Central WWTP



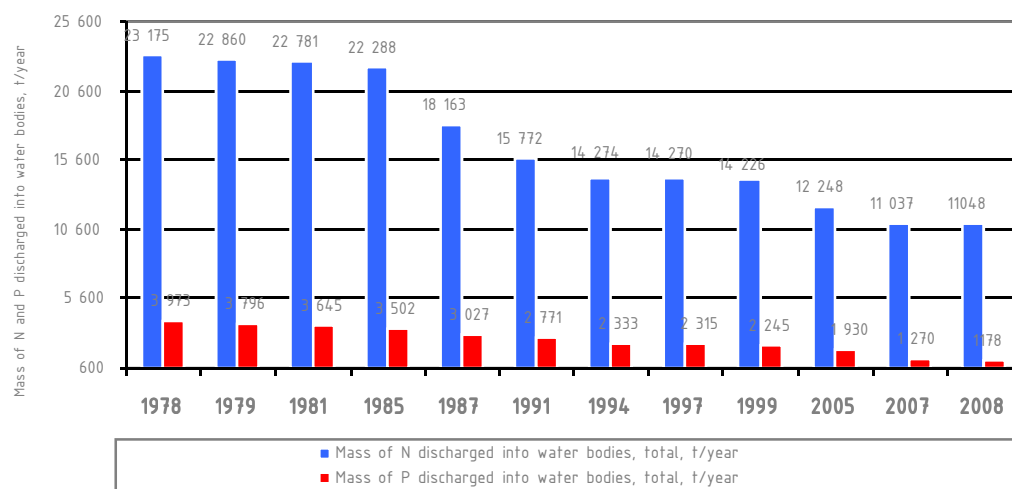
## Implementation of enhanced biological nutrients removal without chemicals

The process stage, chemical and biological nutrients removal, was implemented at all WWTPs.

In 2008, Pushkin and Sestroretsk WWTPs were reconstructed, SWTP is constructed with implementation of enhanced biological nutrients removal.

Quality of treated wastewater is lower then required by HELCOM

Nitrogen and phosphorus discharge trend



### WWTP in Pushkin

Parameter	2007	2008
Total Nitrogen, mg/l	8.3	6.9
Phosphorus, mg/l	0.7	0.6

### WWTP in Sestroretsk

Parameter	2007	2008
Total Nitrogen, mg/l	9.0	6.9
Phosphorus, mg/l	0.8	0.3

## Implementation of chemical – biological treatment method

October 1, 2007 – completion of the 1st stage of the Russian-Finnish Project “Clean Baltic Sea” for chemical phosphorus removal from wastewater at WWTPs of St. Petersburg.

The biggest WWTP – The Central WWTP – was reconstructed.



In 2009, it is planned to reach total phosphorus – 0.5 mg/l at all WWTPs in St. Petersburg

## Implementation of the two-stage system of drinking water disinfection at the facilities of SUE "Vodokanal of St. Petersburg"

St. Petersburg is the first city in Russia where all drinking water is treated with the two-stage disinfection system



First stage – chlorination and ammonization with use of safety chemical agents: sodium hypochlorite and ammonium sulfate



Second stage – ultraviolet disinfection

The most serious problem of drinking water supply is forming of chlororganic compounds in water as a result of disinfection with chlorine-containing agents. In St. Petersburg the problem of chlororganics formation is solved by use of chloramine instead of ammonia water for water disinfection :

- More efficient prevention of chlororganic compounds formation
- Safe and retain disinfecting properties
- No transportation or use of ammonia water in the city area
- Easy to store

## Implementation of Safe Technology of Sodium Hypochlorite Disinfection at all Water Treatment Plants

St. Petersburg is the Russia's first city to substitute sodium hypochlorite – a safe chemical – for liquid chlorine in the drinking water disinfection process

- Safety together with disinfectant properties
- Stop transportation and use of gas chlorine in the city area

Two-stage water disinfection with sodium hypochlorite and UV allows:

- to stop use of gas chlorine dangerous while transportation and storing
- Guaranteed epidemiological safety of water
- All-around automation of disinfection process

### Sodium Hypochlorite Production Plant

- 2007 – start-up of the Sodium Hypochlorite Production Plant. Southern WTP
- 2008 – start-up of the Sodium Hypochlorite Production Plant. Northern WTP
- The use of low-concentration sodium hypochlorite produced by electrolysis from aqueous salt solution at the point of use permits to avoid transportation and long-term storage of end solution

## Biosensor Information System for Monitoring of Water Contamination

Biosensor system is based on natural sensitivity of crayfish to toxic substances. Heart rate of crayfish changes immediately if there is a slight alternation in water environment, thus it enables to arrange early diagnostics of water contamination by high-toxic substances.



Disease rate (per 100 000 people)	End of 80-s	2004	2005	2006	2007	2008
Hepatitis A virus	170.4	124.1	81.3	30.1	17.9	6.76

## Implementation of UV radiation for drinking water disinfection

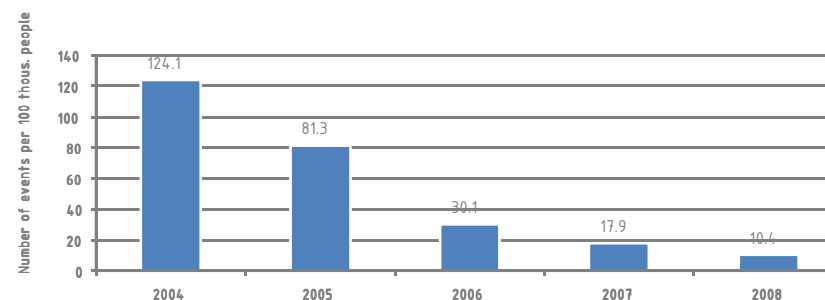
Petersburg is the world's first megalopolis where all drinking water is UV treated

- Epidemiological safety of water
- All-around automation of disinfection process

UV radiation has strong biocidal effect on different microorganisms including bacteria, viruses, mushrooms. The advantages of UV radiation are as follows :

- little contact time;
- no forming of toxic and carcinogenic products;
- no necessity to store hazardous materials and chemical agents

Disease rate of Hepatitis A virus (per 100 000 people)



Indicator	2005	2006	2007	2008
Rate of Hepatitis A reduction (in %)	-34.5	-63.05	-40.5	-41.7



The Youth Environmental Centre has a Certificate of the European Environmental Agency



Presentation of projects and programs of the Youth Environmental Centre during the St. Petersburg Days in Riga



Presentation of the YEC projects and programs in Hamburg, Germany



EXPO-2008 Specialized World Fair 14 June - 14 September, Saragossa, Spain

## City, Water, Youth – Corporate responsibility of the company to the society!

SUE "Vodokanal of St. Petersburg" creates environmental awareness and develops active citizenship among children and young people through the environmental education and training activities based on the principles of sustainable development



## The Museum "Water World of St. Petersburg"

More than 4 million people visited the museum in 5 years



## VODOKANAL CALL-CENTER

Consulting on issues related to the Company's activity  
Information about other city services telephone numbers  
Interaction with call-centers of other city utilities  
Handling of calls and complains  
Improvement of the Company's image



## ANTI-CORRUPTION

**Principle 10:** Business should work against corruption in all its forms, including extortion and bribery.

The Company fully complies with legislation in terms of tendering procedure, the multilevel system of tender commissions was established and lobbying of this or that supplier is excluded. The organizational structure makes all processes and management levels absolutely transparent, there are internal control bodies – Economic Security Department and Internal Audit Department.

## "Programme of reconstruction and development of water supply and wastewater disposal systems for the period of 2004–2011"

- UV disinfection of all drinking water supplied to the population (2007).
- Closure of direct wastewater discharges, construction of the intercepting collectors, treatment of 97,3 % of wastewater by 2008
- Reconstruction and extension of WWTP in order to implement enhanced nitrogen and phosphorus removal from wastewater.
- Implementation of UV radiation for treated wastewater disinfection.
- Completion of 2 Sludge Incineration Plants

### Installation of process control instruments at the Southern WTP (2004)

#### Objectives of the Project:

Raising of reliability, operability and efficiency of water treatment process parameters control, useful visual process monitoring with use of digital microprocessor technology and modern measuring transmitters.  
Optimization of human resources and working time use.  
Collecting of all necessary information about instruments and equipment operation at the first line server in order to ensure control efficiency as well as integration of the system into the overall automation system of the plant.  
Provision of the possibility to move to the new process automation level – to move from automation of separate process facilities to the overall automation of the Company.  
Automation of reporting documentation issue

### Reconstruction of clean water tank No.7 (2005)

Volume of stored water increased from 20 000 m<sup>3</sup> up to 22 000 m<sup>3</sup>.

### Implementation of water supply safety ensuring system for cases of toxic substances detection (2006)

Implementation of this system helps to prevent contact of people with water containing hazardous concentration of toxic substances in emergency situations

### Modernisation of chemical treatment process, implementation of automated chemical dosing systems (2006)

Use of cationic flocculant Praestol 650-TR in order to comply with standard quality parameters of water supplied to the city water pipeline in accordance with the public standard GN 2.1.5.1315-03.  
The plant for preparation and dosing of process flocculant solution is "Polidos".  
Scope of works:  
·Construction and installation  
·Electrical and engineering networks  
·Equipment is supplied under lease

### Arrangement of own low-concentrated sodium hypochlorite production at the Southern WTP (2006)

Method of preparation of low-concentrated sodium hypochlorite solutions is the cheapest, the simplest and the safest method of preparation of disinfecting solutions. In 2006, the plant for low-concentrated sodium hypochlorite production was taken into operation at the Southern WTP. The plant capacity is 5.7 tonnes of active chlorine per day or 640 tonnes of end product per day. Use of this technology let stop using hazardous substance – liquid chlorine.

**Implementation of new drinking  
water ultraviolet disinfection  
technology at the Southern WTP  
(2007)**

The most promising industrial technology of water disinfection is ultraviolet radiation which has strong effect in relation to the microorganisms types resistant to chlorine. UV radiation is lethal for the majority of water bacteria, viruses, spores and protozoa. It destroys the agents of such infectious diseases as typhus, cholera, dysentery, viral hepatitis, poliomyelitis etc. Using of ultraviolet gives opportunity to have more efficient disinfection than chlorination especially in relation to viruses. 100 % of drinking water in St. Petersburg is UV disinfected.

**Implementation of safe drinking  
water disinfection technology with  
use of ammonium sulphate (2008)**

The technology allowed to stop storing, transporting and using of ammonia water at the water treatment plants of St. Petersburg.

At the Southern WTP there is a unit of ammonium sulphate preparation for all WTP in the City.

**Construction of a new block K-6 at  
the Southern WTP (2006-2009)**

Design development for construction of K-6 block  
2006

Detailed documentation development and construction of K-6 block  
2006 – 2009





