

SEVERN TRENT PLC CORPORATE RESPONSIBILITY REPORT
STEWARDSHIP 2004



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THIS IS SEVERN TRENT

Severn Trent Plc is a leading environmental services group providing water, waste and utility services. We aim to increase shareholder value by providing integrated solutions to environmental problems; and by grasping the growth opportunities created by new legislation and new requirements in the private and public sectors.

Firmly embedded in our corporate strategy is a commitment to corporate responsibility and sound financial management.

You can find out more about Severn Trent Plc and the businesses within our group by visiting our website www.severntrent.com

In preparing this report, and the more detailed information available on our website, we have taken account of the following guidelines:

- The Global Reporting Initiative's (GRI) June 2002 Sustainability Reporting Guidelines
- The UK Department for Environment, Food and Rural Affairs' (DEFRA's) Guidelines for Company Reporting on Greenhouse Gas Emissions
- The Association of British Insurers' (ABI) guidelines on disclosure of social, environmental and ethical risks

HIGHLIGHTS

CUSTOMER SERVICE AND QUALITY

Severn Trent Water secured the position of the UK's top-performing water and sewerage company in OFWAT's 2002/2003 overall Performance Assessment

RENEWABLE ENERGY

Generating capacity up 10% to over 100MW

HEALTH AND SAFETY

Significant improvement in health and safety record with incidents down by 18%

COMMUNITY INVESTMENT

Up to 1.7% of pre-tax profits

HUMAN RIGHTS

Support for the UN Global Compact Principles

SECTOR LEADER

Top utility in the global Dow Jones Sustainability Index for the third year in a row

Why we call this report 'Stewardship'

We first used 'Stewardship' in 1995, as the title for the Severn Trent environmental report of that year. Over the years we have broadened the scope to encompass the wider aspects of sustainable development and more latterly corporate responsibility. The report now provides a balanced view on each of our economic, environmental and social impacts.

However, we thought at that time, and still do, that the expression, 'Stewardship' encapsulates much that underpins our value of environmental leadership.

As an environmental services company we have significant capacity to influence the environment in which we and our customers operate and we have responsibility for infrastructure that will serve not just this generation but future generations.

'Stewardship' signifies both the responsibilities that we hold and the way in which we intend to live up to them.

Whether it's responsibility for natural resources, for assets that provide essential services, for public health, for the well-being of local communities or for employees, our role is to act as effective stewards in ensuring their safe custody from one generation to the next.

Our annual Stewardship Report is a commentary on how we are delivering on that responsibility.

GROUP CHIEF EXECUTIVE'S INTRODUCTION

Severn Trent is a company driven by the vision to be the UK's leading supplier of environmental goods and services and guided by the core values of quality, service and environmental leadership. Being a responsible business is firmly embedded in everything that we do.



Our approach to the environment, the workplace and the communities in which we operate helps to shape our business strategy, which is based on the fundamental premise to maximise long-term shareholder value. Primary responsibility for the development of our corporate responsibility policies and action plans lies with our board-appointed Corporate Responsibility Committee and to reflect the importance of this committee's work, I took over as chair during the last year. I am also pleased that the past chairman of the committee, Derek Osborn, a non-executive director of Severn Trent, remains on the committee and we continue to benefit from his considerable experience in this field.

Our AMP4 business plan

The last 12 months has been an important period for Severn Trent. We submitted our final AMP4 business plan to OFWAT, the economic regulator, and in this report we focus on stakeholder engagement, in particular with our customers, in shaping our final submission. We believe that our submission balances the interests of our various stakeholders, as well as representing good value for money.

We planned to undertake a £2.9bn investment programme over the five years from April 2005 which would help to secure and, in accordance with ministerial guidance, improve upon the significant drinking water and environmental improvements in water quality we have delivered since privatisation. It would also tackle some of the customer service issues that remain – some made worse by the early effects of climate change – such as sewer flooding. The recent OFWAT draft determination on prices reduces the funding available for investment and we will be studying the impact of this decision carefully over the coming months.

Health and safety improvements

In last year's report I expressed my personal disappointment with Severn Trent's health and safety record in 2002/2003. I am therefore pleased to highlight a significant improvement in performance over the last 12 months with reportable incidents down by 18%. However, we are not complacent. Indeed our policy promises that: 'We will provide no service, deliver no product and carry out no task, anywhere in the Severn Trent Group unless it can be done safely'. I believe this makes absolutely clear the importance I, and the group,



“Severn Trent has been a component of the index for five years in a row and has consistently displayed superior strategy, management tools and improvement programmes in all three dimensions of corporate sustainability.”

Dow Jones Sustainability Index
commenting on Severn Trent's performance in the 2004 Index

attach to achieving first class health and safety performance in all of our activities.

Our business principles

Severn Trent was one of the first groups to introduce a comprehensive Code of Conduct in December 2000 and over the last 12 months we have conducted a thorough review of its implementation and effectiveness across the group. We believe the Code is fast becoming part of the DNA of Severn Trent. To reflect input from stakeholders and in particular from our 15,000 employees, we are now in the process of launching a revised Code, which reaffirms the nine business principles that we expect our employees and all those who work with us to honour.

We also felt it was appropriate this year for the group to make a public statement in support of business responsibilities and human rights. In the week of the Global Leaders Summit in June 2004, I wrote on behalf of the company to the Secretary General of the United Nations, Kofi Annan, to express Severn Trent's support for the Global Compact Principles. Later in this report we provide a commentary on how we are living with its principles, and describe some of the work undertaken internally on human rights risk assessment and management.

Socially responsible investment

As I have already mentioned, we believe our approach as a responsible business leads to long-term shareholder value. We are therefore pleased that specialist socially responsible investment funds (SRI) have nearly doubled their shareholdings in Severn Trent over the last 12 months. Our integrated approach to corporate responsibility is increasingly being recognised, and we were delighted in late 2003 to be awarded for the third successive year, the accolade of utilities sector leader in the global Dow Jones Sustainability Index. We are the only utility to have achieved this distinction for three years running.

To help investors and other stakeholders keep up to date with our corporate responsibility policies and activities, we are launching an extensive corporate responsibility section on the group's main website. Going forward, it is our intention to regularly update the site

with our environment, workplace, community and marketplace activities, as well as provide greater detail on our performance and progress against key corporate responsibility objectives.

As this is my last full year as Group Chief Executive I am pleased to be able to report progress towards many of our corporate responsibility goals over the period of my stewardship, although I recognise that we have not got everything right all of the time. Nevertheless, I remain convinced that Severn Trent must be a force for good wherever it operates, and that corporate responsibility must remain at the heart of our business.

Robert Walker
Group Chief Executive

CORE BUSINESSES AT A GLANCE

Severn Trent generates revenues of £2 billion and employs over 15,000 people across the UK, US and Europe. Our business strategy is guided by the core values of quality, service and environmental leadership, and we have a strong commitment to sustainable development.

Business

Key strengths

WATER



Severn Trent Water supplies essential water and sewerage services to about 3 million households in England and Wales. It also provides products and services to business customers in its region. It has a good track record on service levels, gross operating cost efficiencies, quality and environmental compliance.

For further information please visit www.stwater.co.uk

- History of outperforming regulatory contract
- Good performance on customer service and quality
- Strong track record on community involvement and consultation
- Excellent track record on biodiversity, with management plans being implemented at 1,700 sites

WASTE



Biffa is one of the UK's largest integrated waste management businesses, providing collection, landfill and special waste services to local authorities and industrial/commercial clients. It has about 90,000 customers, and an infrastructure that includes 34 operational landfill sites and 13 special waste treatment facilities. It also has 11 operational facilities in Belgium.

For further information please visit www.biffa.co.uk

- Specialist fleet achieving high levels of fuel and operational efficiency
- Landfill sites achieve high environmental standards with good geographic coverage
- Biffaward is one of the most respected Landfill Tax Credit Schemes in the UK
- Good record on community liaison and consultation

LABORATORIES



Severn Trent Laboratories (STL) is the largest environmental testing company in the world, providing environmental analysis services in the US and the UK. It has 31 laboratories and 22 service centres in the US, and four laboratories and two service centres in the UK.

For further information please visit www.stl-inc.com www.stl-analytical.co.uk

- Record of innovation and being at the forefront of new markets
- Reputation for superior customer service
- Strong links with local communities in UK and US
- US offices' 'virtual headquarters' makes significant financial and environmental savings

For information on our other businesses visit the following websites:

Severn Trent Services www.severntrentservices.com

Severn Trent Water International www.stwaterinternational.com

Severn Trent Systems www.aseriti.com www.worksuite.com

Severn Trent Retail Services www.stretailservices.co.uk

Severn Trent Utility Services www.stutilityservices.co.uk

Severn Trent Property www.severntrentproperty.com

Charles Haswell and Partners www.haswell.co.uk

Performance highlights

- Top-performing water and sewerage company in OFWAT's latest Overall Performance Assessment
- Extension of programme to invest in electricity generation at sewage treatment works
- Good progress on understanding potential impact of climate change on the business
- Independent benchmarking survey on workforce diversity gave above-average performance in our sector

Outlook

In December 2004, OFWAT will announce the final determination of its AMP4 price review for the years 2005-2010. The £2.9bn investment programme submitted in our final business plan will help to secure the significant environmental improvements we have achieved since privatisation. It will also deliver new improvements for our customers and our region, for example, in flood prevention. Stakeholder response to our proposals are positive, with a majority of customers wanting to see each element of the plan implemented.

- 31% increase in amount of solid waste handled for recycling
- Target of handling 1 million tonnes of recycling waste achieved one year early
- Biodiversity surveys of around 80% of landholdings on track to be completed by December 2004
- Boosted capacity to generate power from landfill gas to around 90MW in the UK, an increase of over 5% in the year
- Amount of vehicle fuel consumed relative to turnover down by nearly 8% in the year

Legislation and taxation will drive demand for alternatives to landfill disposal in the UK. Aided by its experience in Belgium, Biffa is in a strong position to capitalise on this. Its expertise in special waste will also help it to make the most of openings created by the Landfill Directive in the UK. Over the next four years we aim to improve the methane capture efficiency of the ex-Hales sites. The existing Biffa sites, at 76% capture efficiency, are well on track to reach the target set in their ISO14001 management system to achieve 80% by 2007/2008.

- Acquisition and development of new technologies put STL at the forefront of emerging environmental areas like indoor air quality, mould and food microbiology
- Reduced use of solvents by 5% in the year in the US, despite an increase in test volumes
- Recycling schemes in UK halved amount of waste going to landfill over past three years

New areas of environmental concern continue to emerge in the UK and the US, and STL is well-placed to capitalise on new opportunities. The business will play an important role in emerging areas like indoor air quality, food microbiology, endocrine disruptors, perchlorate testing, and sediments analysis, and in doing so will make an important contribution to environmental protection. Internally, STL will continue its work to mitigate the impact of its own operations in the UK and US.

VISION AND VALUES

As an environmental services company our activities are of intrinsic benefit to society and our ability to deliver business success makes a significant contribution to building a sustainable future. As part of our commitment to sustainable development we seek:

- to conserve the natural resources that we manage
- to safely dispose of the waste we handle
- to maintain the infrastructure necessary to sustain our business in the future
- to comply with the highest environmental standards
- to provide a safe working environment where our people are valued and respected
- to support the communities in which we operate.



GROUP OBJECTIVE

To maintain the group-wide environmental management system certified to ISO14001.



PROGRESS

We retained group certification during the year and increased the number of ISO14001 certified sites to 46.

MORE INFORMATION

Severn Trent's corporate responsibility policy is available at: www.severntrent.com/corporate-responsibilitypolicy

Our beliefs

Every business needs ideals above those of simply making money. And no business can operate in isolation from society.

We believe that business is part of the process of achieving a sustainable future for society as a whole. Business must practice stewardship of natural resources, recognise its role as an integral part of the communities within which it operates, and be accountable for its activities.

Our role centres on the delivery of environmental services. A vibrant and healthy environment is fundamental to the well-being of society.

Business success generates shareholder value together with benefits for the wider group of stakeholders. We recognise that open and responsive relations with our stakeholders are essential and that all stakeholders should benefit from our activities.

As a business we are both a corporate citizen, with opportunities to shape the lives of the communities where we operate, and an employer, with significant responsibilities for the working environment we provide for our people.

We believe that our corporate vision – to be at the forefront of the environmental services industry – is consistent with sustainable development and with our corporate social responsibilities.

We live our value of environmental leadership through a commitment to sustainable development, preventing pollution and minimising waste.

ABI Disclosure Requirements

We seek to comply with the Association of British Insurers (ABI) guidelines for the reporting of SEE matters, and believe that our integrated approach is consistent with the spirit of their guidelines.

DISCLOSURE REQUIREMENT	SEVERN TRENT
The board takes regular account of the significance of social, environmental and ethical (SEE) matters to the business and the company.	The group's Corporate Responsibility Committee met four times in the last year and issues covered included human rights, the group's Code of Conduct, and the results of group environmental audits. The board was briefed on the outcome of the work of the committee by the Group Chief Executive. The board also received presentations from the Group Health and Safety Manager on health and safety performance.
The board has identified and assessed the significant risks to the company's short and long-term value arising from SEE matters, as well as the opportunities to enhance value that may arise from an appropriate response	SEE risks are integrated within our risk management system. The Group Chief Executive provides a six-monthly report on risk management to the board. The group reports separately on opportunities such as investment in renewable energy generation.

Corporate responsibility

We hold the belief that the achievement of our corporate responsibility objectives enhances the non-financial assets of the business and thus adds to shareholder value. Our corporate responsibility activities are led by the Corporate Responsibility Committee which is now chaired by the Group Chief Executive and consists of executive and non-executive directors from across the group. With delegated responsibility from the board, the committee's primary role is to guide policy development in the broad areas of the environment, the workplace and the community. It is responsible for ensuring the continuing effectiveness of the group's certified ISO14001 environmental management system.

We have a comprehensive corporate responsibility policy which defines how we incorporate our vision and values into our daily activities. This includes a Code of Conduct which applies to all our employees and we expect all those who work with us to honour its spirit. We recently reviewed the effectiveness of the code, using an extensive consultation exercise, and found that stakeholders, both inside and outside the group, supported it strongly.

To drive performance we set annual targets in pursuit of our corporate responsibility objectives for the company as a whole and for individual business units. An element of executive directors' and senior managers' annual bonus payments is dependent on the achievement of these annual targets.

Corporate governance and risk management

Our approach to risk management is incorporated in our corporate governance framework. This framework requires the management teams of each business unit to review and to regularly report on the risks they face and the controls that are in place to manage them. The identification, management and reporting of social, environmental and ethical (SEE) risks is an integral part of the overall risk management process, and is not carried out as a stand-alone exercise. We ensure that managers within the business units are adequately trained in the identification of both existing and emerging SEE risks.

Reporting on SEE issues

As a group we welcome the government's Draft Regulations on the new statutory Operating and Financial Review (OFR) released in May 2004. We believe that the Regulations will improve the quality of reporting on employee and environmental matters as well as broader social and community issues. With the processes that we already have in place, Severn Trent is well placed to meet the changes in reporting required for the March 2006 annual report.

Working with the broader community

Severn Trent regularly engages with local, regional and national governments and non-governmental organisations on matters relating to the environment and social issues. We are a member of leading organisations that share our commitment to corporate responsibility such as the Institute of Business Ethics and the World Business Council for Sustainable Development. We are also represented on the leadership team of Business in the Community, the UK-based business-led campaign for corporate responsibility.

Our environmental leadership takes many forms – from mitigating our contribution to climate change, to increasing the volume of waste recycled. Our commitment to sustainable development underlies all our activities.

Biodiversity

The protection and enhancement of biodiversity is vital for a sustainable business – more than 70% of the groups operations are covered by biodiversity action plans.



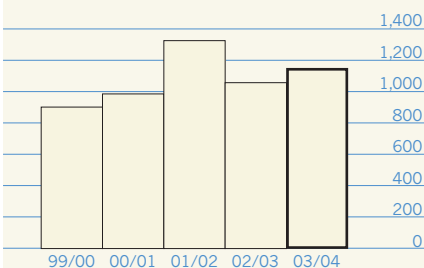
GROUP OBJECTIVE

To pursue a group-wide carbon management strategy that tackles climate change in the longer term.

PROGRESS

With funding from the Carbon Trust Carbon Pilot Management Programme we continued with the development of a scenario model which allows us to forecast group greenhouse gas emissions through to 2020.

Group total greenhouse gas emissions tonnes CO₂ equivalent per £m turnover



Footnote: Calculated using DETR Guidelines for Company Reporting on Greenhouse Gas Emissions, March 2001. US emission factors derived from Emissions Factors, Global Warming Potentials, Unit Conversions, Emissions and Related facts, compiled by ICF Consulting, November 1999.

Climate change

The nature of Severn Trent's operations means that climate change will have a significant impact on our business. We also contribute about 0.3% of the total greenhouse gas emissions in the UK.

Our approach to climate change has involved the development of a carbon management strategy to help us to manage the threats arising from climate change, as well as take advantage of the opportunities. Our strategy on climate change involves a twin-track approach of measuring, monitoring and mitigating our greenhouse gas emissions; and adaptation to ensure our operations are able to cope with some of the adverse impacts of climate change.

Despite such work, both the water and the waste sectors face the prospect of increasing emissions of greenhouse gases over the coming years. In the water sector, EU legislation is likely to require a greater use of energy to meet ever tightening water quality standards. In the waste sector the extra transportation of materials for recycling, leading to increasing fuel use, is a likely outcome of some of the forthcoming waste regulations. Therefore, in conjunction with the Carbon Trust we have developed a scenario model to forecast our greenhouse gas emissions through to 2020, and we intend to use this to contribute to the debate on the potential trade-off between improvements in one area, such as waste recycling rates, having unintended consequences in other areas, such as an increase in greenhouse gas emissions.

Measuring our greenhouse gas emissions

After a decrease in our greenhouse gas emissions in 2002/2003, our net emissions rose last year by 22% to reach 2.1 million tonnes of carbon dioxide equivalent (tCO₂e). However, this was still below the level we recorded in 2001/2002, during the two year period in which revenues have increased by over 12%. The measure also excludes any benefit that may be realised from carbon sequestration from the 2 million trees we have planted since 1994.

Methane, a by-product of the decomposition of organic material at Biffa's landfill sites and from sludge digestion at Severn Trent Water's sewage treatment works, accounts for 69% of our

greenhouse gas emissions. Other sources of our emissions are indirect and derive from the purchase of electricity and the running of our transport fleet.

During 2003/2004 our methane emissions in total increased by 28%, this is due to an increase in emissions from our landfills which by their nature can give rise to fluctuations year on year. One of the main reasons for the increase is the inclusion for the first time of methane released by the Hales landfill sites acquired in June 2003. As a measure of efficiency, Biffa's existing sites achieved methane capture efficiency of 76% during the year whilst the ex-Hales sites' efficiency was only about 49%.

Mitigating our impact on climate change

Over the next four years one of Biffa's priorities is to improve the methane capture efficiency of the ex-Hales landfill sites, along with its existing sites, in order to achieve its target of 80% overall capture rate by 2007/2008.

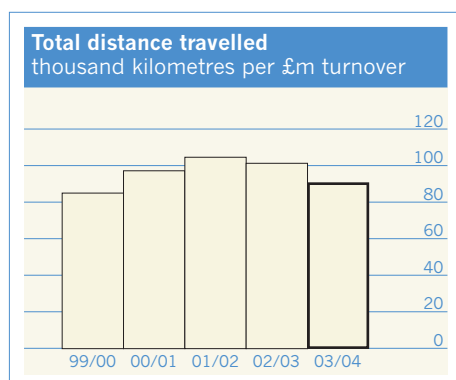
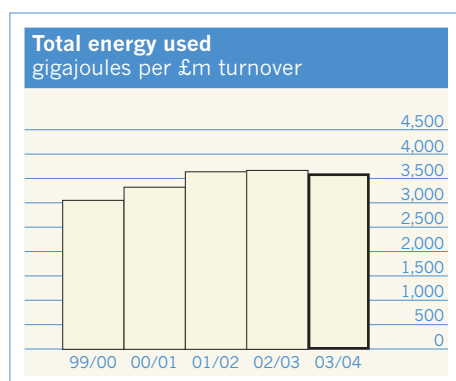
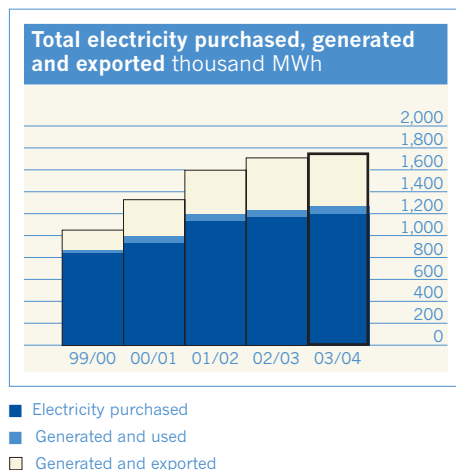
Severn Trent's efforts to mitigate our impact on global warming and climate change are concentrated on energy management and reducing fuel-related transport emissions.

Our approach to energy management involves optimising the energy efficiency of our operations and generating as much renewable energy as possible from our carbon resources. During the year the total amount of electricity we used increased by 4%, although in relation to business activity this represented a relative decrease of 4%. This increase was due principally to meeting improvements in quality standards for both drinking water and sewage treatment.

To optimise energy use Severn Trent Water continued with a programme of testing pumps, and either replacing or refurbishing those found to be inefficient. Investment decisions are made on the basis of whole-life costs, which includes energy use, and Severn Trent Water works closely with pump manufacturers and suppliers to ensure that the specification meets the exact requirements of the job. In addition, Severn Trent Water also operates a tariff management system, pumping water around the grid at times when

ENVIRONMENT

CONTINUED



total energy demanded is at its lowest (generally during the night). This assists energy producers to manage their operations and allows us to secure lower prices.

Energy generation

The generation of renewable energy is an important part of our contribution to mitigating the causes of climate change. During the year Biffa raised its installed generating capacity at landfill sites to over 90MW, and raised the amount of renewable electricity generated in the year by over 5%. Plans are also in place to install electricity generation at a further 15 landfill sites, which will raise the installed capacity to over 100MW by 2005/2006.

Severn Trent Water also extended its programme of investing in electricity generation at smaller sewage treatment works, increasing the total number of sites with generation capabilities to 10. However, the unusually dry summer in 2003 led to lower flows in the sewerage network which reduced the amount of methane available for electricity generation at the treatment works. Lower water levels in the reservoirs that we manage also reduced our small hydro-generation. As a result Severn Trent Water's electricity generation was lower than the year before notwithstanding the increase in installed capacity. During 2004/2005 there are plans to install additional generation equipment to nearly double installed capacity to 27MW.

CASE STUDY

BIFFA REDUCES TRANSPORT EMISSIONS

Biffa cut the amount of fuel consumed relative to turnover by nearly 8% in 2003/2004.

Improving efficiency

The entire Biffa fleet now runs on ultra-low sulphur diesel and emissions are monitored to ensure vehicles run at optimum fuel efficiency.

Biffa's vehicle fleet totals around 1,650 trucks and accounted for 73% of the group's total transport related greenhouse gas emissions in 2003/2004. The two recent acquisitions of UK Waste and Hales raised the average age of trucks in the fleet from 2.7 to 4 years. Despite these acquisitions, Biffa has reduced transport emissions relative to business activity through an active programme of replacing vehicles and improving fuel efficiency.

The entire fleet now runs on ultra-low sulphur diesel, and most of Biffa's workshops have vehicle emissions monitors to ensure trucks are run at optimum fuel efficiency. Of the 450 vehicles acquired with the Hales purchase, 140 of the oldest and most polluting had been taken out of service by March 2004.

Also in the last year Biffa ran a successful biofuels trial which we are keen to exploit. We found that a 95% to 5% blend of diesel to vegetable oils can reduce emissions by up to 20%. However, so far we have been unable to secure a national supply contract to take advantage of these potential savings.

We also conducted a trial using vegetable-based oils, rather than mineral oils, for engine lubrication, with the aim of reducing fossil fuel use. While technically successful, the trial concluded that the ongoing cost of vegetable oils would be up to four times more expensive than mineral oil.

At the year end, in total, the group had an interest in over 100MW of generation capacity, and increased the amount of electricity generated in the year by 2% compared with 2002/2003. This was sufficient to meet 43% of the group's total electricity requirements, and was equivalent to reducing greenhouse gas emissions by 209,177 tonnes of carbon dioxide.

Transport

Reducing our transport-related emissions is another important component of our work to mitigate our impact on the environment. During 2003/2004 we travelled over 187 million kilometres by road, rail and air, with fuel accounting for 2% of total operating costs. We managed to reduce our transport related emissions in relation to business activity by nearly 2% compared with 2002/2003, principally due to efficiency improvements in Biffa's transport fleet – see case study, 'Biffa reduces transport emissions'.

Throughout Severn Trent there is increasing use of video and teleconferencing to reduce the need to travel to meetings. For a number of years Severn Trent Water has been operating a successful 'virtual' office using the company-wide intranet, and this has been taken one stage further by Severn Trent Laboratories in the US. Since its inception in 1997, STL has worked on the principle of avoiding the need for a corporate office using electronic communications to establish a 'virtual' headquarters.

**GROUP OBJECTIVE**

To continue to increase our self sufficiency in electricity generation using renewable resources.

**PROGRESS**

The amount of electricity generated in the year increased by 2%. This was sufficient to meet 43% of the group's total electricity requirement.

All of the senior management team, technical specialists, sales team, and function heads (in total, about 150 staff who would normally occupy a corporate headquarters) are located out of home offices or within the laboratory facilities they were based in at the time of STL acquiring their business. The environmental and financial savings have been substantial: we estimate that savings of about \$1.9 million each year including energy and waste savings have been made.

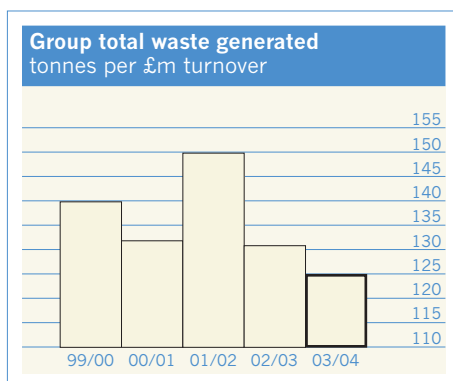
ENVIRONMENT

CONTINUED

“Biffa’s leadership in managing resources, demonstrated by its advocacy of the UK Mass Balance programme, has been vital in developing a better understanding of materials use in the UK. We hope that the government will see the value of understanding the nation’s materials flows, and encourage the next stage of this important programme.”

Jonathon Porritt

Programme Director
Forum for the Future



Adaptation to climate change

Severn Trent’s approach focuses on understanding the impacts of climate change, raising awareness and developing adaptation strategies. We have undertaken substantial analysis of the implications, and the emphasis of our current work is to ensure that sufficient flexibility is built into our investment programmes to cope with the uncertainties and variability inherent in forecasting future climatic scenarios.

Severn Trent Water has made significant progress in understanding the potential impact of climate change on its business, and the implications of climate change on our existing infrastructure featured in our AMP4 business plan submission to OFWAT. Our initial assessment has identified over 150 potential impacts (or climate ‘hazards’) and the standard risk assessment methodology in use throughout the company is being tailored for the assessment of these potential impacts.

We have assessed the outcomes arising from each of the United Kingdom Climate Impacts Programme (UKCIP) 2002 scenarios on water resources and demand. Severn Trent’s Water Resources Plan identifies the ways in which we will meet the challenges while continuing to meet the expectations of our customers. We are also actively involved in UK Water Industry Research climate change projects including those investigating the detailed effects of climate change on sewerage performance and river water quality.

Biffa’s operations could also be affected by climate change, and we are beginning to assess possible impacts, for example changes in rainfall patterns and temperature may affect the rate of degradation of waste and the production of leachate and landfill gas. Flooding of landfill sites and access routes may affect waste disposal operations and interfere with collection. Increased dust and odour in hot, dry periods will require careful management, and there may be health and safety implications for employees working in these more challenging weather conditions.

CASE STUDY

STL HALVES ITS LANDFILL WASTE

STL in the UK has worked with a supplier on an innovative recycling scheme.

Re-use and recycling

Plastic bottles are compacted on-site at STL, these are then collected by Aurora and recycled to make products such as crates and flooring.

Severn Trent Laboratories (STL) offers a good example of how business units right across the group are working to increase the amount of waste materials recycled. The analytical samples for the 7 million tests carried out annually by Severn Trent Laboratories in the UK arrive in either glass or plastic containers and are often packed in cardboard boxes. Traditionally, plastic containers are used only once before being disposed, and the volume of materials going to waste prompted STL to undertake a thorough review of options for re-use and recycling without compromising technical integrity. Working in partnership with plastic bottle supplier, Aurora, and following a successful pilot at the Coventry laboratory, STL has introduced an innovative recycling scheme.

Originally the scheme comprised returning used bottles for reprocessing to the supplier by synchronising their collection with the delivery of new bottles. But following the purchase of a shredder-compactor, the bottles are now compacted on site with the plastic collected and recycled into crates, pallets, play flooring and composters. As a result of this and similar schemes for paper and card recycling, Severn Trent Laboratories has halved the amount of waste going to landfill over the last three years.

Raising awareness

Raising awareness of climate change and its implications is an essential component of our work on adaptation. We have continued to work with the UKCIP and other partners on climate change scoping studies including the West Midlands study which was published in April 2004.

We are working with the Institutional Investors Group on Climate Change (IIGCC) to develop a methodology for investors to assess the vulnerability of businesses to climate change. We also provided technical advice to the Caribbean states on the development of their own climate change adaptation programme.

Managing resources

Understanding resource efficiency is important for identifying the potential to improve productivity and to minimise environmental harm. Biffaward has funded a unique series of research projects to develop these principles of mass balance (i.e. that the mass of inputs are changed into a mass of outputs in the form of products, emissions and waste). The result of the work is available on a dedicated website www.massbalance.org and provides the most comprehensive picture of mass balance in the UK.

Use of raw materials

Severn Trent's approach to managing resources has two elements. Minimising our own consumption of natural resources, and for our customers efficiently handling, treating and disposing of waste and managing water supplies.

In last year's Stewardship report, we commented on a review carried out by Severn Trent Water into the assumptions used in water leakage calculations. This review resulted in an upward revision of our estimates of leakage from company and customer pipes. During the year and with the support of OFWAT, our calculations have been independently verified by the consultancy Halcrow, and a new target leakage figure of 505 MI/d was set by OFWAT in February 2004. Leakage for 2003/2004 at 511 MI/d was slightly above this target.

In order to achieve the revised target we are increasing resources allocated to leak detection and to repair on local distribution mains as well as on our trunk mains and service reservoirs. However, our estimates indicate that additional detection and repair on local distribution networks is not an economic means of achieving greater leakage reductions. We believe that other measures that we have proposed as part of our AMP4 business plan submission, including increasing mains renewal, will achieve more sustainable leakage reductions.

Reducing and recycling waste is also at the heart of our approach to managing resources. During the year the amount of waste that the group either recycled or re-used reached 48% (excludes sewage sludge) of the total amount of waste that we generated. Despite the continued uncertainties in the recycling market, our efforts to increase the amount of waste that we recycle was generally successful, for example, Severn Trent Water increased its recycling of excavated highway spoil. Ten years ago Severn Trent Water in partnership with a recycling company developed a small scale pilot to recycle excavated waste into material approved for use in highway reinstatement. This scheme has proved so successful that it has now been extended to include stone which has become redundant as a result of the move from the use of bacteria beds to activated sludge in the sewage treatment process. This material is crushed and mixed with spoil from excavations and graded into high quality road building material. About 94% is now recycled, not only generating income, but saving the cost of sending it to landfill.

Biffa has increased the amount of waste handled for recycling. Its target of increasing the amount recycled to 1 million tonnes by April 2005 has been achieved in the year, a full 12 months ahead of the target, with a 31% increase during 2003/2004. Biffa's business strategy is to continue to exploit recycling and resource recovery opportunities to help its customers manage their waste as a valuable resource. Materials removed from the waste stream and recycled offset demand for pulp from trees, plastic from oils, metals from ores and glass from silica.

ENVIRONMENT

CONTINUED



Severn Trent Water now recycles about 94% of its excavated highway spoil.

GROUP OBJECTIVE

To have 70% of our operations by turnover covered with Biodiversity Actions Plans (BAPs).

PROGRESS

By turnover, we now have BAPs which cover 79% of our operations.

Composting is a key area where Biffa has expanded its operations and this helps to meet the UK Government's Waste Strategy and the requirement to divert biodegradable waste from landfill. Over the last three years the volume of green waste composted by Biffa has more than doubled to nearly 100,000 tonnes. Working with the Composting Association's Compost Certification Scheme, Biffa were the first waste compost producer to gain certification to the British Standards Institution's Publicly Available Specification for Composted Materials (PAS100) and now have three certified sites.

Our treatment and analytical processes involve the use of a significant amount of chemicals and it is important to find innovative ways to reduce their use. However, largely as a result of the need to increase treatment for nutrient removal from wastewater and disinfection of drinking water, Severn Trent Water increased its usage of chemicals by 13% during the year.

On a more positive note, changes in analytical techniques have enabled Severn Trent Laboratories in the US to reduce its use of solvents by 5% in the year despite an increase in test volumes. Our laboratory in Sacramento, US, has developed a new solvent recovery system winning the company sponsored annual Innovation Award. The system recovers up to 80% of the solvent used from evaporation equipment. Subsequently, this has been developed further by our Denver laboratory and has achieved significant reductions in solvent emissions to the atmosphere and increases in the amount of solvent recycled for alternative uses.

Biodiversity

The protection and enhancement of biodiversity is vital for a sustainable business and we were pleased to report last year that we had achieved our objective of having in place biodiversity action plans covering more than 70% of the group's operations.

Severn Trent Water launched its Biodiversity Action Plan (BAP) in 1999 and management plans are now being implemented at over 1,700 sites surveyed. As a further development, site-specific biodiversity initiatives are being introduced into site management plans via the company's Grounds Maintenance Action Group. Where capital works are carried out at new locations, the objectives of the

CASE STUDY

BIODIVERSITY PROJECT AT ASTON HALL FARM

Environmental improvements and business benefits have gone hand-in-hand at one of Severn Trent Water's farms.

Transformation and restoration

The implementation of the biodiversity action plan has transformed the site into a floodplain grazing marsh and restored River Trent margin.

Aston Hall farm, a 300-acre mixed farm estate near Stone in Staffordshire, is one of several farms owned by Severn Trent Water that recycle sewage biosolids to agriculture in accordance with the Sludge Use in Agriculture Regulations.

The implementation of the biodiversity action plan (BAP) has transformed the site into a floodplain grazing marsh and restored River Trent margin with complementary habitat creation in neighbouring fields. The project has increased biodiversity throughout the estate, increased flexibility for the recycling of biosolids, provided valuable habitat for threatened wetland and farm birds such as lapwing, snipe and reed bunting, provided local people with a recreation amenity and helped protect the River Trent from pollution, as well as reduce the risk of downstream flooding.

This work demonstrates that biodiversity and environmental improvements can be delivered alongside business benefits with the maximisation of spring and winter-sown crops extending the potential season for biosolids recycling. The estate is now financially more profitable with an increase in revenue.

Severn Trent Water developed the BAP in partnership with the Environmental Agency, Staffordshire Wildlife Trust, Farming and Wildlife Advisory Group, Middlemarch Environmental Ltd, Rodbaston Agricultural College and agricultural tenants of Aston Hall Farm establishing a new approach to working between business conservation groups and farmers.

Aston Hall Farm was awarded a National Green Apple Award in 2003 and a Chartered Institute of Water and Environmental Management Living Wetlands Award in 2004.

Biodiversity Action Plan drive the choice of floral species and habitat creation initiatives for such schemes. We are one of the first water companies to extensively use Geographical Information Systems (GIS) to overlay all the Sites of Special Scientific Interest (SSSI) data sent to us by English Nature. This has allowed us to produce a definitive plan showing all the SSSI boundaries in relation to our own land and water holdings.

Much of Severn Trent Water's biodiversity work is done in partnership with a wide range of organisations including voluntary groups. Currently, Severn Trent Water has over 80 partnership arrangements in force.

Biffa is committed to the integration of biodiversity into its business activities and to undertaking ecological impact assessments on land it owns or manages. There is an ongoing programme surveying between 50 and 60 sites per year with a target to complete all Phase 1 habitat surveys by December 2005. We anticipate that about 80% of Biffa's total landholding will have been surveyed by December 2004.

In 2003 we were one of a small group of companies contacted by Insight Investment, the investment subsidiary of HBOS, to take part in a benchmarking exercise assessing the management of biodiversity amongst extractive and utility companies. We were pleased to receive a top rating for our biodiversity work among the utility companies included in this survey. We also found the exercise to be extremely valuable as it highlighted those areas where we were performing well, and also aspects of our processes which require more formalisation to provide further assurance to external stakeholders. Insight Investment has now published the results of this work in a report "Protecting Shareholder and Natural Value. Biodiversity risk management: towards best practice for extractive and utility companies".

MORE INFORMATION

Biodiversity, environmental and sustainability reports for Biffa and Severn Trent Water are available at:
www.biffa.co.uk/publications
www.stwater.co.uk/library

Corporate responsibility is a concept that continues to evolve. Human rights, diversity and work-life balance are becoming more important elements of our responsibility to stakeholders.



Health and safety

We work continually to improve the safety culture and the back bone of our health and safety policy is a safety management system that runs through every tier of the organisation.



“During the year we were approached to comment on Severn Trent’s revised code of conduct. The company has followed best practice in the manner in which it has conducted the consultation process and its approach to assisting staff to understand the meaning of the Code through training. This is a continuing and evolving process which is understood within the company and has the support from senior executives.”

Philippa Foster-Back,
Director Institute of Business Ethics

	GROUP OBJECTIVE
	To invite employee views on our Code of Business Principles and Conduct and where appropriate, extend or modify the scope.
	PROGRESS
	The Code has been subject to a thorough review over the last 18 months and a revised Code has been approved for release by the Corporate Responsibility Committee.

Our responsibility to employees and other stakeholders is extensive and ranges from health and safety, to the broader issue of human rights. The basis of our approach to all such elements is provided by our Code of Conduct. Among the areas we focused on in 2003/2004 were human rights, pension provision, and health and safety improvements.

Our Code of Conduct

We launched our first Code of Business Principles and Conduct in December 2000. The code defines the group’s vision and values and lays down key principles that guide our daily business activities. Our business goals are long-term and the code has been developed to provide appropriate ethical direction to sustain their achievement.

When we launched the code we committed to review its effectiveness following an initial three-year period. Over the last eighteen months we have undertaken an extensive consultation exercise with many employees and with external stakeholders to understand its use and to identify any areas of the code that needed to be modified or extended. The outcome of this exercise was overwhelming support, with employees in particular keen to see the code further embedded across the group. The feedback also highlighted areas where the code could be strengthened, in particular:

- there was uncertainty about what gifts and corporate hospitality were acceptable, if ever
- more guidance was needed on how to address certain ethical dilemmas, particularly if to do so conflicted with a commercial opportunity
- there was too little awareness of what was meant by diversity and what action was being taken to promote it
- the code should be more employee-focused.

In response, the code has been revised to address these points, and now includes a supplementary Question and Answer booklet to provide guidance for employees on its interpretation and use. During 2004/2005 we intend to run workshops and presentations to raise awareness of the changes in support of our long-term objective to effectively embed the code throughout Severn Trent.

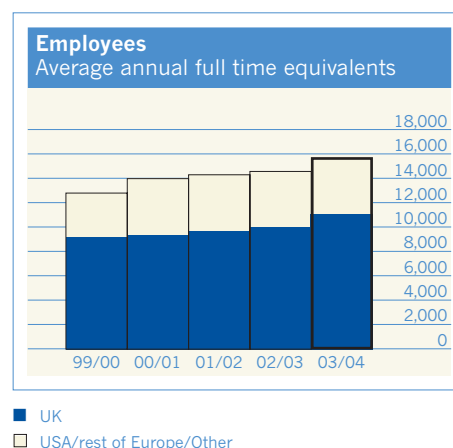
During the year we have continued to develop performance measures to monitor implementation of the Code. These measures have concentrated on workplace issues to ensure we have a comprehensive set of indicators.

THE SEVERN TRENT CODE OF CONDUCT

Our Code of Conduct applies to all our employees and we expect all those who work with us to honour the spirit of this. The nine principles that underpin our revised code of conduct are:

- We obey the law and are committed to the highest standards of corporate governance
- We behave with honesty and integrity
- We have regard for the views of our stakeholders and strive to be a good corporate citizen
- We are committed to the safety and health of our employees and others with whom we interact
- We value the rights and dignity of the individual and believe in treating people with fairness and respect
- We value a diverse workforce
- We compete fairly and will not engage in corrupt practices
- We communicate in an open and timely manner
- We are committed to sustainable development and achieving exemplary environmental performance

WORKPLACE CONTINUED



MORE INFORMATION

A copy of the letter from the Group Chief Executive to the United Nations Secretary General appears on our Corporate Responsibility website: www.severntrent.com/corporateresponsibility/globalcompact

Human rights

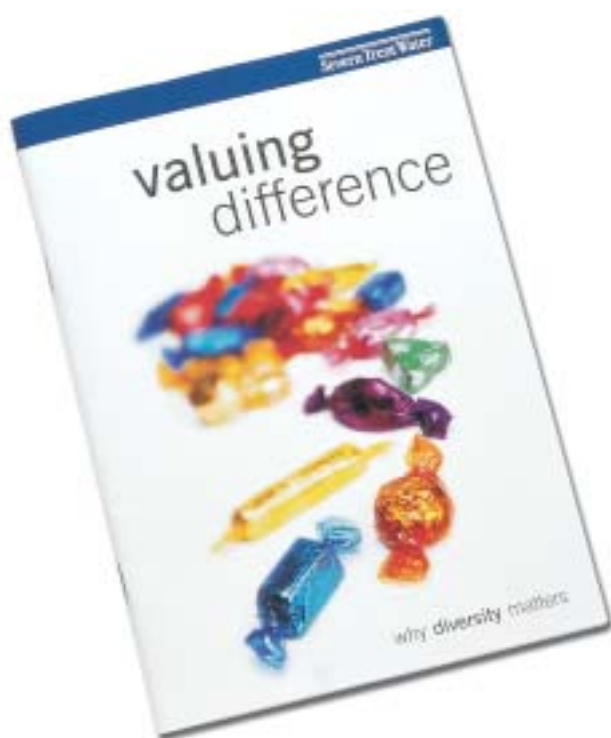
Recently, it has become clear that a business's approach to the issue of human rights is an increasingly important dimension of corporate responsibility. Investors are beginning to use human rights risk assessment as a tool to understand a company's potential social impacts. The publication in August 2003 of the draft United Nations Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights has added energy to the discussion of how a business should approach issues of human rights within its sphere of influence.

Severn Trent supports the Universal Declaration of Human Rights as a helpful framework within which businesses can explore their connections to human rights, in the context of the primary responsibility of governments. Our Code of Conduct covers issues of human rights and we are committed to a regular review of our performance in line with the code.

During 2003/2004 we completed a series of human rights risk assessment workshops concentrating on activities with a potential human rights exposure, such as our supply chain. Key staff from human resources, purchasing, operations and marketing took part in human rights training courses as part of the assessment process.

In the light of this work we believed it was now appropriate for the group to make a public statement in support of businesses' responsibilities and human rights. In June 2004, in the week of the Global Compact Leaders Summit, Robert Walker, our Group Chief Executive, wrote to Kofi Annan, the United Nations Secretary General, to express Severn Trent's support for the Global Compact Principles. We believe the Global Compact provides a useful platform for dialogue on corporate accountability, and its ten principles covering labour relations, environment and anti-corruption in addition to human rights, reflects our integrated approach to corporate responsibility.

During the coming year we intend to develop further the work in relation to human rights, again focusing on the supply chain. Also, we intend to participate in relevant discussions on human rights and the responsibility of business. For instance, we are taking part in



Extract from Severn Trent Water Employee Survey (Quest) 2003

I believe STW demonstrates equal opportunities with regard to:

Gender	79% agree
Race, Ethnic Origin, Colour	80% agree
Disability	70% agree
Age	64% agree

GLOBAL COMPACT PRINCIPLE	STEWARDSHIP REPORT REFERENCE
<p>HUMAN RIGHTS</p> <ul style="list-style-type: none"> ▪ Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and ▪ Principle 2: make sure that they are not complicit in human rights abuses. 	<p>Our Code of Conduct, p17 Human Rights, p18 Affordability and Vulnerable Customers, p30 The International Community, p26</p>
<p>LABOUR STANDARDS</p> <ul style="list-style-type: none"> ▪ Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; ▪ Principle 4: the elimination of all forms of forced and compulsory labour; ▪ Principle 5: the effective abolition of child labour; and ▪ Principle 6: eliminate discrimination in respect of employment and occupation. 	<p>Our Code of Conduct, p17 Human Rights, p18 Diversity, p19 Community, p22 Supply Chain Management, p31 Key performance indicators, p34</p>
<p>ENVIRONMENT</p> <ul style="list-style-type: none"> ▪ Principle 7: Businesses should support a precautionary approach to environmental challenges; ▪ Principle 8: undertake initiatives to promote greater environmental responsibility; and ▪ Principle 9: encourage the development and diffusion of environmentally friendly technologies 	<p>Climate Change, p9 Managing Resources, p13 Biodiversity, p14 The International Community, p26</p>
<p>ANTI-CORRUPTION</p> <ul style="list-style-type: none"> ▪ Principle 10: Businesses should work against all forms of corruption, including extortion and bribery 	<p>Our Code of Conduct, p17</p>

a Basic Services and Human Rights project in the UK, facilitated by the leading human rights consultancy, TwentyFifty, focusing on vulnerable customers and the supply chain.

Diversity

We believe that nurturing high performance through a diverse workforce is important for the sustainability of the company. Ensuring equality of opportunity for all enables the best use of talent for the benefit of the business and the communities in which we operate.

In 2002, we commenced a review of workforce diversity and introduced our first group-wide performance measures. Based on our experience since then, we have extended the information we collect, for example we have now started to monitor diversity of job applicants.

The review has highlighted that our current workforce is predominantly white and male, reflecting our history as a engineering and science-based business. Of the 2,800 managers throughout the group, 21% are female and 5% are from ethnic minorities, both a slightly lower proportion than our workforce as a whole. As a result we continue to refine our recruitment, selection and promotion practices to eliminate any unintentional barriers to under represented groups.

Severn Trent Water has launched a diversity policy which has been supported by a comprehensive publicity campaign. A director-led forum has been established to support the implementation of the diversity strategy, and employee feedback on diversity performance is included in the annual employee opinion survey.

Each business unit has developed its own diversity strategy and action plan. Many have taken part in a diversity and equality awareness raising programme run using the forum theatre concept.

The activities that are underway across the group are reported six-monthly to the board's Corporate Responsibility Committee.

Severn Trent Water has also taken part in a benchmarking exercise with Race for Opportunity, a Business in the Community campaign, to compare performance against other network members and the utility sector. The benchmarking covered 10 categories, ranging from policy and planning, to working with ethnic minority businesses. The exercise showed that we are achieving above-average performance in our sector, finishing runner-up amongst the best newcomers in the private/public sector category.

Pensions

Today, one of the most significant corporate responsibility issues facing business in general is the approach to long-term pension provision. The decline in the stock market over the last few years combined with increased life expectancy has left many companies that have traditionally provided a final salary scheme (where the pension payment is based on an employee's salary at retirement and length of service) concerned about the increased risks they face, including funding obligations. Severn Trent is no exception.

We recognise that pensions are an important part of the total employment package that we provide for our employees, and are increasingly aware that prospective employees take pensions into account when deciding upon a future employer.

From April 2004, after an extensive review, we have introduced three new pension options. These enable companies within the UK group to select schemes for their employees that better meet their specific needs, in terms of recruitment and retention, whilst remaining competitive in their particular marketplace. The new schemes are a defined contribution scheme; a defined benefit scheme where the retirement benefit is based on career earnings; and a revised final

WORKPLACE

CONTINUED

GROUP OBJECTIVE

To aggressively drive down the level of accidents and reduce the length of lost time per accident.

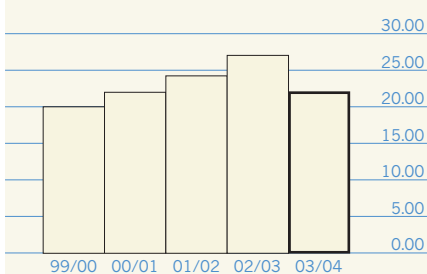
PROGRESS

The relative rate of incidents improved by 18% in the year to 22.2 incidents per thousand employees.



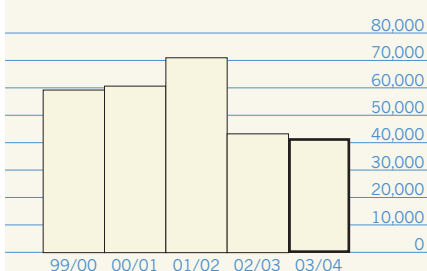
Reportable health & safety incidents

Rate per 1,000 employees



Employee training

Days



salary scheme that remains based on pensionable service but without some of the early retirement provision of the existing scheme.

At the same time as introducing greater flexibility, we have sought to ensure that certain core benefits are provided across all of the options. Under the new arrangements every employee who joins the UK group qualifies for a death in service benefit of two times salary. The new pension arrangements meet the group objective of minimising risk, maintaining choice; they also demonstrate equity and provide a robust framework for the future.

Health and safety

We take seriously our responsibility to provide a safe and healthy environment for our employees and all those that come into contact with our operations. Wherever we operate we seek to minimise risks arising from our activities. To ensure that this commitment is understood throughout the group, the Group Chief Executive recently issued the following commitment: "We will provide no service, deliver no product and carry out no task, anywhere in the Severn Trent Group, unless it can be done safely."

We work continually to improve the safety culture and have begun to use the Health and Safety Executive (HSE) Climate Survey Tool across the group to monitor progress and to benchmark results against other leading companies. Early results from this benchmarking exercise are very encouraging. Whilst not being complacent we are pleased that the number of reportable health and safety incidents this year was down by 18% compared with the previous year.

The backbone of our health and safety policy is a Safety Management System that runs through every tier of the organisation. At group level we have developed a management system centred on health and safety protocols, mapped to OHSAS 18001, which set out the group requirements. Business units are required to use these as the basis for their own procedures. To reinforce these protocols and to provide a technical underpinning for consistent application across the group, we are currently developing detailed standards that cover all the key risk areas that

CASE STUDY

A NEW APPROACH TO MANUAL HANDLING ACTIVITIES

Severn Trent Water's new system for managing manual handling activities has greatly reduced injuries suffered and featured in an HSC case study.

Specialist training

Following an employee training initiative the proportion of Severn Trent Water's total accidents caused by manual handling has fallen from around 70% to 25%.

Around half the RIDDOR* injuries for Severn Trent Water's networks function were related to manual handling. One reason for this is that Severn Trent Water's activities take place over a vast area, and often the company has little control over the working environment.

We therefore launched an initiative to train employees in manual handling skills, using specialists in body-mechanics. Supervisors gave feedback to individuals on their manual handling activities, and ergonomists assisted with new equipment designs. The initiative was driven by a focus group that included a union representative, and the employees affected were encouraged to provide feedback on the new techniques and equipment.

Initial results from the initiative show that the annual rolling total on all accidents has fallen by almost 50% compared to before the launch. The proportion of Severn Trent Water's total accidents caused by manual handling has fallen from around 70% to 25%, and there has been a reduction in the numbers of work days lost through injury and back pain. It is estimated that the initiative will pay for itself within the first two years.

Severn Trent Water now plans to introduce the approach into other areas of the business.

* RIDDOR: Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

we encounter. This suite of standards will be complete by the end of the current year. Business units will then be subject to regular audits against these standards using published question sets and an electronic audit system mounted on handheld devices, to ensure consistency of reporting.

Business units are set challenging targets for the year ahead and, as well as requiring an improvement in output measures such as accident rates, they are tasked with achieving high scores at a specified number of locations in the British Safety Council Five Star audit scheme.

As well as focusing on the physical elements of safety, we continue to pay attention to occupational health issues, with a number of initiatives put in place during the year. One project focusing on manual handling in Severn Trent Water was featured in an Health and Safety Commission (HSC) case study showing how businesses can deliver tangible benefits from health and safety interventions. The project was also shortlisted in the *Personnel Today* awards for solutions to health problems.

Training

We regard training and development as key to maximising the potential of our employees.

We have long-standing formal training programmes, both in-house and in conjunction with a range of universities and educational programmes such as Warwick and Aston University Business Schools, and the Ashridge Business School Virtual Learning Resource Centre. Last year we commenced a leadership development programme for senior management, Strategy for Excellence, designed and delivered in conjunction with Cranfield University School of Management. The programme is designed for Severn Trent's senior managers to develop a high level of strategic awareness and to enable effective implementation through creating the direction for others to follow. Its ultimate purpose is to help the group to achieve its strategic goals in an increasingly challenging market place.

In addition we have a comprehensive programme of vocational training around the group leading to both National Vocational

Qualifications (NVQ's) and B-Tec awards. Biffa provides training through the Waste Management Industry Training and Advisory Board.

Work-life balance

Work-life balance has become a major focus of attention over recent years, and we provide flexible working arrangements to allow our employees to achieve the right balance between their commitments at work and those they hold in other areas of their life. Flexible working arrangements include flexitime schemes, part-time working, job sharing, hot desking, and working from home. We have also introduced 'Lifestyle', a flexible benefits package which allows employees to tailor some of their employment package to best suit their needs. Lifestyle continues to be adopted across the group and is now offered to around 8,000 of our UK based employees.



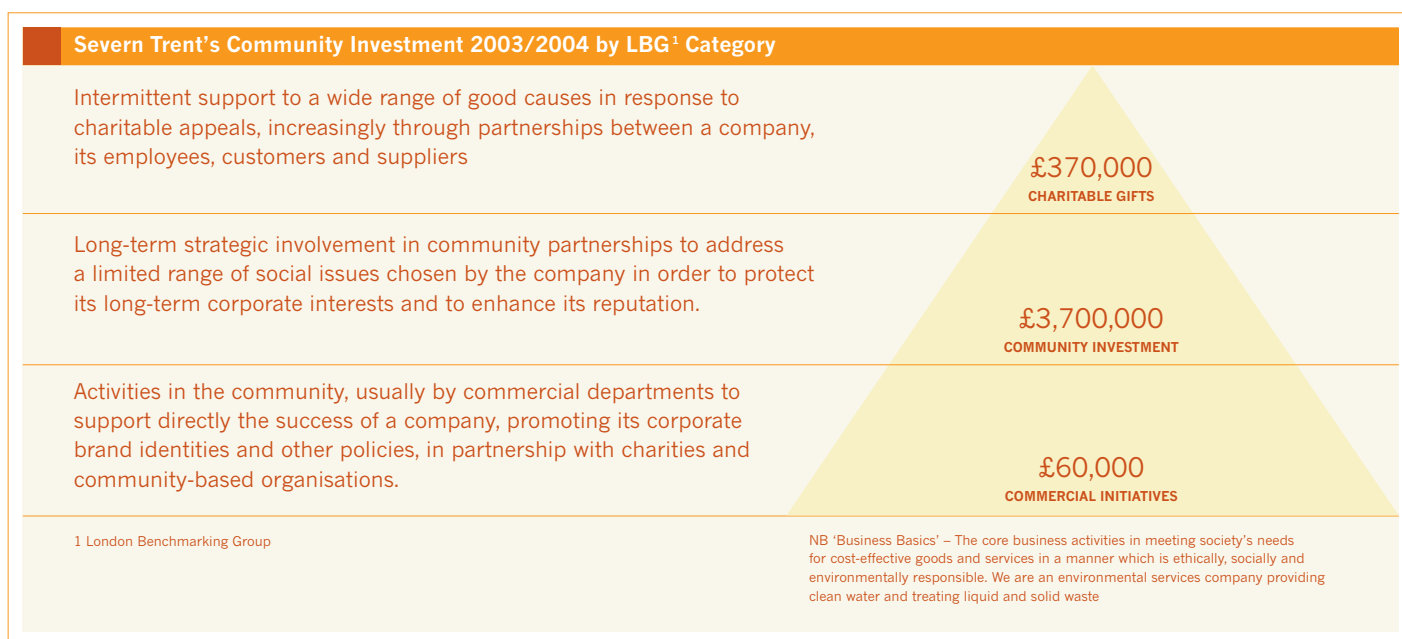
COMMUNITY

Our community work, investment and education programmes ensure that we have a positive impact on local communities.

Think to drink!

Severn Trent Water has handed out more than 41,000 free water bottles to schools across the region to encourage children to drink tap water rather than fizzy drinks.





Community involvement

Our daily activities, particularly activities near to our larger operational sites, can have a major impact on local residents, the environment and the local economy, so we aim to involve the community wherever possible in our plans. For example, it is customary for Severn Trent Water and Biffa to hold roadshows or public exhibitions to give the local community an opportunity to comment on significant proposed work and investments before they get underway.

Involving the local community extends beyond the run-up to specific investment schemes; it also includes the establishment of long-term community liaison groups at operational sites and closed landfill sites. The aim of the liaison groups is to provide an opportunity for those likely to be impacted to discuss proposed changes to activities and to address any local concerns.

Biffa has formal community liaison groups at 29 of its 34 operational landfill sites and at 4 of its closed sites. The groups meet regularly throughout the year to discuss any proposed works, address any concerns/queries/complaints and to generally convey information about Biffa's operations. Any complaints are considered and action plans either agreed at the meeting or prepared following the meeting. Actions are then reviewed at the next meeting to assess their success.

Severn Trent Water also works in partnership in community liaison, for example for some time it has been a part of the Upper Derwent Officers Group, which includes the Peak District National Park and the Forestry Commission, working as a partnership to improve public access to the Peak National Park whilst conserving and enhancing the woodland and water landscape it supports.

Our activities also contribute to local economies. For example, Severn Trent Laboratories in the US has a formal programme in place to support small business concerns situated near to our laboratory sites.

We also look to make our land available for community use. In 2003/2004 Severn Trent Water helped charities raise over £90,000 by allowing its reservoirs to be used as venues for sponsored walks, runs, cycle races and other events. These arrangements also contribute to the changing perception of some of our major capital investments, for example a recent study of Carsington Water, our largest reservoir opened in 1992, conducted by the Centre for Environmental Conservation and Outdoor Leisure at Sheffield Hallam University highlighted that the surrounding community now views the site very positively in terms of the increased trade in the area and the visitor amenities on offer.

Community investment

Our community investment reflects our core value of environmental leadership, and our work focuses on environmental education, the preservation and enhancement of the natural environment, and on addressing social exclusion issues in the built environment.

Our investment extends beyond cash donations to include gifts in kind, as well as employee time and expertise. We are a member of the London Benchmarking Group and use their methodology to measure our community investment. In 2003/2004 our community investment increased to £4.1m, which is around 1.7% of pre-tax profit, qualifying the group for continuing membership of the Business in the Community PerCent Club.

Much of our community investment aims to raise environmental awareness, particularly amongst schoolchildren, in the communities in which we operate. For example, Severn Trent has a wide-ranging education programme on water and environmental issues – see Case Study.

COMMUNITY CONTINUED



GROUP OBJECTIVE

To maintain our total contribution to community activities at, or above, its level in 2001 relative to business activity.

PROGRESS

Our community contribution relative to business activity increased by over 10% compared with 2001.

Our community support is also geared towards tackling social exclusion in towns and cities and securing a better future for some of the most disadvantaged. For example, Severn Trent Laboratories in the UK has been working with the local 'Working for Canley' project and now advertises all vacancies through the initiative, providing an effective route to the local labour market. At the same time staff have been working with the unemployed in the area staging mock interviews in preparation for the real thing. Looking to the longer term, Severn Trent Laboratories has been engaging with local primary and secondary schools to encourage employees of the future to choose a career in science. Staff visit local primary schools to introduce science with some fun experiments. Severn Trent Laboratories is also developing a virtual workplace on the internet to allow pupils to gain an insight into the work environment.

Since 1997 Biffaward, which is one of the most respected Landfill Tax Credit funded schemes in the UK and is managed by the Royal Society of Wildlife Trusts, has distributed over £60m to more than 782 projects throughout the UK. Following the changes made in the Government's 2003 Budget to the rules regulating these schemes, Biffaward has taken the opportunity to review its funding criteria. The principle of sustainability remains at the centre of its strategy for giving but there is now a specific focus on improving quality of life and fostering vibrant communities. Funding is directed to projects that provide and improve public amenities within ten miles of a Biffa site and for the first time to projects specifically intended to improve biodiversity. With the changes to the regulations that apply to the Landfill Tax Credit scheme, Biffaward still expects to provide up to £6m of support to community projects each year.

CASE STUDY

**RAISING ENVIRONMENTAL AWARENESS
AMONG CHILDREN**

Severn Trent Water has an extensive education programme on water and the environment.

The Wet Water Wizard

Takes children on an adventure packed virtual tour of the water cycle. It has been developed to tie in with Key Stages 1 and 2, Geography and Science National Curriculum.

In 2003/2004 Severn Trent Water launched the 'Wet Water Wizard', an interactive CD-ROM intended to help children understand the water cycle. The Wet Water Wizard accompanies children on an adventure-packed virtual tour of the water cycle, travelling through the clouds, down to the river, on to the water treatment works and beyond. Designed to be both educational and entertaining, it is intended for 5 to 10-year-olds, and can be used in schools, at home and at Severn Trent Water's education sites.

At Leicester Water Centre, children are being shown how to help tackle the effects of climate change in their own back gardens. Severn Trent Water set up a Climate Change Garden at the centre which offers a variety of interesting teaching aids to show the effect of climate change. Children are shown how to create a garden offering inviting habitats for wildlife.

In total, over half a million children have visited the five purpose-built education centres at Severn Trent Water sites since the first was opened in the early 1990s.

Severn Trent Water also handed out over 41,000 free water bottles to schoolchildren in 600 schools across the region to encourage them to drink tap water. The re-usable bottles are designed to be filled from the tap and used over and over again.

Employee volunteering

We encourage our employees to take a personal involvement with the local community, often working with the charities that we support. We believe this benefits our own business, as well as the community, by providing opportunities for employees to come together in a team to tackle projects. Self-assessment from employees who have taken part in projects suggest volunteering increases confidence as well as delivering lasting improvements in communication, team building and management skills.

A good example of this in 2003/2004 was our work with Bridle Gate, one of our partnership charities. Bridle Gate is a small farm in Staffordshire, which we have supported for many years, where people with special needs can enjoy rural life based around caring for animals and the environment. During the last year we were able to tackle a problem that they had been struggling with for many years. Owing to poor drainage on the farm Bridle Gate had not been able to put their animals out to graze in the winter. After a good deal of planning and fund-raising, employees from Severn Trent Services solved the problem by redesigning the natural drainage system on the site. They also laid a hard standing area for the animals to use in winter.

Whenever possible we try to involve suppliers and contractors in our volunteering initiatives. For example, ECS Engineering, one of Severn Trent Water's main contractors, has now adopted Bridle Gate as one of their partnership charities. For the next three years ECS staff will give their time and skills to the farm, providing support and organising regular visits. This is a good example of how by working in partnership with our suppliers, we can leverage our skills and make a lasting impact on a hard-pressed charity.

As in our other community work, education is a strong focus of our employee volunteering efforts. For example, in 2003/2004 the facilities management team at the group's head office, a winner of one of last year's Sustainability Awards, an annual competition run by Severn Trent Water that awards up to £20,000 in prizes to employee and team projects, took a group of children with learning difficulties for a day out at Carsington Water, organising a range of events such as raft building and canoeing.

Charitable donations

Our Board Corporate Responsibility Committee oversees the process by which we donate to good causes to ensure that the money is used in the most effective way. We have established long-term partnerships with a number of charities operating close to our major sites.

Our partnership charities are:

Birmingham Cares
Bridle Gate
Cromford Venture Centre
Fairbridge, West Midlands
Foyer Federation, Cardiff
Leicester Cares
Pioneer Centre
WaterAid
Weston Spirit

COMMUNITY

CONTINUED



We also provide our employees with the chance to make a personal contribution to charities through the Give As You Earn (GAYE) scheme. This is a tax-efficient way to donate to charities as deductions are made before income tax. Last year over 600 UK employees gave money this way, raising £55,000 for good causes.

The international community

Although Severn Trent operates predominately in the developed world, we recognise that our skills and expertise can make a valuable contribution to addressing the water resource and wastewater problems in the developing world.

Severn Trent Water International (STWI) has taken a leading role in the UK government's Partners for Water and Sanitation Programme (PAWS), which aims to contribute to achieving international development targets related to safe water and sanitation. Partnership organisations provide their staff and access to their technical and commercial expertise and experience at no charge. Working with the Department of the Environment, Food & Rural Affairs (DEFRA) and other partners from government and NGO sectors, STWI is providing advice on the development of innovative strategies to promote sustainability in the African water sector. STWI is the lead partner for a project with the Nkomazi Municipality in Mpumalanga Province, South Africa, assisting the municipality to develop water and wastewater services to its customers. STWI has also undertaken scoping visits to Nigeria.

In November 2003 STWI hosted a visit, organised by PAWS, of representatives of the government of Uganda, providing the delegation with an insight into ensuring long-term sustainability in water supplies through investment in maintenance and asset renewal.

CASE STUDY

BIFFAWARD AWARDS WINNER 2003

The Amelia Trust farm used a Biffaward grant to expand their work.

**Maximum results from
minimum resources**

The Biffaward grant has enabled more people to benefit from access to the garden whilst helping the farm increase its production of plants to sell.

The Amelia Trust Farm is a highly respected charity that runs a working farm in the Vale of Glamorgan, in South Wales. The farm provides a range of activities for the public, including nature trails, play areas, and an arboretum, and grows organic plants, herbs and flowers. The horticultural project at the Amelia Trust Farm is run by a combination of volunteers and people with learning difficulties.

The trust used a Biffaward grant for the construction of a new, larger polytunnel at the farm. This enabled more people to benefit from access to the garden, and helped the farm to increase production of plants, herbs and flowers to sell at the nearby Cardiff Farmers Market on stalls staffed by volunteers and people with learning difficulties.

The project won the Biffaward awards in 2003, and the farm was commended for its ability to achieve 'maximum results from minimum resources'.

Severn Trent has been a member of the World Business Council for Sustainable Development (WBCSD) for a number of years, co-chairing the WBCSD Water Project for much of the last decade. The current WBCSD Water Project seeks to examine what all businesses can do to manage their water resources responsibly, focusing on what is needed to attract investment. This is vital if the Millennium Development Goal (MDG) of reducing the number of people without access to clean water or sanitation by half by 2015 is to be achieved.

In April 2004 we played an active role in discussions at the Commission on Sustainable Development (CSD) meeting in New York, which reviewed best practice towards achieving the Millennium Development Goals for water, sanitation and human settlements.

We also remain committed to supporting WaterAid, the UK's only major charity dedicated exclusively to providing safe domestic water and sanitation to the world's poorest people. Once again during the last year we made a corporate donation of £55,000 to support WaterAid, and the various activities we organised throughout the year involving our staff and our suppliers raised a further £217,000. Severn Trent Water also sent out information on WaterAid with customer's bills and this route raised a further £255,000 in the year.

During March 2004 Carol Evans from Severn Trent visited Malawi to see for herself the benefits from the projects in which WaterAid is involved. With the help of WaterAid the villagers here have been able to sink local wells for drinking water and are now spared the time-consuming and back-breaking exercise of walking hours every day to collect essential supplies.



"Carrying the bucket for only a few yards was a once in a lifetime experience for me, but for the women and children of the developing world it is an everyday chore. By giving to WaterAid you are helping to make a real difference to peoples' lives."

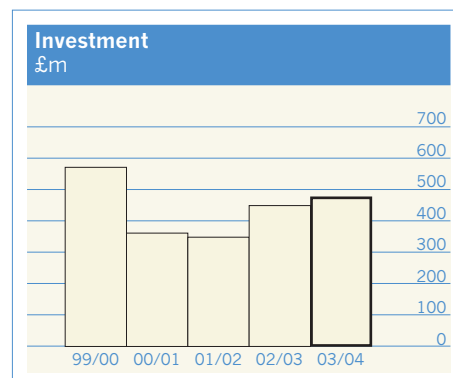
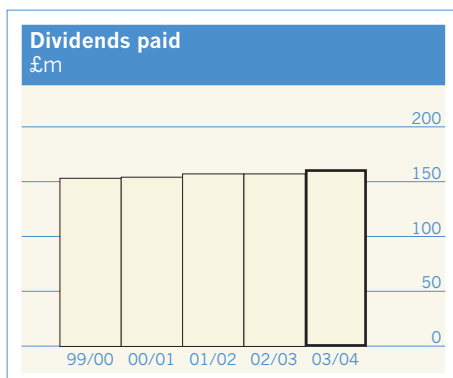
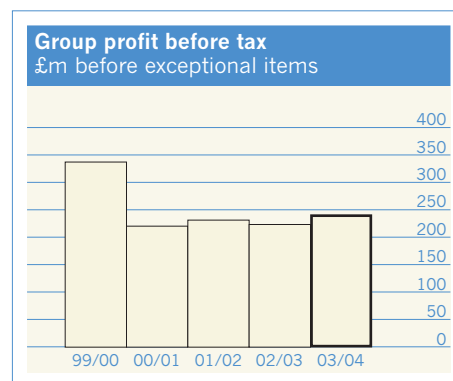
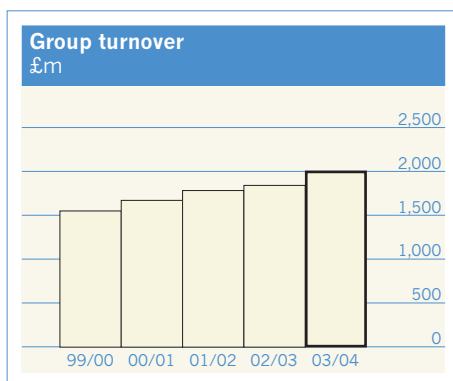
Carol Evans,
Severn Trent Water

Underpinning our results and future plans is a continuing dialogue with key stakeholders – from customers and suppliers to socially responsible investment funds.

New market opportunities

Legislation and increases in landfill tax will continue to drive demand for alternative methods of waste disposal in the UK – Biffa is well placed to capitalise on these opportunities.





In 2003/2004 the group delivered good results with turnover up by 8.8% to £2,015m and profit before interest, tax, goodwill amortisation and exceptional items up 7.5% to £441m. More detailed information on our results, performance and activities in 2003/2004 is given in our Annual Report and Accounts.

In this 'Marketplace' section we illustrate, in response to the interest shown by our stakeholders, the responsible approach we have taken to Severn Trent Water's final AMP4 business plan submission to OFWAT for the 2005-2010 price review. We also cover, affordability and vulnerable customers, our supply chain work and our continuing engagement with specialist socially responsible investment (SRI) funds.

Severn Trent Water's approach to AMP4

In April 2004 Severn Trent Water submitted its final business plan for the period 2005 to 2010, known as asset management plan 4 (AMP4), to OFWAT, the economic regulator. The plan set out the amount of investment that STW intends to undertake over the five-year period and the level of funding needed to be received from customer bills.

The business plan was the culmination of two years of preparation involving extensive consultation with key stakeholders, including local and national quality regulators, investors, other interested parties such as English Nature and RSPB, and crucially with our customers, both directly and through WaterVoice. We set out to research the views of our residential customers, building on our regular contact, which includes 20,000 household visits each year to check water quality, and using specially commissioned market research. We also analysed customer complaints. To analyse the views of our business customers we used our well-established individual account management processes.

The business plan sets out to optimise the balance of competing stakeholder requirements. Customer research highlighted that satisfaction is high (77%), and in customers' view, our main priorities for the AMP4 period should be: to ensure the safety and quality of tap water (89%), to improve the appearance, taste and smell of tap water (89%), and to ensure a reliable and continuous water supply (86%).

Under the submitted plan, Severn Trent Water estimated that prices would have to rise by 31.1% over the five-year period to meet the £2.9bn of investment needed to deliver the strategic priorities, resulting in average household bills by 2009/10 of £284 at 2004/2005 prices. This would be equivalent to a real terms increase over the ten years 2000-2010 of 11% based on 1999/2000 prices. Based on all the AMP4 business plans submitted to OFWAT, these prices would be the lowest charged to customers by water and sewerage companies.

GROUP OBJECTIVE
To grow the Biffa and Severn Trent Services businesses.
PROGRESS
Combined turnover of Biffa and Severn Trent Services increased by 13.1% and profit before interest and exceptional items was up by 16.1%.

MARKETPLACE

CONTINUED

The top five strategic objectives of our AMP4 plan are:

- Maintaining the record levels of compliance achieved over the last 5 years against existing drinking water quality, environmental and customer service standards.
- Protecting water resources in the event of prolonged dry weather conditions by planning on the basis that no more than 3 hosepipe bans may occur every 100 years, and by achieving a sustainable economic level of leakage.
- Delivering all new drinking water and environmental improvements determined by the government as essential for the AMP4 period.
- Addressing the service concerns identified by customers as being of the highest priority, in particular: targeting drinking water improvements in taste and odour, resolving sewer flooding, improvements to drinking water hardness, and sewage treatment odour control.
- Providing an attractive investment opportunity by maintaining a strong investment grade credit for Debt Investors and achieving an adequate return to our Equity Investors.

GROUP OBJECTIVE

To continue to bring to the marketplace services which address new and anticipated environmental challenges.

PROGRESS

We continue to bring forward new products and services such as the Eclox water quality monitor that received the Queens Award for Enterprise in the year.

The recent draft determination on prices issued by OFWAT, however is lower than our submission and is based on a projected average household bill by 2009/2010 of £257 (at 2004/2005 prices). We will be studying the impact of this decision carefully over the next few months.

Affordability and vulnerable customers

Notwithstanding the broad support for our business plan, we are sensitive to issues of affordability. We continue to provide flexible payment terms to help customers budget for their water bills in the way that best suits their individual needs, and we intend to increase our commitment to the Severn Trent Charitable Trust which remains by far the largest in the utility sector in terms of the number of people helped.

GROUP OBJECTIVE

To create a better understanding of Severn Trent Water's investment needs.

PROGRESS

Understanding our investment proposals underpin our PRO04 business plan.

Customer debt is a growing problem and the Severn Trent Charitable Trust was established in 1997 to assist customers who are facing genuine economic distress. Its long-term aim is to help people back on their feet. Registered as an independent charity, without a Severn Trent representative on its board, the Trust receives an annual grant from Severn Trent Water and is run by a team of ten who work closely with other organisations such as Citizen's Advice. Around 73% of applicants receive financial help.

The Trust's assistance is limited to the Severn Trent Water geographical area, but is not limited to paying water bills in that applicants may also receive grants to pay other utility bills or council tax, rent or to buy essential household items. Many customers who struggle to manage their money on an ongoing basis are invited to join a 'partnership payment scheme', where regular payment of a part of their outstanding water bill will attract a write-off of the outstanding debt after a period such as two years.

MORE INFORMATION

To see Severn Trent Water Business Plan, please visit www.stwater.co.uk/busplan

	GROUP OBJECTIVE
	To introduce a new group protocol on the supply chain.
	PROGRESS
	The protocol was added to the group-wide environmental management system in 2002.

The result of the Trust's work is encouraging. Over half of those who receive help pay their water bills on time in the future, whilst up to 70% pay off their outstanding water bills over time. The Trust is publicised through debt advisers and charities and is featured in Severn Trent Water's own publications. About 8,000 people a year now apply for the Trust's help, with 40,000 helped so far.

Other utility companies are now working with the Severn Trent Charitable Trust to assist vulnerable customers. The Trust has developed an arrangement with a major energy company whereby if a customer can pay 40% of an outstanding debt the company will write off the remainder. The Trust intends to develop further relationships and assistance, such as a recently established Auriga Services subsidiary that aims to offer the Trust's skills to other utilities whilst remaining under the not-for-profit umbrella of Severn Trent Charitable Trust.

Supply chain management

Influencing the environmental and social impact of supply chains is a crucial part of any business's corporate responsibility programme. Severn Trent is committed to working with suppliers who share our high environmental and social standards. Under our ISO14001 environmental management system, all companies in the group are required to assess suppliers against our environmental standards.

Severn Trent Water has established two environmental steering groups to provide guidance on purchasing policy and on engineering contracts. In terms of purchasing, Severn Trent Water use a 'top-down and bottom-up' approach to environmental assessment. The largest 60 suppliers, which make up 30% of the company's purchasing spend, are nominated for the company's Achievement Awards, a performance measurement process which contains environmental improvement targets monitored through review meetings.

At the same time, a total of 700 suppliers, making up over 80% of the company's total purchasing expenditure, have signed contracts with specific environmental clauses, or are monitored on environmental issues through an approved supplier database. Targeted suppliers are encouraged to achieve ISO14001 or another similar, externally audited environmental management system.

For others a desktop appraisal tool has been developed to assess environmental impact which may be audited in a follow-up process. Supplier audits include assessment of management structures and systems, energy, emissions, waste, water and their supply chain.

Severn Trent Water is in the process of developing a supplier environmental risk framework, which will assist the business in identifying products and services that are considered to carry the highest environmental risk, and that warrant further attention in purchasing decisions.

At Biffa purchasing and environmental managers have worked together with key suppliers to ensure that environmental standards are consistent with our own. Supplier performance returns are evaluated by an assessment team made up of representatives from purchasing and the relevant operational departments, who consider the environmental sensitivity of a supplier's activities and their environmental performance. Following this review, suppliers are ranked in terms of their approach to environmental management, and as a result they may be rejected as a supplier, required to provide more information, or notified that a member of the Biffa audit team will visit. To date, over 60% of the questionnaires that have been sent out to key suppliers have been returned and evaluated.

MARKETPLACE

CONTINUED



GROUP OBJECTIVE

To see a steady increase in the representation of Severn Trent stock in specialised socially responsible investment (SRI) funds.



PROGRESS

SRI funds shareholding in Severn Trent increased by nearly 100% in the year.



GROUP OBJECTIVE

To advocate environmental taxes that genuinely encourages sustainable development.



PROGRESS

We advocate appropriate environmental taxation, for example, we support the increase in the landfill tax to £35 per tonne. With the benefit of the Renewables Obligation Certificate (ROC) providing a premium for green energy we invested further in our landfill and sewage digester generation capacity.

A new initiative in 2003/2004 means that a human rights dimension will now be included in relevant supply chain assessments, which is in line with the commitment given in our revised Code of Conduct and our expression of support for the UN Global Compact Principles in June, 2004. To support this introduction, we plan to work in partnership with other utilities to introduce issues of human rights into the widely used Achilles Utilities Vendor database.

Socially responsible investment

We believe our focus on the environment, our approach to corporate responsibility, and the long-term nature of our business complements the objectives of specialist ethical investment and socially responsible investment (SRI) funds. During the last year we have sought to increase our engagement with these funds including hosting a number of one-to-one analyst briefings. We are therefore pleased that the number of shares in Severn Trent held by SRI funds has nearly doubled over the last twelve months.

Our objective of achieving the highest environmental and social standards was evident in 2004 in our selection as utilities sector leader in the global Dow Jones Sustainability Index for the third year in a row. We were also pleased to receive the best-in-class butterfly kite mark from Storebrand for our social and environmental performance.

CASE STUDY

IMPROVING ENVIRONMENTAL PERFORMANCE AMONG SMEs

Severn Trent Water's participation in Project Acorn helped 18 companies make environmental improvements.

Training and support

A project by civil engineers GF Tomlinson, one of the businesses to achieve the ISO14001 certification as part of Project Acorn.

The many small and medium size enterprises (SMEs) with which we work often need special assistance to improve their environmental performance. To help remedy this, Severn Trent Water participated in Project Acorn, an environmental improvement programme targeted specifically at SMEs. The pilot is now complete.

A total of 18 companies completed the Project Acorn pilot programme, which lasted 12 months and was focused on achieving a staged approach to environmental management, with the ultimate goal of achieving ISO14001 over time. Based on an assessment of emissions, use of materials, waste generation, and threat of ecological damage, each supplier was asked to achieve a certain level of accreditation.

Participants reported that sharing of experience between companies was beneficial and that the structured approach, dividing training into manageable stages, was helpful. The easy steps in each phase and the plain language used in the practical exercises received particular praise. Managers at many of the SMEs that took part commented that they would not have been able to achieve the environmental improvements that have been realised without the Acorn training and the continued support of Severn Trent Water.

As part of our dialogue with investors, we released in April 2004 the latest in our series of occasional papers on the broad topic of biodiversity. This latest report is known as the Kaleidoscope report, and was written on our behalf by Janet Barber. The report looked at the implications of the 2000 amendment to the 1995 Pensions Act. The amendment requires pension funds to include in their Statement of Investment Principles the extent to which social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments. The key findings from the report are:

- pension fund trustees remain nervous of taking account of social, environmental or ethical issues in their oversight of pension funds. The report highlights that trustee training is vital.
- methods of economic evaluation of natural capital need to evolve to assist business in managing natural resources.
- bringing together socially responsible investment analysts, specialists in biodiversity management and business will achieve higher levels of understanding of the impact of business on ecosystems.

**MORE INFORMATION**

The Kaleidoscope report 'Can a financial instrument improve the management of natural ecosystems?' is available at: www.severntrent.com/downloads/environmentalreports

KEY PERFORMANCE DATA

		2003/2004	2002/2003	2001/2002	2000/2001
Environment (Note 1)					
Climate Change (direct & indirect emissions) (Note 2)					
Total Emissions	tCO ₂ e	2332411	1949256	2389643	1667739
Renewable Energy exports	tCO ₂ e	(209177)	(204569)	(172722)	(144568)
Net total CO ₂ equivalent emissions	tCO ₂ e	2123234	1744687	2216921	1523171
Energy Use					
Total energy use	GJ	7290064	6826322	6561792	5619746
Purchased electricity used	MWh	1228141	1180267	1141834	941824
Total renewable electricity generated	MWh	553361	543221	462910	394058
Transport					
Total business distance travelled	million kms	187.1	188.5	188.7	164.4
Waste Handled					
Total solid waste handled	million tonnes	8.58	7.97	8.52	8.70
Solid waste handled for recycling	million tonnes	1.08	0.82	0.73	0.56
Liquid waste handled for recycling	million tonnes	937.30	1022.43	1022.20	896.25
Waste Generated (including sewage sludge)					
Total waste generated	tonnes	391240	369623	396949	329513
Total waste recycled	tonnes	234075	205883	196581	161369
Water consumption (Note 3)					
Water consumption	Megalitres/day	2.97	3.59	5.97	4.43
Biodiversity					
Coverage of operations by Biodiversity Action Plans	by turnover	79%	77%	50%	53%
Compliance					
Proportion of drinking water samples meeting standards (UK operations)	%	99.93	99.91	99.91	99.90
Proportion of sewage works meeting sanitary consents (UK operations)	%	99.86	99.86	99.59	99.58
Air Quality (direct & indirect emissions) (Note 4)					
Total NOx emissions	tonnes	2204	2031	2134	1753
Total SOx emissions	tonnes	2197	2079	1993	1822
Standards (Note 5)					
ISO 14001 Certification	Number of sites	46	45	*	*
EMAS	Number of sites	2	2	*	*
Environmental Prosecutions					
Convictions for environmental offences	Number	2	4	1	2
Environmental Fines (including costs imposed)	£	9236	38301	1600	13159

Note 1 – Although Severn Trent is a minority shareholder, Aquafin data is included due to the environmental significance of its activities

Note 2 – Measured in accordance with the UK Department for Environment, Food and Rural Affairs (DEFRA) guidelines for company reporting on greenhouse gas emissions

Note 3 – Previous years figures revised following data review

Note 4 – Excludes businesses based in the US

Note 5 – Previous years data not available due to changed reporting method

Note 6 – Certain employee information is only available from 2002/2003

Note 7 – Voluntary resignations only

Note 8 – Training days reduced as a result of re-evaluation of recording methodology

Note 9 – These categories have been revised to be consistent with London Benchmarking Group (LBG) and Per Cent Club guidelines

*Data not available

			2003/2004	2002/2003	2001/2002	2000/2001
Workplace						
Employees (Note 6, 7 and 8)						
Total number of Employees	Headcount		16484	15231	*	*
Ethnic minorities	Headcount		1469	1364	*	*
Female employees	Headcount		4289	4033	*	*
Total number of Senior Managers	Headcount		275	262	*	*
Female Senior Managers	Headcount		24	26	*	*
Ethnic minorities Senior Managers	Headcount		6	6	*	*
Total Number of Managers	Headcount		2869	2683	*	*
Female Managers	Headcount		597	527	*	*
Ethnic minorities Managers	Headcount		151	142	*	*
Employee turnover	%		11	11	*	*
Employee training	Number of days		41890	43609	71344	61008
Health & Safety						
Reportable Incidents	Rate per 1000 employees		22.20	27.17	24.37	22.12
Days lost	Number of days		12820	12608	11179	14559
Community						
Community Investment (Note 9)						
Donations	£m		1.13	0.98	*	*
In-kind (including time)	£m		0.42	0.59	*	*
Management Costs	£m		2.58	1.77	*	*
Leveraged	£m		0.95	1.98	*	*
Marketplace						
Stakeholders						
Customers	Sales	£m	2015.1	1852.0	1794.3	1681.6
Suppliers	Cost of goods and services	£m	(1115.0)	(1016.3)	(970.1)	(889.4)
	Exceptional Items	£m	11.6	(40.8)	(17.0)	(15.5)
Employees	Payroll Costs	£m	(490.0)	(452.0)	(432.5)	(409.8)
Providers of capital	Interest	£m	(168.0)	(159.4)	(159.0)	(161.1)
	Dividends	£m	(162.0)	(157.6)	(157.6)	(154.5)
Public sector	Taxation	£m	(69.6)	(84.3)	(58.4)	(64.8)
Retained profit/(loss)		£m	22.1	(58.4)	(0.3)	(13.5)
Customers						
Households receiving water & waste services	Millions		7.78	7.24	7.17	7.08



The preparation of this report forms part of the Severn Trent Group environmental management system, which is certified to ISO 14001. The audits carried out as part of the ISO 14001 certification embrace the collection of the data used in this report, the assessment of individual businesses' performance against their environmental action plans and factual statements referring to the Group's progress to date.

The above table of key performance data has been subject to independent review by the Group's Internal Audit department.

This review has confirmed that the 2003/2004 data has been accurately extracted from submissions obtained from each of the Group's business units and that the business units' submissions have been properly aggregated. Where this information is also reported elsewhere within the Stewardship Report, the Group's Internal Audit department has ensured consistency with this table.

Unless indicated, data is for Severn Trent Group as a whole (excluding Derwent Insurance) and is presented on a financial year basis (April to March).

GROUP PUBLICATIONS

The following publications are also available. Please download the reports from the websites as shown. However, if you would like printed copies please contact us at the address on the back of this report.



Severn Trent Plc

Annual Report and Accounts 2004

A report on the group's financial and operational performance for the year ended 31 March 2004.

Available at www.severntrent.com/reports2004



Annual Review 2004

Summary of the Annual Report and Accounts – including summary financial statement.

Available at www.severntrent.com/reports2004



Code of Business Principles and Conduct

Contains values and vision statements that underpin the group's strategy and guide the activities of our businesses.

Available at www.severntrent.com

Severn Trent Water

Severn Trent Water Annual Report and Accounts 2004

Making the difference – A report on the company's financial and operational performance for the year ended 31 March 2004 – including Regulatory Accounts. Available at www.stwater.co.uk/library

Delivering Sustainability

Outlines the company's sustainability programme, including environmental highlights, environmental policy statement, environmental management system and energy management. Available at www.stwater.co.uk/library

Conservation, Access, Recreation and Education (CARE) Report

How the company preserves the value of the land, water, wildlife and buildings placed in its trust – including Biodiversity Action Plan Progress Report. Available at www.stwater.co.uk/library

Biodiversity Action Plan

Outlines the company's contribution to biodiversity, covering the management of water, management of land holdings, education and partnerships. Available at www.stwater.co.uk/library

Biffa

Corporate Responsibility Report

A bi-annual report on environmental performance using the Green Alliance environmental indicators for the waste industry. Available at www.biffa.co.uk/publications

Future Perfect

Biffa Book V – an analysis of Britain's waste production and disposal account with implications for industry and government. Available at www.biffa.co.uk/publications

Biffa and Biodiversity

An introduction to Biffa's contribution to maintaining and enhancing biodiversity in the UK – including detailed site case studies. Available at www.biffa.co.uk/publications

Biffaward Annual Report

A full account of the projects supported through the landfill tax credit scheme. Available at www.biffaward.org

For more information about Severn Trent Plc
and its businesses see our website
www.severntrent.com

The paper used in the production of this report, Zanders Megamatt,
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and sustainable forests. In addition the printing process is taken
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