

# Sustainability indicators and accounting 2016



[www.wessexwater.co.uk](http://www.wessexwater.co.uk)

*Wessex  
Water*  
a YTL company

Welcome to our annual review for 2015-16. To make it easier to find the information you are looking for we have produced four linked documents. *Delivering for our customers* and *Annual report and accounts*, when combined, represent the full non-statutory accounts of the company.

The summary document, *Delivering for our customers*, is available as a hard copy and all four are on our website:  
**[www.wessexwater.co.uk](http://www.wessexwater.co.uk)**



**Delivering for our customers**  
This summary document provides an overview of our progress against performance commitments, as well as other company targets. The document also provides an overview of the financial and green accounts and the strategic report for the year. If you are interested in more detail, this is provided in the following supporting documents.



**Annual report and accounts**  
The governance report explaining how the board undertakes its duties and non-statutory financial accounts.



**Annual performance report**  
The regulatory accounts and more detailed information regarding the company's progress against our performance commitments.



**Sustainability indicators and accounting**  
A more detailed explanation of our sustainability performance including a broader range of performance measures and a more detailed explanation of the green accounts.

# Contents

<b>About</b>	<b>1</b>
<b>Sustainability indicators</b>	
- <b>Customers</b>	<b>2-11</b>
- <b>Environment</b>	<b>12-18</b>
- <b>Employees</b>	<b>19-23</b>
- <b>Finance</b>	<b>23-26</b>
<b>Sustainability accounting</b>	<b>27-29</b>

## About this report

This is one of four annual review documents which provide information on the progress we have made in 2015-16 and the challenges we face in 2020.

We first committed to becoming a sustainable water company in 1996. This means more than just 'being green'. It is about excellent customer service, strong community engagement, meeting employees' needs, sound asset management, financial responsibility and good environmental practice – all at the same time. As such, our approach to sustainability is based on the same four themes as our overall company aims, which are to:

- provide **customers** with excellent and affordable services
- protect and improve the **environment** and contribute to wider society
- be a great place to work in which all **employees** can work safely and reach their full potential
- deliver the best possible returns to **investors**.

There are two main parts to this document:

- sustainability indicators: an at-a-glance view of our performance across the full range of activities and issues
- sustainability accounting: an overview of environmental and social expenditure and alternative valuation methods.

Each page of the indicators is devoted to one of the subjects that make up our sustainability vision, which is our statement of what would constitute a genuinely sustainable water company. In each instance, we set out the eventual outcome that we aim to achieve; the targets and commitments that we have set for 2020; an overview of the main issues involved; a summary of activities during 2015-16 and graphs showing performance over the last five years.

Some of the stated outcomes and performance commitments are agreed formally with regulators for the current investment period – these are profiled in *Delivering for our customers* our Annual Review Summary, and described in more detail in the Annual performance report that accompanies this document. We set other outcomes and commitments independently as part of our sustainability vision.

The sustainability accounts that follow the indicators have two main purposes. Firstly, they cover our major environmental impacts in monetary terms, considering a) areas where we have made expenditure as part of our environmental programme or through environmental taxation; b) alternative methods for monetising environmental impacts. Secondly, they summarise our expenditure on items relevant to sustainability in its broader sense.

All performance information included in this report has been reviewed our external technical auditor, Mott MacDonald Ltd.



# Sustainability indicators

## Affordable bills

**Outcome:** Customers able to afford water and sewerage services and effectively manage their water use.

### Performance commitments

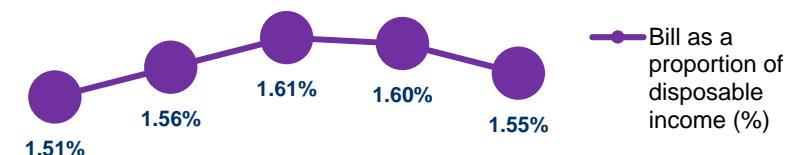
	2015-16	2019-20
• Bill as a proportion of disposable income (%)	1.55	Reducing trend
• Water saved by water efficiency promotion (litres / person / day)	0.68	3.26
• Water used (litres / person / day)	138	131

### Other company commitments

- Extend **tap** our affordability programme by an additional 10,000 households so it continues to be the industry’s leading package.
- Use information on each customer to tailor and segment debt recovery activity, supported by appropriate systems.

For the great majority of customers our bills are affordable, representing only 1.55% of average household expenditure. However, for some customers on low incomes this is not the case. Through our tailored assistance programme, **tap**, we are helping more than 21,000 customers; some through lower charges, some by helping them repay their debt and others through practical help to reduce water and energy use. By working closely with debt advisers through whom we can offer tailored solutions for each customer’s financial circumstances. In terms of other ways of managing water use, research shows that fitting a meter on change of ownership reduces demand for water by as much as 15%. As part of our 25-year water resources management plan we propose increasing the rate of metering, alongside enhanced water efficiency services.

In 2015-16, under the guidance of our expert affordability advisory group, we introduced a discount of around 20% for pensioners on the lowest incomes who often suffer hardship in silence instead of asking for help. Our partnerships with debt advisers are thriving and we continue to see an increase - by 19% this year - in the take-up of our schemes and low rate tariffs. We also liaise with a growing number of community based organisations to help us engage with customers who can be much harder to reach and are likely to be some of the most vulnerable. Using geographical mapping of deprivation levels and social tariff penetration we can now better target our promotional work on areas of most need. We launched two new projects with the Department for Work and Pensions and Wiltshire County Council whereby our **tap** programme is promoted among customers on means-tested benefits. We continue to support financial capability and money management projects in our communities, funding four more this year through our Money Matters awards. These involve offenders due to leave prison, the over 60s, secondary school children and under-30s, including young families and those with mental health issues.



2011-12 2012-13 2013-14 2014-15 2015-16

## Excellent service for customers

**Outcome:** High levels of satisfaction by consistently meeting or exceeding expectations; being viewed as a trusted, reliable and preferred service provider.

### Performance commitments

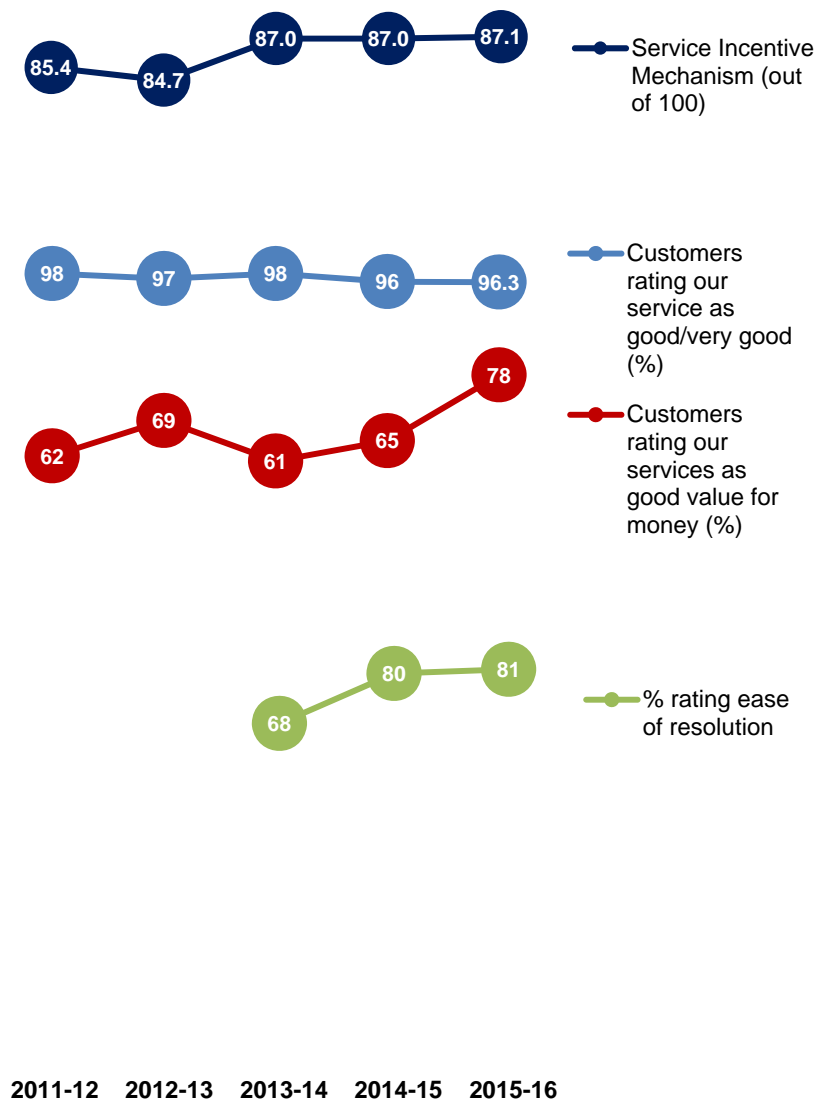
	2015-16	2019-20
• Service Incentive Mechanism score	87.1%	>86%
• Customer service rating good or very good	96.3%	>95%
• % rating ease of resolution	81%	Improving trend
• Customers rating service as good value for money	78%	75%
• Meet best practice for accessible communications – achieve the British Standard for inclusive service provision and the Customer Service Excellence award		

### Other company commitments

- Provide business customers with a choice of tariffs and a range of affordability assistance for household customers

Excellent customer service is fundamental to the success of our business so we put customers at the heart of everything we do. We aim for the highest levels of customer satisfaction, and our staff go the extra mile whenever they can. Day to day feedback shows customers are generally very satisfied with our service and see it as good value for money. But we can always do more, so we continue to improve and to compare ourselves with the best service providers across all business sectors.

In 2015-16 the new look Service Incentive Mechanism (Ofwat’s overall satisfaction measure) began and once again we topped the water and sewerage companies’ league table for satisfaction surveys. Complaints also fell again, by 19%, and in September the Consumer Council for Water confirmed that we continue to have the lowest number of complaints in the water industry. We give customers the opportunity to feed back on our service using whatever communication channel they choose and encourage them to identify staff who have ‘gone the extra mile’. Under the guidance of our customer experience group we use this feedback for continuous improvement of policies, processes and training. The feedback shows that over 96% of our customers rate our service as very good or good. Both value-for-money and customer effort scores have improved with 78% of customers rating our service as very good or good value for money and 81% saying it takes little or no effort to resolve their query. We retained our government Customer Service Excellence award for our approach to customer service and have one of the best overall packages of customer guarantees in the industry. We continue to hold the best practice mark of distinction from the Keep me Posted campaign. We have also retained the British Standard for inclusive service provision showing our commitment to ensuring our service is inclusive and accessible to all.



## Highest quality drinking water

**Outcome:** Safe, wholesome and pleasant drinking water that complies with mandatory standards and supports the well-being of our customers and communities.

Performance commitments	2015-16	2019-20
• Customer contacts about drinking water quality	2,431	2,250
• Compliance with drinking water standards	99.96%	100

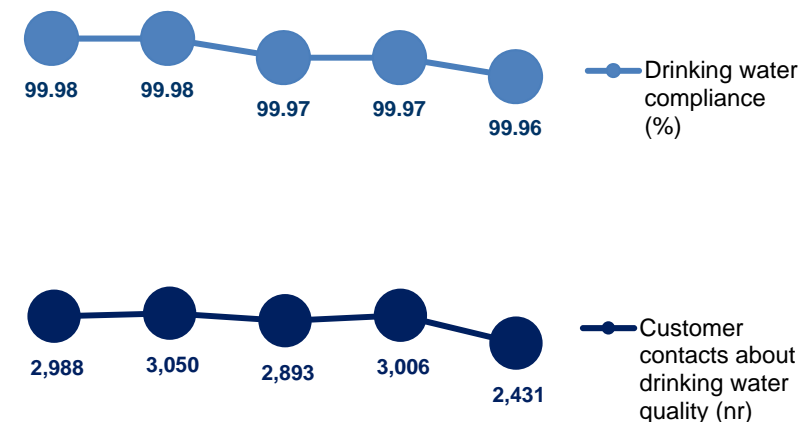
### Other company commitments

- Sources protected through catchment management 20 20
- No new water treatment works to deal with agricultural pollution
- Completion of our integrated water supply grid scheme
- Ensure drinking water safety plans are understood by all relevant staff involved in the water supply side of the business

Compliance with drinking water quality standards continues to be very high as a result of extensive investment and management systems such as water safety plans. However, rather than relying solely on engineered solutions, we believe in working with the environment through natural methods and working with others. Dealing with impacts on water quality at source is a more sustainable and economic approach than energy and chemical intensive end-of-pipe treatment.

In 2015 our overall compliance with drinking water standards was 99.96%. This is based on the mean compliance across 88 water supply zones against 39 parameters, assessed via 37,000 tests. Only 15 tests failed, of which 13 were attributed to customers' service pipes and domestic plumbing, eg, lead service pipes, nickel in taps and the effect of water softeners on taste. The other two failures were from a cast iron water main and a tap at a treatment unit that was not representative of the water supplied. There was a significant reduction in the number of customer contacts about the acceptability of water received; this is largely related to the beneficial effect of major mains rehabilitation work that we completed in Taunton. We are seeing a downward trend in the number of contacts received and we expect this to continue as we invest in our assets and find new ways of communicating with customers. During the year we have made significant investment at service reservoirs and treatment works which will improve water quality and protect supplies.

Catchment management continues in 15 groundwater catchments and five surface reservoirs to tackle contamination of water sources from pesticides and nitrates. The majority of farmers are willing to engage with our advisers, whose reputation within the wider agricultural community remains very high. While water blending was needed to maintain compliance at our two highest risk sites, nitrate concentrations were not as high as previous winters and improving nitrate trends have continued at many sites.



2011-12 2012-13 2013-14 2014-15 2015-16

## Reduced leakage

**Outcome:** Leakage continuously driven down and leaks treated as a service failure

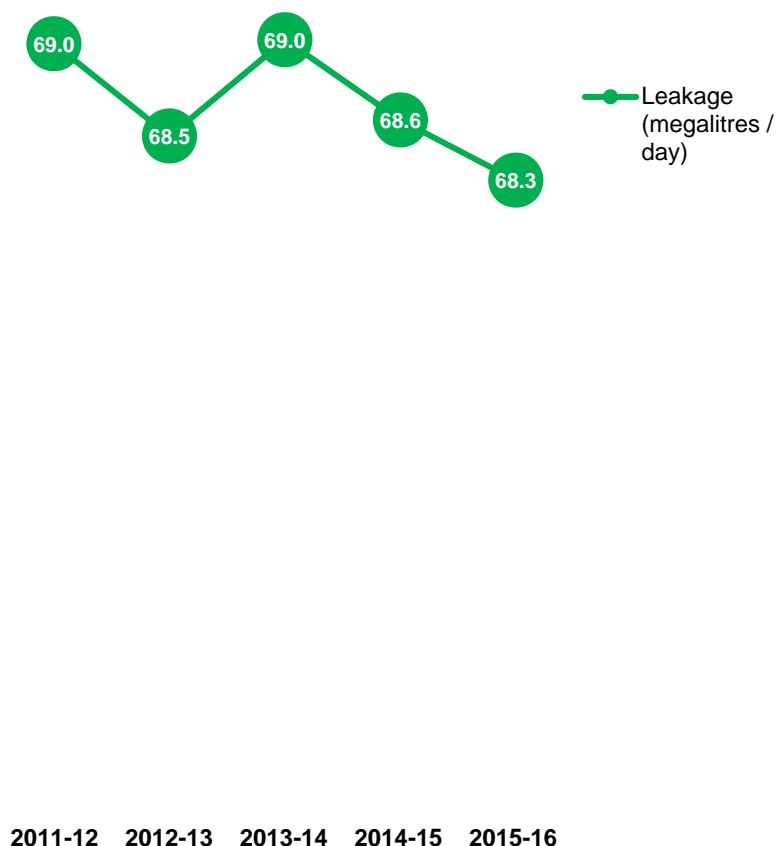
Performance commitments	2015-16	2019-20
• Volume of water leaked (MI/d)	68.3	<66.5
• Reported leaks fixed within a day	68%	90%

### Other company commitments

- Trial provision of near real-time monitoring / in-pipe monitors on our supply network to potentially enable the proactive detection of leaks
- Meter properties on change of occupier
- Repair or replace leaky customer pipes free of charge

Reducing leakage is a high priority for customers. Leakage from our network is at its lowest ever level and has been reduced to just beyond the level defined by Ofwat as the 'economic level'. Our approach is to operate with leakage below our target level in the normal course of events, so that we have a good chance of still meeting our target in the event of severe winter weather when leaks are more likely to occur. Of the water that leaks, around three quarters is from our water mains and one quarter from customers' pipes. As it is also an important area for innovation, we are reviewing the many technologies currently available and those in development, with the aim of selecting those that can help with further reductions in the future.

In **2015-16** we successfully reduced leakage to 68.3 megalitres per day (MI/d) which is below the agreed target of 69.3MI/d. We initiated an enhanced metering programme and a pressure management optimisation project, with the aim of further leakage reduction so we can meet our ambitious target of reducing leakage by 5% by 2020. Our target to fix significant leaks on the network reported to us by customers was met, mainly by improving existing processes and procedures.





## Improved bathing water

**Outcome:** Contributing to bathing water being in good or excellent condition.

Performance commitments	2015-16	2019-20
• Agreed bathing water schemes delivered	100%	100%
• Beaches passing EU bathing standards	98%	100%

### Other company commitments

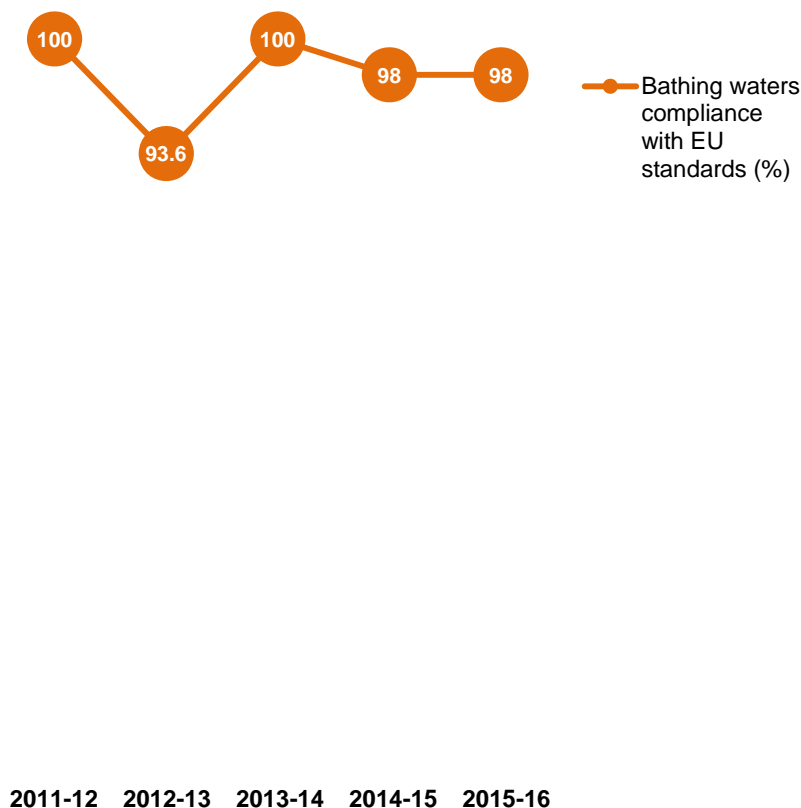
- Complete three bathing and one shellfish water investigation on the performance of our assets and their potential impact on water quality
- Continue near real-time monitoring of 100% of overflows that significantly affect bathing water beaches in our region
- Provide near real-time warnings of overflow operation to beach users all year round via our Coastwatch alarm system

Several factors can affect bathing water quality, including heavy rain, industrial discharges and agricultural runoff. For our part we have invested heavily to reduce our impacts by improving sewage treatment work discharges and intermittent discharges such as combined sewer overflows. Prior to the revised Bathing Water Directive taking effect in 2015 we identified Burnham Jetty as the only bathing water within our region that had a high risk of not meeting the 'satisfactory' standard, following the Directive's change of classification and tightening of standards. This tightening, rather than any underlying deterioration in water quality, is why we report 98% of beaches passed EU bathing water standards against our target of 100%.

In 2015-16 we made excellent progress on the £39m programme of work to improve water quality at Burnham, which includes sewer improvements in Bridgwater and ultraviolet disinfection of storm spills at Highbridge. We are also supporting a coastal engagement officer who is working with communities in Burnham to raise awareness of water quality and increase 'ownership' of their beach. This includes campaigns on sewer misuse, dog fouling and beach litter.

Outputs completed during the year from the National Environmental Programme, which meant we achieved 100% performance against our target to deliver agreed schemes, include:

- screening an overflow at East Quay in Bridgwater
- installation of 77 event duration monitors
- building an ultraviolet disinfection plant to treat overflows from our storm tanks at Highbridge.



## Resilient services

**Outcome:** Continuous delivery of high quality, reliable and secure services in the face of shocks (such as flooding or droughts) and stresses (such as population growth and climate change).

Performance commitments	2015-16	2019-20
• Restrictions on water use (hosepipe bans)	0	0
• Water mains bursts / year	1,663	<2,000
• Collapses/ bursts on sewerage network / year	271*	<300
• Number of properties supplied by a single source of water	78,000	42,000
• Reduce planned, unplanned and third party water supply interruptions lasting >3 hours (average minutes / property / year)	14.3	12

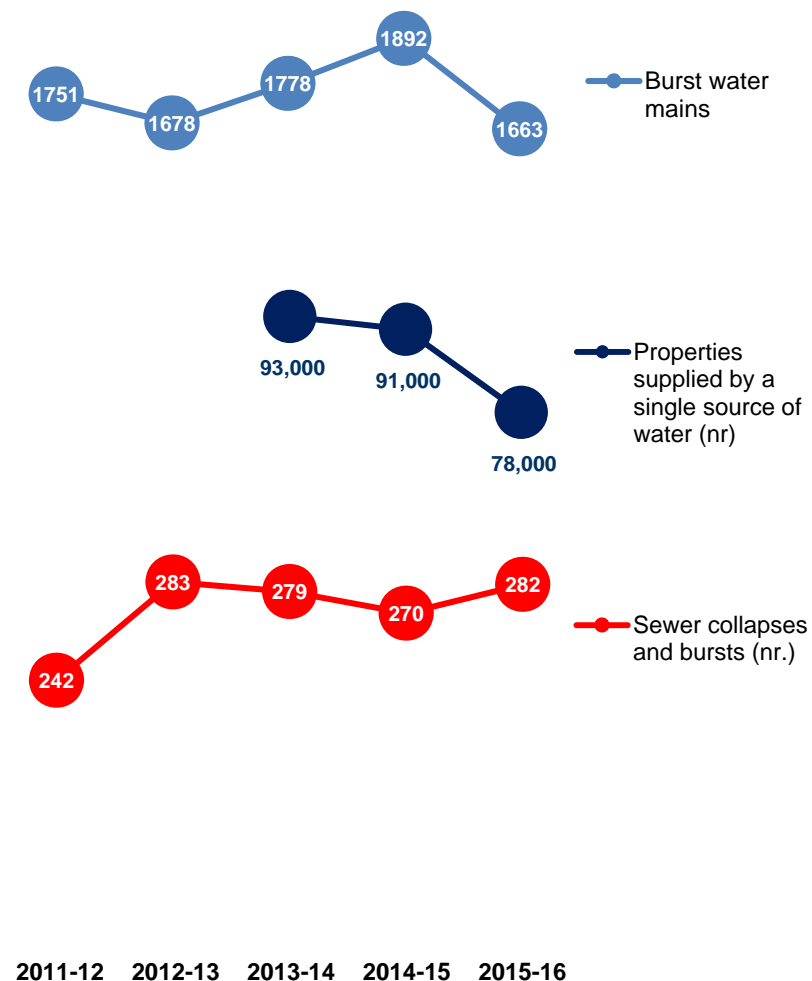
### Other company commitment

- Have business continuity plans for service during unforeseen disruptive events
- Trial providing in-sewer monitors to potentially enable the proactive prevention of partial blockages
- Continued use of climate and population forecasts and scenarios in asset planning
- Public reporting on climate risk and adaptation work

Water companies are duty bound to meet the public’s reasonable needs for water and we need to ensure we have access to sufficient water resources to meet current and future demands. Targeted investment and careful resource management mean we have not had a hosepipe ban since 1976. However, with an extensive and ageing water supply and sewer network, sudden problems can sometimes occur. Water mains bursts are caused when pipes fracture as a result of factors such as water pressure (particularly if the pipe has aged) and ground movements. The large majority of sewer collapses are in non-critical sewers and rising mains. Investment to improve the network infrastructure is helping to reduce the number of bursts and collapses.

**During 2015-16** key sections of the water supply grid were commissioned and put into service including new storage tanks at Summerslade (near Warminster), Littledown (Shaftesbury) and Snowsdown (Blandford); pumping stations at Monkton Deverill (near Warminster) and Sturminster Marshall (east Dorset); plus interconnecting pipelines between sites. With related schemes, this work has enabled us reduce the number of properties supplied by a single source by 13,000. We also published the second edition of our climate change adaptation report, in line with the national adaptation reporting duty. Covering all our activities, this sets out the main climate change risks that we face and the relevant work undertaken or planned that reduces our exposure to gradual change and acute events.

\*Updated December 2019; 282 collapses / bursts on sewerage network in 2017-18 – 271 is the five year rolling average



## Sewer flooding

**Outcome:** The risk of sewer flooding kept to a minimum, with sewerage services that support customers, communities and the environment.

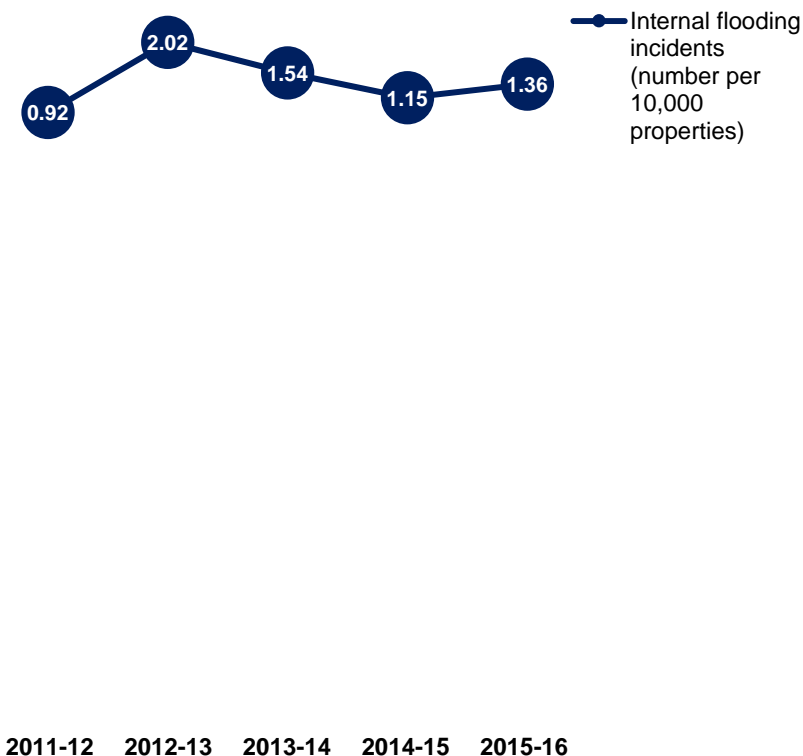
Performance commitments	2015-16	2019-20
• Internal flooding incidents (number /10,000 properties)	1.36	1.66
• Risk score – flooding (due to hydraulic incapacity) compared to 2015	51,509	50,651
• Deliver the Bristol Frome Valley sewer growth scheme		
Other company commitments		
• Partnership schemes to which we contribute	3	At least 10

Sewage flooding is caused when sewers become overloaded as a result of severe weather, equipment failure, blockages or sewer collapses. While sewer flooding is a rare occurrence its consequences can be devastating, so tackling it remains a key task. We have introduced a new measure which measures the overall flood risk due to inadequate capacity (both internal and external flooding). More widely, the responsibility for flooding is often complex and we work with local authorities as they produce surface water management plans and strategies to review flood management.

In 2015-16 we invested £8m to reduce the risk of flooding at 91 properties or locations. Due to third party highway issues one scheme was delayed into 2016-17 resulting in us narrowly missing the 2015-16 target. The frequency of internal flooding due to blockages in public sewers, at 1.36 incidents per 10,000 properties, was better than our performance commitment. This is the result of continued operational improvements and the generally benign weather conditions in the region last winter.

There has been a significant change in the number and frequency of liaison meetings and, together with the planning authorities responsible for approving sustainable solutions, we are being consulted more than before. We contributed to three partnership schemes to reduce flooding – at Cannington, Brent Knoll and Wrington in Somerset.

We are preparing for the transfer of private pumping stations to us in October 2016, undertaking sample surveys of these assets and looking to adopt some early where they are causing problems. The latest assessment is that around 400 pumping stations will be transferred. We are designing the Frome Valley relief sewer scheme in Bristol and plan to deliver it by March 2019.



## Stakeholder engagement

**Outcome:** Customers, local communities, economic interests, environmental organisations and other stakeholders in our region who are fully engaged in our activities.

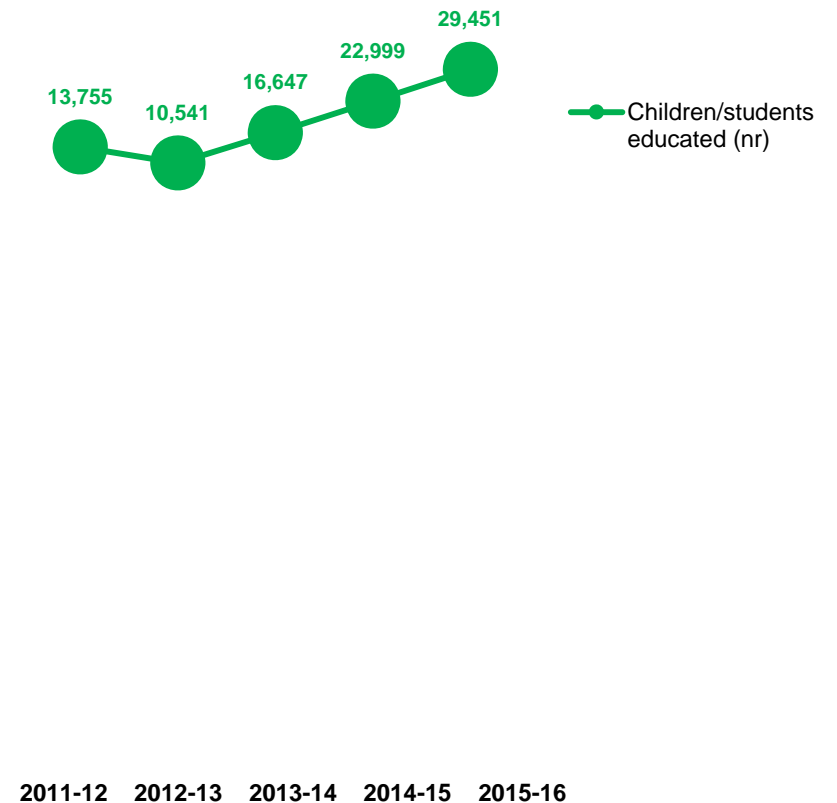
### Company commitments

- Establish new strategic panels
- Review current stakeholder engagement plan and arrangements
- Continuously review our forms of customer engagement and remain receptive to new forms of communication
- Continue to ensure communities are informed on high profile schemes that may affect them
- Continue to review the suitability of our communications, including use of emerging technology
- Regularly report on our performance through our annual review and other reports; and respond to all environmental information requests
- Provide annual updates on our progress against the 2020 commitments within our sustainability vision.

Dialogue with the public and other outside interests (including suppliers and contractors, technology developers, researchers, politicians, investors, NGOs and opinion formers) is central to our work. We communicate widely on water efficiency and the causes of sewer blockages, have an active education programme for children/students and meet local people living near to our capital schemes. Our advisory panels offer scrutiny of our work for customers and the environment, and look at emerging trends in society. All this is critical for ensuring that we understand stakeholders' priorities, are able to convey our own work and are aware of new risks and opportunities. We are also constantly widening methods of communication with the public and are seeing a growing number opting for self-service, text messaging, Live Chat and information via photographs.

**In 2015-16** we used feedback from our online customer panel to re-launch our Wessex Water Promise and our household leakage policy. We redesigned our bills and information provided with them to make them easier to read and took customer relations staff through a training programme, that is designed to make our replies to customer contacts simpler, easier to understand, more personalised and more engaging. We established a new format for stakeholder liaison for the next five years and in preparation for the 2020-2025 business plan; this builds on the extensive consultation that led up to the 2014 business plan submission which covers the current investment period.

Data in the graph on the facing page is based on headcount numbers collected by education advisers.



## Asset management – social aspects

**Outcome:** Assets operated, maintained and managed responsibly, with sustainability principles and practice fully integrated into the capital programme and scheme choices. Also, operating or contributing to more sustainable alternatives to conventional water management and treatment.

### Company commitments

- Maintain the capacity and effectiveness of our assets to enable continued provision of service to our customers
- Maintain accreditation to the asset management standard ISO55001
- Meet asset related performance commitments
- Manage our assets to minimise potential causes of nuisance to our customers and meet our SIM performance commitment
- Improve coverage of issues within appraisal methods
- Prioritise solutions separating foul and surface water sewers where possible, as well as providing storage within the sewerage network
- Deliver surface water separation schemes in Bridgwater and Weston-super-Mare

The basic function of our physical assets is to serve the needs of society and the environment. So, we invest for the long term and maintain our assets for future generations. As well as conventional investment, we consider alternatives that may be less expensive and potentially less intrusive, even if there are sometimes extra complexities and uncertainties involved. We are also conscious of the need to be a 'good neighbour'; for this reason we have detailed management plans concerning odour, noise, visual impacts and vehicle movements and we liaise closely with local people about such matters.

**In 2015-16** our asset management framework continued to help us develop a more integrated approach to risk and investment decision making. We are certified to the international standard for asset management, ISO55001:2014. A key component of this framework has been the implementation of work and asset management systems and these are being extended to all parts of the business to enable us to continue improving our asset knowledge and operational efficiency.

## Sustainable regulation

**Outcome:** Regulation that contributes to sustainability as well as delivering high standards for customer service and water and effluent quality.

### Company commitments

- Maintain discussion with relevant interests on investment needs and methods for achieving desired outcomes, emphasising more sustainable options
- Investigate problems in detail to establish their root cause and implement the most appropriate solution
- Carry out work to look at whole life cost and social and environmental costs as preparation for our next five-year business plan

Regulation guides almost every area of our work, providing the impetus for our investment and shaping the ways in which we operate day to day. While precaution is necessary, it is also important that regulation is proportionate to the risks that we manage and that standards are set in ways that don't drive excessive or unsustainable responses. Consequently, we work with regulators and others to promote longer term investment and more sustainable standards, solutions and technologies; we encourage the use of sound science and evidence as the basis for regulation; and we raise awareness of the full cost of meeting standards and the environmental costs passed from other sectors to the water industry. Our work to control pesticides, metaldehyde in particular, remains industry leading. The voluntary 'no use' approach that we have championed appears to be the only way to successfully avoid metaldehyde reaching rivers and reservoirs.

**In 2015-16**, catchment management work upstream of Poole Harbour successfully reduced nitrogen across the target area by approximately 20 tonnes to date, against a 2019-20 target of 40 tonnes per year. Through this work we aim to offset the need for nitrogen removal at Dorchester sewage treatment works. We also started work on a novel trading system that will provide an online, reverse auction platform whereby farmers bid for payment to carry out nutrient reduction measures.



## Global society

**Outcome:** A positive contribution to global society through our activities

### Company commitments

- Apply sustainability criteria across all supply chain frameworks and develop additional selection criteria as appropriate.
- Continue our work with WaterAid and other relevant organisations

While the vast majority of our work is focused on the region we serve, it is directly linked to activity elsewhere in the world. This is especially true for the goods and services that we buy and there is growing interest in the social impact of companies' supply chains. We are also very conscious of the billions worldwide who lack adequate clean water or sanitation and work closely with NGOs that are addressing this problem.

Since WaterAid was established by the UK water industry in 1981, it has had an effective, long-term partnership with Wessex Water through its extensive and varied employee and stakeholder engagement as well as strong corporate support. The partnership covers a wide range of both fundraising and awareness-raising activities.

**In 2015-16** we developed a stepped approach for awarding new framework agreements. Prior to inviting a supplier for tender we request either statements on corporate social responsibility, environmental policy, carbon, biodiversity, modern slavery or evidence of ISO 14001 accreditation (the environmental management systems standard). When evaluating tenders we include award criteria that include sustainability and environmental measures appropriate to the goods or services being provided.

Throughout the year, multiple events were held to raise more than £149,000 for WaterAid. The biennial race night saw a total of 330 guests and 50 volunteers enjoy a 1920s themed evening with betting on seven races raising £62,000. A further £28,000 is raised annually through the staff WaterAid lottery.

Wessex for West Africa is an ongoing campaign to involve contractors, consultants and suppliers in helping to raise money over a one-year period by fundraising within their organisations. This year we have held four business breakfasts, providing a networking opportunity whilst promoting WaterAid's work and fundraising possibilities.

## Rivers, lakes and estuaries protected: water supply impacts

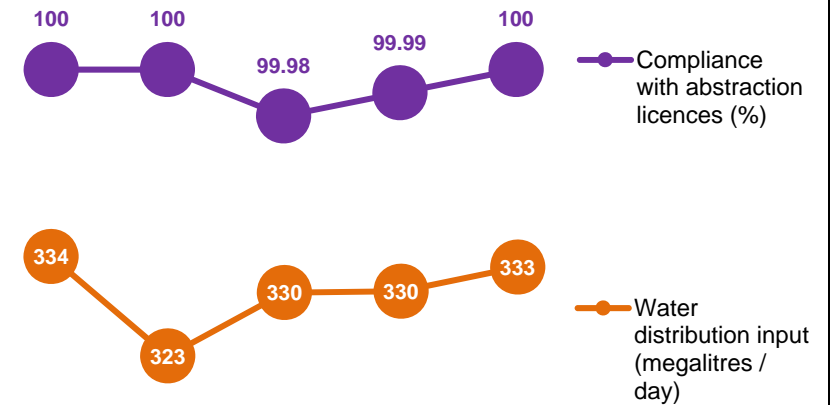
**Outcome:** Watercourses in good ecological and chemical condition with abstractions, effluent and land run off sustainably accommodated by the environment

Performance commitments	2015-16	2019-20
• Compliance with abstraction licences	100%	100%
• Abstractions at Mere exported (Ml/year)	172	100
• Distance of river with improved flow (km)	0	99

Our region has many of the country’s finest rivers and streams, with improvements driven largely by European directives. We work closely with regulators to assess where investment is needed to comply with European regulation and assure them that the current investment programme is proceeding as agreed. The water we put into supply comes from boreholes, springs, rivers and reservoirs across our region, with most coming from groundwater. In some locations our water abstractions can increase the risk of low flows in streams and rivers during dry weather. Consequently we have reduced water abstraction where the risk is greatest, and work with communities in places where there is concern about local impacts of abstraction. Meanwhile, reducing leakage and managing customer demand has led to a reduction in the amount of water we supply overall.

**In 2015-16** we achieved 100% compliance with abstraction licences.

We have been working closely with the community to address concerns about the impact of our abstractions at our Mere source on two local streams that are headwaters of the river Stour. As a result, one of our commitments concerns the volume of water exported from the Mere source to settlements beyond local towns and villages, as calculated using the methodology set out in Ofwat’s Abstraction Incentive Mechanism. Unfortunately the target was exceeded in 2015-16 due to the occurrence of multiple unplanned outage events at production sites feeding into the downstream reservoir. Outages were primarily the result of plant failure or pre-emptive water quality shutdowns. Outages of this nature will be largely mitigated once improvements to resilience of supply are put in place as part of the integrated grid scheme, to be completed by 2018.



2011-12 2012-13 2013-14 2014-15 2015-16

## Rivers, lakes and estuaries protected: waste water impacts

**Outcome:** Watercourses in good ecological and chemical condition with abstractions, effluent and land run off sustainably accommodated by the environment

### Performance commitments

	2015-16	2019-20
• Install event duration monitoring on combined sewer overflows which present a risk to environment	46%	100%
• Improved water bodies through sewage treatment investment, to improve river water quality (km)	0	70
• Be industry leading in Environment Agency’s Environmental Performance Assessment	Industry Leading	Industry Leading

### Other company commitments

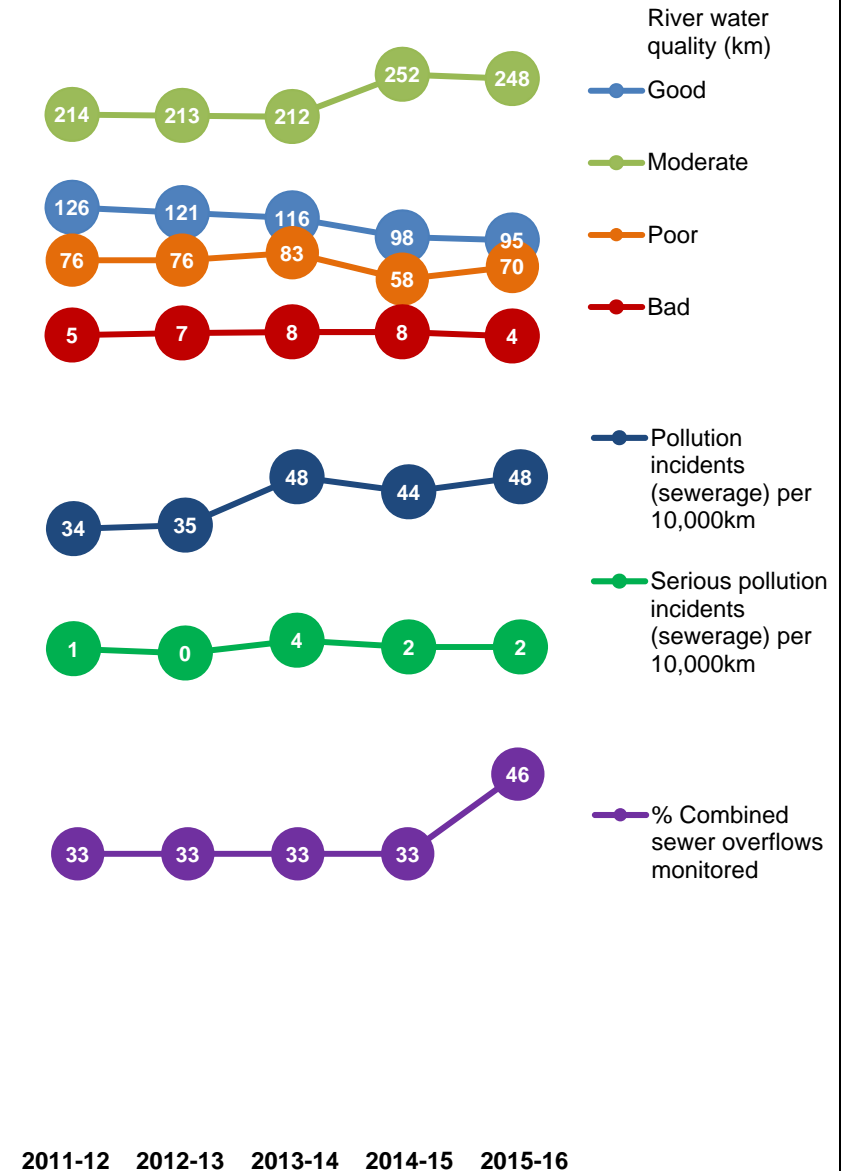
- Production of catchment biodiversity opportunities maps within Poole Harbour and our Somerset reservoir drinking water catchments
- Have a robust river water quality model for our area to show point and diffuse pollution sources
- Continue our work to understand the prevalence and impacts of persistent chemicals that appear in sewage, and work with industry to avoid our treatment works or the environment being harmed by these substances

Our waste water assets are carefully managed with regard to their impacts on the water environment. We have widely upgraded sewage treatment and reduced the number of pollution incidents from our sewers, usually caused by blockages, and work with the Environment Agency and local councils to address water pollution caused by misconnected domestic appliances. We work closely with regulators to assess where further investment is needed to comply with European regulation, which is now being extended to deal with persistent compounds, particularly those listed in the EU Priority Substances Directive.

**In 2015-16** we began our five-year programme of monitoring final effluent and the receiving water courses for the presence of chemicals. The work will allow us to understand where our sewage treatment works are contributing to concentrations of different chemicals in the environment and where improvements need to be made in the future. We are working closely with the Environment Agency and Natural England to standardise the use and operation of our SAGIS river water quality model. A recent update to the model using effluent quality and flow information data will ensure the most up to date and accurate data is used in our own water quality modelling.

We installed event duration monitoring on 91 combined sewer overflows during 2015-16 to provide accurate spill frequency data and a better understanding of their role in the catchment.

River water quality information on the facing page is from Environment Agency data.



## Positive impacts on land

**Outcome:** Responsible management of our own land and neutral or beneficial impacts on other land that is influenced by our activities

### Company commitments

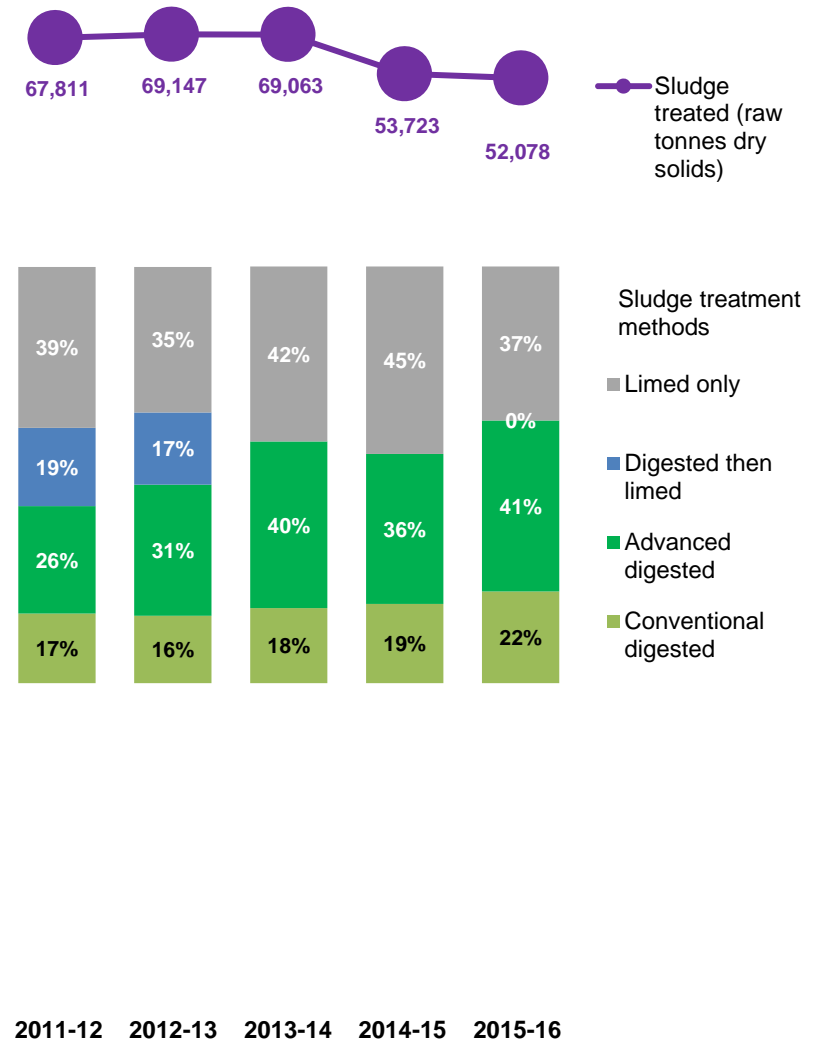
- Satisfactory sludge disposal 2015-16 100% 2019-20 100%
- To understand whether or not CIP2 (Chemical Investigation Programme 2) substances are partitioned into the sludge stream and if so their extent
- Continue to carry out and report on our duties for conservation, access and recreation

A valuable by-product of sewage treatment, we treat sludge to a high standard by adding lime or through anaerobic digestion. This helps to stabilise the sludge, reduce odours and remove pathogens. It is all reused on farmland in line with a code of practice agreed with other sectors with an interest in the food chain, notably supermarkets. We are conscious of emerging concerns related to waste water that could affect sludge reuse in future, including persistent organic compounds and microplastics, and are involved in joint research to understand potential impacts.

More widely, we aim to be responsible stewards of our own land. This encompasses land under tenancy to farmers and other users, redundant sites that require ongoing management, and land that has redevelopment potential. We also have a strong interest in promoting responsible land use, especially where there are benefits for maintaining the integrity of drinking water sources and improving the quality of streams, rivers and coastal waters. Our reservoirs and lakes provide many opportunities for access and recreation in some of the most beautiful surroundings in the West Country, including fishing, walking, waterskiing, sailing and birdwatching. They offer some of the finest and most affordable coarse and trout fishing in the region and we pride ourselves on our facility at Tucking Mill, near Bath, which provides free fishing for anglers with disabilities. We also have specially designed wheelie boats (wheelchair accessible boats) at Sutton Bingham and Clatworthy reservoirs.

**In 2015-16** we began the investigation into the presence of chemicals in sludge from sewage treatment. Sampling for the investigation has begun and full results will be available from the end of 2016. Understanding the concentrations of substances found in sludge will complement the work undertaken on sewage effluent, and allow us to assess the full sewage treatment process in terms of chemical removal.

Our proactive conservation programme is set out in our Biodiversity Action Plan (BAP) and we are making good progress towards our goal of working to halt or reverse biodiversity loss on our land.



## Biodiversity protected and enhanced

**Outcome:** A biodiversity-rich landholding and contributor to the wider region’s biodiversity

**Performance commitments**

	2015-16	2019-20
• Land assessed and managed appropriately for biodiversity	63%*	100%

**Other company commitments**

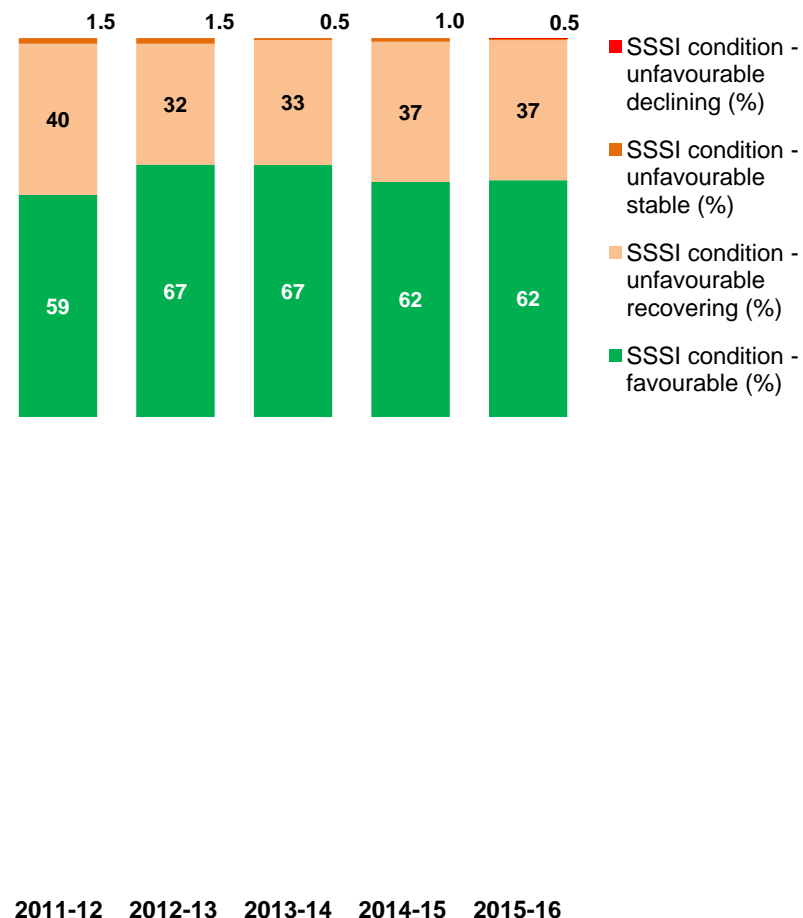
- Maintain Sites of Special Scientific Interest (SSSIs) in favourable/recovering condition as assessed by Natural England 99.5% 95%
- Investment of £80k per year into the Biodiversity Action Plan Partners Programme
- Set in place systems to monitor biodiversity gain and loss
- Develop an assessment tool to understand natural capital value of our landholding

The Wessex Water area is rich in wildlife and has a large number of areas protected by international and national designations. There are also significant areas of important habitat prioritised for preservation under the UK biodiversity action plan. We are duty bound to manage our landholding in accordance with UK wildlife designation and the code of practice on conservation, access and recreation. Some of our own land lies within environmentally sensitive areas, including nearly 300 hectares of land designated as Sites of Special Scientific interest (SSSIs). Our management of these vital habitats exceeded government targets; 99.5% of our SSSIs were assessed by Natural England as being in favourable or unfavourable but recovering status. We have surveyed our key conservation sites extensively over the last five years, making changes to their management, and are on course to meet our performance commitment to assess 100% of our landholding for biodiversity. So far, most of our holdings above 10 hectares have been surveyed, amounting to just over 60% of our land area.

**In 2015-16**, we appointed a part-time conservation, access and recreation officer to help improve these elements of our landholding for the public, and to oversee and co-ordinate projects at some of our largest and most visited sites, and those of greatest importance for wildlife and heritage. To date this has included an assessment and improvement plan for the children’s play area at Sutton Bingham; investigating alternative public rights of way at Tucking Mill reservoir; improvements to the bird hide at Bleadon Levels nature reserve; and evaluating a number of further projects for delivery over the next four years. We also continue to support wildlife projects funded by our Biodiversity Action Plan Partners Programme; the following will be supported up to 2020:

- South Wiltshire Farmland Bird project – Cranborne Chase AONB
- Dorset Wild Rivers – Dorset Wildlife Trust
- Wessex Chalk Streams project – Wiltshire Wildlife Trust
- Coastal and floodplain grazing marsh in the North Somerset Levels – Avon Wildlife Trust.

\*Updated December 2019





## Reduced carbon footprint

**Outcome:** Achieving carbon neutrality in the long term and generating more of our own renewable energy

### Performance commitments

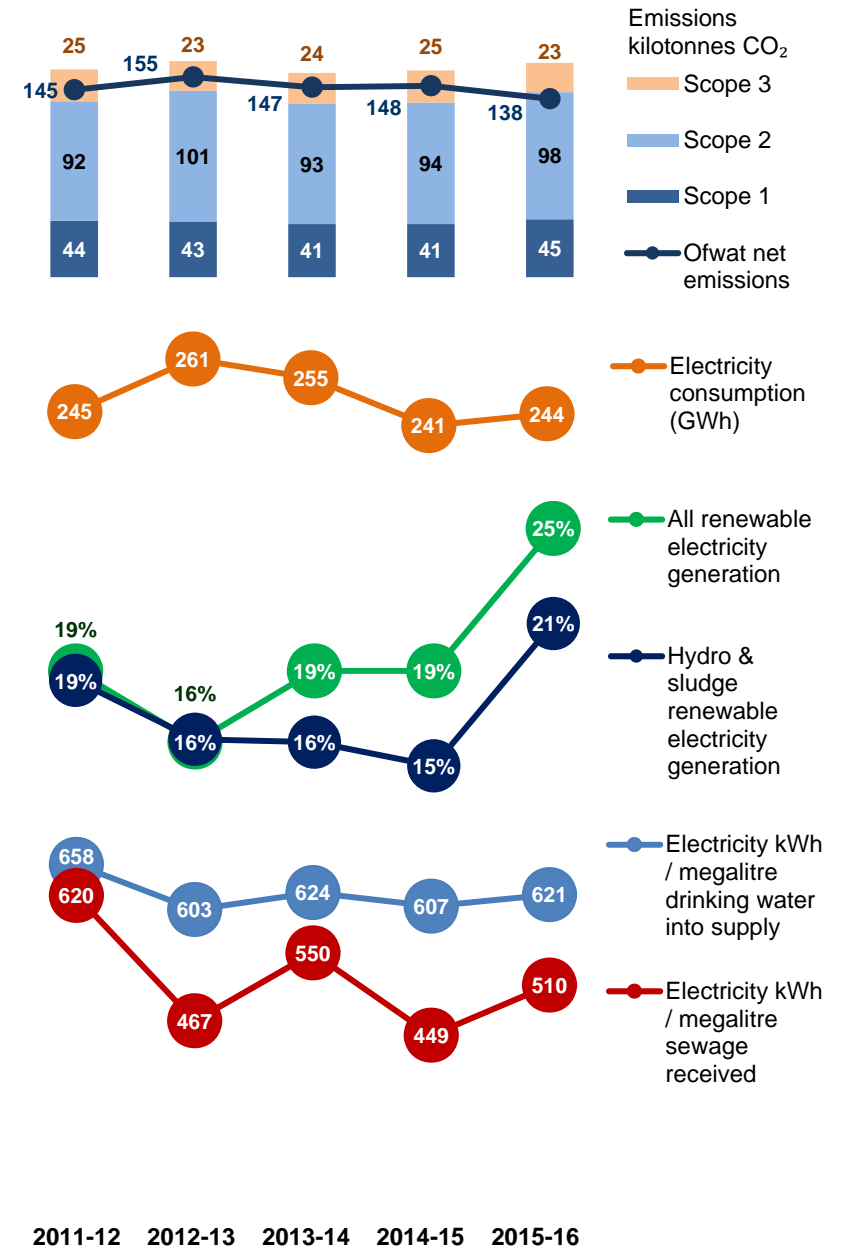
	2015-16	2019-20
• Annual greenhouse gas emissions from operational services (kilotonnes CO <sub>2</sub> e/year)	138	119
• Electricity demand generated from our own renewable sources	25%	24%

### Other company commitments

- Maintain an active energy efficiency programme fully integrated into asset operation and capital investment
- Continued investigation of options to reduce other emissions, including carbon sequestration and off-setting

One of our long-term sustainability goals is to be carbon neutral in our operations. While electricity use increased between 1990 and 2010, mainly due to tighter sewage treatment standards, we have now halted this trend, largely through concerted energy efficiency work. This is supported by detailed consumption information, analysed through our energy data hub, that reveals sites using too much electricity and in turn helps focus corrective measures. We are also generating more renewable electricity and gas from digested sewage and food waste and have increased solar and hydro electricity generation.

In 2015-16 we trialled Open Energi’s dynamic demand system at Ham sewage treatment works; this involves instantaneous, temporary adjustment of the site’s energy use to maintain a balance on the local electricity grid. Water management measures such as leakage reductions and catchment management also help avoid unnecessary energy use. We completed the installation of advanced anaerobic digestion and associated electricity generation at Trowbridge sewage treatment works, which is expected to generate just under 7 gigawatt hours of renewable electricity per annum. We installed a 250 kilowatt solar photovoltaic array on the roof of our Bath operations centre which is forecast to supply around 12% of the building’s annual electricity demand. Our operating division GENeco was a category winner in several awards during the year for schemes such as food waste digestion, gas to grid and the Biobus. These included the Guardian Sustainable Business awards, the UK AD and Biogas Industry awards, the National Recycling awards, the Low Carbon Vehicle Champion awards and the National Sustainable City awards. Our net greenhouse gas emissions fell to 138 kilotonnes carbon dioxide equivalent in 2015-16 – our lowest since 1999-2000. This reflects the combined effect of the work set out above and the lower carbon dioxide intensity of UK grid electricity compared with 2014-15.



## Resource efficiency

**Outcome:** Waste generation minimised, with zero waste to landfill; environmental sustainability embedded within our supply chain

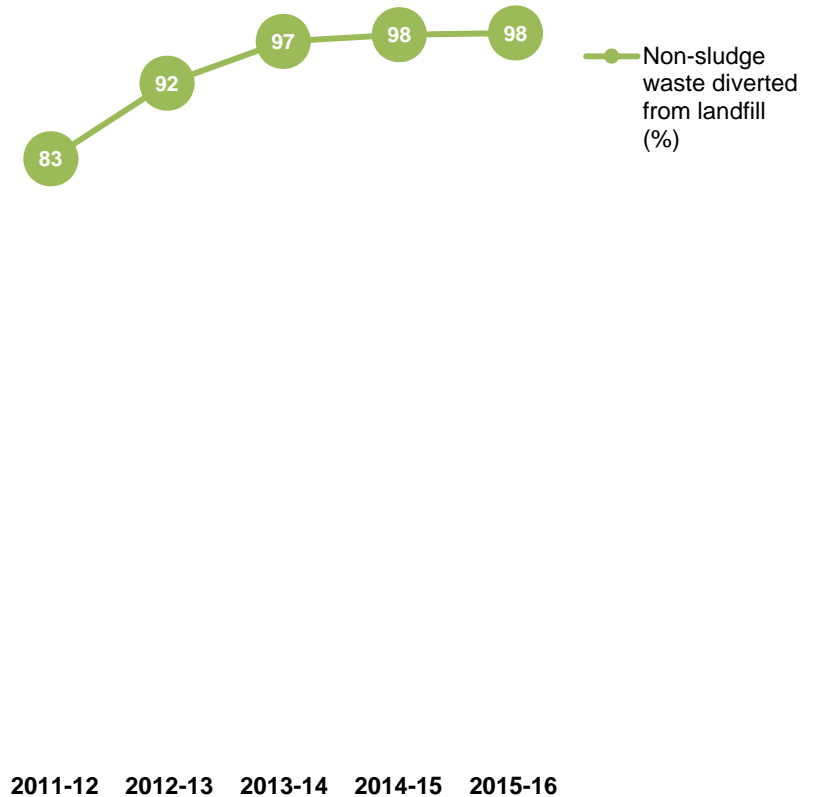
### Company commitments

- |   | 2015-16 | 2019-20 |
|---|---------|---------|
| • Non-sludge waste diverted from landfill   | 98%     | 100%    |
| • Apply minimum sustainability criteria across all supply chain frameworks and develop additional selection criteria as appropriate |         |         |

Whilst we already recycle 100% of sludge to farmland, our business operations also generate other forms of waste. The biggest waste streams include soil and stone from construction projects and grit and screenings from sewage treatment. We have set a challenging target of sending no waste to landfill by 2020 and through concerted efforts are consistently diverting more than 95% of our non-sludge waste from landfill. We are aware of the need to also understand the environmental footprint of our supply chain and positively engage with suppliers and contractors.

**In 2015-16** we achieved over 98% diversion from landfill. The remaining 2% comprises items such as contaminated soil and construction wastes that are difficult to reuse or recycle. One hundred per cent of our office waste is already diverted from landfill.

The performance data is collated from landfill diversion figures by contractors and waste management companies.



## Asset management – environmental aspects

**Outcome:** Sustainability principles and practice integrated into the capital programme; environmental and resource footprints of sites and projects minimised; and operation or promotion of more sustainable alternatives to conventional water management and treatment

### Company commitments

- Improve coverage of issues within appraisal methods
- Continue to work with academia and industry partners to identify and trial alternative, more sustainable, forms of treatment
- Prioritise surface water solutions with separation options over solutions involving increased attenuation or enhancement of capacity
- Develop a catchment resilience plan for the Bristol Avon to identify, assess and, where relevant, promote upstream options

Water industry assets can be highly resource intensive in their construction and operation. By investigating and promoting less conventional options and better understanding the whole life environmental impact of our assets, there is potential to reduce our overall footprint.

**In 2015-16** we carried out trials of new products and technology including:

- waxed hibernation epoxy resin liners which can be used in larger diameter sewers
- manhole sealing in Minehead with polymer modified grouts to prevent saltwater infiltration into sewers
- use of ultrasound to prevent the growth of cyanobacteria in Luxhay reservoir in Somerset
- on-site calibration of water pressure gauges and monitors, reducing the journeys previously involved in bringing them to a single location for recalibration.

Our joint research programme with the University of Bath continued during 2015-16. The main themes are low energy nutrient recovery from sewage; methods for increasing biogas from sewage sludge digesters; emerging pollutants in waste water; and improved techniques for understanding and comparing the whole life costs of water management. The university's Water Innovation Research Centre, formed in 2014-15 with our assistance, appointed a director and a lecturer in water science and engineering. We also host one-year industrial placement students from the university who have assisted with energy management, drinking water compliance monitoring and assessment of techniques to lower phosphorus levels in sewage effluent.

## Safety and well-being

**Outcome:** Staff who are helped and supported in maintaining their physical and psychological well-being, with protection for our workforce and anyone who may be affected by our daily operations.

### Company commitments

- Deliver our health, safety and welfare strategy
- Monitor psychological health and wellbeing trends and proactively support and inform staff to support themselves
- To maintain and improve on staff satisfaction with health and safety in the workplace

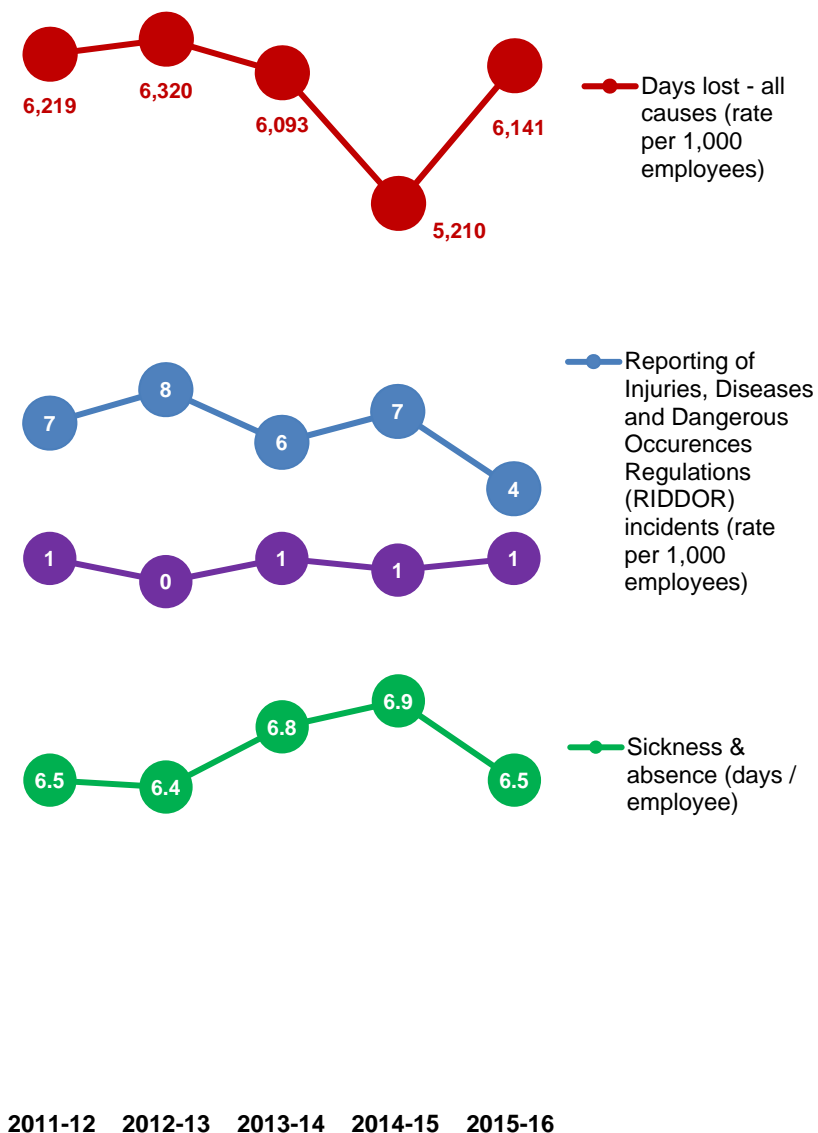
Protecting the health, safety and welfare of our staff, contractors and customers is an established and shared responsibility, that is essential to our reputation as a leading and trusted employer. We continue to develop and embed a strong health, safety and welfare culture in our day-to-day operations - based around Safety, Quality, Time and Cost - that targets zero accidents. This does not mean there won't be another accident, but we aim to work for as long as possible without an injury. We monitor all accidents and incidents reported by employees to evaluate where resources should be allocated to effectively address any problem areas.

In 2015 there was an increase in the number of incidents reported to 461, with 43 lost time incidents. Seven incidents were notifiable to the Health and Safety Executive, but no enforcement action arose as a result. The principal causes of lost time were slips, trips and falls and manual handling. We monitor accident trends and the increase may be the result of our drive to improve overall reporting of incidents. An electronic system has been introduced in operations and led to a considerable improvement in the number and variety of incidents reported. The system is being trialled in engineering and construction to evaluate its uptake and use among field based staff.

There were 381 working days lost through notifiable incidents and two notifiable incidents involving contractors working for us. There were no fatalities or life changing (permanently disabling) injuries and no reportable diseases or dangerous occurrences.

Many of our activities involve manual handling and a back injury reduction programme has recently been completed with staff in the utilities business area which has resulted in a reduction in lost time manual handling accidents. This programme, supported by a chartered physiotherapist, will be extended in 2016 to include staff working in the civils business area.

Sickness and absence data on the facing page is collated from our human resources (HR) management system.



## Fairness, integration, diversity

**Outcome:** Equality, diversity and inclusion in the workplace – everyone being treated with dignity and respect; and the same opportunity to succeed for all current and potential employees

### Company commitments

- Maintain employment law training for managers to keep up to date and compliant with employment law developments
- Identify and review rates of staff satisfaction regarding fair and equal treatment irrespective of protected characteristics
- Publish diversity scorecard externally and deliver diversity action plan
- Improve mix of employment from full time to both part time and flexible working including job share

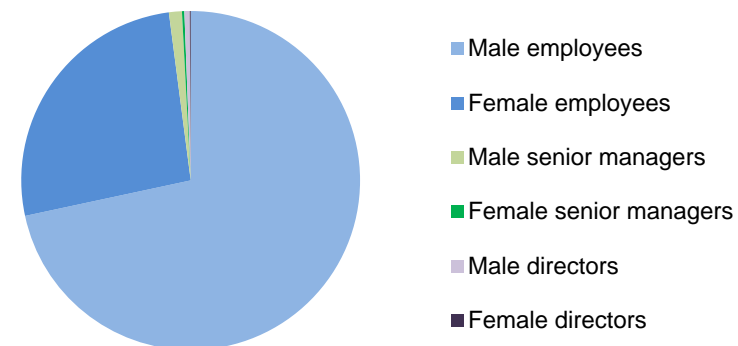
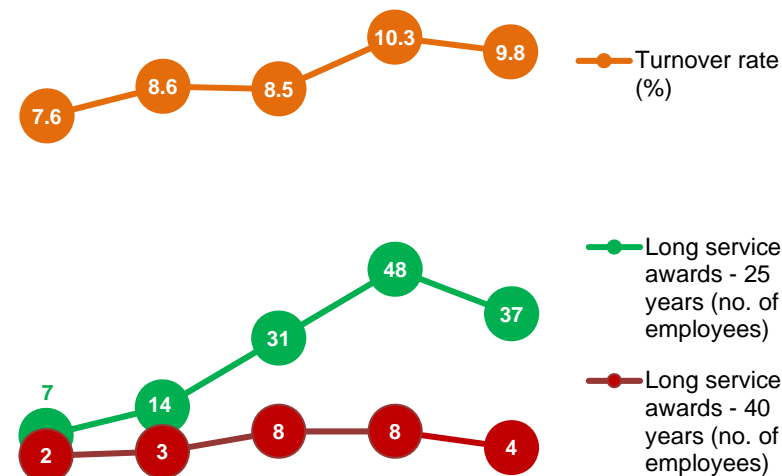
To attract and retain talented and engaged individuals, and successfully adapt to the changing expectations of our workforce and society around us, we must ensure that all our stakeholders see us as a fair, responsible and inclusive employer. We recognise that differences in personal characteristics bring richness to our work environment and believe that attracting, developing and retaining employees who reflect the diversity of our customers is essential to our continued success. We are committed to creating an inclusive workplace for all employees and those who work with the company as suppliers, contractors, consultants or customers.

In 2015-16, promoting diversity and inclusion was again a key focus. We implemented a range of diversity initiatives including the promotion of flexible working policies, the introduction of job share contracts and flexible retirement for those wishing to ease their way into it.

This year, we became a member of the Business Disability Forum and we continue to progress issues for our employees with disabilities.

At the end of March 2016 we had 2144 employees, of whom 477 are women and 1,667 are men. There are 11 directors, of whom eight are men and three are women, and 40 senior managers of whom eight are women and 32 are men.

All data on the facing page is collated from our HR management system.



2011-12 2012-13 2013-14 2014-15 2015-16



## Skills and knowledge

**Outcome:** Staff with the appropriate skills, knowledge and competencies and their potential being realised.

### Company commitments

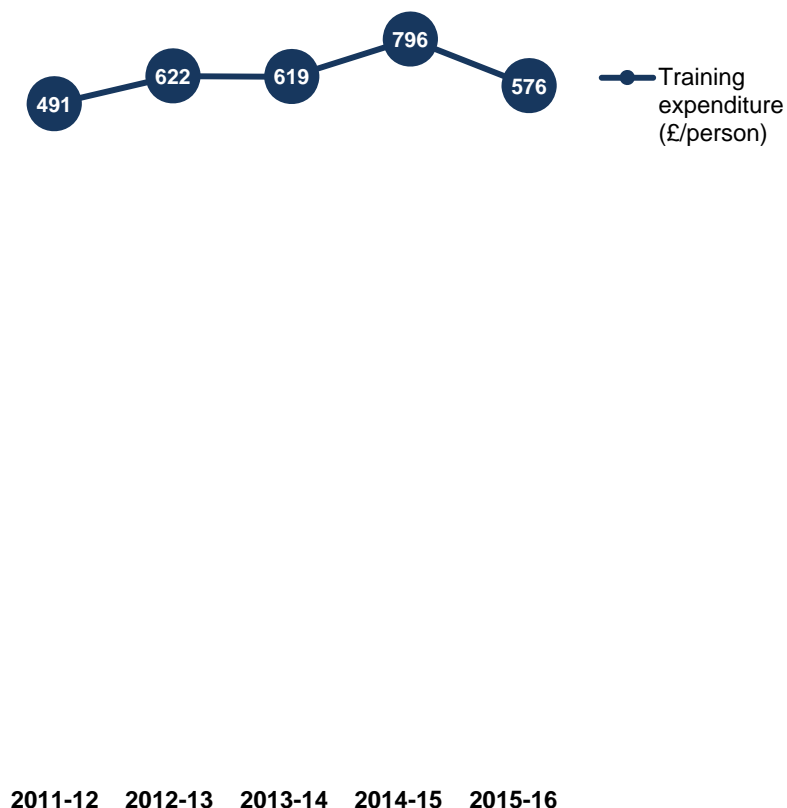
- Continue to offer and deliver staff training needs submitted on an annual basis
- Assess the success of existing staff development schemes and use the findings to improve schemes in place as part of the wider succession plan
- Continue to offer our new Aspiring Leader and other leadership development courses to support employees in developing their careers
- Continue to refine and evolve our succession plan that builds on our talent pool
- Retain 90% of apprentices at the end of their apprenticeship
- Review best practice for internal communication of sustainability and adapt our approach accordingly

We pride ourselves on the standard and level of learning and development opportunities provided to staff to ensure they have the skills they need to perform their jobs to the highest standards. We promote and encourage progression and ensure that all those looking to build a career with us have the opportunity to do so at a level and pace that suits both them and the company.

**In 2015-16** there was a significant expansion in our apprenticeship programmes which ensures that talent is retained, securing our stability. There are currently 41 apprenticeship roles and we will shortly recruit our 100th modern apprentice. Eleven apprentices have graduated from training and secured permanent positions within the business. Current and future management and leadership continues to be a priority and along with our accredited level 5 and level 7 management and leadership programmes, we ran a range of management development schemes aimed at supporting our leaders from new manager to senior management level. We again held two-day development centres for nominated high potential employees, providing them with routes to further their career development. We also developed and piloted a new aspiring leaders development programme aimed at building confidence in potential leaders of the future.

On average we delivered a ratio of 2.5 days' training for each member of staff per year. The majority of our training schemes are health and safety, technical and craft programmes that aim to ensure our people are highly skilled and competent and can keep themselves, their colleagues and our customers safe at all times. We continue to support staff to complete professional development through a range of accredited professional development bodies relevant to our industry. We currently have 30 employees undertaking study to achieve professional qualifications.

Data on the facing page is collated from our internal management accounts system.



## Values and culture

**Outcome:** A company culture that reflects our values and individuals who are fully engaged in the company's work and its aims.

### Company commitments

- A positive shift to employees consistently demonstrating BEST (Behaviours, Excellence, Service, Teamwork) values and behaviours
- See an improving trend on behaviours, values and culture within our staff survey
- Continue to review and promote flexible and new ways of working

All companies have their own culture – the atmosphere at work, the way people behave and the way things are done. The culture of our business shapes the quality of the service we provide, our ability to work successfully with other interests, and the engagement of our own employees. We have a strong, friendly and positive culture and staff enjoy working for the company and with each other.

**In 2015-16** we launched a new employee appraisal scheme which measures both the performance outcomes that have been achieved and the behaviours that have been demonstrated. Behaviours are assessed against our BEST values of behaviours, excellence, service and teamwork in the way we work and behave with each other, our customers and all our stakeholders.

This year's staff survey indicated that our employees are highly engaged, with 83% rating Wessex Water a good place to work.

## Internal dialogue

**Outcome:** Clear communication to and between staff, resulting in a well-informed workforce

### Company commitments

- Ensure company aims and objectives are made available to all staff
- Improve trend in staff survey on staff understanding company aims and objectives
- Regularly update staff through our internal communication channels
- Develop and roll out improved systems for smarter ways of working, with benefits to include increased mobility and accessibility
- Improve participation rates within our staff survey and the number of staff satisfied that action plans will be put in place.

We stand a better chance of achieving our aims if all employees fully understand what we are trying to achieve. There also needs to be good flow of information from employees to the company's senior management team in order to identify issues that need addressing and perceptions of Wessex Water as an employer. Effective internal communication helps ensure that all employees are working collaboratively towards a common goal. It develops a cohesive culture and empowers employees to make the right decisions in line with the company aims and objectives. This in turn leads to greater efficiency and productivity and improves customer service.

**In 2015-16** we launched the BEST aims and values via multiple articles on our intranet, while booklets were given to staff during roadshows and meetings. Following the launch, the BEST aims and values have been incorporated into the annual employee appraisal process, giving each employee the opportunity to show how their performance and behaviours have demonstrated a consistency with BEST.

## Rewards and incentives

**Outcome:** Remuneration that fairly rewards all staff on the basis of their contribution to the business, and help for staff to support themselves in retirement.

### Company commitments

- Continuous review of flexible benefits to ensure we remain competitive with other businesses
- Maintain a strong link between performance, behaviours and total reward at all levels within the business
- Maintain ongoing rewards for employees developing good ideas
- Access for all relevant staff to retirement information to enable them to make the right choices
- Enable effective transitional retirement through flexible retirement options
- Help staff identify which of the company's sustainability objectives are most relevant to their day to day work

We aim for the pay and benefits that we offer to be competitive within our sector and the local marketplace. And also for rewards to drive high levels of performance that help maintain our leading position.

**During 2015-16**, we reviewed our remuneration strategy which is designed to:

- balance reward with affordability, taking into account the performance of the Company
- reward individuals based on results and demonstrated behaviours
- have enough stretch in incentive/bonus plans to drive the right behaviours and reward top performers
- ensure a consistent bonus methodology across all directorates
- ensure poor performance is not rewarded.

We have continued to operate multiple bonus schemes throughout business areas including the energy bonus and Eureka, our employee suggestions scheme that rewards ideas which save money, improve service to customers, reduce risk or improve our working methods in general.

## Investor relations

**Outcome:** To be considered prudent and well-managed by financial interests

### Company commitments

- Achieve upper quartile Ofwat wholesale expenditure allowance at PR14.
- Operate below industry average retail cost to serve
- Run profitable non-regulated businesses
- Maintain dialogue with our financial stakeholders
- Maintenance of an appropriate amount of equity in the business

The company promotes an open and transparent relationship with HM Revenue and Customs (HMRC), engaging in an early dialogue with them when there is any uncertainty as to the correct tax treatment of any significant transaction. It thereby ensures that issues are resolved before tax returns are filled, where possible.

**In 2015-16**, we generated an increased profit from our diverse portfolio of unregulated activities which includes our Searches business, liquid waste treatment, electricity generation from bio-methane and grey water sales. This increase is a result of recent expansion from investments in the food waste treatment facility and bio-methane injection plant.

HMRC are kept informed as to the structure of the business and in the last year the company's low risk status with HMRC has been renewed for a further three years.

Within the regulated business our wholesale expenditure in 2015-16 was below Ofwat's final determination baseline, which represents an independent estimate of upper quartile efficient expenditure.

We were assessed by Ofwat as one of the most efficient retailers at it's PR14 determination. We have built on this efficiency and have reduced total retail operating costs to the level seen in 2013-14, despite an increase in customer numbers and metering during this time.

## Stable finances and risk management

**Outcome:** Stable finances that ensure long-term viability with risks well managed

### Company commitments

- Maintenance and close monitoring of adequate financial and other resources
- Maintenance of a solid investment grade credit rating
- All key risks identified by executives and agreed with the board.

**This year** all key internal targets (profit after corporation tax, operational costs, net capital expenditure, cash flow before dividends and dividends declared) were achieved at year end. The first year of the AMP6 price review period saw a reduction in the profitability of the company with operating profit falling by £14.2m from £248.4m to £234.2m. The reduction in turnover was £19.5m, partly offset by a reduction in operating costs of £5.3m.

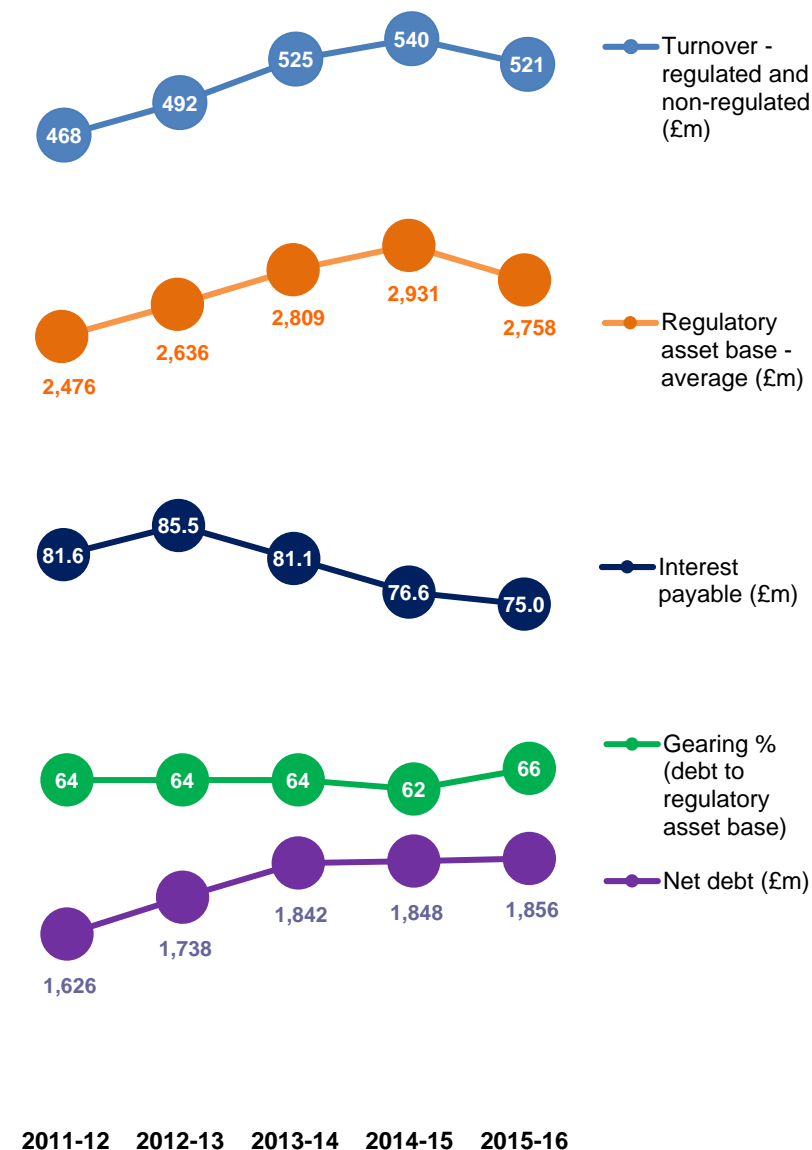
The price reduction imposed by Ofwat at 1 April 2015 was 5.9% offset by November 2014 RPI of 2.0%. Turnover reduced by less than the Ofwat adjustment because of improving economic conditions in the region which helped generate some growth.

Operating costs (excluding depreciation, amortisation and disposal of assets) decreased by £6.6m from £192.2m to £185.6m as savings exceed the general level of inflation. Compared to the previous year there were savings from staff costs, EA charges, bad debts, share option charges and non-tariff basket activities (matched by decreased turnover).

During the year the board has continued to pay particular attention to the projected level of the company's gearing ratio with a view, when declaring dividends, to protect the company's existing credit ratings at all times. The board remains committed to maintaining the company's current level of credit rating.

Customers, regulators and the media have increasing expectations and are less willing than ever to accept failure. The company's policy on risk identification and management is subject to annual review by the board and the status of the principal risks is reviewed by the board twice a year.

The risk environment changes through time as some risks become less likely or less damaging while new ones emerge. The company's processes are designed to respond flexibly to these changes and to ensure that the necessary controls and mitigation measures are put in place. In considering the annual programme of internal audits, the Audit Committee reviews the status of the principal risks and the mitigation measures in place.



## Accountability

**Outcome:** Accountable and transparent operations, policy and strategy, without jeopardising commercial confidentiality

### Company commitments

- Regular stakeholder engagement on and publication of long-term strategy and business plans, plus publication of annual updates on progress
- Consultation on and publication of annual assurance statement and assurance plan covering all stakeholder facing performance metrics. Compliance with UK Corporate Governance Code

Our publication of annual and interim results provides publically available information on performance and activities. Our stakeholder panels – the Wessex Water Partnership and the Catchment Panel - also provide opportunities to review our work and progress against our performance commitments. Alongside, considerable amounts of performance information are routinely communicated to our various regulators.

As part of Ofwat's Company Monitoring Framework methodology we have published details of our information assurance processes, including in November 2015 an information assurance statement, and in April 2016 an information assurance plan. The statement detailed the process that we had undertaken to engage with customers and stakeholders to identify the strengths and weaknesses of the information and data that we provide to them. It described where we and our customers and stakeholders felt that we could improve the content and assurance of this information. The plan provided details of what we are doing in 2016 to make these improvements.

**For 2015-16** the information assurance statement concluded that the formal data we provide in the annual performance report has a high level of assurance because it is subject to well established and independent external financial audit by KPMG and technical audit by Mott McDonald. The Audit Committee receives assurance reports, including where appropriate specific recommendations for improvement, from these external auditors. We have started to prepare the next edition of our strategic direction statement, following the 2012 publication *Water – the way ahead 2020-2040*. This next version will be published in early 2017, and will set out our plans for 2020-2025 and beyond, reflecting our engagement with customers and other stakeholders.

## Governance

**Outcome:** Governance structures and processes complementary to our sustainability goals

### Company commitments

- Any externally published information will be subject to formal internal sign-off procedures appropriate to the content provided
- Ensure continued alignment of stated goals
- Company, directorate, departmental and team targets that align with sustainability goals

Wessex Water is committed to high standards of corporate governance. We are required to conduct our water and sewerage business as if it were the company's sole business as a public limited company. Our licence also requires us to have particular regard to the UK Corporate Governance Code as approved for the purposes of the Listings Rules of the Financial Services Authority. Our performance is regularly reported to the board. We apply strict assurance processes to the information reported. We also take a forward looking view of the market to identify risks and uncertainties that could affect our performance.

The affairs of Wessex Water are ultimately the responsibility of the board, which controls and directs the undertaking of the regulated water and sewerage business, meeting a minimum of six times a year. There are four formal committees (Audit Committee, Remuneration Committee, Nominations Committee and Corporate Responsibility Committee) and the board receives reports from its three liaison panels and a customer panel – the Wessex Water Partnership.

**In 2015-16** we reconfirmed our mission as a company to provide outstanding sustainable water and environmental services. This mission is supported by the four aims set out at the start of this document relating to customers, the environment, employees and investors.

## Adding value

**Outcome:** Stakeholders convinced that the company adds value to society, the environment and the economy

### Company commitments

- Transparent publication of group structure
- Transparent publication of tax arrangements
- Carry out planned investment in our assets and for the water environment and also contribute to local community initiatives
- Annual accounting and reporting of investment in infrastructure and programmes that benefit customers, communities and the environment

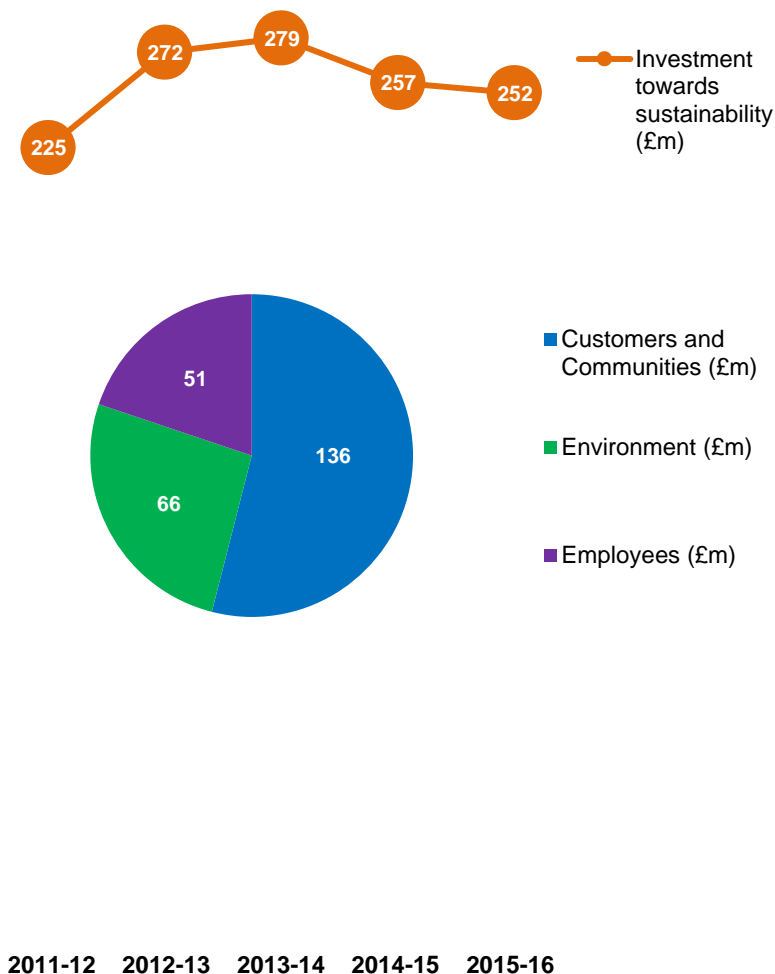
Expenditure made in the last 12 months that benefits our customers, the environment in our region and our employees, while helping our general movement towards being a sustainable business, is shown in the graph.

In each category, mandatory expenditure driven by legislation makes up the majority. Examples include relining water mains to meet drinking water quality standards, capital investment to meet European environmental directives and regulations, standard pay and conditions for employees, and maintenance of our physical assets such as water mains, sewers, pumping stations and treatment works.

Examples of discretionary expenditure include our education service, contributions to community projects in our region, grants to wildlife organisations and training programmes for employees.

**In 2015-16** around £1m is classed as discretionary in each of the customers and communities and environment categories, while around £9m of our expenditure on employees could be classed as discretionary.

The group structure and company tax arrangements are published in the annual report.





## Sustainability accounting: environmental accounts

### Major impacts – the water environment

We make significant investment each year to improve the water environment, addressing issues such as low river flows that can occur during dry weather, nitrates and pesticides found in groundwater, phosphorus in rivers and streams, flooding from the sewerage system and bathing water quality. The pace and location of this investment is influenced by many factors including:

- the extent to which the UK is meeting existing European standards
- ongoing discussion as to what standards are needed to achieve good ecological status in the future
- the emerging science on the prevalence and origin of pollutants
- surveys of the condition of waterbodies (at local, national and international scales)
- the efficacy of treatment technology.

Some environmental impacts remain ‘externalised’; that is, they have not yet been fully addressed through investment or some other intervention. The most material example of this in our sector would be impacts on the quality of rivers, estuaries and coastal waters, where improvements are being implemented over several years to comply with the Water Framework Directive and the Priority Substances Directive.

### Major impacts – greenhouse gas emissions

Emissions are calculated using the most recent guidance from the government for environmental reporting and Ofwat for their key performance indicators. They are split into three categories:

- Scope 1: emissions from on-site activity and our own vehicles
- Scope 2: emissions related to grid electricity generation
- Scope 3: third party emissions associated with Wessex Water’s activities, eg, personal vehicles for business travel, outsourced fuel use and transport, plus emissions related to grid electricity transmission and distribution.

kilotonnes CO <sub>2</sub> e	Scope 1	Scope 2	Scope 3	Total	2014-15
Gas, diesel and other fuels	7	-	4	<b>11</b>	11
Grid electricity	-	98	8	<b>106</b>	107
Transport	10	-	1	<b>11</b>	11
Process emissions	28	-	10*	<b>38</b>	36
Exported renewable (netted off)	-14	-3	-	<b>-18</b>	-5
<b>Total (net emissions)</b>	<b>31</b>	<b>95</b>	<b>23</b>	<b>148</b>	160

\*excluded from the Ofwat KPI calculation.

Carbon dioxide from energy and transport accounts for around three quarters of our total greenhouse gas emissions. The remainder is in the form of process emissions (methane and nitrous oxide) from sewage and sludge treatment. By generating and using our own electricity from sludge digestion and from our nonregulated activities – principally food waste digestion – we avoid the use of additional grid electricity and the carbon dioxide that this entails. We also exported self-generated renewable electricity and biomethane; for carbon accounting purposes the carbon footprint of the conventional energy that these displace is netted off from our gross emissions.

Our net operational emissions for 2015-16 as reported to Ofwat were 138 kilotonnes CO<sub>2</sub> equivalent – a fall of 10 kilotonnes from the previous year.

Some of the process chemicals we use to treat water and sewage have an estimated carbon footprint for their manufacture (but not their transportation); together this amounts to 8ktCO<sub>2</sub> equivalent. We also estimate the whole life carbon footprint of each project in the investment programme when carrying out initial appraisals. This includes the embodied carbon of materials used, the construction process and an estimate of annual carbon dioxide emissions during the operational lifespan of the asset being created.

### **Investment to address environmental impacts**

Our agreed investment programme for 2010-15 included a range of schemes to benefit society and the environment. These were largely driven by European regulation as implemented by Defra, the Environment Agency and Natural England.

The single largest scheme, continuing into the 2015-20 investment period, is the integrated supply grid which will involve investment of more than £200m to address simultaneously a number of customer service and environmental concerns. In December, Ofwat published its final determination on our investment during 2015-20. The programme includes expenditure to reduce the impact of abstraction on rivers at risk of low flows, to reduce nutrient levels in rivers, enhance bathing water quality and improve the condition of our sewerage infrastructure.

Alongside investment in physical assets, we will continue working with others to better manage catchments and surface water, addressing impacts on the water environment at source, and we will carry out extensive environmental investigations that will inform investment during 2020-25.

### **Licences, charges and environmental taxation**

We are subject to numerous licences, taxes and other annual charges that have an environmental basis. These include abstraction licences and

discharge consents paid to the Environment Agency, the Carbon Reduction Commitment Energy Efficiency Scheme, and environmental components of energy bills such as the Renewables Obligation and the Climate Change Levy. Combined, we paid approximately £10.8m for these in 2015-16.

### **Other valuation methods**

Environmental costs can be assessed by calculating the hypothetical investment needed to eliminate an environmental impact, for example, the cost of switching from fossil fuel energy to renewable sources. Typically we assess investment costs for renewable energy generation and emerging carbon abatement technologies on a case-by-case basis.

A further approach is the use of shadow prices, such as the carbon values that form part of the Green Book Supplementary Appraisal Guidance for Valuing Greenhouse Gas Emissions and Energy Use, for use in policy and project appraisal. For our business plan for 2015-20 we also applied transfer values for environmental and social elements (such as traffic disruption, recreational benefits) derived from willingness to pay surveys and previous studies such as the national Benefits Assessment Guidance. The monetary cost of our greenhouse gas emissions using shadow prices, based on guidance from the Department for Energy and Climate Change, would be £0.9m using traded carbon values and £9.2m using nontraded carbon values.

In a few cases there are also market based valuations, such as carbon offsets, which account for the emissions avoided by renewable energy, energy efficiency and carbon storage projects, with prices reflecting varying levels of accreditation. We are also actively investigating the range of prices for activities that reduce contamination of water by nutrients from agriculture.

## Sustainability accounting: sustainability spend

	2015-16 £m	2014-15 £m
<b>CUSTOMERS AND COMMUNITIES</b>		
Mandatory <i>Example: water supply improvements</i>	134	136
Discretionary		
a) -	0	0
b) <i>Example: replacement of customers' supply pipes; education service</i>	1	1
c) <i>Example: charitable donations to community projects</i>	<1	1
<b>ENVIRONMENT</b>		
Mandatory <i>Example: sewage treatment improvements to benefit the water environment</i>	65	62
Discretionary		
a) -	0	0
b) <i>Example: trials of options for more sustainable water resources</i>	1	1
c) <i>Example: conservations grants to wildlife organisations</i>	<1	<1
<b>EMPLOYEES</b>		
Mandatory <i>Example: basic pay and conditions including pension</i>	43	48
Discretionary		
a) <i>Example: enhanced overtime payments</i>	3	3
b) <i>Example: staff training</i>	5	6
c) <i>Example: enhanced maternity leave</i>	0	0
<b>TOTALS</b>		
Customers and communities	136	138
Environment	66	63
Employees	51	57

Mandatory expenditure - governed primarily by legislation or regulation

Discretionary expenditure - optional, with three sub-types:

- a) primary benefit to Wessex Water; secondary benefit to others
- b) equal benefit to Wessex Water and to others
- c) primary benefit to others; secondary benefit to Wessex Water