



THAMES WATER UTILITIES LIMITED
CORPORATE RESPONSIBILITY REPORT
Interim review of January – March 2006

Introduction

In December 2006, Thames Water was acquired by Kemble Water Holdings Limited ('Kemble Water'), a consortium comprised of long-term investors including Macquarie's European Infrastructure Funds and long-term investors made up largely of pension funds and institutional investors from Europe, Canada and Australia.

As a result of this change in ownership, and in order to improve the consistency of our data reporting, we have changed our reporting period from the calendar year (January to December) to the regulatory year (April to March).

The transition between reporting periods means that the period of January to March 2006, is not covered in our 2006/07 or 2005 Corporate Responsibility Reports. We want to make sure that our stakeholders are kept informed of our activities and the issues that matter most to them or our business, so have included this section on our website as a summary of key activity in the first three months of 2006. This will also help us to ensure that our reporting history remains continuous.

You can find our latest full Corporate Responsibility Report at www.thameswater.co.uk/corporateresponsibility0607. We hope you find that report and this summary of key issues from January to March 2006 informative and welcome your feedback. You can let us know what you think about our reporting by logging onto our website at www.thameswater.co.uk/crfeedback0607 or by e-mailing us at cr_feedback@thameswater.co.uk.

Water resources

In January 2006, London and the southeast continued to feel the effects of the drought that began in November 2004. As a result, we expanded our existing water efficiency programme, working with partners including the Mayor of London, Greater London Authority, Environment Agency and the other water companies of southeast England, to raise awareness of the situation and the increasingly important need to use water wisely.

In London, we launched a joint public information campaign with Mayor Ken Livingstone highlighting how water could be saved around the home and garden, and encouraging action. The campaign (which went on to be short-listed in four categories in the 2006 Green Awards for communicating sustainability) used a bottle theme to illustrate the savings that people could make through simple changes to behaviour, such as turning the tap off when brushing

their teeth, using a bucket and sponge instead of a hosepipe to clean the car, and taking a short shower instead of a bath.

We also joined forces with the water companies of the southeast and the Environment Agency to launch 'Beat the Drought' across the whole of London and southeast England. This service sought to provide people with information about drought and its regional impacts through a special website at www.beatthedrought.com. It also highlighted what the water industry was doing to protect water supplies and the environment during the drought, and was welcomed by Elliot Morley MP (then Minister for the Environment), the Consumer Council for Water and Ofwat.

Our own water efficiency activity began to increase. From January to March 2006, we distributed almost 48,800 free cistern devices, saving 0.6 million litres of water a day, over 56 million litres of water during January to March 2006. We additionally expanded our range of water efficiency sporting partnerships, launching 'Saving Water' with Swindon Town Football Club in January 2006. The partnership promoted water-saving messages to fans attending



games using match programmes, scoreboard displays and announcements, as well as through a competition to win tickets for future matches. We also worked behind-the-scenes with Swindon Town Football Club to kick off water-saving measures at their grounds, including fitting urinal controls in all their toilets and installing save-a-flush devices in toilet cisterns.

Promoting water efficiency with Swindon Town Football Club

As part of our ongoing longer-term work on water efficiency, we seconded a member of our Water Efficiency team to WaterUK for three months to assist in managing input into the work of the national Water Saving Group (WSG). We additionally sponsored the Green Alliance report 'A Green Living Initiative: Engaging Households to Achieve Environmental Goals', which was launched in February. The report recommended a radical overhaul of the tax system, proposing inefficiency charges on products that waste energy and water, and new fiscal incentives to reward consumers for making greener choices.

By March 2006 we had entered the sixteenth month of drought with all but one of the previous 16 months seeing below average rainfall. As a result, more formal restrictions on water use were required and we reluctantly began preparations to implement our first hosepipe ban for 15 years. This included a ban-related awareness campaign involving local radio and printed press / billboard adverts. Further details of this and the activity that followed are provided in our 2006/07 Corporate Responsibility report and on our website.

Wastewater issues

No significant wastewater issues happened during January to March 2006.

Customer services

In January 2006, after an internal review, we informed Ofwat that during 2002-2006 there were inconsistencies relating to the reporting and handling of our Customer Guarantee Scheme service levels and payments. This resulted in failed payments to some customers. Independent auditors, Ernst and Young LLP, undertook a review back to April 2000 and confirmed that there was no evidence of deliberate misreporting but significant failing by the company.

In response, we have since taken a range of actions to improve customer service performance and the accuracy of the information reported to the Regulator. Customers who were entitled to a payment but were not paid, will now be paid at the levels set out in our Customer Guarantee Scheme along with a penalty amount for our failure to make the initial payment. Money from interest on these payments and from untraceable customers is being used to reduce the overall level of charges to our customers.

Conservation, access and recreation

Following the review of recreation and access that we undertook in 2005, we decided to bring together our recreation and access team and our conservation team, creating an integrated Conservation, Access and Recreation function. In March 2006, we appointed a Conservation, Access and Recreation Manager to oversee this new team and ensure our activity in these areas benefited from working to shared interests and common goals.

Ensuring we minimised the ecological, archaeological and landscape impacts of our capital programme was a large part of our ongoing activity in 2006. In the first three months of the year, our Ecology and Conservation team completed 177 assessment reports for new engineering projects at 306 different locations. They worked closely with a wide range of statutory and non-statutory bodies (including Natural England, English Heritage, the County Councils, wildlife groups and the Environment Agency (EA)) to ensure we didn't damage the historic or natural environments during essential engineering schemes.

Whenever we have to dig trenches to lay new pipes, for example, we check the potential archaeological impacts with English Heritage or the County Archaeologist before we allow work to begin. This means we can be sure we will not damage or destroy important historic sites or archaeological remains. Where we suspect previously undiscovered archaeology may be encountered, we employ archaeologists to monitor the work and record any finds made.



We did this in the London Borough of Bromley as part of a £4 million scheme to reduce the risk of floods from sewers in West Wickham. In January 2006, our discovery of bronze coins dating back to the third and fourth centuries AD, along with Georgian coins, a medieval penny and military badges from the Second World War, attracted national media attention. Archaeologists believed the Roman coins (which were examined by experts at the Museum of London) might have been thrown into a long-vanished stream for good luck.

One of the coins depicting the Emperor Diocletian who ruled Roman Britain in the Third Century

Our programmes of biodiversity and access enhancements to Thames Water sites and our partnership projects with conservation groups also continued into 2006. The start of 2006, for example, saw the continuation of the second winter's research activity on the South West London Waterbodies Special Protection Area (SPA) Wildfowl Study by Thames Water, The Brett Group, EA, Natural England and RPS consultants. The aim of this work is to understand better the factors affecting the distribution and use of the SPA's internationally important waterbodies by species including Gadwall and Shoveler. The work will also provide important information for the long-term management of the SPA, which includes many of our own reservoirs, and mitigation guidance for any future development or maintenance activities.

Education and community investment

We actively seek to engage with the communities we serve through a number of education-related activities around the theme of water and continued with our programme of activities in 2006.

In response to the government drive towards work-related learning and the demand for skills-based activities as part of the Enterprise agenda, we initiated an International Network Challenge event in 2006, involving teams of students from London and Berlin who had to develop and construct a water distribution system as part of our award-winning educational resource. Involving schools from the London Borough of Southwark, German water company Berliner Wasserbetriebe and the British Council, this example of partnership working provided us with a credible, innovative and unique way of developing skills in young people for the future.

We were also proud to be part of the delivery of the London Schools Environment Award in 2006, in partnership with the GLA and the Mayor of London's Office. This allowed us to provide information about water and the environment to over 2,000 primary schools across London.

In January 2006, we were delighted to welcome some new recruits into the water industry following their completion of a pioneering course designed to help to alleviate the national engineering skills shortage. Twenty-six previously long-term unemployed men and women took part in a course as part of a government training programme called the Ambition Energy project. These courses were held at Deephams Sewage Treatment Works, Edmonton, and Mogden Sewage Treatment Works, Isleworth. Ten of the trainees then went on to be employed directly by Thames Water. The aim of the Ambition Energy project is to recruiting people into areas of the utility industry where there are skills shortages.



Robin Farrington preparing for a WaterAid Trip to Burkina Faso

As part of our community investment programme, we continued our close partnership with WaterAid, the only UK based charity that focuses on enabling communities in Africa and Asia to gain access to safe water, sanitation and hygiene education. In February 2006, Robin Farrington from Thames Water travelled with other supporters to spend two weeks in Burkina Faso, experiencing firsthand how WaterAid is working with rural communities. As well as spending time with a local family to experience what it is like to live without clean water, Robin also met with community leaders to find out more about the spread of disease caused by poor sanitation, and returned to the UK to raise awareness of these issues based on his experience in Africa.

Find out more

To find out more about our activities from April 2006 to March 2007, please visit www.thameswater.co.uk/corporateresponsibility0607 to download a copy of our 2006/07 Corporate Responsibility Report. You can also see an extended version of the report on our website.