

Sustainability indicators

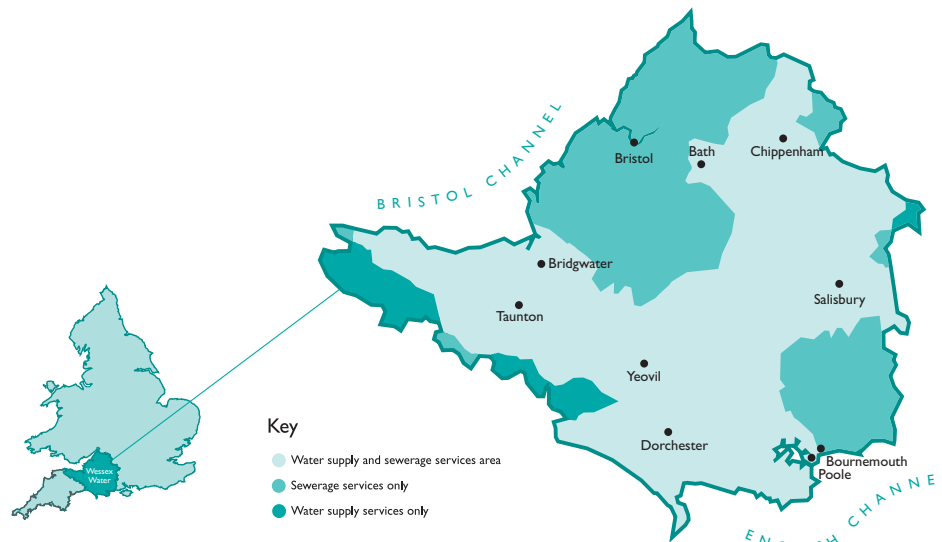
2015

Sustainability indicators 2015

Welcome to the 12th edition of our sustainability indicators booklet. The graphs in this publication are organised according to the five capitals model that guides our sustainability work and provide an at-a-glance view of our performance over the last five years.

This is the sister publication to our annual review which provides information on the progress we have made and the challenges we face.

The Wessex Water region



About Wessex Water

Our mission

Our mission is to be the best water and environmental services company.

Our aims

- To provide customers with excellent affordable services.
- To protect and improve the environment.
- To be a great place to work in which all employees can reach their full potential.
- To give our investors a good return.

Our values

- **Behaviours** – we respect and value everyone’s contribution and always operate with integrity and openness.
- **Excellence** – we aspire to excellence in everything we do.
- **Service** – serving customers is at the heart of our business and we always go the extra mile.
- **Teamwork** – we are one team working together to deliver our mission.

Facts and figures

We supply 1.3 million customers, with 280 million litres of water a day (on average more than a ton of water to every customer weekly).

- We have 209 water sources and water treatment works; 200 booster pumping stations; 300 service reservoirs and water towers; and 7,200 miles (11,600 kilometres) of water mains (which would stretch from our region to Indonesia, Asia).

We take away and treat 470 million litres of sewage from 2.7 million customers every day.

- Our sewerage system includes more than 21,500 miles (34,500 kilometres) of sewers (the equivalent of a return trip from our region to the Great Barrier Reef, Australia); 407 sewage treatment works; and 1,600 pumping stations.



Sustainability indicators 2015

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. Therefore, our approach to sustainability is based around five broad themes:

- **customers and communities** – giving customers the highest standards of service and value for money
- **environment** – protecting and improving the environment and contributing to wider society
- **employees** – providing employees with the opportunity for personal development and a satisfying career
- **infrastructure** – delivering services with stable and sustainable assets
- **finances** – giving our investors a stable return on their investment, commensurate with the risk taken.



2014-15 headlines

- Maintained high levels of customer satisfaction and retained our government Customer Service Excellence award.
- The fewest complaints of any water and sewerage company.
- Used our online customer panels to seek their views on our Wessex Water Promise, free leak repair scheme, sewer misuse and water efficiency.
- Worked with University of Bath on a behaviour change campaign in Salisbury encouraging customers to Be Smart Love Your Loo.
- Made great progress on our affordability action plan leading to a 20% increase in the number of low income customers receiving support with their bills.
- Operating profit increased by £6.9m to £248.4m with the allowed turnover increases exceeding the additional operating costs in the year.
- The cost of debt fell from 4.3% to 4.1% as we maintained a balanced mix of financial instruments, further increasing profit before tax
- £198.4m capital investment – £25m less than last year as we completed the AMP5 programme.
- Gearing, as measured by net debt to regulatory capital value, at 62.4% which is prudent in water sector terms.
- 100% compliance with sewage discharge consents and abstraction licences.
- Lowest number of total pollution incidents.
- Awards for our gas to grid and Bio-Bus projects (Rushlight Awards), for energy demand reduction at Chilton Trinity sewage treatment works and for energy data collection and analysis (The Energy Awards).
- Continuation of Frome and Piddle catchment initiative – a Defra sponsored collaborative project to test the catchment based approach – and the launch of a similar initiative in the Bristol Avon.
- An average of three days' development training for all staff.
- 99% retention rate of apprentices.
- Development of a diversity strategy, three-year action plan and diversity scorecard.
- A revised health, safety and welfare strategy ensuring we deliver continuous improvement and best practice over the next five years.
- Met all our regulatory outputs and met or exceeded all activity targets.
- £198.4m invested to maintain and improve service to our customers and environment.
- Progressed our water supply grid, a key component of our 25-year water resource plan.
- Invested to reduce sewer flooding and worked in partnership with councils to reduce flood risk



Sustainability indicators 2015

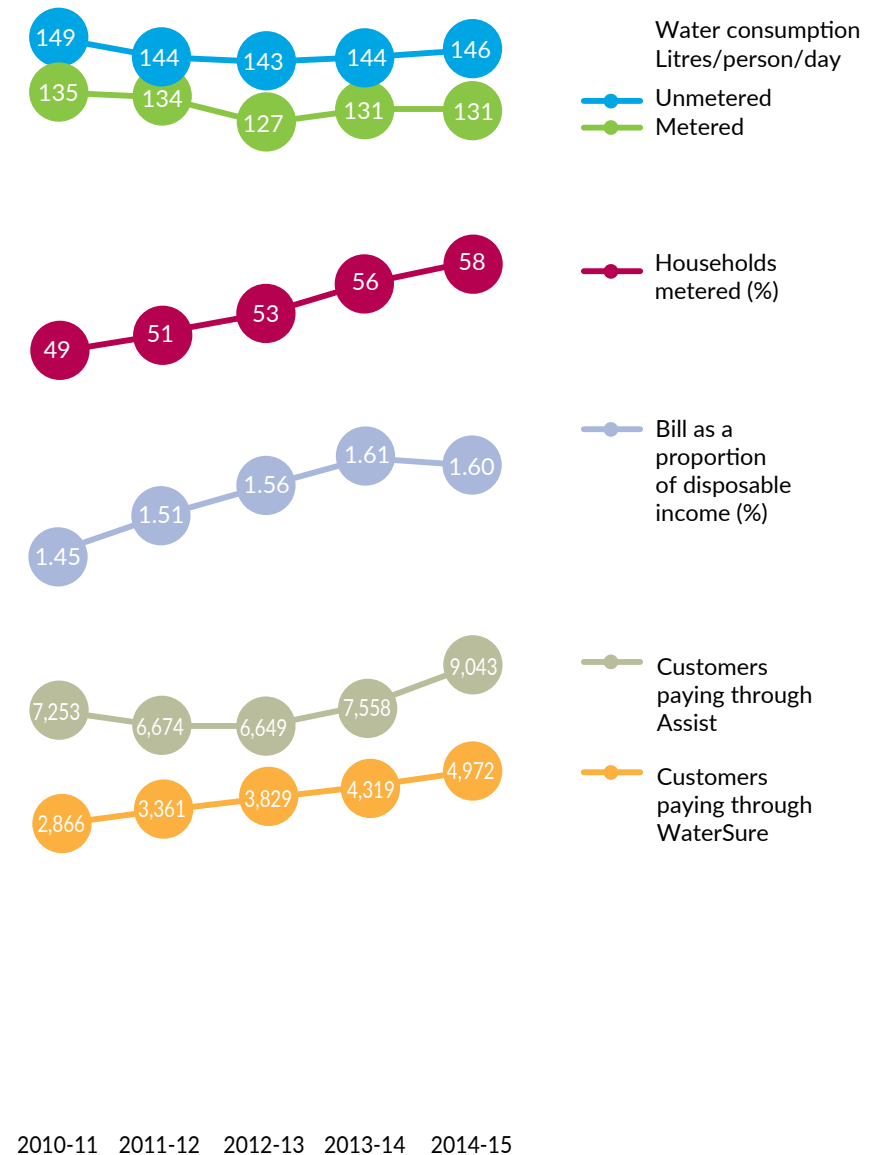
Affordable bills

For the great majority of customers our bills are affordable, representing only 1.6% 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 18,000 customers; some through lower charges, some by relieving past debt and others through practical help to reduce water and energy bills. Working closely with debt advisers we offer each customer a tailored solution to meet their own financial circumstances.

In 2014-15 we also increased our work with organisations that offer telephone and online advice, such as StepChange and National Debtline. Under the guidance of our expert affordability advisory group we have focused on delivering our affordability action plan to raise awareness of our work and increase take-up of our schemes and low rate tariffs. The action plan includes a growing number of partnerships with community based organisations and advice agencies and as a result we have increased uptake of our schemes by 20%. Our Money Matters scheme made awards to five organisations running community based projects to improve financial knowledge and money management involving school age children or teenagers and vulnerable customers.

Since the 1980s water meters have been available as an alternative to household rateable value as a way to calculate customers' water bills. Since 1989 all newly built properties have had water meters fitted as standard but customers without a water meter can also request to have one fitted. Our research has shown 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.





Sustainability indicators 2015

Customer service

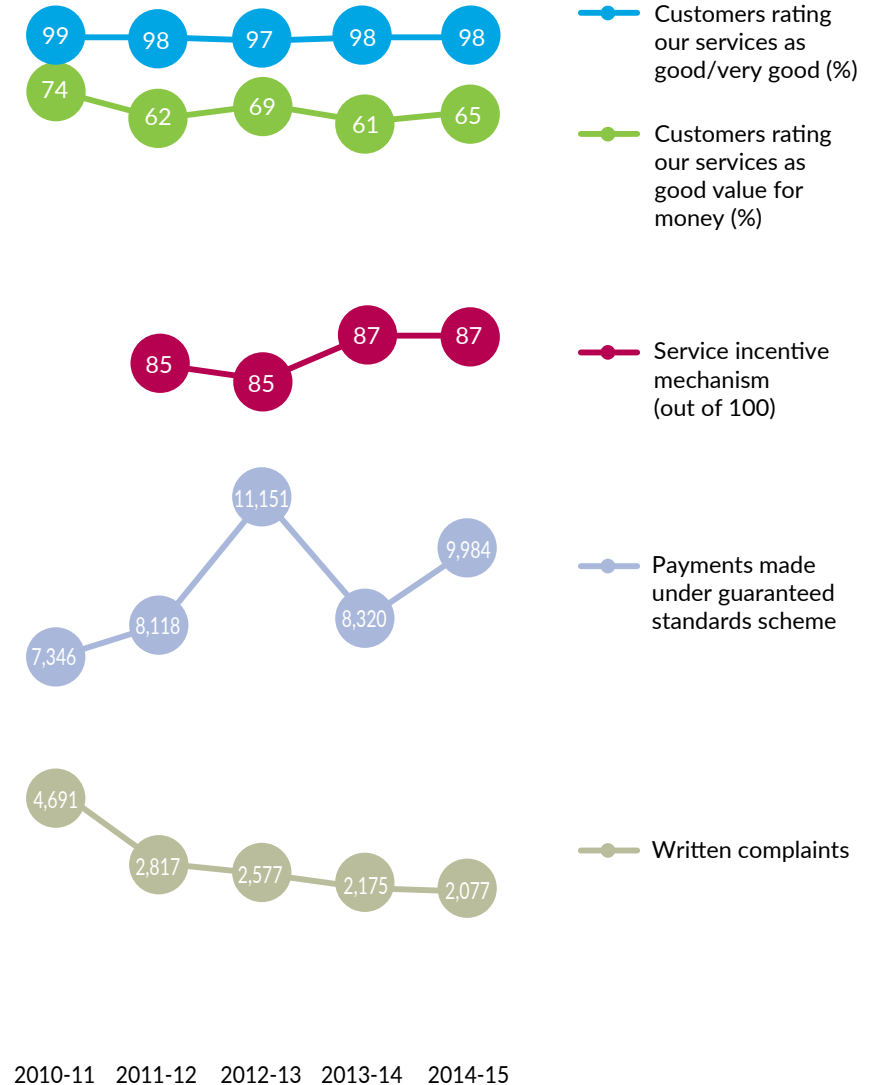
Excellent customer service is fundamental to the success of our business so we put customers at the heart of everything we do. We aim for the highest levels of customer satisfaction, and our staff go the extra mile whenever they can. Last year we were again the top scoring water and sewerage company on Ofwat's service incentive mechanism (SIM), a result supported by our own satisfaction and value for money surveys. We also retained our government Customer Service Excellence award for our approach to customer services.

Alternative communication channels are becoming more and more popular and while we embrace these we do also remain committed to offering choice. So we have retained personal telephone answering, which customers really value, while at the same time expanding self-service opportunities, text messaging and Live Chat. We continue to work even harder to keep customers better informed when we have problems either on our network, such as a burst water main, or when we are fixing a problem at their own home or premises. Text messaging has proved a great way to keep in touch and let customers know what the problem is, what we're doing to resolve it and by when. To complement our Wessex Water Promise we have introduced Simply Thank You, a service enabling us to send bespoke gifts to customers where our service has fallen short of expectations.

We know that customers have a wide range of needs, abilities and personal circumstances and that a customer can become vulnerable at any time. Our commitment to accessible and inclusive services for all is demonstrated in our attainment of the British Standard for Inclusive Services (BS 18477), and the award of the Louder than Words charter mark. Furthermore, our staff have worked with Wiltshire Mind on mental health awareness training and with the Money Advice Trust on how best to spot signs of financial difficulty.

Complaints fell again, this year by 5%; we resolved more complaints first time and there was a reduction of 5% in escalated complaints. Also, we continue to have the best overall package of customer guarantees in the industry.

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.





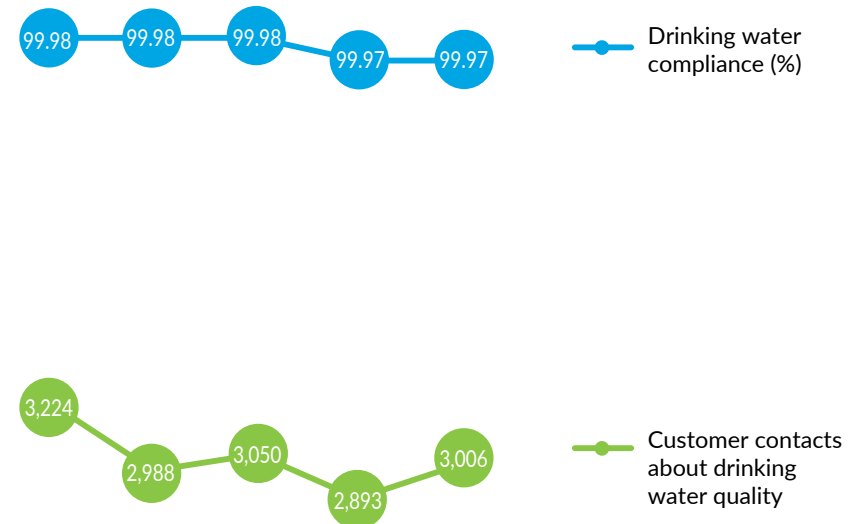
Sustainability indicators 2015

Drinking water quality

Compliance with drinking water quality standards continues to be very high. Our overall performance in 2014 was 99.97% – the same as in 2013 and achieved despite the tightening of the standard for lead that took effect at the end of 2013. Compliance has not fallen below 99.95% for the last 10 years. We successfully completed mains rehabilitation work in Taunton during the year, resulting in significant improvements to local water quality. And we commissioned a multi-million pound refurbishment of Sutton Bingham water treatment works, which supplies Yeovil and the surrounding areas.

Throughout 2014 customer contacts about water quality were in line with expectations with similar numbers received as previous years. Further reductions in the number of contacts we receive from our customers will be achieved through ongoing investment in our distribution system and improved ways of keeping customers informed.

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. Following two very wet winters in 2012-13 and 2013-14 the last winter was a lot drier. This meant that we did not see the peak levels of nitrate in the water sources that we had seen during the wetter winters of previous years. Our work to control the level of pesticides, and metaldehyde in particular, continues to be 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 AMP6 the catchment work will be expanded to a further six nitrate sites and an additional two sites for pesticides. We will also be working with farmers in the catchments of our reservoirs to reduce the nutrient (nitrogen and phosphorous) load entering the reservoir. These nutrients encourage the growth of algae which make the water much more difficult to treat.



2010-11 2011-12 2012-13 2013-14 2014-15

Resilience

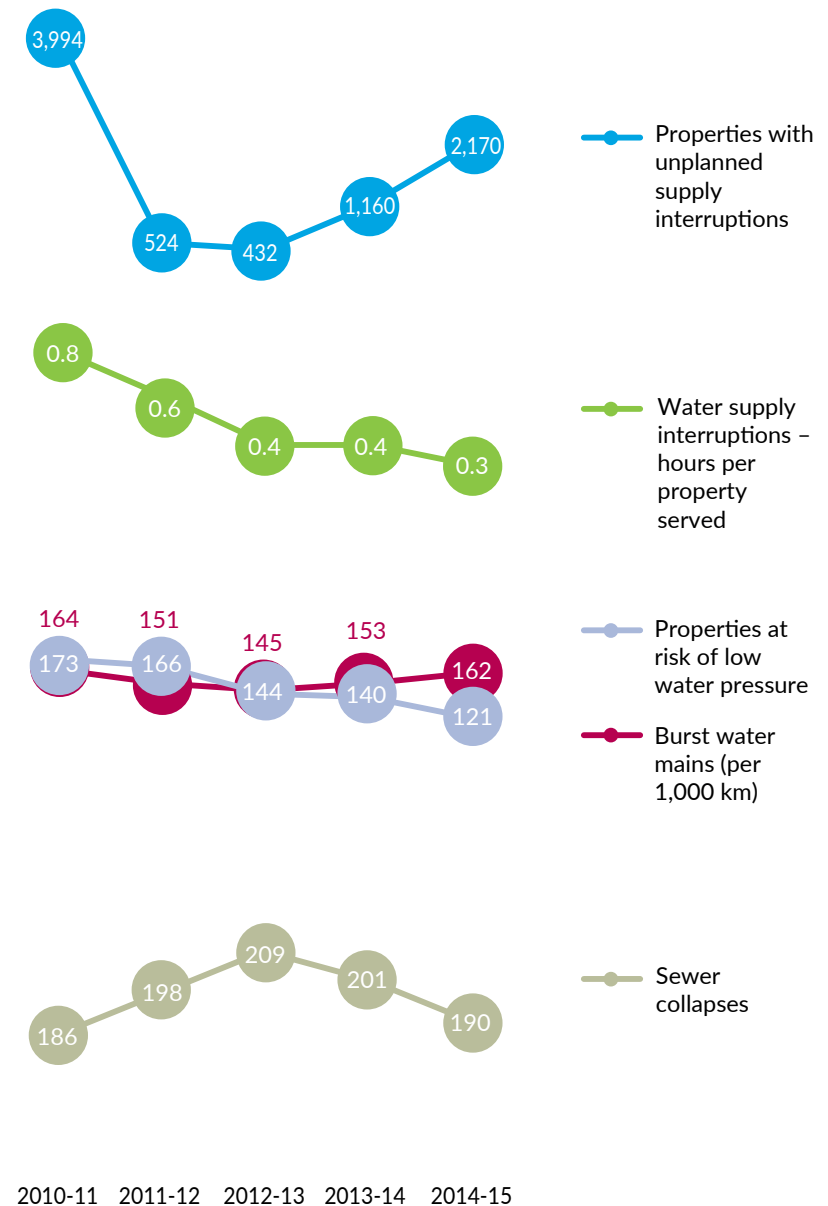
Water companies are duty bound to meet the public's reasonable needs for water and we need to ensure we have access to sufficient water resources to meet current and future demands. Targeted investment and careful resource management mean we have not had a hosepipe ban since 1976. Over the last five years we have also consistently achieved the top security of supply score of 100, rating us as having no current difficulties.

Construction of our regional water supply grid is well underway, including three new service reservoirs in Dorset; pipe laying in the Wylde valley, near Shaftesbury and at Blandford; and the building of two pumping stations. The overall project is due to be completed by 2018.

Unplanned interruptions to supply are inherently unpredictable and their occurrence depends on various circumstances. The increasing trend of unplanned interruptions lasting more than six hours is a result of a number of difficult incidents, including a burst main at Dunster which caused the failure of a second main and an air lock at Burbage. Only eight events accounted for 81% of the properties affected by unplanned supply interruptions in 2014-15.

The number of properties at risk of low water pressure continues to fall, as a result of capital investment that has followed proactive hydraulic modeling of the network. In most cases, problems are resolved by separating and replacing and/or enlarging the company communication pipe to remove any restrictions. In some cases, operational improvements are made alongside.

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.

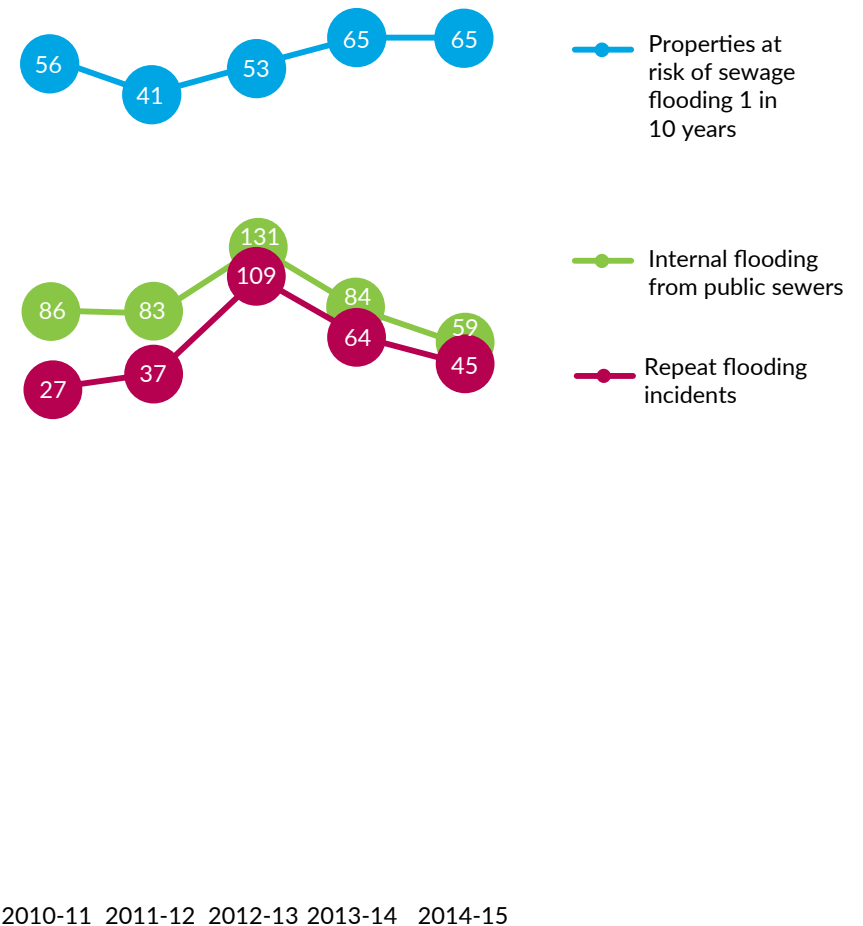


Sewer flooding

Sewage flooding is caused when sewers become overloaded as a result of severe weather, equipment failure, blockages or sewer collapses. Sewage flooding is taken very seriously and we continue to work to reduce the number of properties at risk of sewer flooding. This includes more frequent sewer jetting, pumping station improvements and new storm tanks.

Last winter saw typical levels of rainfall which provided a respite from the two wettest winters of 2013 and 2014. We have produced emergency plans so that in future we are better prepared to deal with emergency flooding conditions caused by groundwater inundation.

Although we are delivering a prioritised programme of infiltration reduction at catchments that have suffered, many of the problems can only be resolved through a partnership approach with other flood risk management authorities, such as local authorities and the Environment Agency (EA). Work continues with unitary and local councils in developing surface water management plans and flood management strategies. This includes a scheme in Weston-super-Mare where we worked with North Somerset Council and the EA on the construction of a 'super pond' to make space for flood water. We have invested more than £9m to reduce the probability of flooding at 129 properties and external areas in the past year. Our £40m AMP5 flooding programme successfully achieved our regulatory commitment of removing more than 527 properties and areas from the flooding risk.



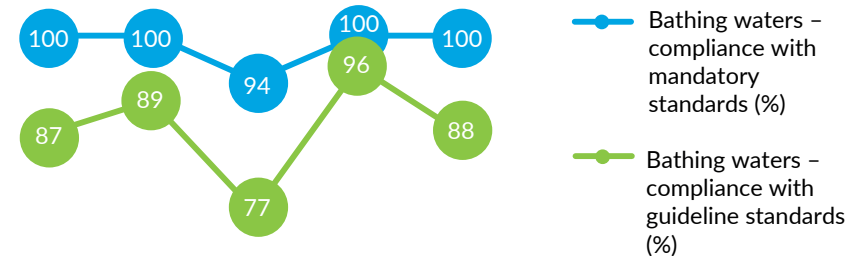
Bathing water compliance

There are a number of factors that affect bathing water quality. Rainfall events as well as industrial and agricultural influences can result in lower water quality at beaches. However, we have been working hard to understand and reduce our impacts by improving both sewage treatment work discharges and intermittent discharges such as combined sewer overflows.

Once again all bathing waters in our region passed the EU's mandatory compliance standard.

The revised Bathing Water Directive takes effect in 2015 and means that our Coastwatch spill notifications to councils and beach managers are of increasing importance for compliance. We have worked with the EA and others to identify sites that will need further improvement between 2015 and 2020. Planned work includes sewer improvements in Bridgwater and ultraviolet disinfection of storm spills at Highbridge, both of which will improve water quality at Burnham-on-Sea.

We have approached the EA to explore the potential for cost and carbon saving by switching off ultraviolet plants at certain sewage treatment works during the winter – sites where treatment has been provided purely to achieve bathing water compliance but the bathing waters are not used. If the agency agrees in principle, we will first need to prove minimal use outside the bathing season by surveying the relevant beaches – this is planned for winter 2015-16. In February 2015 we launched a consultation to collect the views of a wide range of interested parties. We are targeting bathing waters on our north coast, eg, Minehead and Berrow.



2010-11 2011-12 2012-13 2013-14 2014-15

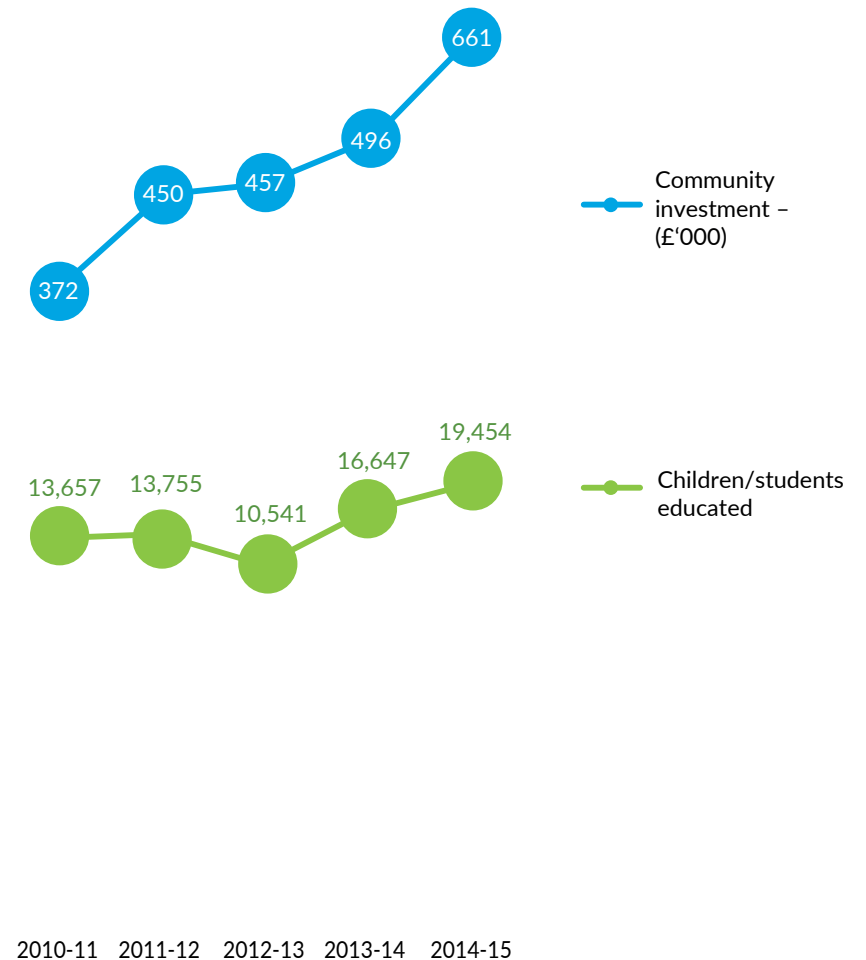


Sustainability indicators 2015

Community investment and education

We support many charities working in our region. Through our Watermark scheme, which is in its 21st year, we make a number of donations to various individuals and groups working on environmental projects. Organisations that have benefited include the Butterfly Conservation's Munching Caterpillar education project.

We have an extensive free education service for schools, colleges and community groups including three education advisers who deliver lessons from key stage 1 to A-level. These cover the water cycle, environmental topics, water saving and our water and sewerage operations. Last year more than 19,000 children benefited from this service that gives schools access to nine of our education centres across our region.



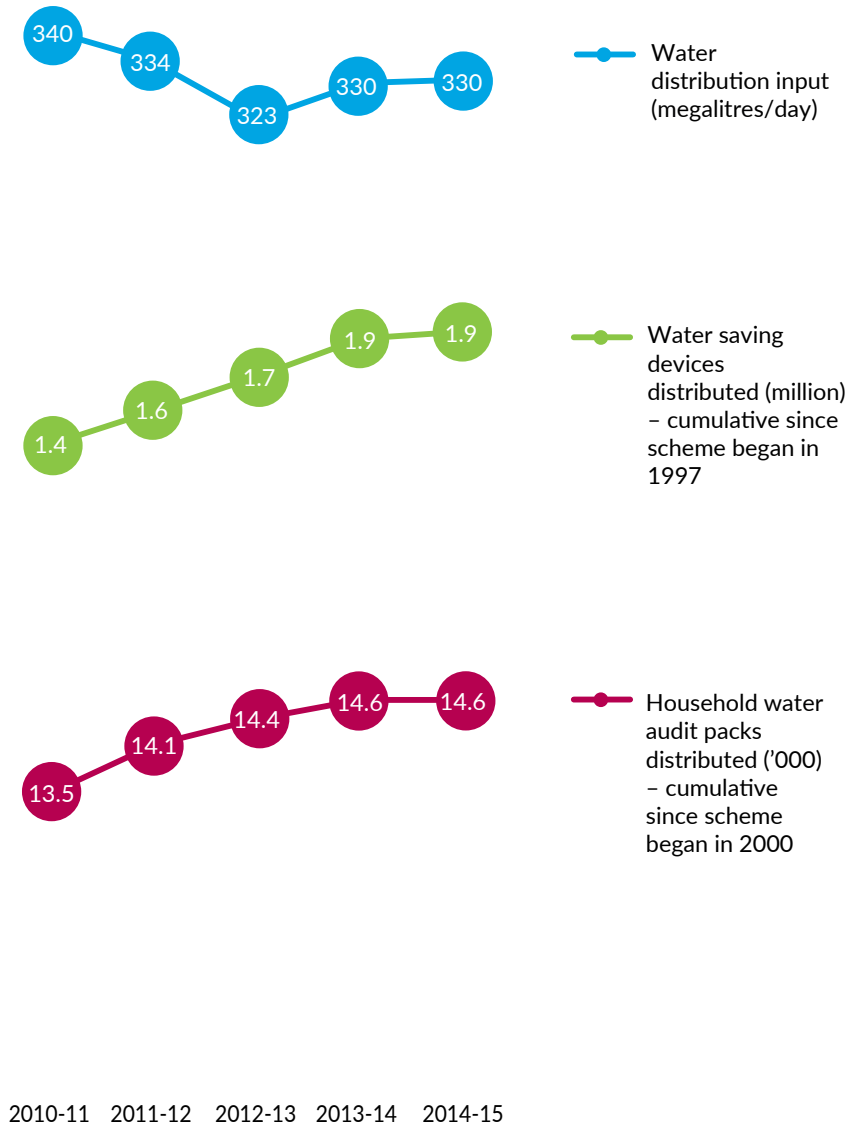
Rivers, lakes and estuaries – water supply

The water we put into supply comes from boreholes, springs, rivers and reservoirs across our region, with most coming from groundwater. In 2014-15, we abstracted around 6% of our region's effective rainfall – the difference between total rainfall and evapotranspiration. The amount taken is controlled by the Environment Agency through daily and annual abstraction licences; our compliance with abstraction licences has remained above 99.9% for the last five years. The volume of water into supply is near the lowest it has been for 30 years.

Our water resources management plan describes how we will balance water supplies with water demands while protecting the environment for the next 25 years. We propose the installation of meters when properties change ownership and to enhance our water efficiency services – both measures will help drive demand and abstraction down and reduce leakage.

We help customers of all ages to conserve water and with their assistance we have continued to reduce leakage. We offer free water saving devices through our online shop and a free water home check service and include information in our customer magazine and a range of other leaflets.

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 the indicators in our business plan for 2015-20 is the volume of water exported from the Mere source to settlements outside the local area, rather than to towns and villages nearby. During 2014-15, we exported 88MI which is well within target of 100MI per year by 2020, and considerably less than the historical average of 447MI per year.





Sustainability indicators 2015

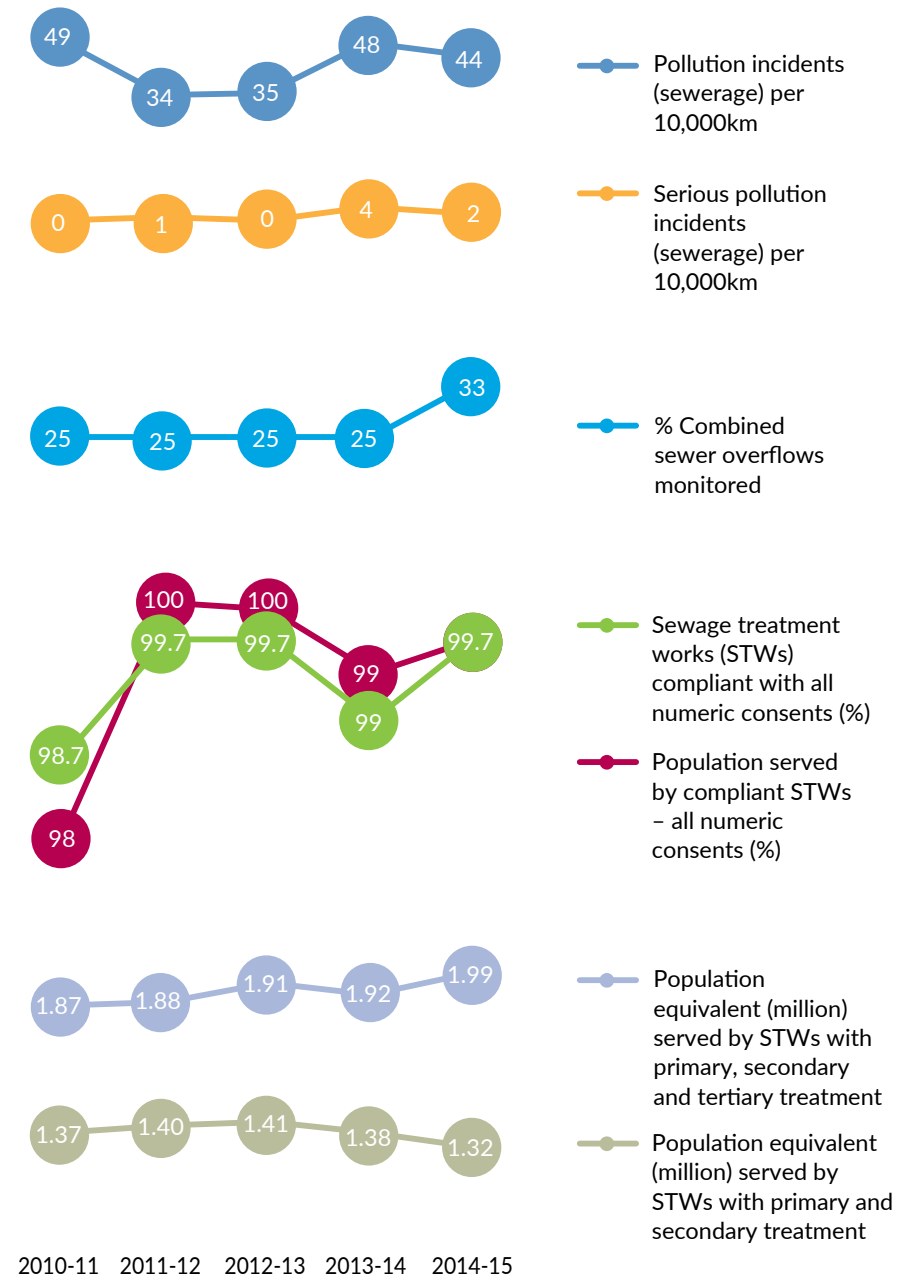
Rivers, lakes and estuaries – sewerage and sewage treatment

Our waste water assets are carefully managed with regard to their impacts on the water environment.

This includes intermittent discharges – points in the sewerage network where sewage can occasionally enter a watercourse, usually due to heavy rainfall that fills the sewer. We are continually working to reduce the frequency of spills, or improve the quality of the discharges. Improvements include screens to stop debris entering the watercourse, raising the height of overflows, upgrading pumping stations and sewers or adding storage tanks. We also continue to raise awareness of the causes behind sewer blockages and are encouraging people not to flush items such as wet wipes down the toilet. Last year alone we dealt with 13,000 blockages which cost £5m to clear. Our Be Smart Love Your Loo campaign aims to raise awareness of this issue and asks customers to do their bit to prevent blockages. We worked with the University of Bath on a behaviour change campaign in Salisbury to encourage customers not to flush wet wipes.

The sewage we treat receives at least two stages of treatment. Primary settlement is followed by secondary treatment where bacteria break down organic matter in the presence of oxygen. Tertiary treatment involves additional purification processes, such as ultraviolet light disinfection, phosphorus removal or reed beds. In these ways we remove around 95% of the organic matter received in sewage.

The level of treatment that sewage receives is driven by European legislation such as the Urban Waste Water Treatment Directive and the Bathing Water Directive, which are designed to improve the quality of rivers and coastal waters. To help ensure compliance with these directives, the Environment Agency issues discharge permits that define the standards that a sewage treatment works has to achieve. The permits typically include concentration limits for factors such as biochemical oxygen demand, suspended solids and ammonia. We also issue permits to industry and commercial premises who dispose waste water above a certain volume and strength to the sewer. Traders' compliance with their permits has averaged 95% in the last five years.



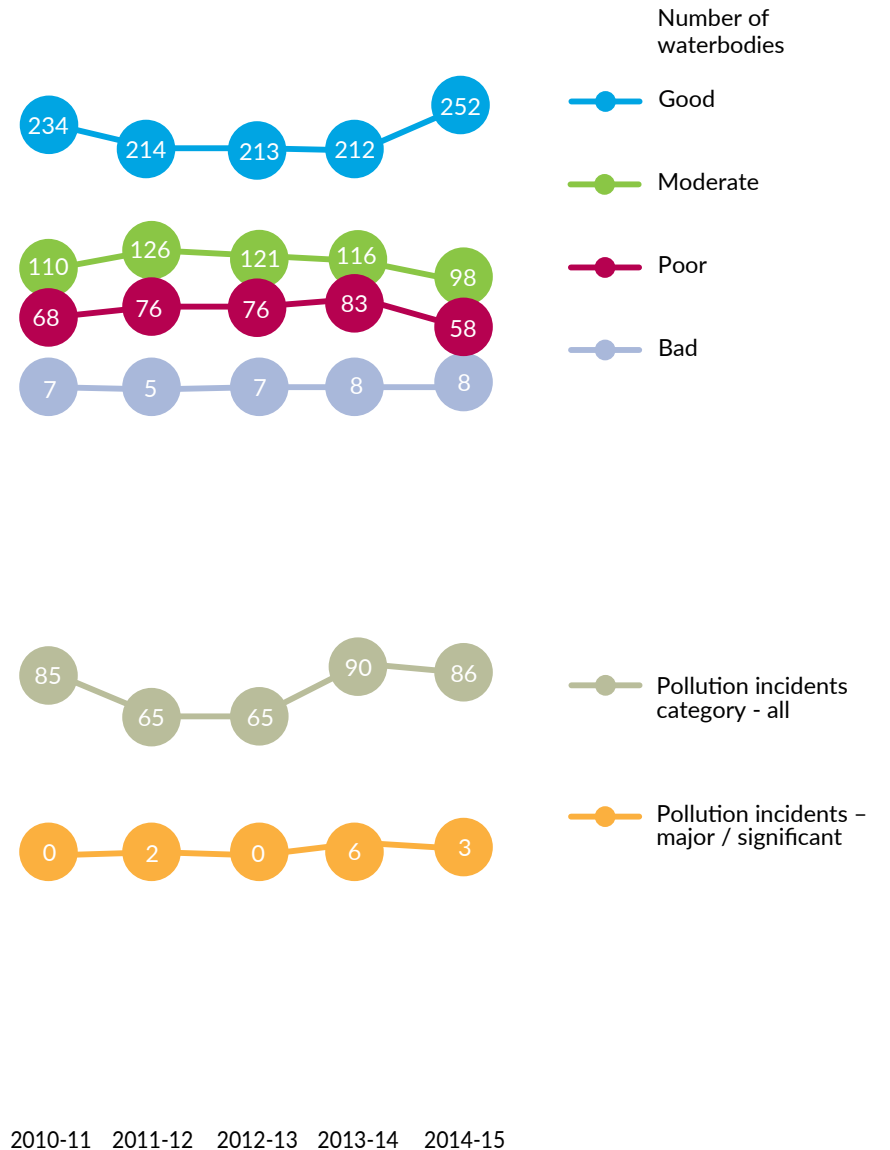
Rivers, lakes and estuaries – condition

The Water Framework Directive (WFD) aims to achieve good ecological and chemical status in all waterbodies including rivers, groundwater, lakes and estuaries. It has a significant influence on our investment to improve the water environment.

Actions required in our region to meet WFD objectives are set out in River Basin Management Plans (RBMP). These plans may include actions for water companies, eg, reducing nutrient loads to rivers by installing additional treatment (such as phosphorus removal plants). Rivers, estuaries, lakes and aquifers are sub-divided into smaller management units known as waterbodies. The status of each is assessed by the Environment Agency to track progress towards meeting WFD goals. The graph shows the condition of river waterbodies in our region, this reflects all factors affecting water quality, rather than just Wessex Water's impacts or improvements.

Our contribution to meeting WFD goals in 2014-15 included:

- within our ongoing catchment management work, data gathering and provision of advice in order to reduce nitrogen leaching and pesticide runoff into watercourses
- co-ordination of partnerships in Dorset and the Bristol Avon that are developing catchment plans and delivering river improvement work
- working with wildlife organisations through the Dorset Wild Rivers and Wessex Chalk Streams projects to carry out river restoration and improvements.





Sustainability indicators 2015

Sludge and waste management

Sludge is a valuable by-product of sewage treatment. We treat it to a high standard through anaerobic digestion or by adding lime. This helps to stabilise the sludge, reduce odours and remove pathogens so that it is suitable for recycling to farmland. Land reuse is carried out under strict regulations, with which we consistently achieve 100% compliance.

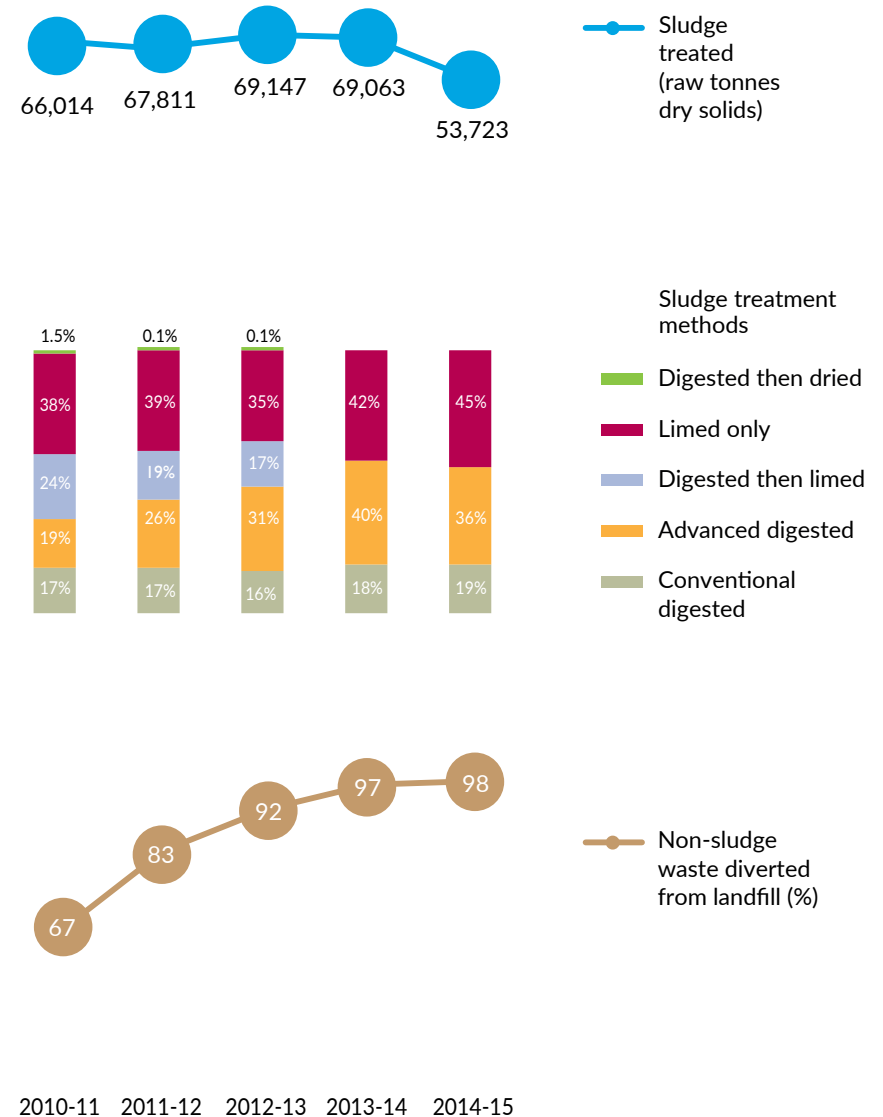
As well as containing nutrients, the calorific value of sludge means it can be used in energy generation. Anaerobic digestion involves bacteria converting organic matter in sludge into biogas, which can be used to generate renewable electricity, to power vehicles or as a substitute for natural gas.

Our investment in more advanced digesters is increasing the volume of biogas we are producing.

Currently, around 55% of the sludge we treat is digested; this proportion will increase as we make improvements to digestion sites and reduce lime treatment.

While 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; concerted efforts to improve our waste management processes mean we are now consistently diverting more than 95% of our non-sludge waste from landfill. This includes waste produced by contractors working on our construction projects.





Sustainability indicators 2015

Energy and vehicle fuel

The water industry is energy intensive. One cubic metre of water weighs one metric tonne, so simply moving water and sewage and treating it to high standards takes a lot of energy. Of our operations, sewage treatment uses the most energy overall. This is partly because the volumes of sewage we treat are much greater than drinking water, but is also due to the energy required by the treatment processes needed to meet today's end-of-pipe standards.

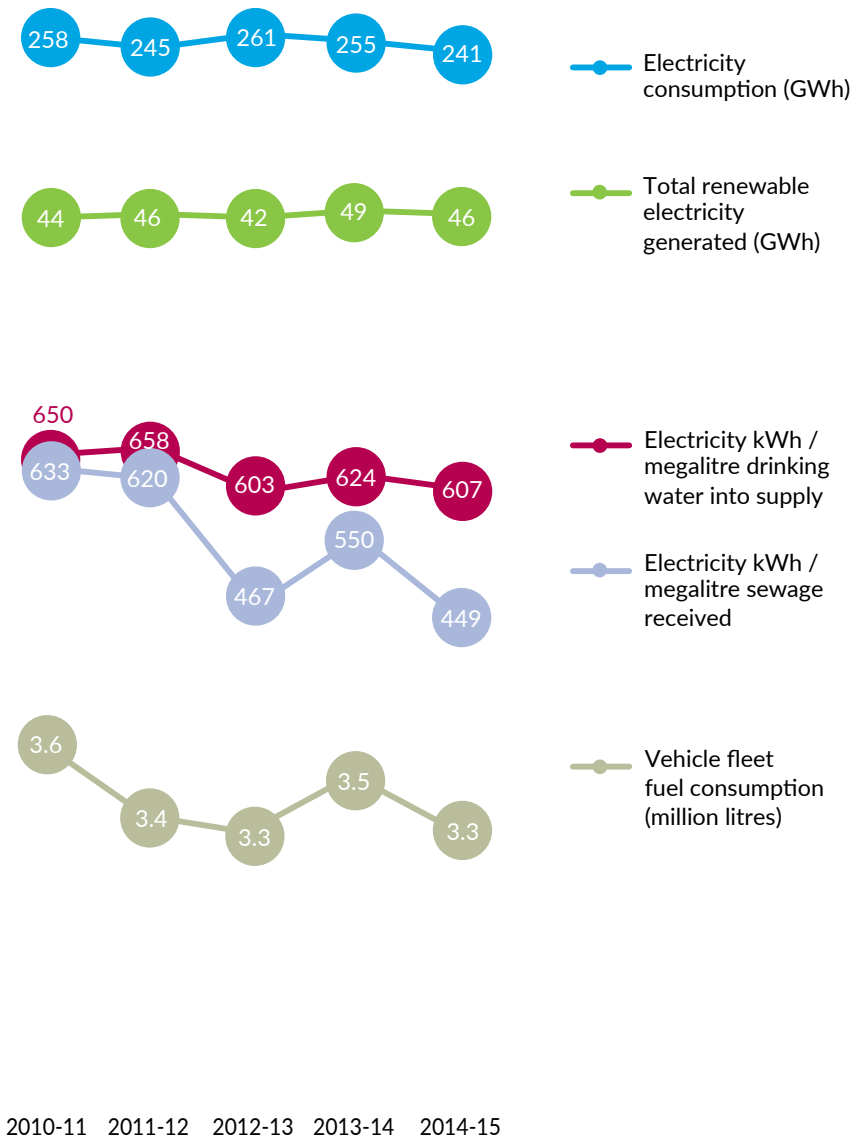
Through our energy management group we continue to work on improving energy efficiency and identifying unnecessary power use. Much of this work involved close investigation of electricity consumption data to pinpoint sites using more power than we would expect, allowing focused maintenance and improvements to be carried out. Our energy hub initiative received an award at The Energy Awards 2014 for its success in gathering data from 2,500 sites and providing clear and accurate energy use information to managers and operators alike.

Our energy use is also closely linked to the weather. Dry conditions such as those experienced in 2011-12 result in less use of energy for pumping, while the very wet weather of 2012-13 and winter 2013-14 saw the opposite, with a lot of additional pumping needed to maintain a good sewerage service to our customers. With rainfall close to the long-term average during 2014-15, the benefits of our energy efficiency work have been more evident, rather than being cancelled out by adverse weather conditions as in previous years.

We installed a 50kW solar photovoltaic array on the roof of our refurbished water treatment works at Sutton Bingham in Somerset. We also completed a facility for exporting biomethane from Bristol sewage treatment works, operated by our subsidiary business GENeco, to the local gas grid.

The exported biomethane, produced from the biogas that originates in anaerobic digesters at the site, equates to the gas use of 8,300 homes. The biomethane is also being used to power a bus being operated by First Group in Bristol that is capable of running for 300km on a single full tank.

Our vehicle fleet varies in size from company cars and small vans to sludge tankers, with the vast majority diesel powered.





Sustainability indicators 2015

Greenhouse gas emissions

The main greenhouse gases that we emit are carbon dioxide (from energy and transport), plus nitrous oxide and methane (from sewage treatment and sludge reuse). For reporting purposes, they are categorised as follows:

Scope 1 – emissions produced directly from activities on our sites (eg, on-site fuel use)

Scope 2 – emissions relating to generation of grid electricity

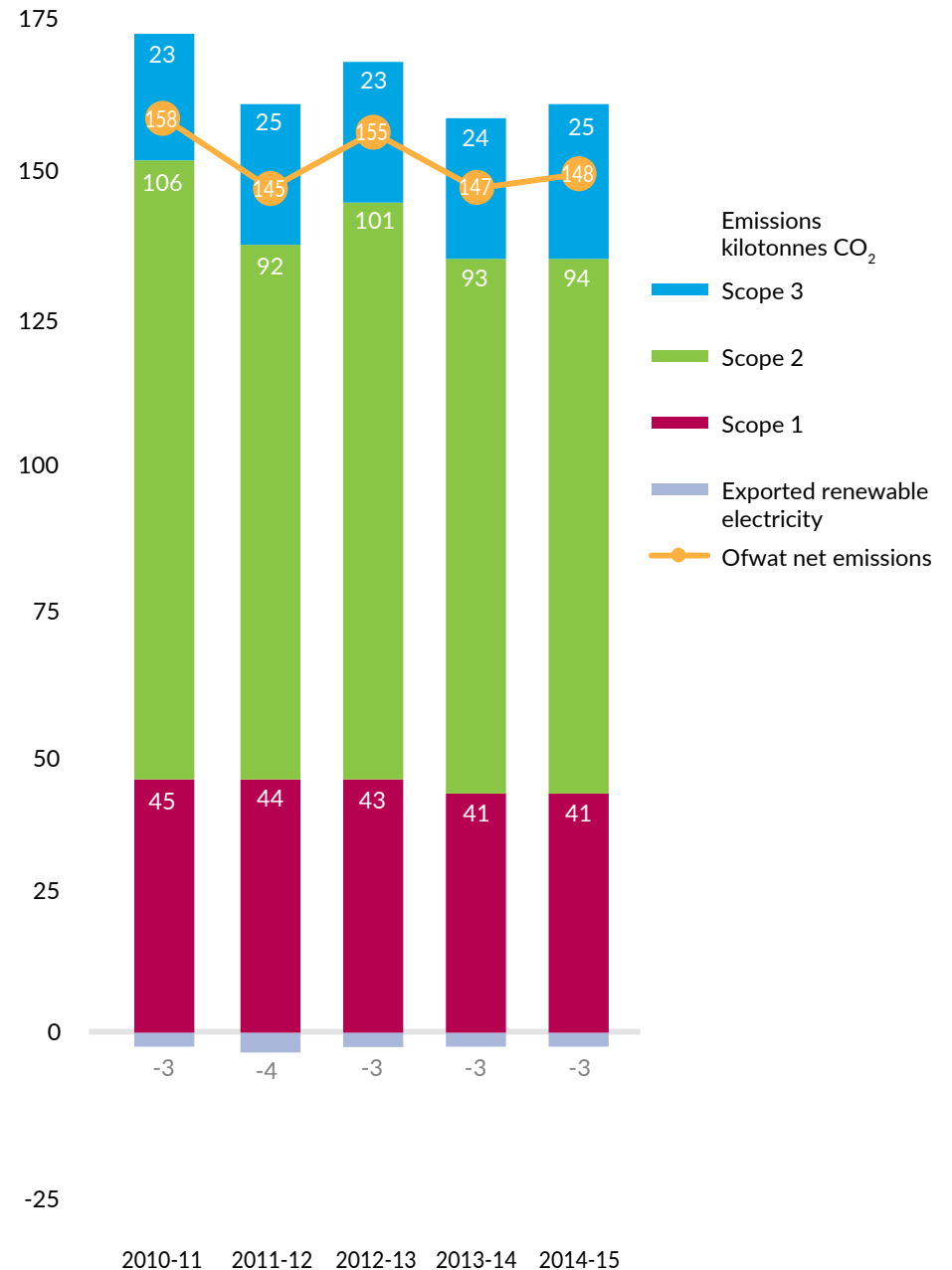
Scope 3 – other emissions including those associated with grid electricity transmission, public transport, and work outsourced to contractors.

We have an ambitious long-term goal of carbon neutrality. However, increasing treatment standards requiring more energy intensive methods are a major challenge as they typically push energy consumption upwards. To help address this we have a carbon management strategy including energy avoidance, efficiency projects and renewable energy.

The value reported to Ofwat excludes emissions from sludge on farmland. Net emissions also subtract the renewable electricity that we export multiplied by the UK average emissions factor for grid electricity.

We also estimate the emissions associated with production of chemicals that we use. In a typical year these amount to less than 7 kilotonnes carbon dioxide equivalent. However, at this stage they are not fully comprehensive and exclude emissions from the transport of the chemicals to our sites.

We are a participant in the UK government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC). This acts as a levy on energy use, where participants pay a fixed price for every tonne of carbon dioxide emitted that is associated with electricity and gas. For us, this amounted to around £1.7m for 2014-15.



Biodiversity

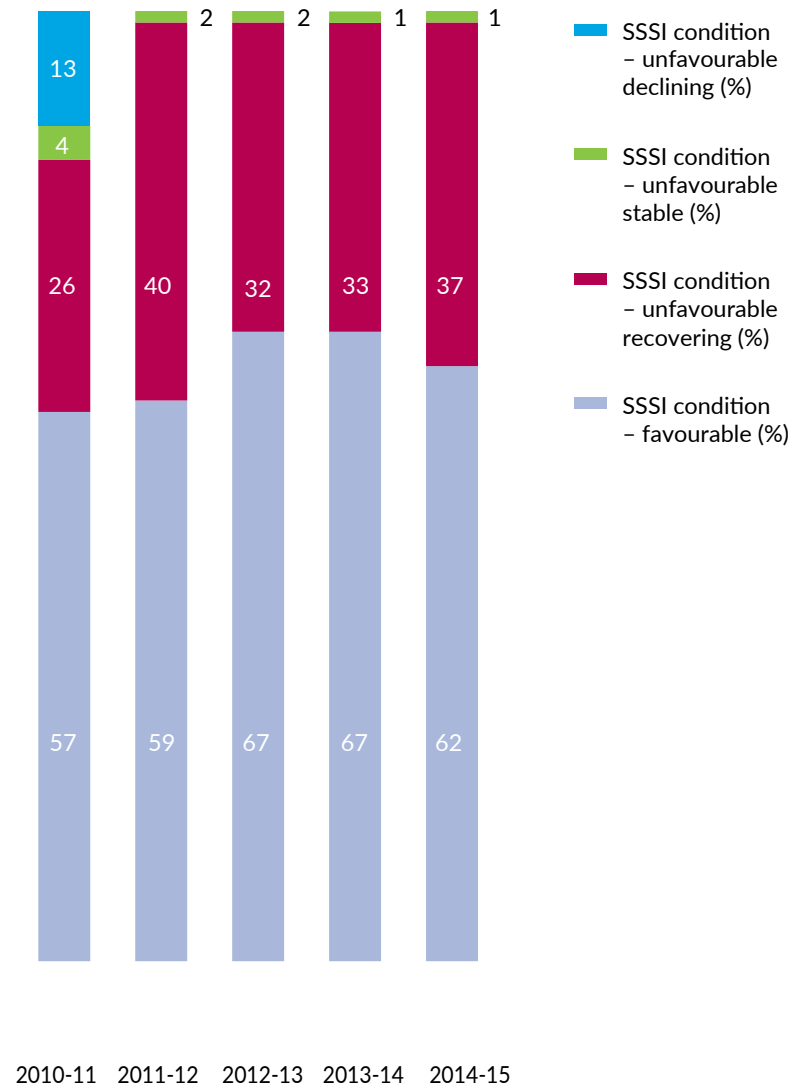
Some of the land we own lies within environmentally sensitive areas, such as Sites of Special Scientific interest (SSSI) which are designated as the best areas in England for wildlife and or geology. Their condition is classified by Natural England as favourable, unfavourable (recovering, stable or declining), or destroyed.

SSSI land in favourable condition is defined by Natural England as land which is being adequately conserved and is meeting its conservation objectives.

Unfavourable recovering sites are defined as not yet fully conserved but having all the necessary management measures in place.

Two thirds of our SSSI landholdings are in favourable condition and 99.5% in favourable or recovering condition, exceeding the national target of 95%.

During 2015-20 we will also report annually on the proportion of our landholding that is being actively managed for biodiversity purposes. We are currently reviewing the extent of our land and integrating this information with our geographic information system, along with records of sites that we have assessed for its biodiversity condition, and locations where we have developed a land management plan to improve biodiversity.





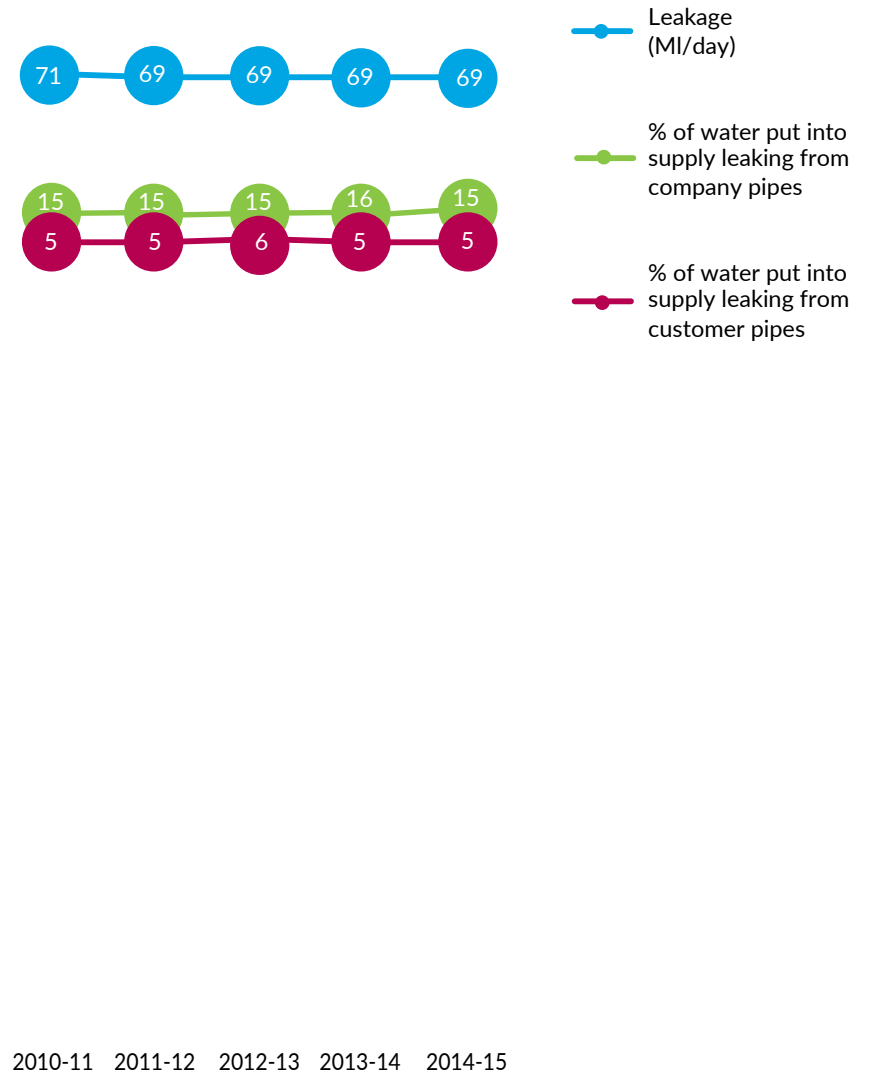
Sustainability indicators 2015

Leakage

Reducing leakage is a high priority for customers. Leakage from our network is at its lowest ever amount and has been reduced to just beyond the level defined by Ofwat as the 'economic level'. Of the water that leaks, around three quarters is from our water mains and one quarter from customers' pipes.

We met our leakage target for the year despite the long hot summer of 2014 causing challenges because of ground shrinkage. We deployed extra detection and repair resources through the winter to achieve a satisfactory position by year end.

Leakage reduction is 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.



Asset condition and investment

Our asset management framework has helped us develop a more integrated approach to risk and investment decision making. We have maintained our certification to the new international standard for asset management, ISO55001:2014.

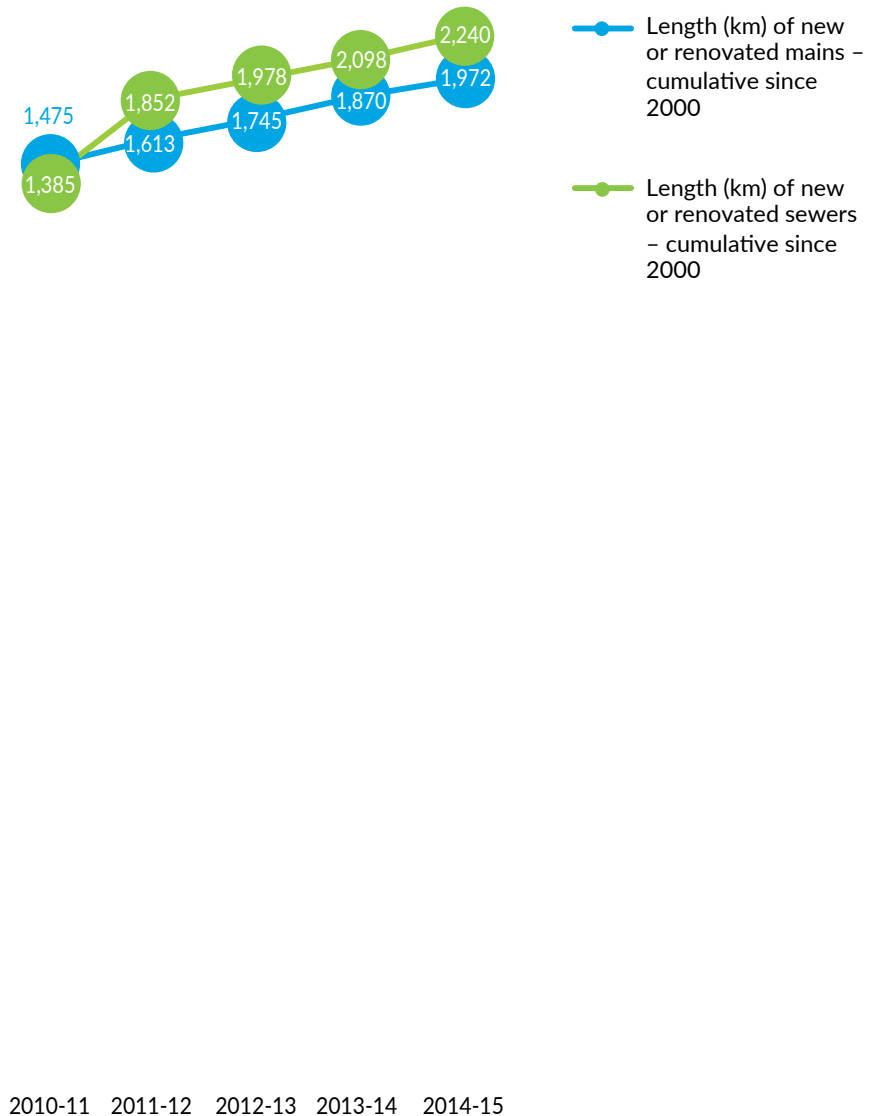
A key component of this framework has been the implementation of work and asset management systems and these are being extended to all parts of the business to enable us to continue improving our asset knowledge and operational efficiency. For the eighth consecutive year serviceability was assessed as stable using Ofwat's criteria.

In Taunton we completed our £16m investment to modernise ageing water mains. The work has both improved the appearance of the water and provided increased security of supply. We continue to use no-dig techniques to replace water mains, thus minimising the impact on customers and business during construction. In total over the past five years we have replaced more than 250km of our underground water mains.

With respect to our sewerage networks, in 2014-15 we completed 11km of structural renovation and a further 9km of sewer sealing to make our sewers watertight against groundwater inundation. In total, over the past five years we have completed 75km of proactive sewer improvements. We have completed our AMP5 combined sewer overflow (CSO) improvements in Bristol. This £30m programme improved 63 CSOs in the period 2010-2015. In 2014-15 we invested almost £5m to improve 12 CSOs including an innovative solution using real-time control.

We completed schemes at sewage treatment works in Glastonbury and Wells, to reduce levels of phosphorus discharged into rivers on the Somerset Levels. We also installed phosphorus removal at Paulton STW to further protect the River Avon. At Taunton, Mere and Iwerne Minster sewage works we completed major schemes to improve the quality of the effluent discharged to the rivers from these works. We also completed construction of major extensions to Christchurch sewage works to provide additional treatment capacity.

At Wimbleball dam in Exmoor we successfully completed a complex project to replace the grout curtain under a 50 metre high concrete dam. Leakage under the dam is now at its lowest level since its construction in the late 1970s. This work was undertaken in conjunction with South West Water.





Sustainability indicators 2015

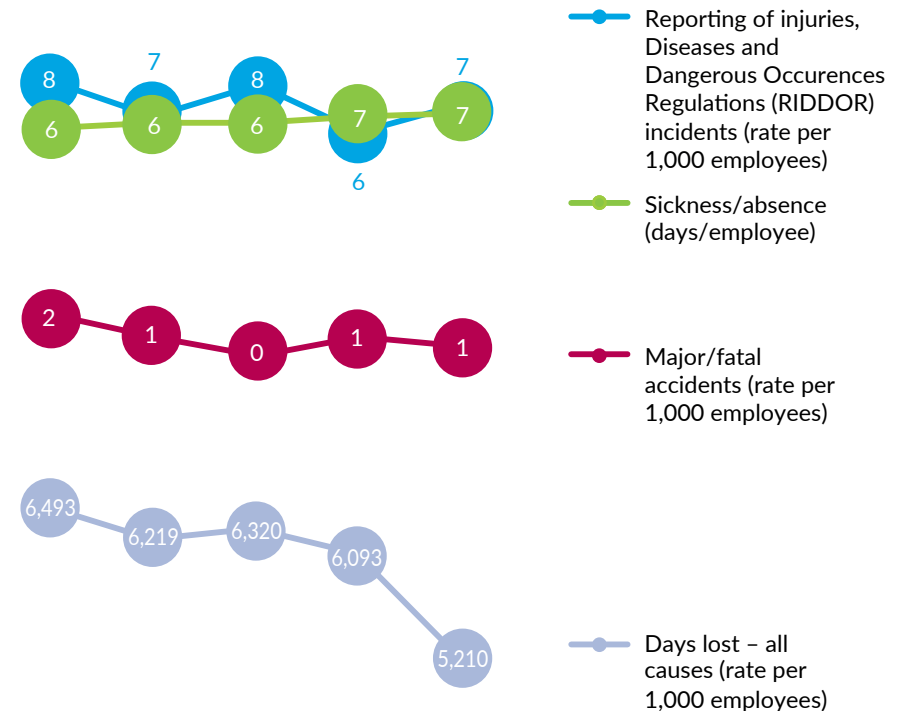
Health and safety

Protecting the health, safety and welfare of our staff, contractors and customers remains 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. We acknowledge that this does not mean there won't be another accident, but we aim to work for as long as possible without an injury.

In 2014 we saw an increase in the number of incidents that were reportable to the Health and Safety Executive, particularly in the period September to December 2014. This is disappointing given that we have established controls to reduce levels of risk and injury. To ensure we learn from each of these incidents, all significant injuries or incidents with the potential to cause serious injury are investigated and root cause analysis is completed to allow areas of concern to be identified and to assist in developing our overall safety culture. In 2014 the principal areas of concern were risk perception and inattention of workers as well as risk management and safe systems of work. A number of safety initiatives have been put in place to improve these areas and include:

- near miss reporting in Operations
- Make it right – a behavioural safety campaign in engineering and construction
- Check 5 – a dynamic risk assessment that provides an opportunity for everyone to challenge themselves and others to ensure safety comes first.

As we enter a new asset management plan period we have revised our health, safety and welfare strategy to ensure that we deliver continuous improvement. The strategy will further enhance our safety culture and be based around four integrated themes. Progress against targets to deliver these four themes will be monitored and reviewed by our health and safety management group, who will be responsible for reporting performance to our board of directors.



2010-11 2011-12 2012-13 2013-14 2014-15



Sustainability indicators 2015

Employee indicators

We are very proud of the skills, expertise and goodwill of our employees whose exceptional commitment is central to our success. We are committed to offering all our staff the training and development they need to do their job to the highest standards. We encourage progression through learning 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.

On average we deliver a ratio of three days' training for each member of staff per year. The majority of our training schemes are health and safety, technical and craft programmes ensuring our people are highly skilled and competent, keeping themselves, their colleagues and our customers safe at all times.

Our apprenticeship schemes continue to flourish across the business and we continuously monitor and update our schemes in order to ensure young people are given the best training possible. Our apprenticeship retention rate is 99%, supporting our mission to recruit, develop and retain competent people in order to build a strong and skilled workforce for the future.

Current and future management and leadership remains a priority for us and along with our accredited level 5 and level 7 management and leadership programmes, we run a range of management development schemes aimed at supporting our leaders from new manager to senior management level. We continue to actively 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.



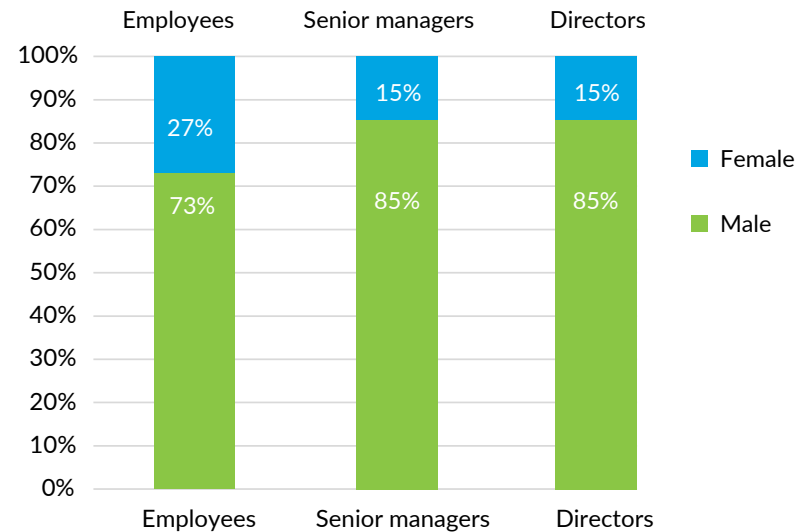
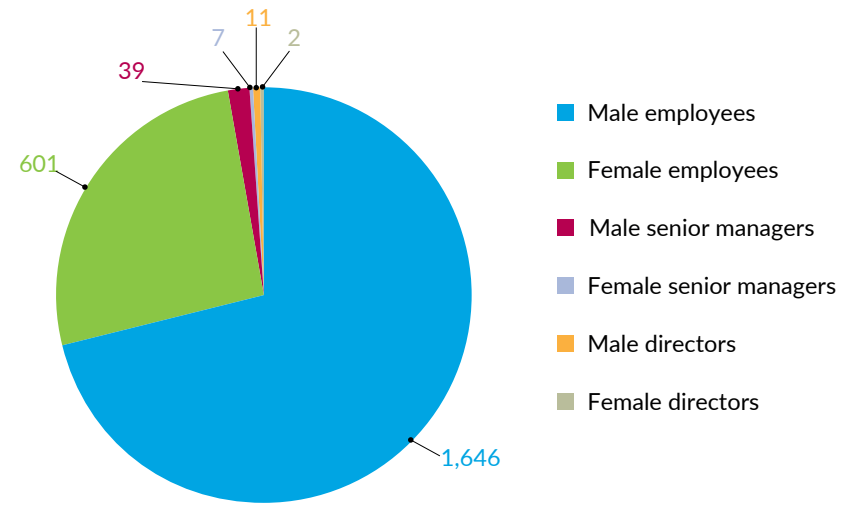
Diversity and culture

We value the differences that a diverse workforce brings and are committed to creating an inclusive workplace for all employees and others who work with the company as suppliers, contractors, consultants or customers. This year a diversity taskforce of senior managers finalised a diversity policy and action plan aimed at ensuring there is continued and improving equality, diversity and inclusion in our workplace.

We have also introduced shared parental leave, reviewed maternity and paternity leave policies and developed a diversity scorecard and monitoring system. The scorecard will be reported to our board's corporate responsibility committee on a six-monthly basis and will be published on our intranet. The company has 2,306 employees of whom 610 are women and 1,696 are men. There are 13 directors, of whom two are women and 11 are men and 46 senior managers, of whom seven are women and 39 are men.

All companies have their own culture – the atmosphere at work, the way people behave and the way things are done. We have a strong, friendly and positive culture; staff enjoy working for the company and with each other. Our employees are highly engaged, with 87% of staff rating Wessex Water a good place to work.

This year, we reviewed our company mission, aims and values. We are also launching a programme aimed at further strengthening and improving our culture and embedding and measuring our behaviours, ensuring we act as one team and keep customers' interests at the heart of everything we do.



Balance sheet, profit and loss

In the final year of the current price review period the company has delivered a solid set of results, with operating profit increasing by £6.9m or 2.9% from £241.5m to £248.4m. The turnover increase was £15.4m but there was pressure on the cost base, which saw costs increasing by £8.5m.

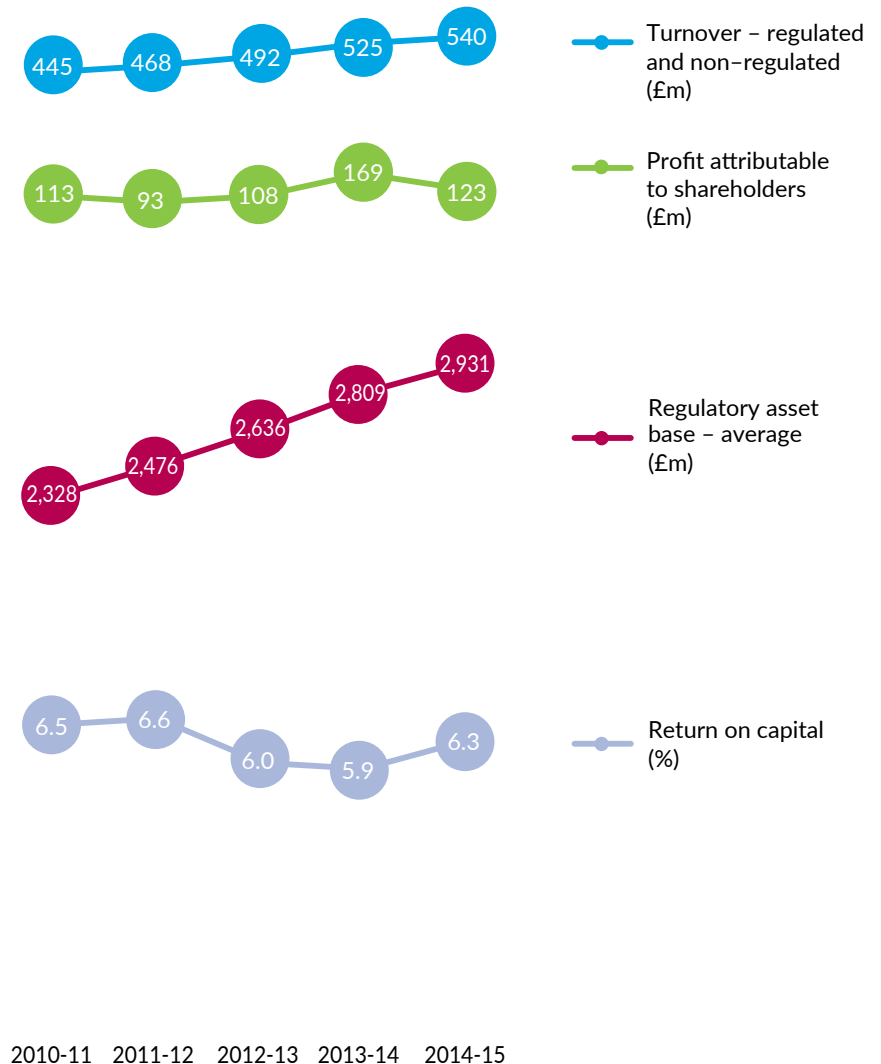
Turnover increased by £15.4m or 2.9% from £524.9m to £540.3m. The price increase allowed by Ofwat at 1 April 2014 was 4.6%, comprising November 2013 RPI of 2.7%, a K factor of 1.5% and an allowance for rebalancing the tariffs of 0.4%. The board of directors decided not to pass the 1.5% K factor increase on to customers and hence the allowed price increase for the year was 3.1%.

Turnover actually increased by less than 3.1% due to the impact of new customers and improving economic conditions in the region being slightly less than the impact of existing customers switching from un-metered to metered supply.

Operating costs (excluding depreciation, amortisation and disposal of assets) increased by £5.3m from £186.9m to £192.2m due to a number of cost pressures:

- the cost of meeting new obligations
- business rates continuing to rise through the central government valuation process
- inflation
- increased activity on non-tariff basket activities (matched by increased turnover)
- bad debts
- one-off central costs.

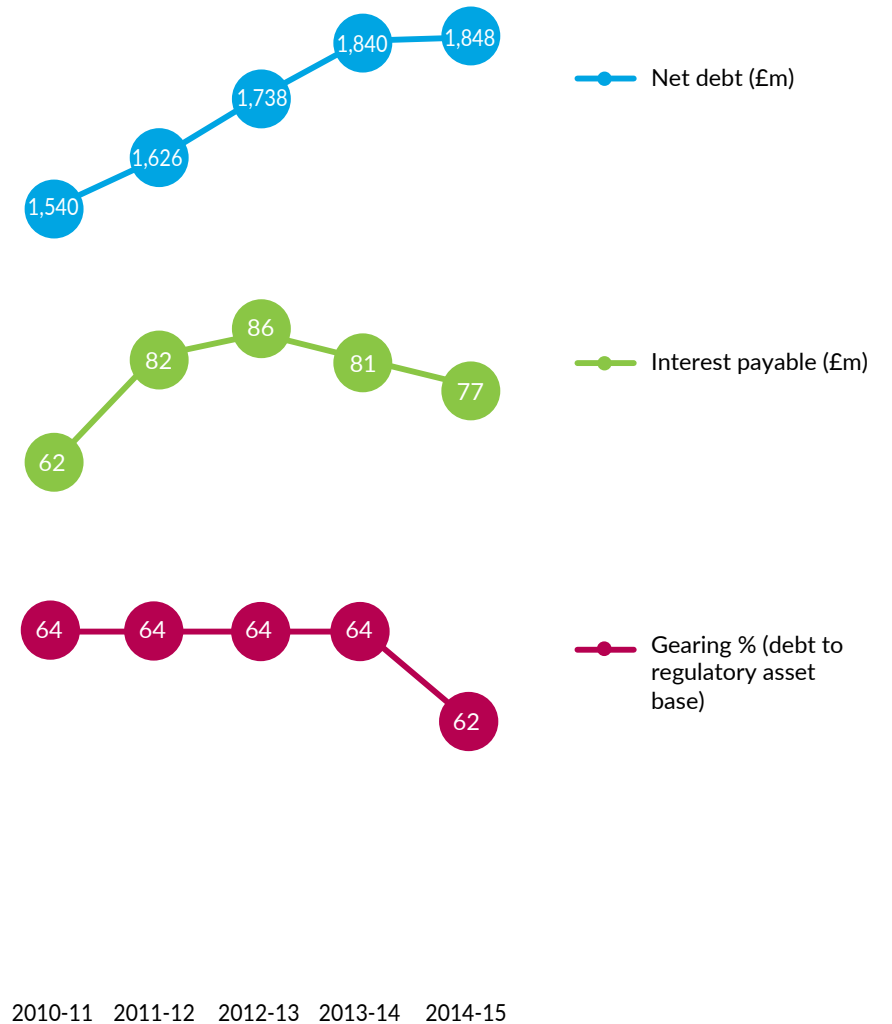
The financial key performance indicators set by Ofwat are post-tax return on capital, credit rating, gearing and interest cover. Ofwat set targets for the first two which were achieved at the year end. There are five financial targets set internally to help measure performance in respect of profit after corporation tax, operational costs, net capital expenditure, cash flow before dividends and dividends declared. All of these were achieved in the year.



Debt and interest

Interest charges represent our single largest expenditure due to the need to finance our large investment programme, which continues to increase net debt. Interest charges decreased from £81.1m last year to £76.6m this year. The £4.5m decrease was split between an interest payable reduction of £3.9m, a £1.1m reduction in the interest costs associated with pension accounting and a £0.5m decrease in interest receivable. The £3.9m decrease in interest payable arose because the impact of the fall in the cost of debt from 4.3% to 4.1% in respect of floating rate and index linked borrowings was greater than the additional interest on the increase in net debt during the year, which rose from £1,840.3m to £1,847.9m.

There is a prudent mix of debt between fixed rate, index linked and floating rate instruments. At the year end the debt split was approximately 45% fixed, 37% index linked and 18% floating, with the index linked debt based on either November or March RPI. The maturity of debt is generally long term with £1,575m of debt maturing after 2020.





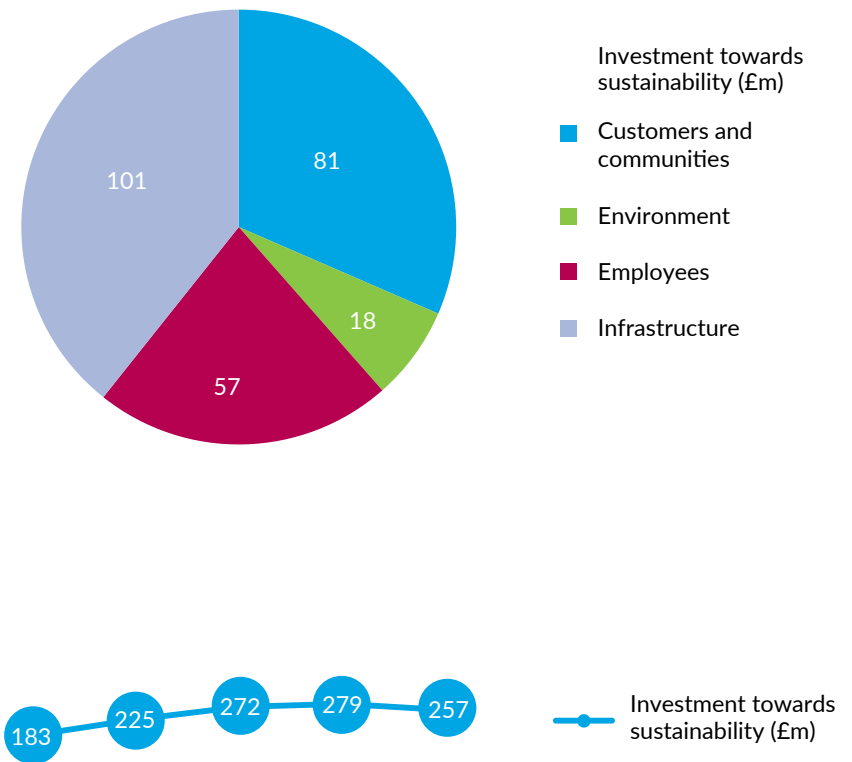
Sustainability indicators 2015

Investment towards sustainability

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. 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.



2010-11 2011-12 2012-13 2013-14 2014-15