Corporate Responsibility Report
2008/09

Chief Executive Officer's statement

When I wrote the introduction to last year's Corporate Responsibility Report, I noted that, in my view, Thames Water had enjoyed a good first year under its new ownership and management.

I stated then that assessing how well we were doing was in many ways a judgement for external audiences to make. That will always be the case, but I am pleased to say that 2008/09 saw us reinforce and strengthen this performance against a number of objective measures.

For example, we have again achieved a new best-ever measurement of drinking water quality, reduced customer complaints by 27 per cent and beaten our leakage target for the third year running, despite the coldest winter for 12 years.

We have performed well in many areas across our business. That includes sustaining our improved performance in sewage treatment, making major progress on the amount of waste material we recycle and generating more renewable energy than ever before.

An important part of corporate responsibility is the impact we have on the environment, and we are further strengthening our performance in this area.

For instance, we have increased to a new high the amount of renewable energy we create at sewage treatment works, and now generate 14 per cent of our own power needs.

In recycling, we have boosted the proportion of waste we re-use from our capital investment programme to 74 per cent.

We are also working hard to improve our customer service. We work hard to try to ensure we get it right first time, and have introduced changes to better direct enquiries to the staff who can best deal with them.

We also place high importance on attending appointments on time. However, in the minority of cases where we don't match customers' expectations, we have improved our compensation payments, increasing them above the industry minimum.

For instance, we have raised the amount we pay domestic customers if we miss an appointment from £20 to £50.

We have launched the Thames Water Trust Fund, an independent charity to help customers who are unable to pay their water bills. The Fund, to which we donated £417,000, went live in February 2009, and should provide a useful support in the current recession.

In addition to this, we are acting on the results of major research we carried out to really understand the things that particularly please, or annoy, customers when dealing with their water company.

It's very important we keep in touch with the views of our customers, not just on the services they currently receive, but on what they expect of us in the future.

That's why we carried out our largest-ever consultation when putting together our long-term proposals for the next 25 years and, more immediately, our business plan for the period from 2010 to 2015.

As a major company in London and the Thames Valley, it's right that customers and stakeholders expect us to put something back into the communities we serve.

Our staff are involved in numerous fundraising efforts, and the number taking part in volunteering events increased in 2008/09.

We are also progressing with our Ten for Ten initiative, which we set up using profits made in 2007/08. Although the financial climate has since changed considerably, shareholders set aside £10m which will be used to benefit a range of community initiatives.

One example in which I have been taking a keen interest is a pontoon we have helped fund for disabled sailors who use Farmoor Reservoir, near Oxford.

Some of our major sites are important areas for recreation, and I want to see groups such as this making full use of the facilities we offer.

You can read more about this project elsewhere in this report, along with further details on a host of improvements and initiatives across our business.

We've listened to feedback on our previous reports and have made some changes this year, with the aim of making this a more engaging and informative read.

We've summarised our performance on the most material issues in this summary document, while the online version contains full details. You'll find there a range of new features, such as video interviews with some of our staff and the opportunity to 'build your own' report, focusing on the issues that most interest you.

As ever, we'd like to know what you think – so please let us know your views.

David Owens
CEO Thames Water

Programme and performance

As a major employer providing key services across London and the Thames Valley, we set ourselves high standards in corporate responsibility.

In this section, you'll see how we performed against some of our key targets for 2008/09, and those we have set ourselves for 2009/10. We have provided a summary of those areas where we performed well, and other issues on which we need to do better. You can find out too how we compare our CR performance with that of other companies, and how we decide which issues to report on, and where.

Also included in this section is an assurance statement from our auditors, which provides an independent review of our corporate responsibility reporting.

Programme and performance
Our corporate responsibility programme

Governance
Our Health, Safety and Environment Committee, chaired by non-executive Board member Michael Pavia, advises our Board on any significant matters relating to corporate responsibility (CR).

Members of our Executive Management Team have responsibility for specific parts of our CR programme, with overall direction on CR matters and sustainability provided by our Strategy and Regulation Director, Peter Antolik.

Our performance
We measure our performance against a wide range of CR issues, and have summarised this in our 'Key targets' section.

Benchmarking against others
We were pleased to improve our performance in this year's Business in the Community Corporate Responsibility Index. Our overall score improved from 89.5 per cent to 93 per cent, resulting in a Gold ranking in the Index, up from Silver in the previous year.

We are participating in London Benchmarking Group reporting of community involvement. Our community investment for 2008/09 was a little over £1m, with a further £0.9m raised by our customers, employees and suppliers.

Although 2008/09 reporting is not yet available, for 2007/08 our rate of employees volunteering in the community was above average. However, our overall community investment was below sector average.

As a member of Water UK, the body representing water companies and other water organisations in the UK, we take part in the annual reporting of Water UK Sustainability Indicators. This report is available on the Water UK website.

Programme and performance
Highs and lows

Across Thames Water, we had many achievements to celebrate in 2008/09. Most of these are explained in more detail elsewhere in this summary or in the full web version of our report, but we have listed some briefly below, to give an overview of our accomplishments.

Happily, there were fewer low points to record, but we have also listed those areas where there were disappointing developments, or where our achievements fell short of our high expectations.

Highlights

Among our achievements in 2008/09, we:

– Improved our ranking in the Business in the Community Corporate Responsibility Index for 2008/09, rising from the 'Silver' to the 'Gold' category.

– Reduced written customer complaints by 27 per cent – a figure we aim to cut further in 2009/10.

– Maintained our high standard of treatment at sewage works, with 100 per cent compliance against Environment Agency look up tables.

– Reduced the number of serious pollution incidents to three in 2008, which was our best-ever performance.

– Accelerated our Victorian mains replacement programme, helping us to reduce leakage for the fifth year in a row, to 698m litres per day. We beat our leakage target for the third consecutive year, despite severe winter weather which brought a steep increase in burst mains.

– Reduced the number of properties at risk of low pressure to just 34 by the end of the year – well ahead of our target of 2,455.

– Generated more renewable energy – 182 gigawatt hours – at our sewage treatment works than ever before.

– Won two categories at the Utility Industry Achievement Awards. A flood relief project which benefited nearly 140 homes in Orpington won the Capital Project Management Award, while our London On Tap campaign to promote the high quality of our drinking water was named Marketing Initiative of the Year.

– Welcomed the withdrawal by Mayor of London Boris Johnson of the legal challenge to our planned desalination plant in east London, which had been made by previous Mayor Ken Livingstone.

– Recorded our best-ever drinking water quality results for 2008, with 99.99 per cent of tests on samples meeting national and European standards.

– Became the first utility company to be awarded the new Carbon Trust Standard, the world's first award recognising companies which have made real and sustained reductions in their carbon emissions.

– Reduced the number of recordable accidents by 20 per cent from the previous year.

– Increased the number of vulnerable customers on our Special Assistance Register by 26 per cent.

– Announced details of 'Ten for Ten', a £10m fund financed from company profits, which will pay for special projects that fall outside our day-to-day business activities.

Lowlights

In 2008/09, we:

– Saw the number of street works offences for which we were prosecuted increase from 60 in 2007/08 to 80 in 2008/09.

– Experienced an increase in bad debts, as the economic recession took hold. In 2007/08, we set aside £39m for bad debts, and in 2008/09 this rose to £45m.

– Missed our operating costs target of £689.3m, spending £728.5m, as power costs and bad debts rose as a result of the economic downturn.

– Were convicted and fined £125,000 for a pollution incident in September 2007 which killed thousands of fish in the River Wandle, in south London. We have honoured our voluntary commitment to provide £500,000 over five years to restore the river.

– Recorded a rise in the number of interruptions to customers' supplies. As a result, we recorded a 70 per cent increase in 'penalty points' in this area as assessed by our regulator, Ofwat.

– Were convicted and fined a total of £27,000 for two pollution incidents. The first, dating from 2005, concerned treated effluent entering a brook near Banbury, which breached the licence requirements set by the Environment Agency. The second case concerned a sewer near Newbury which burst in 2006 and again in 2007, polluting land and a nearby stream.

– Exceeded our annual abstraction licence at Mogden Sewage Treatment Works, where we use a small volume of water for cooling the powerhouse. We are writing to the Environment Agency to explain this and outline actions to prevent this happening again.

Programme and performance
Key targets

Target area	Target 2008/09	Performance 2008/09	Target achieved?	Target 2009/10
Corporate responsibility programme				
Business in the Community Corporate Responsibility Index	Gold	Gold (93%)	✓	Achieve Platinum (95% or above)
Customers				
Drinking Water Quality compliance at customers' taps	99.9% [c]	99.99% [c]	✓	99.9% [c]
Customer Satisfaction Survey (out of 5)	4.5	4.41	✗	4.42
Water resources				
Leakage	715 Ml/d	698 Ml/d	✓	685 Ml/d
Maintaining security of supply – Security of Supply Index	11*	56*	✓	85*
Wastewater				
Serious or significant pollution incidents	Zero	3	✗	Zero serious pollution incidents due to management error**
Sewage treatment works compliance against Water Resources Act look up table consents	100% [c]	100% [c]	✓	100% [c]
Properties alleviated from external and internal sewer flooding due to hydraulic incapacity	1,186	874	Despite missing last year's target, since April 2004 we have achieved 4,365 against a four-year target of 4,367.	1,194
Climate change and energy				
Carbon emissions – new sector-wide methodology introduced in 2007/08	Reduce our carbon emissions by 20% by 2015 compared to 1990 levels	Emissions totalled 848,130 tonnes of carbon dioxide equivalent - a reduction of 27,903 tonnes from 2007/08	On track	Reduce our carbon emissions by 20% by 2015 compared to 1990 levels
Renewable energy generation – generate 10% more renewable electricity by 2010 from 2005 baseline	Milestone for 2008/09 = 191 GWh	182 GWh	Although we did not hit the milestone of 191GWh, we generated more renewable electricity than ever before.	204 GWh
Finance				
Total operating costs	£689.3m	£728.5m	✗	Not published***
Our wider responsibilities				
Health and Safety – number of accidents per 1,000 employees	8.3	6.71	✓	6.55****
Employee engagement – Gallup Q12 methodology Grand Mean	3.4	3.41	✓	3.51
Employee volunteering – employees volunteering in schools, the community or charities	10%	13.8%	✓	15%
Sites of Special Scientific Interest (SSSI) in favourable and unfavourable recovering condition (%)	95%	99.7%	✓	95%
Suppliers, contractors and service providers' invoices paid according to agreed terms and conditions (+3/-3 day tolerance)	80%	80%	✓	85%

[c] Calendar year data. * A new methodology was agreed during the year with our regulator, Ofwat. Our target and performance figures have therefore changed to reflect this. **This target recognises the fact that serious pollution incidents can occur as a result of factors outside our control, including third party damage. Such incidents also include discharges from the legally permitted and proper functioning of combined sewer overflows along the tidal Thames in London, which were designed as a feature of the original sewerage system, and which will be addressed in our long-term work to create the London Tideway Tunnels. We will always strive to ensure that we cause no pollution as a result of company error. ***This figure is commercially sensitive, and therefore not quoted. ****We ultimately aim for zero accidents.

Programme and performance
Reporting standrds

Standards and best practice
We continue to refer to best practice guides, such as the Global Reporting Initiative's Sustainability Reporting Guidelines, and in particular to the new AA1000 Accountability Principles Standards 2008 published during the reporting year.

You can see in this report how this helps to guide our response to sustainability - how we are inclusive, engaging with our customers and stakeholders, focused on the key material sustainability issues and responsive to those issues affecting our customers and stakeholders.

Materiality
To help us to decide on which issues to report, and with what level of detail, we carried out a 'materiality assessment', looking at the relative importance to our business, our stakeholders and the outside world.

All of the material corporate responsibility issues appear in this online report, while the printed summary version focuses on the most significant subjects. This table shows how we have decided the issues we report on, and where:

How we decide what issues are reported

		Business significance	
		Low	High
Stakeholder significance	High	Include in web reporting	Include in summary report
	Low	Only report if specific need identified	Include in web reporting

Programme and performance
Assurance

Assurance Objectives and Methodology
Enviros Consulting Ltd has conducted an independent assurance review of the Thames Water Utilities Ltd (Thames Water) Corporate Responsibility (CR) Report 2008/09.

We have based our assurance methodology on the AA 1000 (2008) Assurance Standard to provide a Type 2 Assurance which includes an evaluation of the nature and extent of Thames Water's adherence to the AA 1000 (2008) Accountability Principles as well as our findings and conclusions concerning the reliability of reported performance information.

The assurance was conducted via meetings, telephone discussions and e-mail correspondence with staff responsible for collating and reporting the data on which the report was based. We also reviewed supporting evidence and data collection systems to substantiate the data and claims. We have not assured regulated data which has been subject to a separate audit by the Regulators. However, we do check that this information has been translated accurately into the report.

Responsibilities
The information and presentation of data within the Thames Water Report are the responsibility of Thames Water. This statement is the responsibility of Enviros and represents our independent opinion for the report audience, and is written to be read in its entirety.

Quality Assurance
The team performing the assurance has the appropriate experience and competency to do so and are not working for Thames Water in any other capacity. Enviros has a Quality Management System (QMS) which is certified to BS EN ISO9001.

Our Opinion
As this is the first reporting year using the AA 1000 (2008) standard, our aim was to focus our work to provide a moderate level of assurance in relation to the three Assurance Principles of inclusivity, materiality and responsiveness. We are pleased that Thames Water has easily provided us with adequate evidence to do this. Next year we would hope to confirm a high level of assurance by building on this work by gathering more evidence from external Thames Water sources and by checking adherence to the Assurance Principles at all levels of the organisation. Our key observations on the adherence to the Assurance Principles are outlined below.

Inclusivity, Materiality and Responsiveness
Commitment to management of sustainability issues is made by Thames Water through its sustainability policy and strategy. Thames Water has made notable improvements with stakeholder engagement this year. Stakeholder participation has been key to the development of the Thames Water business plan. A sustainability assessment was undertaken to examine the extent to which the business plan matched against the principles of sustainable development. Positive feedback from the independent auditors appointed by the economic regulator commended this consultation work. Stakeholder mapping is used for all Thames Water consultation exercises to ensure all stakeholders are identified against the issues of relevance. On each project the level of communication and stakeholder engagement required is identified. Thames Water uses a variety of methods of engagement to reach their stakeholders ranging from stalls at public festivals to forums targeted at specific minority groups.

Thames Water continues to use external benchmarks to measure their sustainability performance through participation in the Business in the Community Corporate Responsibility Index, membership of the London Benchmarking Group and participating in annual reporting of sector sustainability indicators through the trade body WaterUK.

Thames Water has been using a sustainability materiality determination process for a number of years. This follows Institute of Accountability based methodologies to identify which sustainability issues are considered a priority. We believe that Thames Water has used the CR report to respond effectively to the identified material sustainability issues. To further improve the report's transparency, a similar materiality process with explicit criteria could be applied to each of the report sections to ensure the information and data are prioritised in a consistent way for each report section. The reported targets would also benefit from being clearly mapped to each of the material sustainability issues to ensure performance can be easily measured.

Thames Water has recognised that more could be done to integrate sustainability practices across the organisation and has identified a network of sustainability leads to help improve sustainability performance in each business area. The materiality determination process would benefit from input from the sustainability

Programme and performance
Assurance

leads to ensure that each business area is represented to give assurance that the process is comprehensive and prioritises material sustainability issues that are representative across the business.

It is acknowledged that Thames Water is also planning to review its sustainability strategy and develop internal communications to help staff to better understand the contribution they can make to sustainability at Thames Water.

Reliability of Performance Information
It is recognised that 2008-09 was a year of change for Thames Water with reorganisation and loss of individuals familiar with the CR reporting process.

We have been able to obtain a high level of assurance in respect of the majority of the data reported in the CR report. There were notable improvements in the Health and Safety data collection process, for example, with the launch of the new online health and safety management system.

However, it was difficult to assure some of the performance information. Biodiversity systems for recording and checking data were difficult to review. Waste data is stored within many different spreadsheets making it difficult to monitor the figures and ascertain whether targets are being met. Employee diversity data is not comprehensive across the whole business at present but a new database is planned to improve this. A moderate level of assurance has therefore been obtained with respect to waste, biodiversity and diversity data.

Recommendations
- Develop guidance for future CR report authors to ensure consistency in prioritising issues to report within each section under the material sustainability issues.
- Clearly map reported targets to the material issues to aid performance measurement.
- Develop written procedures for data collection, collation, checking and recording to ensure consistency across all areas of CR reporting.
- Consider storage of waste data within a central location with an auditing system for third party data to help improve the data quality and performance measurement.
- We support the developments Thames Water is making to integrate sustainability further in the business and encourage the sustainability business leads to be included in the sustainability materiality determination process for next year.

Rachel Pickering
Development Director, Enviros Consulting Ltd
November 2009

Customer service

Our 13.6 million customers rely on us round the clock, so it's vital that we provide them with great customer service. We are working hard to improve this and reduce complaints, and made good progress in 2008/09 - but we recognise we still need to do better.

We have increased our compensation payments for cases where we fail to meet our guaranteed standards, as well as offering new methods of charging and an increasing number of online services. We have also formed a team whose focus is on identifying areas for improvement.

Customer service
Improving our service

The Customer Service area of our business went through some major changes in 2008/09 – all with the aim of improving the help we provide to the thousands of customers we talk to every day.

This included introducing a new management system to ensure that telephone calls and letters are directed to the right member of staff to address the issue concerned.

We conducted research with over 500 customers to highlight the key elements of the 'customer experience'. It aimed to identify the typical issues that affect customers' emotions when dealing with us – so we could better understand what we need to do to improve things.

We have since established a 'customer experience' team, who are spearheading work in this area.

Among the improvements introduced by this team is a new three-point test for all our actions. We want staff to ask themselves whether the actions they take are likely to make customers trust us, feel we are easy to do business with, and show that we really care.

We will be using this test in a wide variety of ways, from improving customer service policies to clarifying the language of our letters and leaflets.

Our online billing service, launched in February 2008, is now being used by an increasing number of customers. Almost 9,000 have now opted for paperless billing, meaning they receive their bills online.

We continue to review and improve our self-service telephone service, which allows callers to get the information they want without the need to speak to a member of staff.

In other highlights in 2008/09:

– Written complaints fell by 27 per cent.

– We reduced the number of homes at risk of low pressure to just 34 by the end of March 2009, compared to our target figure of 2,455.

– We recorded our highest-ever customer service points total in our regulator Ofwat's 'Overall Performance Assessment', which compares water companies' performance on major issues.

In 2008/09, we issued around 8.5m bills and notices, as well as handling more than 3.8m enquiries from customers about bills and payments. We also sent all customers a copy of 'News on tap', a leaflet updating them on our work and including details of our customer guarantee scheme.

At around £285 per year, our average water and sewerage bill is still the lowest in the country.

Ofwat carried out research during the year to assess customer satisfaction with our services, in which we achieved a score of 4.41 out of 5 (or 88 per cent). We also conducted our own research during 2008, which gave an overall satisfaction score of 83 per cent.

Customer service
Guaranteed standards

We are dedicated to providing high-quality services, and this commitment is backed up by our Customer Guarantee Scheme.

This satisfies the regulatory requirements set out in Ofwat's 'guaranteed service scheme' – and in some instances now includes some additional enhancements.

If we fail to meet our guaranteed standards we will make a payment to the customer concerned to compensate them for this failure. In December 2008, we improved the payments – for example, by increasing the amount we pay domestic customers for missed appointments from the industry minimum of £20 to £50.

Further improvements to our Customer Guarantee Scheme included:

– Increasing compensation from £20 to £30 for issues such as failing to respond to written enquiries within allotted time frames

– Introducing a new £30 payment, made automatically, to customers who we ask to boil their supplies, in the event of concerns over their tap water quality

– Automatically paying a further £10 if owed payments are not made within allotted time frames – instead of customers having to apply

– Making a new automatic payment of £20 if we do not respond to written requests to register for Special Needs Services within the required time.

Customer service
New charging method introduced

From April 2008, we introduced the 'assessed household charge'. This is a new basis of charging for customers who had requested a meter but for whom we were unable to install one – usually because their pipework made this impossible.

Instead of using the old rateable value, we now base the charge for such customers on the number of bedrooms in their property.

From April 2009, we have also introduced a further charging method for single occupiers for whom we cannot fit a meter.

Customer service
Affordability

For most customers, water charges represent good value for money and make up a very small proportion of household income. However, for those on low income and/or in financial difficulties, this is not always the case.

To help customers in such situations, in February 2009 we introduced a Thames Water Trust Fund, which operates independently of the company. The Trust assesses the customer's income and expenditure, and confirms whether a grant can be given towards arrears or current charges. Between February and March 2009, 350 customers were referred to the Trust, with 169 receiving grants totalling £90,095. This represents an average grant of £533.

The new Trust Fund replaced our in-house Customer Assistance Fund, which had been in operation since 1997. More than 8,000 customers have been referred to the in-house Fund since its inception, including 600 additional customers in 2008/09.

Our WaterSure Scheme continues to help households with a metered water supply, in receipt of specific benefits and who either have a large family of three or more children for whom they receive child benefit, or a member of the same household with a verifiable medical condition requiring the use of extra water. More than 2,700 customers are benefiting from this scheme, with over 800 new customers joining in 2008/09.

During 2008/09, we made donations exceeding £307,000 – an increase of 18 per cent from 2007/08.

Special Assistance Register – number of accounts registered

	2006/07	2007/08	2008/09
Number of special needs accounts registered*	12,195	21,748	27,464
Provisional help during supply interruptions	7,513	16,254	21,222
Doorstep Password Scheme	1,528	2,237	2,390
Large print service	1,688	1,745	1,733
Braille service	124	135	136
Bill nominee service	326	348	386
Talking bills	125	129	133
Audio format service	151	146	142
Textphone	88	92	91
Dialysis machine awareness scheme	112	122	132

*This number represents individuals, households and communal residential sites (registered as one unit in the number that receive one or more extra care service).

Customer service
Extra care services

We continued to see an increase in the number of customers benefiting from our wide range of extra care services in 2008/09.

For those with sight problems, for example, we offer large print, Braille, talking bills and email bills, to be used with screen reading software. We also provide textphone services for the deaf and hard of hearing and coloured background bills for dyslexic customers.

In May 2008, we introduced a dedicated extra care services hotline, manned around the clock. Since then, we have received more than 4,000 calls on this line.

In December 2008, we sent a magnifier card to each of our customers with sight problems, to help them check on doorstep callers by magnifying the information on their ID card. An adhesive strip means it can be attached to the inside of the front door.

We have also worked with local authorities and housing associations to identify sheltered housing complexes and care homes. This enables us to add these addresses to our list of vulnerable customers, in the event of a local burst main or similar incident.

Almost 27,500 customers are now identified on our Special Assistance Register and receive one or more additional services at no extra charge – an increase of 26 per cent from 2007/08.

Customer service
Further support

We work with community police offices to publicise our Doorstep Password Scheme, which combats the problem of bogus callers.

We have taken part in a national awareness campaign too on this issue through the use of doorstep password schemes. The scheme, launched in June 2008, was organised by the Home Office and Association of Chief Police Officers.

We continue to operate a 24-hour telephone service that provides an interpreter in any language required. About 35 customers per month currently use this service.

Performance measures and targets 2008/09

Policy objective	Target area	Target 2008/09	Target achieved?	Performance 2008/09
Treat all customers fairly	Billing contacts answered within five working days (%)	99.2%	✓	99.9%
	Written complaints answered within ten working days (%)	99.6%	✓	99.7%
	Metered accounts billed on actual meter reading (%)	99.73%	✓	99.79%
	Lines not receiving engaged tone (%)	100%	✗	99.8%
	Calls satisfactorily completed (%)	96%	✗	92.3%
	Customer satisfaction survey (out of 5)	4.5	✗	4.41
Provide our services in a way that is accessible and affordable to all our customers, including disabled and disadvantaged	Number of customers utilising the WaterSure Scheme	N/A	N/A	2,747
	Customer Assistance Fund – amount donated £	N/A	N/A	307,366
	Number of extra care accounts registered	N/A	N/A	27,464

Finance

We focus on providing good value for money, while delivering the water industry's largest investment programme. During 2008/09, we also had to contend with the effects of the economic downturn, which continues to affect our business.

Operating costs rose slightly to £728.5m from £722.9m the year before – a 0.8 per cent rise – due to an increase in power costs and a rise in bad debts caused by the economic downturn.

These upward pressures were partially offset by our continuing emphasis on operating efficiencies.

Capital investment for the second year running was just under £1bn, reflecting what continues to be the industry's largest investment programme. High-profile projects have included our ongoing work to replace ageing water mains in London, and the construction of our desalination plant in east London, due to be completed by April 2010.

We also made progress in initiating our Ten for Ten initiative, funded from profits. Visit the Ten for Ten initiative page to find out more.

This year, the figures reported are for Thames Water Utilities Ltd, which includes both the appointed (or regulated) and non-appointed business. In previous reports we have included the results for our appointed business only.

The main parts of our non-appointed business are rent from residential and commercial lettings, and income from property-related searches and reports, such as the position of mains and sewers. Our regulated operations are by far the largest part of our work and account for the majority of the company's results.

Making this change brings us in line with results we announced in June 2009, and which can be found on our website.

The table below shows that, in 2008/09, we received £1.5bn in income from customers, in line with the price limits set out by our regulator, Ofwat.

Key financial data

	2005/06	2006/07	2007/08	2008/09
Turnover	£1,393.0m	£1,431.0m	£1,487.6m	£1,558.2m
Operating expenditure*	£620.0m	£784.8m	£722.9m	£728.5m
Profit before tax	£346.5m	£270.1m	£419.2m	£435.1m
Capital investment	£554.2m	£779.4m	£997.1m	£982.4m

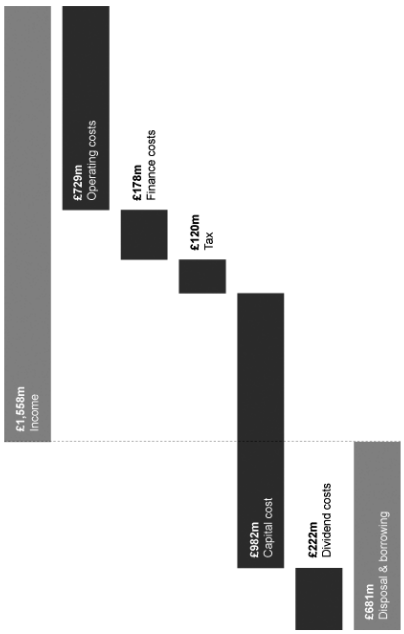
* Excluding historic cost depreciation

Finance

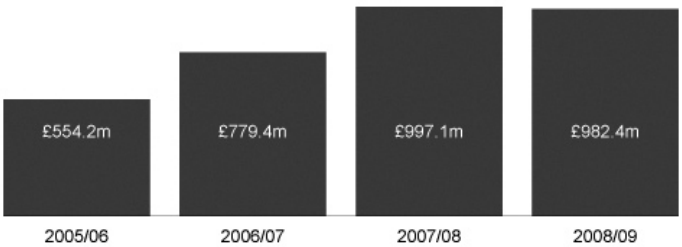
Where the money goes – 2008/09 (£ millions)						
Income	Operating costs	Finance costs	Tax	Capital cost	Dividend costs	Disposal and borrowing
£1,558m	£729m	£178m	£120m	£982m	£222m	£681m

Over the same period, we spent £729m in operating expenditure, reflecting the day-to-day costs of running our business, including providing water to 8.5 million people, treating wastewater for a total customer base of 13.6 million, and running our Customer Centre.

As noted above, we invested £982m of capital expenditure in our treatment and supply networks, including new mains and sewers and plant upgrades.



AMP 4 annual investment (net of income) £m			
2005 to 2006	2006 to 2007	2007 to 2008	2008 to 2009
554.2	779.4	997.1	982.4



We paid £120m in tax and £178m in servicing the debt necessary to help fund the large investment programme we are carrying out across our infrastructure network. We also paid £222m in dividends (see details below) to shareholders.

The total of these figures greatly exceeds the money received from bills, and the difference between the totals is funded mainly by borrowing.

By tightly controlling running costs in 2008/09, we have been able to deliver value for money for customers, as well as reducing the impact of rising power costs, and the effects of the recession, both noted above.

However, we are now operating in a very different financial climate to previous years. Other major factors, such as the increased cost of borrowing and a sharp decline in commercial and metered demand for water, are having a direct impact on our business.

Water

There is growing pressure on water resources in London and the Thames Valley. It is our job to plan for the long term, so that we can provide sufficient supplies to go round, while ensuring the amount of water we take from the environment remains within sustainable limits.

We follow a 'twin-track' approach, which involves controlling the demand for water while developing new sources where we can. Moves to reduce demand include our ongoing work to reduce leakage - which has seen us hit our leakage target for the last three years - and installing new meters, which can help reduce domestic water use.

We are building the UK's first large-scale desalination plant in east London. This will allow us to take water from the tidal River Thames, and remove the salt, helping provide supplies for the capital during prolonged periods of low rainfall.

Water
Water resources in our region

There is a common misconception that the south-east of England has plenty of rainfall. In fact, our supply area has been classified by the Environment Agency as a region of 'serious water stress'.

This is because, while we have a relatively high rainfall, the huge population in the region means that the amount per head of population is very low.

The drought experienced in 2006 highlighted the pressure on water resources across London and the Thames Valley.

Water resources were stable in 2008, following healthy rainfall in the winter of 2007/08. Throughout 2008/09, we continued with our twin-track approach to water resources. This involves managing demand for water – for example, by tackling leakage and encouraging the wise use of water – and developing new water sources.

About 77 per cent of our water comes from rivers, and the remaining 23 per cent from underground sources. The volume of water we can take from these sources is regulated by the Environment Agency (EA), which issues licences limiting the amount available to us. In 2008, we achieved 100 per cent compliance with both our daily and annual licences.

Pressure on water resources will continue to grow in the future, as a result of climate change, a rising population and increasing numbers of single occupancy households. There will also be potential reductions in the amount of water available for us to take from rivers and groundwater sources.

The Government has said there needs to be a determined effort to reduce the amount of water our society uses to an average of 130 litres per person per day by 2030.

In 2008/09, domestic usage in our region was an average of 157.5 litres per person per day. This was slightly below the figure of 160 litres we would normally expect, due to the relatively wet summer of 2008.

Ensuring there are sufficient long-term supplies available to meet our customers' needs is a challenging and complex task. Every five years, we are required to produce a Water Resources Management Plan, which sets out our predictions for future demand and available supplies. It also explains how we intend to maintain the balance between supply and demand for water for the next 25 years.

In May 2008, we published the draft version of our latest plan, covering the period from 2010 to 2035. We carried out a public consultation on this draft, to which we received 315 responses. The main issues of interest were:

– The assumptions and methods we use to forecast future demand

– How we account for uncertainties, particularly climate change

– The need for more work to reduce leakage

– Metering, which many saw as the fairest way to charge for water

– Educating people about the wise use of water.

We reviewed our plans in the light of these responses and other factors, such as the economic downturn, and published our 'statement of response' in February 2009, setting out how we had updated our proposals.

Our revised plan focuses on managing demand over the next ten years – for example, by reducing leakage and promoting wise use of water, with new resources required in the longer term. Over that period, we aim to:

– Replace more than 4,000km of water mains, including capital maintenance work, in London, supported by work to find and fix leaks. Our planned work aims to cut leakage to 406 million litres per day.

– Carry out a programme of targeted and progressive compulsory metering to increase the proportion of customers with meters (see below). By 2020, our aim is that 63 per cent of customers will have meters. We will work with the Consumer Council for Water, the Government and Ofwat to ensure vulnerable customers are protected.

– Promote the wise use of water through behavioural and technological change.

Water
Water resources in our region

Despite the above initiatives, we still believe a new strategic regional water resource will be required to maintain supplies in the longer term. The proposed Upper Thames Reservoir in Oxfordshire therefore remains part of our long-term plans to meet the need for water in parts of the Thames Valley and London.

Our revised plan forecasts that we will require a reservoir from 2025/2026 – five years later than previously expected. This is due to many current uncertainties, including the depth and duration of the economic recession, new climate change predictions and the possibility of reductions in the licences which allow us to take water from rivers and underground sources.

We continue to explore innovative sources of water, including running a pilot plant at a site in north-east London which is taking treated effluent and putting it through a further treatment process to produce drinking water.

Water
Water resources in our region
Ensuring sufficient long-term supplies

The water industry uses a measure called the 'Security of Supply Index' to assess how capable each water company is of meeting demand now and in the future.

This is calculated by simulating the supply and demand figures for a dry year, or a drought, in order to determine the surplus or deficit that would exist in such conditions.

At present, there would be a supply deficit in the London area under these conditions. We are tackling this through a range of approaches, including leakage reduction and developing new water sources, such as our desalination plant.

We agreed annual 'security of supply' targets with our regulator, Ofwat, in 2006. We met these targets in 2008/09, as in the previous year, through cutting leakage, developing new water sources and by our customers reducing their water usage.

Water
Water resources in our region
Our new desalination plant

Our work to find new sources of water includes a new desalination plant in east London, which will provide us with extra supplies in the event of a drought.

In May 2008, new Mayor of London Boris Johnson withdrew the objection lodged by former Mayor Ken Livingstone to this project, and we are now at an advanced stage in our construction activities.

The new treatment works – which will be the first of its kind in the UK - will take water from the tidal Thames and remove the salt to produce drinking water. Due for completion by April 2010, it will provide extra capacity of up to 140 million litres per day – enough to supply more than 870,000 people.

Water
Water resources in our region
Reducing leakage

Leakage remains a major issue for Thames Water. In 2008/08, we again beat our leakage target, despite facing huge challenges caused by unusually cold winter weather.

Temperatures in January 2009 were the coldest for 12 years, causing old cast iron pipes to contract and break. At the same time, there was a dramatic increase in burst mains, with numbers peaking at more than six times the normal level for that time of year. This caused leakage to soar from 650 to over 950m litres per day. A further cold spell in February brought snow, hampering our work to find and fix leaks.

Reducing the backlog of repairs and getting leakage levels under control required a huge effort. Despite these major problems, we reduced leakage for the fifth year in a row and beat our target for the third year running. Leakage is now 25 per cent lower than it was four years ago.

We managed our response by following our winter contingency plan, which included using weather forecast data to predict the number of burst mains and using staffing resources from other parts of the company. This enabled us to reduce leakage by nearly 300m litres per day between January and the end of March.

In addition to general work to repair leaks, we continued our high-profile work to replace many of the capital's oldest water mains. We believe this is the only way to make long-term, sustainable leakage reductions.

By 2010, we will have replaced more than 1,900km of old and leaky pipes, much of which has been in use since Victorian times.

The average level of leakage in 2008/09 was 698m litres per day – a reduction of 15m litres per day from the previous year, and well below our target of 715.

During the year, we have:

– Continued our high level of Victorian main replacement work, replacing more than 425km of London's oldest mains, bringing the total to more than 1,680km.

– Detected and repaired almost 47,800 leaks, fixed a further 20,300 reported to us by customers and helped identify or repair 11,900 leaks on customers' pipework. On average, we fixed one leak every six-and-a-half minutes.

– Carried out 77 repairs on our largest 'trunk' mains.

– Made further leakage savings by better regulating pumping pressures in London.

– Improved the accuracy of metering in our pipe network to ensure we can better target leakage repairs.

We are spending an average of over £750,000 per day on work to reduce leakage.

Annual average total leakage and leakage targets (in million litres per day or Ml/d)

Ml per day	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Thames Water pipes*	684	661	624	571	516	506	-
Customer pipes*	262	254	239	219	197	193	-
Total leakage	946	915	862	790	713	698	-
Leakage targets	850	905	830	810	755	715	685

* Responsibility changes at the boundary of the customer's property
Table is consistent with Ofwat June Return Table 10

Water
Water resources in our region
Water meters

Metering is the fairest way to pay for a household's water use, as it reflects actual consumption. It therefore encourages people to use water wisely.

We fit meters in all new homes, businesses, and properties with swimming pools or sprinklers. We also install meters free of charge for customers who opt to have one fitted, where practical.

Demand from customers to have meters installed in their homes has risen significantly over the last five years. This is thought in part to be due to heightened awareness of the need to conserve supplies in south-east England. We have so far fitted 96,140, compared with our five-year target of 62,770, originally forecast in our last Business Plan in 2004.

In addition to this, water companies have powers to install meters when a property changes occupancy. We fitted, or brought back into use, 7,682 meters in such circumstances during 2008/09.

About 26 per cent of our domestic customers currently have water meters. In our Business Plan, we propose increasing this level to 41 per cent by 2015, by installing more than 480,000 new meters.

We aim to initially focus our meter installation work in those areas of greatest 'water stress', where there is the greatest deficit between supply and demand. This recognises the important role metering can play in helping to secure water supplies for the future, by providing customers with an incentive to conserve water and helping us identify leakage on customers' supplies.

Water
Water resources in our region
Using water wisely

Saving water makes sense. It ensures there is more to go round, and can often mean lower bills for our customers.

Since 1996, we have run a wide range of activities to promote wise use of water. This has included communications to influence customers' behaviour, giving away water-saving devices and carrying out research to better understand people's attitudes to the issue.

We have worked with a broad range of partner organisations and, year on year, have developed our programme, learning from past experience and trialling new approaches.

During 2008/09, this programme reduced water usage across our region by an estimated 4.7m litres per day. This represents enough water to supply about 29,000 people, and more than doubles the saving of 2.02m litres per day we achieved in the previous year.

Helping houshold customers
More than 1.7m domestic customers received our 'News on tap' leaflet in 2008/09, which included water-saving tips and a questionnaire allowing people to assess how water-wise they were. We also distributed over 2,700 water-saving products to local homes, including water butts and aerated tap and shower heads.

We teamed up with a range of partners to promote water conservation. For example, in London we worked with Green Homes Concierge, which gives advice to homeowners on how to make their properties more environmentally-friendly. Through this route, we completed 268 'audits' of homes, in which we advised householders where and how they could best save water.

We also worked in partnership with social housing providers to promote water-saving devices as part of refurbishment work and ongoing maintenance.

Working with young people
We realise the importance of encouraging young people to save water, in order to help bring about long-term changes in behaviour.

Since 2006, we have carried out more than 180 audits in schools to show them where they can reduce usage, and installed devices to help achieve this. We have also provided further support - for example, by encouraging schools to carry out their own audits.

In 2008/09 our activities included launching 'Water Makeover', which involves fitting water-saving devices in schools and holding workshops to engage and educate pupils about water use. Three London boroughs have taken part in the programme, which has also included audits at 33 schools.

To support schools, we have also developed new educational resources including 'Wise Up to Water', an interactive website promoting the issue in both primary and secondary schools. Features include advice for schools on how to devise their own campaign promoting water conservation.

The website also includes a rap put together by pupils from Hounslow. The borough's Education Business Partnership highly commended the new resource at their annual awards. Visit the Wise Up to Water website for more information.

Our further work included setting up a new initiative called The Great Debate, a teaching resource which encourages pupils to participate in a role-play activity in which they debate ways for a fictional local community to reduce their water use.

Working with businesses
For several years we have also promoted programmes to encourage the wise use of water by commercial and public sector customers.

In 2008/09, we carried out over 2,650 audits to advise the owners of business and institutional buildings where and how they could save water. This work has saved an estimated 3.8m litres per day.

We have also developed a new guide, Steps to Sustainable Water Use, to help businesses understand their water use and explore opportunities to reduce it. We distributed more than 6,600 during 2008/09.

We have continued our long-established partnerships with a number of local authorities. For example, we have worked with Croydon Borough Council to undertake audits at local schools and businesses. We have also provided materials for school assemblies and council offices and have sponsored the Eco Expo event, which promoted sustainability to companies and the Croydon community.

Water
Water resources in our region
Using water wisely

Our future plans
We will continue to investigate and develop new ways to promote the saving of water in the home and at work.

This year, we are writing to newly-metered customers to offer them free water-saving products, including trigger nozzles for hoses and devices that can be fitted inside toilet cisterns to reduce flush volumes.

We will also be working with the London Development Agency as part of their 'ten easy measures' initiative, which will encourage homeowners to make their properties greener.

Another project involves utilising large-scale rainwater harvesting systems at Langley Academy in Slough.

We are also working with the developers of the Beddington Zero Energy Development eco-village, in south London, to recycle water for such uses as toilet flushing.

Water
Water resources in our region
Low flows in rivers and at key sites

There are some areas where abstracting water can contribute to low flows in rivers, which can cause environmental concerns. We are continuing to work on a programme, agreed with our regulators, to limit the amount of water we take and work to improve the situation on stretches of river suffering from low flows.

In 2008/09, we completed a scheme to enable treated effluent to be pumped into the River Cherwell upstream of where it would normally enter the watercourse, so that it continues to flow all year round. In June 2008, we finalised an operating agreement with the EA to enable this scheme to be used in future low-flow periods.

We are also investigating at key sites where it is thought that the water we take may be causing low flows. In 2008/09, we completed three studies at Seven Springs and Blockley Brook, both in the Cotswolds, and at Cress Brook, near Slough. In each case, the investigation confirmed no requirement to reduce our abstractions.

Water
Drinking water quality

We have thorough and rigorous processes to test the quality of drinking water we supply to our customers. Every year, we take thousands of samples throughout our supply network to check compliance with the standards set down in national and European legislation.

In 2008, we carried out more than 440,000 tests as part of our monitoring, and achieved 99.99 per cent compliance for samples taken at customers' taps – our best-ever performance, and up from 99.98 per cent in 2007.

We immediately investigate the small number of failures, which in many cases are short-lived or caused by customers' fittings.

In a water supply system serving more than 8 million people, unforeseen events occasionally result in some customers receiving water that does not meet our usual high standards.

During 2008, there were eight drinking water quality incidents, all of which were reported to, and investigated by, our regulator the Drinking Water Inspectorate (DWI). As a result, we have changed some of our procedures and are implementing improved staff training to reduce the risk of a recurrence.

Water
Drinking water quality
Making further improvements

Every five years, we agree a business plan with our regulator, Ofwat, which sets out our major investment for the future.

Of the ten improvement programmes agreed for the five years to 2010, work is still progressing on one, and is on target to meet a revised completion date agreed with the DWI. This scheme is at Hornsey Water Treatment Works, where new equipment is reducing levels of the industrial pollutant bromate, which is present in groundwater that supplies the site.

We have submitted to Ofwat a range of proposals in our Business Plan, outlining further improvements we want to make between 2010 and 2015.

These include a liaison programme with local farmers and other users to ensure they spread pesticides in a way that minimises the risk of run-off into rivers, from which we take water. Areas where we propose to do this include Harpsden, near Henley, and Moreton-in-Marsh, in the Cotswolds.

Another project involves installing equipment to reduce nitrate levels at groundwater treatment works in Wantage, in Oxfordshire, and Westerham, in Kent.

Water
Drinking water quality
Replacing lead pipes

Our biggest proposed area of investment in the next five years will be in lead pipe replacement.

Many older properties in our region have lead pipes connecting the house to the water main in the street, which can increase lead levels in tap water.

The hard water that occurs naturally in our area forms a scale on the inside of the pipes, which helps reduce lead concentrations. In areas where these exceed current or future requirements, we have introduced treatment processes to further reduce lead levels.

While this has been very effective, there are some areas where more than ten per cent of samples continue to show higher lead levels than those required by new standards that come into effect in 2013. We have therefore proposed measures to reduce these levels. Our plans include replacing lead pipes, particularly in London, where there is a higher proportion of such pipework.

Water
Drinking water quality
Fluoride

We do not add fluoride to any of our supplies. In some areas of the UK, health authorities have made arrangements with the local water company to fluoridate tap water in an effort to reduce tooth decay.

Legislation now requires health authorities to consult the local community before new schemes of this sort are introduced. We are not aware of any proposals for this in our region.

Water
Drinking water quality
Customer queries

Customers often contact us with queries about the quality of their drinking water. More than 20,000 rang us or used our website in 2008 to get information about the hardness of their supplies. Much of this information is likely to have been sought by people setting up dishwashers.

Over the same period, around 8,500 people complained about the taste, odour or appearance of their tap water. We can sometimes resolve these queries over the phone, but on other occasions may need to make a more detailed investigation.

Figures from the DWI show that the number of complaints we receive per 1,000 people is among the lowest of all water companies.

Information on local drinking water quality can be found on our website at www.thamswater.co.uk/drinkingwaterquality, while the DWI's annual water quality report can be found at www.dwi.gov.uk/pubs.

Water
Drinking water quality
Promoting our product

Our campaign to promote the drinking of tap water in the capital's restaurants and bars has gone from strength to strength.

The 'London On Tap' initiative was launched in February 2008, and followed advice from key stakeholders to focus on the healthy living agenda.

The campaign promotes tap water as a cheaper and more environmentally sustainable alternative to bottled water, and to make customers more confident when asking for it.

The initiative will also encourage restaurants, cafes, hotels, pubs and other establishments to offer tap water, through the production of a stylish new carafe in which it can be served.

To find a suitable design, we launched a competition, encouraging entrants to create an iconic and sustainable carafe for use throughout the city.

From an original 115 entries, the judges eventually selected 'Tap Top', created by London-based industrial designer Neil Barron.

The distinctive tapered glass design, with four pouring spouts, was announced as the winner last December, when Mayor of London Boris Johnson presented Neil with his £5,000 prize.

The project also won Marketing Initiative of the Year at the Utility Industry Achievement Awards, held later the same month in London.

Carafes have since been rolling off the production line, ready for use across the capital. A donation of £1 to charity is built into the sale of each carafe.

Wastewater

Our sewerage network removes and treats sewage for about 13.6 million people. We need to ensure all 349 of our sewage works return high-quality treated effluent to local watercourses, and that we minimise any risk of pollution to the environment.

As part of this, we work with the Environment Agency (EA) to protect sewers and rivers from misconnected drains and to limit pollution risks from local businesses. In London, we are planning to build two huge new sewers which will help prevent sewage entering the River Thames after heavy rain.

We are also responsible for the safe and efficient disposal of treated sewage sludge, and engineering work to improve the capacity of sewers and reduce the risk of sewer flooding.

Wastewater

Wastewater treatment compliance

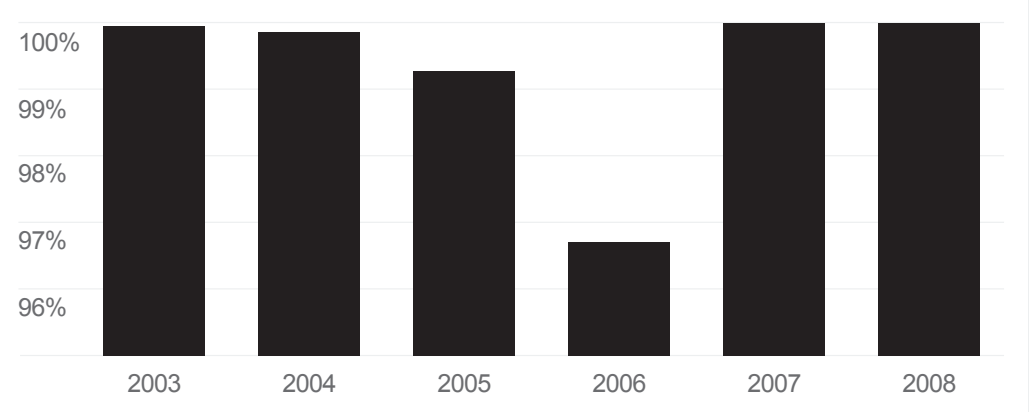
Throughout 2008, we continued to meet the high standards we achieved at our 349 sewage treatment works the previous year, with 100 per cent compliance against Water Resources Act look up table consents.

However, there were breaches of phosphorus compliance, as required by the Habitats Directive, at two of our works in west Berkshire, and a breach of the Urban Wastewater Treatment Directive requirements at our Long Reach works in Dartford, Kent. Overall, this means that 99.14 per cent of our discharges were compliant against all numeric consents. This is slightly lower than the 100 per cent compliance of 2007, but still shows a high level of achievement.

We have attained this by continued focus on all aspects of performance at our sewage treatment works. We have a robust risk management process and comprehensive surveillance programme, which includes sampling and monitoring. This means we can detect and deal with emerging issues at an early stage.

STW compliance with Water Resources Act look up table consents

2003	2004	2005	2006	2007	2008
99.93%	99.87%	99.27%	96.69%	100%	100%



STW compliance with Water Resources Act look up table consents
Please note that this data refers to the calendar year 2008, not 2008/09

Wastewater
Pollution incidents and prosecutions

We operate and maintain a huge network containing over 68,000km of sewers, more than 2,500 sewage pumping stations and 349 sewage treatment works. The size of this network means that we experience a number of pollution incidents, either as a result of weather conditions, equipment failures or the actions of third parties.

We have focused our efforts on those cases where we can reduce risk, in order to eradicate these incidents as far as is practically possible.

During 2008 we were convicted for two incidents. One case, dating from 2005, concerned a sample of treated effluent discharged from our sewage works into Culworth Brook, near Banbury. This sample breached the licence set by our regulator, the Environment Agency (EA), which governs standards of sewage treatment.

The second prosecution happened after a sewer at Highclere, near Newbury, burst on two occasions, in 2006 and 2007. This resulted in sewage being discharged on to National Trust land and the nearby Penwood Stream.

Our regulator the EA categorises pollution incidents from 1 (the most serious) to 4 (no impact). Our focus has been on categories 1 and 2, which produced real benefits in 2008/09.

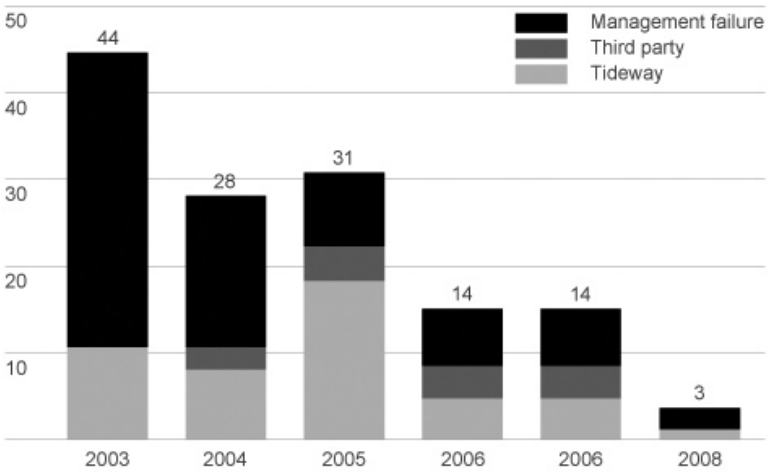
In 2008, we had a total of just three Category 1 and 2 incidents – our best-ever performance for cases of serious pollution, and 93 per cent lower than the 44 incidents recorded in 2003. There were 14 incidents in 2007.

One incident took place in February, when pollution from a surface water drain entered the Cove Brook in Farnborough, Hampshire. A second, at Highworth, Wiltshire, occurred when a water main burst, washing earth into the River Colne.

The remaining incident happened following heavy rain in London in May 2008, when wastewater from the sewer system entered the tidal section of the River Thames. The system was designed to overflow during times of heavy rainfall, to ensure homes, gardens and roads were protected from flooding, and as such is considered a 'consented discharge' by the EA. Once built, the proposed London Tideway Tunnels (see later section) will limit such occurrences.

Category 1 and 2 pollution incidents

	2003	2004	2005	2006	2007	2008
Number of incidents	44	28	31	14	14	3



Wastewater
Pollution incidents and prosecutions

In the future, we aim to raise awareness about the sewer system in order to reduce the number of incidents caused by third parties, and try to address the root causes of many of the Category 3 incidents.

The most common cause of problems in our sewer network is blockages, caused by the build-up of hardened fat and oil. The problem is worsened by householders sometimes flushing unsuitable items down the toilet, such as nappies, wet wipes and cotton buds. We aim to better educate customers about this issue – for example, through a new leaflet which promotes the message 'Bin it, don't block it'.

Although it is a major challenge to eliminate all failures from our sewer network, we have an 'incident avoidance programme' which focuses on the causes of problems and learning from previous incidents.

We have also:

– Monitored pollution 'hotspots'

– Continued to develop our alarm management processes

– Trialled sensors in our sewers to alert us to build-ups of waste

– Provided training for contractors on how to prevent and tackle pollution

River Wandle

As noted in last year's Report, a pollution incident in September 2007 unfortunately led to the deaths of thousands of fish and invertebrates in the River Wandle in south-west London. In January 2009, we were fined £125,000 for the incident.

We have honoured our commitment to provide £500,000 towards the river's restoration, and have agreed with the Wandle Trust a five-year plan to deliver these improvements.

Measures to restore the river include funding for local angling clubs and, via the Trust, appointing a full-time development officer for the Wandle.

We have also created a restoration fund to improve the river in the future. A fund will be overseen by a steering group made up of representatives of environmental and recreational bodies associated with the river.

The first stages of this improvement began in December 2007 with the release of an independent study on the ecological state of the Wandle. We have funded two restocking exercises, at the end of 2007 and 2008, to introduce back into the river young fish raised at the EA's own fish farm.

Environmental convictions 2008

Culworth STW

Incident date	Water-course affected	Cause	Remedial action	Fine	Costs	Court hearing date
29 Dec 2005	Culworth Brook	Non-infrastructure maintenance	Further investment for process improvements in this AMP period have sustained consent compliance	£7000 under s.85(6) WRA 1991	£3200	7 Apr 2008

The Chase, Blind Man's Gate

Incident date	Water-course affected	Cause	Remedial action	Fine	Costs	Court hearing date
19 Jul 2006 & 19 Feb 2007	Penwood Stream	Infrastructure Maintenance	Rising main replaced	£20,000 under s85(1) WRA 1991	£20,211	6 May 2008

Wastewater
Pollution prevention

Our Pollution Prevention experts work across our region to advise domestic and commercial customers on how to avoid inadvertently polluting local watercourses, or causing blockages in the local sewer system.

Our team co-ordinates activities with the Environment Agency and local authorities to target and reduce pollution, as well as visiting businesses to provide guidance on preventing sewer blockages and damage to local watercourses.

Wastewater
Pollution prevention
Working with the commercial sector

In 2008/09, our Pollution Prevention team made 1,022 visits to industrial and commercial sites in areas identified by the Environment Agency (EA) as pollution 'hotspots'. Where possible, we were accompanied by EA staff, showing our partnership approach to tackling the issue.

These visits follow an approach first adopted by the EA several years ago to tackle persistent pollution problems in urban watercourses, particularly associated with neighbouring industrial estates and commercial units. The visits aim to:

– Minimise the risk of non-agricultural contamination of rivers and streams

– Identify problem locations

– Advise on processes such as oil and chemical storage and disposal, and contingency planning in the event of a spillage.

Areas covered during the year include Reading, Swindon, Guildford, Barking and Beddington. During this work, we revisited some areas identified in previous surveys as high- or medium-risk locations. In Park Royal, for example, we have made return audit visits and found many sites now posing only a low risk.

Wastewater
Pollution prevention
Tackling fat, oil and grease

We continued our work in 2008/09 to reduce the amount of fat and oil disposed of via our sewer network. This material sets hard in the pipes, causing blockages which, in many cases, lead to flooding incidents. It causes more than half of the 55,000 blockages that occur annually in our area.

We made 1,013 visits to food-related businesses, carrying out campaigns in areas including Watford, Swindon, Marlborough, Sidcup, Hammersmith and Chiswick. In each case, we highlighted the problems caused by inappropriate disposal and advised on how to improve things.

We increased our focus on higher-risk establishments, conducting repeat visits to check on improvements. We have also worked with environmental health departments within local authorities to carry out joint visits and campaigns targeting problem locations. This approach, which has been a great success, has taken place in such areas as Barking, Dagenham, Bracknell and Witney.

Wastewater
Pollution prevention
Improvements to surface water outfalls

We work jointly with the Environment Agency to combat the issue of misconnected drains.

In much of our sewer network, there are separate pipes for foul sewage, which drain waste to our sewage treatment works, and for rainwater, which drain to local watercourses. The problem occurs when household drains, from appliances like washing machines and basins, are wrongly connected to the surface water drain, rather than the one meant to carry foul water.

The EA identifies the affected outfalls, where pollution from these misconnections is entering local rivers and streams. We then work to identify the properties causing the problem, and rectify it. This also requires working closely with local councils and the residents concerned.

In 2008/09, we significantly improved the quality of 37 polluted outfalls. Our five-year Business Plan includes proposals for an increase in our work programme, which is backed by the EA.

The recently-formed National Misconnections Strategy Group was based on a Thames Water model, in which we have worked with the EA and other key stakeholders. Our work has successfully influenced the draft Flood and Water Management Bill, which proposes giving water companies powers to rectify misconnections and recover the costs, without having to rely on the intervention of local councils.

Working again with the EA, we have also produced a new misconnections leaflet which has been adopted at national level.

We have also played a major part in putting together a national 'good practice' document to which other water companies and contractors can refer. This will, for the first time, enable misconnections to be tackled in a consistent way nationally in order to reduce non-agricultural water pollution.

We also chair a group which aims to prevent incorrect usage of public sewers, brought together by WaterUK, which represents the national water and sewerage sector. Its work includes a recent protocol on determining the flushability of disposals products, and efforts at European level to produce an internationally-agreed standard on this subject.

Wastewater

Odour from sewage treatment works

When many of our sewage treatment works were first built, they were located some distance from local homes. However, as time goes on, land near these sites is increasingly being used for housing developments, increasing the potential for odour problems.

During 2008/09, we received 382 complaints about this issue – down from the previous year's total of 601. Most of these were caused by isolated events, but a number of our sewage works have continuing problems.

We continue to use government advice, issued in 2006, as the basis for addressing the issue. This includes identifying the main odour sources, reviewing existing operations and, where necessary, implementing measures such as covering over the areas in questions.

We also identify proposed developments near our sites and work with local authorities and developers to highlight the potential problems of building homes and businesses beside sewage treatment works. Where suitable, we seek financial contributions from developers to carry out odour improvements.

We have put in place odour management plans at problem sites, and will progressively introduce these at the rest of our sewage works.

Work has continued at Mogden Sewage Treatment Works, in west London, where we completed a project to reduce odour in summer 2008. A survey carried out in September 2008 showed this work had reduced odour emissions by more than 80 per cent compared with measurements taken in 2005.

We have nine works with a high risk of odour, and have included proposals to address this in the five-year Business Plan we have submitted to Ofwat.

Wastewater
Sewer flooding

The sewer networks across our region are usually highly effective, but are occasionally unable to cope with the very high volumes of wastewater caused by heavy or prolonged rainfall.

When this exceeds the system's capacity, sewage can overflow from manholes, polluting the environment and sometimes entering homes.

The Thames Water region experienced fairly typical weather conditions in 2008/09, although there were some relatively isolated heavy storms, mainly in provincial areas.

During the year, there were 856 cases of flooding to homes and external areas caused by overloaded sewers, compared with 3,166 in the previous 12 months. A total of 96 cases were attributed by severe weather in 2008/09, as against 2,140 incidents in 2007/08.

We continue to carry out engineering work to reduce the risk of flooding to properties where this has occurred in the past.

In 2008/09, we made improvements to our local sewer network in a wide range of locations, working in places such as Lambeth, Kensington and Chelsea and Kidlington, in Oxfordshire.

During the year, we alleviated the risk of sewer flooding to 874 homes and externally flooded areas, bringing the total since April 2005 to 4,385. We aim to raise this total to 5,561 by April 2010.

We have submitted proposals to Ofwat in our Business Plan to tackle flooding at more than 3,500 properties between 2010 and 2015.

Number of properties and areas alleviated from sewer flooding

	2005 to 2006	2006 to 2007	2007 to 2008	2008 to 2009
Number of properties and areas alleviated from sewer flooding	647 (702)	1,359 (1,375)	1,505 (1,500)	874
Cumulative	647 (702)	2,006 (2,077)	3,511 (3,525)	4,385

Figures in brackets indicate what has previously been reported. However, numbers have now changed as some properties/areas that were claimed did not meet the required criteria and some properties that were alleviated in previous years have unfortunately flooded since the improvements were completed. In each case, these properties are no longer counted as outputs. We have also found properties that should have been claimed as relieved in previous years.

Wastewater
Sewage sludge management

Sewage sludge is the main solid residue produced by the sewage treatment process, once the liquid content has been cleaned and returned to a local watercourse.

Our treatment works now produce more sewage sludge than in the past, as a result of improved wastewater treatment standards and an increasing population. We expect this increase to continue, and must therefore ensure we continue to have beneficial and sustainable disposal routes.

This year, we have altered the basis for reporting so that the figures in this section are consistent with that we provide annually to Ofwat. These now show the pre-treated mass, which is a higher number than the post-treated figure given in previous years' reports. This increase is because the treatment process removes much of the liquid and, in certain cases, some of the solid material.

In 2008/09, 425,000 tonnes dry solids were produced. Following treatment, we put 100 per cent of this to beneficial use, avoiding sending any to landfill. Most of this was recycled to agricultural land, in order to provide soils with a valuable source of organic matter and nutrients. The Government and EU recognise this as the best practicable environmental option in most circumstances.

Sewage sludge utlisation in 2008 to 2009

	Agriculture	Incineration	Land restoration	Other
Tonnes dry solids	306,000	97,200	11,600	10,200
Percent	72	23	3	2

Wastewater
Sewage sludge management

The production, treatment and recycling, reuse or disposal of sewage sludge is controlled by comprehensive legislation, with which we have remained 100 per cent compliant.

We have also voluntarily complied with tougher quality requirements since 2002. These include the 'safe sludge matrix', an agreement between water companies and the British Retail Consortium, which sets out guidance for the application of treated sludge to crops including microbiological limits.

Sewage sludge can also be used to produce renewable energy, which reduces our impact on climate change. We have two plants in east London, at Beckton and Crossness, where we burn sludge to produce energy, which is then used on site. Both sites are controlled under the Environmental Permitting Regulations 2007, incorporating the requirements of the Waste Incineration Directive.

In 2008, we used independent consultants to complete a Strategic Environmental Assessment (SEA) of our draft 25-year sludge strategy. This helped ensure that sustainability – including environmental, social and economic issues – were central to our decision making.

In summer 2008, we consulted stakeholders on our draft strategy and the SEA report, and published the final versions of these on our website in December. To date, the SEA has concluded that none of our proposals should be excluded or reassessed.

In the period to 2035, we will aim to maximise energy recovery from sludge treatment and reduce the quantity of sludge we need to recycle by reducing the amount of solids within the product. Where suitable land is available, recycling to land remains our favoured option.

Wastewater
London Tideway Tunnels

When London's sewer network was significantly improved in the mid-19th century, Victorian engineer Sir Joseph Bazalgette and his team needed to ensure there was a way of coping with heavy storms

During intense downfalls, the sewers could fill to capacity. The engineers therefore put in place a series of overflow points along the River Thames, which allowed the excess sewage to escape into the river, rather than backing up and flooding streets and buildings.

Now, nearly 150 years later, there are far more people and businesses discharging wastewater into the city's sewers, and climate change means periods of intense rainfall are becoming more common.

Large parts of the capital have also been concreted over, and there is therefore less open ground to soak up the rainfall.

Much of the capital's sewerage system is combined, meaning that foul water mixes with the rainwater. As little as two millimetres of rainfall can lead to sewage entering the River Thames from one or more of the 57 'combined sewer overflows' (CSOs) which Sir Joseph created.

That is why, in March 2007, the Government tasked us with developing the London Tideway Tunnels solution.

Together, the two tunnels – the Lee Tunnel and the Thames Tunnel – form a key part of ministers' strategy to ensure the Thames complies with the Urban Wastewater Treatment Directive.

The tunnels will collect and transport wastewater to Beckton Sewage Treatment Works, in east London, which we also plan to extend to ensure it can cope with the additional flows.

The Lee Tunnel, which will run for approximately seven kilometres (four miles), will capture discharges from the largest CSO at Abbey Mills, Stratford.

We are on track to secure planning permission for the Lee Tunnel in summer 2010 and plan to award the construction contract – our largest ever - by the end of the year. Construction is due to start in early 2010 and finish in 2014.

The proposed Thames Tunnel will run for about 32km (20 miles) through the heart of London, beneath the Thames, broadly following the path of the river. It will capture untreated sewage that currently discharges into the river from the 34 most polluting overflow points.

We have carried out extensive consultations with the potentially affected 13 local authorities and other pan-London bodies, such as the Port of London Authority and the Environment Agency. As a result, we have now finalised our site selection methodology, which will inform how we choose the sites that will be needed to construct the Thames Tunnel.

Simultaneously, we have also been evolving our stakeholder engagement strategy, which we will continue to review in light of emerging government guidance related to nationally significant infrastructure projects. Full public consultation on our preferred list of sites is due to begin in early 2010.

We have also been attending a variety of public meetings and community events to raise awareness of the need for the London Tideway Tunnels. In June 2009, for example, we hosted an information stand at GreenFest in Hammersmith, near one of the CSOs.

In July 2009, we took senior representatives from the potentially affected local authorities for a briefing on the River Thames, so they could see some of the CSOs for themselves.

We have also established the Thames Tunnel Forum, a means for reviewing strategic issues with key planning consultees.

From January 2009, we drilled more than 100 boreholes at sites close to the river, in order to collect data on the ground conditions we are likely to encounter during construction.

We are currently drilling 86 boreholes in the River Thames itself to analyse the geology deep beneath the river bed.

We anticipate submitting a planning application in 2011. Construction is provisionally due to start in 2012 and finish in 2020.

Climate change mitigation and adaptation

As an intensive user of energy, it is important that we limit our contribution to greenhouse gas emissions. To help do this, we create renewable energy at a number of our sewage treatment works and have several initiatives to improve our energy efficiency.

In 2008/09, we generated more renewable electricity than ever before, which we used on site to help reduce the amount of power drawn from other sources. We also took measures to control our energy usage - for example, by fitting lighting controls and improving the efficiency of pumps.

Climate change mitigation and adaptation

Adapting to climate change

Although there are many global and local initiatives under way to reduce carbon emissions, some effects of climate change are unavoidable due to historic greenhouse gas emissions.

Expected changes in the frequency and intensity of droughts and other extreme weather conditions will be felt across our business. We will also face indirect impacts, such as increased demand for drinking water.

In order to protect water supplies, ensure high-quality sewage treatment and protect the environment, we need to adapt to these changing pressures and keep up to date with the latest thinking on climate change. We are already including this in our plans, but will also review our activities using new UK climate change projections (UKCP09).

We have started the process of adaptation in our five-year plan – for example, by considering climate change in our water resource planning, improving the capacity of sewers to cope with heavier storms, and protecting our major sites from flooding.

Climate change mitigation and adaptation

Mitigating the effects of climate change

In 2008/09, we continued to manage our emissions through energy and business efficiencies and by increasing the amount of renewable energy we generate. However, significant reductions in our carbon emissions will require a step change in investment to improve the energy efficiency of our current sites and equipment, buy new technology and further develop our renewable energy options.

The Climate Change Act highlights the need for the UK to cut greenhouse gas emissions. Our five-year plan sets out how we plan to reduce ours by 20 per cent, compared to 1990 levels, by 2015.

We have also stated our aim to work towards the emission reductions incorporated into the Act in an equitable way, to help ensure the sustainability of the natural environment and our business operations.

We have six sites that are captured under the EU Emissions Trading Scheme, including Beckton Sewage Treatment Works, which will be added in 2009. Although the emissions from these sites were higher in 2008 than 2007, they continue to be lower than our allocated emissions allowance.

Climate change mitigation and adaptation

Improving our energy efficiency

We continued to improve our energy efficiency in 2008/09 through a number of initiatives, such as installing controls at 11 sites, to turn off lights when buildings are unoccupied. These included Mogden Sewage Treatment Works, in west London, and Fobney Water Treatment Works, in Reading. This project has saved around 1,640 megawatt-hours (MWh) and the equivalent of 858 tonnes of carbon dioxide per year.

Our operations require a lot of energy, and the pumping of water and sewage needs the most. We continued to focus on this area, and have so far upgraded 15 pumping systems, returning the pumps to their original efficiency. This work, which included improvements at Cricklewood and Swinford, has saved 6,220 MWh and the equivalent of 3,340 tonnes of carbon dioxide in 2008/09.

A critical factor in managing energy efficiency is the need for better metering, so that we can measure how much gas or power we are using. We intend to install technology at 3,000 sites by 2011, to allow us to regularly take remote readings. This will also help us prepare for the introduction in April 2010 of the Carbon Reduction Commitment, a mandatory UK-wide scheme promoting energy efficiency among large businesses and public sector organisations.

In 2008, we became the first utility to be awarded the Carbon Trust Standard, which recognises 'real and sustained emissions reductions'. This replaces the Trust's Energy Efficiency Accreditation Scheme, which we had previously held for over ten years.

Climate change mitigation and adaptation

Generating renewable energy

At 22 of our sewage treatment works, we are able to create renewable energy, which we use on site. At most of these locations, we use a process called 'combined heat and power' (CHP), in which we capture the methane produced during sewage treatment and use it to drive a turbine. In 2008/09, we introduced CHP technology at Bishops Stortford Sewage Treatment Works.

In London, we burn sewage sludge at two of our biggest treatment works, Beckton and Crossness, to again create renewable energy. At both sites, we achieved a significant reduction in natural gas consumption, by installing new equipment that allows better control of the sludge mix, and improvements to the quality of sludge we burn.

In 2008/09, we consumed 1,284 GWh of power, 14 per cent of which we generated on our own sites using renewable sources, reducing our use of fossil fuels and our overall greenhouse gas emissions.

Our total energy generation in 2008/09 was 193 GWh, with renewable electricity generation increasing to 182 GWh – the most we have ever produced in a single year. We aim to increase this to 204 GWh during 2009/10.

During 2008/09 we installed biodiesel generators at the site of the desalination plant we are building at Beckton, which will treat water from the tidal Thames to remove the salt and turn it into drinking water. These generators will provide the renewable energy source for the plant.

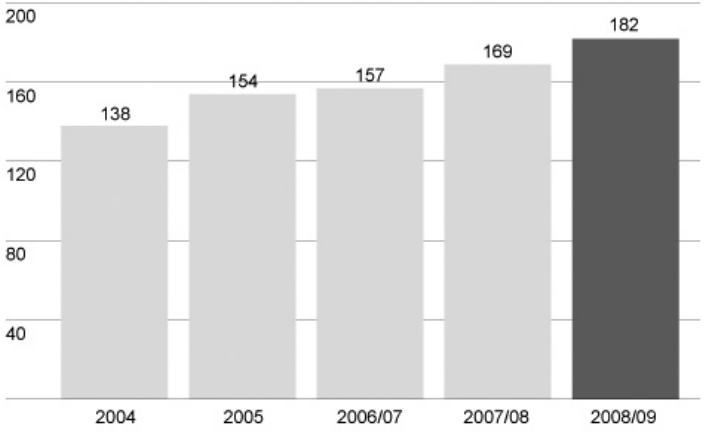
Last year we reported that we had undertaken a survey of 14 sites where we could potentially install hydropower – a process that uses a turbine to harness energy from water in pipes or rivers. As a result of this study, we have included proposals to develop four hydropower facilities in our Business Plan.

Sources of renewable energy generation

	Energy Generation (GWh)	
	2007/08	**2008/09**
Total renewable energy generation	290	306
Renewable energy generated as electricity	169	182
Renewable energy generated as heat	121[1]	124[2]

[1] The reduction in self-generated renewable energy reported this year compared to 2007/08 is due to the revision of our methodology for calculating heat generation, which is now based on kWh output and the assumed factory test heat efficiency. In future years we will be able to report actual heat data from our CHP units from the new meters that are being installed to measure this.

[2] The 2007/08 value has been recalculated based on the kWh output and the assumed factory test heat efficiency methodology



Climate change mitigation and adaptation

Our carbon emissions

We first reported our greenhouse gas emissions in 1997 and have continued to do so annually. In 2008/09, the water industry updated the data used to calculate the amount of carbon emitted for each Kilowatt-hour of energy used.

We have used this new methodology for calculating our emissions. In 2008/09, they were 848,130 tonnes of carbon dioxide equivalent – a reduction of 27,903, or 3.2 per cent, compared to the previous year.

Ofwat has required all companies to use this standardised methodology, together with a revised grid electricity conversion factor, which increased from 0.523 to 0.537 kg of carbon dioxide per Kilowatt-hour.

Total of CO2 equivalent emissions per business area

	Tonnes CO_2 equivalent		
Business area	**1990/91 baseline**	**2007/08[1]**	**2008/09**
Water supply			
Total emissions	325,027	281,869	279,915
Emissions per megalitre	0.319	0.300	0.298
Wastewater treated			
Total emissions	455,068	576,793	552,810
Emissions per megalitre*	0.328	0.350	0.345
Administration and transport	58,780	17,371	15,404
Total	838,875	876,033	848,130

*Based on measured flow received at the sewage treatment works
[1] The 2007/08 value has been recalculated based on the kWh output and the assumed factory test heat efficiency methodology

Climate change mitigation and adaptation

Working with others

Climate change remains a key challenge for society, and we have continued to work with the Government, non-governmental organisations, academics and other businesses to combine our knowledge and develop sustainable solutions.

We work with a wide range of organisations, including the Environment Agency, the Greater London Authority, the Tyndall Centre for Climate Change Research and two regional partnerships – the Three Regions Climate Change Partnership and Climate South East.

As a member of the Prince of Wales's Corporate Leaders' Group on Climate Change, we are working at the highest levels within business and government to develop new, longer-term policies to tackle climate change.

In 2008/09, we continued to be an active member of the WaterUK Climate Change Forum, which is working to ensure that adaptation and mitigation work across the water industry are appropriate, sustainable and equitable.

Climate change mitigation and adaptation
Looking forward

We are committed to reducing our contribution to climate change and are working towards reducing emissions in alignment with the Climate Change Act and Carbon Reduction Commitment.

To help us achieve our challenging goal of reducing emissions by 20 per cent compared to 1990 levels by 2015, we will:

– Continue to improve our energy efficiency

– Increase the amount of renewable energy we generate

– Invest in lower carbon operational processes

– Seek to purchase low-carbon energy

Sustainability

Sustainability is a key element of our business, from assessing our impact on the environment through to addressing the future challenges of climate change.

Much of our recent work in this area is evident in other part of this report, but we have also been outlining our proposals for the future. We have developed our first Sustainability Strategy, and in formulating our plans have consulted a leading sustainable development charity.

Sustainability
What sustainability means

Being sustainable means doing the right thing for people, the planet and our own performance, both now and in the future. It means ensuring our decisions and actions as a business do not disadvantage future generations.

We have a long and strong track record of addressing sustainability in many ways, some of which you can read about elsewhere in this report. But there are also areas where we need to make better progress and address challenges that prevent us from becoming a truly sustainable company.

Sustainability
Developing our five-year plan

Sustainability was a key theme in our 25-year plan, Taking care of water. Over the last year, we have used this strategy to help develop our more detailed proposals for the period 2010 to 2015.

Every five years, water companies in England and Wales prepare business plans, setting out the main areas in which they intend to invest. These proposals are reviewed by the economic regulator, Ofwat, which decides by how much bills can rise. Like other water companies, in August 2008 we submitted to Ofwat our draft Business Plan for the five years from 2010.

These draft proposals explained how we aim to address our customers' priorities, meet the requirements of our regulators and new legislation, provide water and sewerage services for a growing population and accommodate the expected challenges of climate change.

In drafting our proposals, we consulted widely with customers and stakeholders, including MPs, local councils, businesses and other interest groups. The feedback we received was one of several important factors that guided the development of our final Plan, submitted to Ofwat in April 2009.

Our Business Plan strikes a balance between the work we must do in order to continue delivering best-ever levels of service and the ability and willingness of our customers to pay for the necessary bill increases.

The economic downturn is affecting our customers and our business, and in the light of this we re-examined our final Plan to ensure all our proposed work remained essential in the current circumstances. We made changes to limit the impact on bills, but remained aware of our responsibility to invest sensibly and consistently. Delaying essential work would inevitably lead to a drop in service and higher bills at some stage in the future – an unsustainable outcome.

In our research, customers told us they were prepared to pay for work, so long as it was really needed and was done as efficiently as possible.

In forming our plans, we brought in sustainable development charity Forum for the Future to help us develop a 'strategic sustainability checklist' through which we examined the extent to which the main elements of our Business Plan matched up against the principles of sustainable development.

The checklist is based on our own sustainability principles, which are directly related to our planning and operations, and balance social, environmental and economic considerations.

It also maps our own principles against themes within our 25-year strategy, and with the Government's guiding sustainability principles. This allowed us to score our intended work against each principle.

There was some variability, but the process showed that, overall, sustainability is a key part of how we operate now and how we plan to do so. Much of this is through good business practice, including through dialogues with our stakeholders, business and operational efficiencies, and balancing environmental, social and economic considerations in our planning.

The assessment highlighted several particularly strong areas:

– Our proposed work to continue reducing the risk of sewer flooding protects the natural and built environments, adapts to climate change, makes efficient use of resources, and reduces the direct and direct impacts of flooding on local communities.

– The stakeholder engagement work we do was in some areas recognised as best or leading practice.

– Our focus on governance and compliance also scored well, reflecting the priority we put on transparency, accountability and challenge.

We also performed well in our work to address supply and demand for water, where our work to make customers more water-wise reflected many aspects of best practice.

There were some areas in which we scored lower – for example, on the degree to which we integrate innovation within our work. In these cases, we are reviewing our performance, as part of our ongoing work on developing and implementing sustainability strategy.

Ofwat gave its initial views in its 'Draft Determination' in late July 2009, after which we discussed these responses with the regulator. Ofwat's 'Final Determination', due in late November 2009, will form the basis for new price levels, which take effect in April 2010.

Sustainability
Having a responsible impact

In 2008, we developed our first Sustainability Strategy, Responsible Impact. This set out 12 sustainability principles for our business, summarised why sustainability is important and noted examples of existing good practice across our business – a first step towards more fully recognising and learning from this work. The strategy also looked at how we perform in relation to our sector and identified some initial actions to improve this.

Since then, our actions have included:

– Developing a project sustainability checklist to build sustainability assessment into delivery of capital projects from 2010 onwards, helping highlight where we need to improve.

– Publishing a new sustainable procurement policy, based on our sustainability principles, to start to influence how we think about purchasing goods and services from more sustainable suppliers and contractors in the future.

– Establishing a network of sustainability leads across our business to help identify how each of our business areas can improve their performance.

– Developing a draft 'sustainability statement' to set out what a truly sustainable Thames Water would look and operate like in the future. We will finalise this in the year ahead and use it to help plan how we will become a more sustainable company.

– Benchmarking our performance by taking part in the Business in the Community Corporate Responsibility Index.

We plan to review and update our Sustainability Strategy in 2009/10. We will also develop internal communications on sustainability to ensure staff understand the contribution they can make to building a truly sustainable Thames Water – one that delivers benefits for people, the planet and our performance now and into the future.

Our wider responsibilities

The business of providing top-quality drinking water and removing and treating sewage encompasses numerous areas in addition to those described elsewhere in this report. All have an impact on the society in which we operate.

For example, our work requires close contact with a wide range of stakeholders, including MPs, Ministers, councillors and many interest groups. Public consultations are another key area, as we seek to engage local communities in our plans for future services.

Other important elements include a range of education work, volunteering and other charitable activities, and initiatives to protect and enhance biodiversity and protect historic sites. The development and welfare of our own staff are other important issues, along with our waste management, streetworks and procurement activities.

Our wider responsibilities
Stakeholder engagement

It is important that we understand and respond to the views and expectations of our stakeholders, including our customers.

We listen to their views on our proposals and, where possible, change what we do to accommodate their feedback.

This is critical if we are to successfully deliver our current investment programme, which is our largest ever, while building support for our work from 2010 to 2015.

Our Stakeholder Engagement team oversees communications for major engineering projects, liaises with local, regional and national government, and undertakes our public consultation exercises.

Our wider responsibilities
Stakeholder engagement
Project communications

Our project communications team keeps customers and stakeholders informed about the rationale for our engineering work, how they will be affected, and what we are doing to minimise disruption.

Examples include our extensive project to replace Victorian water mains in London and work to protect homes and businesses from sewer flooding.

Communication channels depend on the project, but include 'drop-in' sessions for local people, the distribution of leaflets and letters to customers and, for larger projects, briefings for business customers.Comments received from customers and stakeholders are used to improve our plans and iminimse disruption as much as possible.

The communications strategy for our Victorian mains replacement programme in London has been recognised by the Department for Transport as an example of best practice in communicating roadworks activities.

Our wider responsibilities
Stakeholder engagement
Policy makers and elected representatives

We have no political affiliation as an organisation and have a policy that we make no political donations of any sort.

However, policy makers and elected representatives have a significant influence on our operations, so we aim to build and maintain close relationships with them to inform and influence their decisions in an open and transparent way.

We meet many of the 140 MPs in our region individually to discuss projects affecting their constituencies. For example, we held briefings with 28 MPs to tell them about our proposals for the period from 2010 to 2015, seeking their views on issues including metering and sewer flooding. We provided all affected MPs in our region with briefings explaining how our plans would benefit their constituencies.

We have also held discussions with government officials about the potential impact of the Draft Flood and Water Management Bill, which sets out significant changes to policy areas including flood risk management and water usage restrictions during droughts.

Our wider responsibilities
Stakeholder engagement
Local and regional government

We work closely with key stakeholders in local and regional government to ensure we deliver the commitments in our regulatory contract.

We have developed good relationships with many of the authorities in our area, focusing on those where our engineering works and major sites are based.

We met with 24 local authorities to discuss our Business Plan for 2010 – 2015, including the City of Westminster, the London Boroughs of Newham, Richmond and Tower Hamlets, Oxfordshire County Council, Guildford Borough Council and Swindon Borough Council.

We have presented to the London Assembly on our construction programme and have regular contact with Assembly members. We have worked hard to develop good relations with the Mayor and his advisers.

Additional discussions were held with pan-regional organisations, such as London Councils and the Association of Councils of the Thames Valley Region. We also invited all councils in our region to comment as part of the consultation on our Business Plan and our Water Resources Management Plan.

These relationships have helped us to better understand the priorities and challenges our stakeholders face, to improve the way we work together.

In 2009/10, we will continue to build on these existing relationships and develop others.

Our wider responsibilities
Stakeholder engagement
Local government and health authorities

The quality of tap water we supply and our plans for protecting and improving it are of great importance to local councils and health authorities in our area.

We hold annual workshops to explain our current and future drinking water plans and to understand any concerns, ideas and developments from this specialist group.

More than 30 local authority and health authority representatives attended these workshops during the year, and we will hold similar meetings in 2009/10.

Our wider responsibilities
Stakeholder engagement
Stakeholder review

In December 2008 we held our annual stakeholder review, an opportunity to update our stakeholders on key issues and to hear and respond to their views in an open-floor discussion. Stakeholders also gave direct feedback on issues of content and how we carry out our corporate responsibility reporting.

Around 40 stakeholders attended this event, including community groups, environmental organisations and two other water companies. If you are interested in coming to our next event, please email us at cr_feedback@thameswater.co.uk

Our wider responsibilities
Stakeholder engagement
Public consultation

We have increased our focus on public consultation work to ensure our plans reflect the views of customers and stakeholders. In 2008/09 we asked for their opinions on our draft Business Plan proposals for the period 2010 to 2015, and our draft Water Resources Management Plan for the next 25 years.

We have also held deliberative workshops with domestic customers, at which we have provided them with background information on our work, in order to deepen their understanding of our business and help give them more informed views.

The topics covered at these workshops included our five-year Business Plan, the 25-year Water Resources Management Plan, affordability and competition in the water industry.

We are a corporate member of the Consultation Institute, and follow Cabinet Office best practice guidelines for consultation, aiming to make the process as open and transparent as possible.

The Consumer Council for Water has commended the consultation on our five-year Business Plan, saying we carried out "comprehensive and robust consultation" throughout the planning proces sthat sets prices for the five years from 2010.

The independent auditor working for our economic regulator Ofwat said our Business Plan was "what can only be described as one of the most well-researched and wide-ranging plans undertaken in the UK water industry".

They said: "We are pleased that [Thames Water] also carried out specific additional research on affordability and related issues. The company has gone to great lengths to ensure the views of customers and stakeholders have been taken into account, and more than any other company in the region."

Our wider responsibilities
Stakeholder engagement
Thames Tunnel Forum

One of the biggest engineering projects in which we will be involvd over the coming years is the London Tideway Tunnels. The Lee and Thames Tunnels will together reduce the volume of sewage which overflows into the River Thames after heavy rain in the capital.

In autumn 2008, we began the process of consulting the 13 London boroughs that could potentially be directly affected by the construction of the Thames Tunnel, and other pan-London stakeholders such as the Environment Agency and the Greater London Authority.

The top tier of this consultative process is a three-monthly forum whose members include senior officers from potentially-affected local authorities, senior representatives of consent-granting and environmental bodies and other statutory pan-London stakeholders, plus key representatives of the London business community and voluntary sector. The forum has been well received by stakeholders. It aims to:

– Facilitate understanding and promote communication across a wide variety of stakeholders with an interest in the Thames Tunnel.

– Encourage agreement around interpretation of the policies, guidance and best practice behind the planning.

– Ensure stakeholders are well informed and involved in the project's progress, and able to influence the thinking and direction of the project at both practical and strategic levels.

– Promote open, constructive discussion around planning and delivery between the Thames Water project team in charge of the work, the relevant London local authorities and pan-London stakeholders.

Our wider responsibilities
Community investment

During the last year we have invested £1.07m in work with the communities in which we operate. This includes charitable donations, voluntary work by our employees, and support for schools and colleges through our education programme. Additional investment from leverage from our customers and supply partners brought the total to £1.93m.

Our community investment strategy focuses on three main strands - water and the environment; water and education; and water for health. A dedicated team plans and delivers activities designed to provide community and business benefits. We also encourage our staff to get involved by lending their skills and experience to community projects in company time.

Over the year, 700 employees volunteered 3,841 hours to such projects as environmental clean-ups, science fairs and engineering activities for students. We encourage our employees to participate via our Time to Give scheme, which allows two days paid volunteering leave per employee per year.

Volunteering / Reading RESCUE 2009
As main sponsor of Reading RESCUE event, we were pleased to have 36 employees take part in this clean-up event, which is the biggest environmental project of its kind in Reading. The initiative is run by Reading Borough Council.

Staff worked across three sites to clean up communal areas in and around the town, which was a great chance to make a real difference to the environment by removing rubbish and creating habitats for wildlife.

All the feedback received from volunteers after the event showed that it had been a positive experience and gave the participants a sense of achievement and a chance to do something beneficial for the local community.

Thames21 Brentford clean-up
Thames21 is an environmental charity, working with communities to clean up and revive London's waterways. We participate in a number of events with the charity and in February 2009, 15 employees took part in a major clean up of a muddy tidal section of the Thames on the north shore at Brentford.

The team could only work between the tides, but still managed to dig out items ranging from ovens, scooters and mattresses to an empty safe. The rubbish filled three skips provided on a barge by the Port of London Authority, the first time they had all been filled.

Feedback from the team and from Thames 21 was positive, with people from different parts of our business pulling together as a team.

Charitable giving
Our staff donated £55,130 through the Give As You Earn payroll giving scheme. We were proud to receive a silver award from the Charities Aid Foundation, recognising that five per cent of our employees were registered for GAYE.

We also launched a matching scheme, in which the company adds a further ten per cent to employees' donations for the charities of their choice. This began in May 2008 and, in this financial year, generated an additional £6,145 for a huge range of good causes. Visit the Thames Water website and find out about we offer financial support for charities.

Matched funding
We offer a pound-for-pound matched funding scheme, up to a maximum of £2,000, for registered charities to support employees in their fundraising activities, and, in most cases, double the amount of money going to their chosen charity.

In 2008/09, of our employees raised over £72,000 for good causes, which qualified for £36,303 in matched funding from Thames Water.

Charities Committee funding
Our Charities Committee meets quarterly to consider matched funding applications from employees and external community organisations and charities whose projects are linked to our criteria:

Water
We support projects with links to our core business of water supply and wastewater treatment.

Environment
Our focus will be on enhancing the quality of life within urban areas by improving open spaces, especially natural environments that are adjacent to water, or that contain rivers or canals. By 'environment,' we mean the environment in which people live as well as the natural environment.

Healthy living
We support projects that encourage individuals to look after their own health and encourage a healthy lifestyle through the benefits of water. Twenty-five applications for funding from charities were supported by the Charities Committee, totalling over £57,000.

Our wider responsibilities
Money raised for WaterAid

We continued our partnership with our principal charity, WaterAid, which works to provide water, sanitation and hygiene education to some of the world's poorest people.

In 2008/09, employees once more took part in a range of fundraising events, including our annual Raft Race on the River Thames in Reading.

The sum raised included money from our payroll giving scheme, in which staff choose the amount they wish to donate and Thames Water matches ten per cent of the total. Many staff also make a monthly payment to the WaterAid lottery.

We also include with our bills an appeal leaflet from the charity, which in 2008/09 resulted in donations of more than £76,000 (including gift aid). Customers who began regularly donating to WaterAid as a result of this appeal in earlier years (for example, via direct debit payments) contributed over £1.7m during the same period.

The full total is itemised in the table below:

Fundraising sources for WaterAid

Fundraising	**2008 to 2009**
Committee Fundraising	
Events	£35,423
Lottery	£48,360
Payroll giving	£7,063
Matched	£12,519
Subtotal	**£103,365**
Customer appeal (inluding gift aid)	
New donations 2008 to 2009	£76,998
Donations recieved 2008 to 2009 from previous customer campaigns since 1993	£1,713,002
Subtotal	**£1,790,000**
Total	**£1,893,365**

Our wider responsibilities
Education

Our education programme helps to deliver the community investment strategy, and while it is planned and managed by the Thames Water team, its success is down to the employees and community partners who help to deliver it to students and teachers.

Curriculum Support
We offer free resources and speakers to schools throughout our area to enhance teaching and learning about water. In 2008 we relaunched our community speaker programme, delivering talks to schools, youth groups and community organisations ranging from water conservation, the water cycle, the environment and waste.

Working with our education partner The Phoenix Consultancy, we distributed teachers' packs for Key Stage 2 (seven to 11 years) on request, and look forward to shortly launching the next module of the pack, Water Treatment. We also updated our website, www.thameswater.co.uk/waterinschools, enabling teachers to download free fact files and activity sheets to support the curriculum, request speakers and order resources.

Working with education and community partners, we delivered a number of Network Challenge events to students across our region. This real-life engineering activity encourages students to work together to design and build a water network.Participants work out how to supply customers with water while considering the community and environmental aspects of a major engineering project.

Diplomas
During the year, we partnered with Hounslow Education Business Partnership (EBP) to support students from two schools in their studies of the Creative and Media Diploma. Our work with diplomas to date has been focused on the Engineering strand, which includes staging the Reading Network Challenge with Central Berkshire EBP, and offering talks and site visits. However, in engaging young people from the Creative and Media strand, we were able to offer them a truly commercial project to write, plan and direct a short film to encourage young people to save water.

The students showed off their efforts at the annual National Education Business Partnership Network conference, where they also filmed a fly-on-the-wall style account of the conference, working to a very tight deadline – the film was premiered on day two of the conference!

The results of the students' water-wise project can be viewed on our new education resource, Wise Up To Water. Visit the Using Water wisely section to find out about out Wise up to Water project

Our wider responsibilities
Our Ten for Ten initiative

Last year, after strong operational and financial performance in 2007/08, we established a £10m ten-point plan to benefit customers and communities. The initiative, called 'Ten for Ten', was funded through company profits.

We have chosen a diverse range of projects that we know are important to our customers and stakeholders, and that will bring benefits across the region we serve.

These include providing an initial donation of £477,000 to set up the Thames Water Trust Fund (see 'Customers' section) to help customers who are unable to pay their water bills.

We have also funded a visioning study for the restoration of part of the Greenway, a footpath and cycleway in east London which runs along the top of the Northern Outfall Sewer.

We have worked with the London Development Agency and London Borough of Newham on the study, which looks at the section running eastwards from West Ham to Beckton. This has now been completed, and we are investigating restoration projects, which we intend to fund.

In addition, we have provided £275,000 in funding to complete a project to build a pontoon giving disabled sailors improved access to Farmoor Reservoir near Oxford.

The scheme has provided a wheelchair-friendly ramp, enabling the provision of hoists and safer handling facilities.

Planning is still going ahead on a range of other 'Ten for Ten' initiatives, and full delivery of the project will be complete by the end of 2010/11.

Our wider responsibilities
Biodiversity and access

In 2008/09, we were again involved in many initiatives to protect and enhance biodiversity across our region, and safeguard sites of historic interest. Some of these activities are detailed in the following sections.

Our wider responsibilities
Biodiversity and access
Archaeological finds

Our work to replace ageing water mains in London has unearthed Roman pottery, a section of London's ancient City Wall and previously-unknown foundations close to St Paul's Cathedral.

During 2008/09, we consulted English Heritage on all work we undertook in London. Much of our Victorian Mains Replacement (VMR) was monitored by professional archaeologists under a watching brief, to ensure there was minimal disturbance and that, where necessary, findings were properly recorded.

Among the most significant discoveries were foundations near St Paul's, which could be the remains of a structure in which workmen lived while building the cathedral. Alternatively, they could have been the base of a crane used during the construction, or form part of an original gateway into the churchyard.

Work in the area also brought to light the remains of houses dating from the early 17th century.

In Ludgate Hill, VMR workers came across part of a large bowl, probably manufactured and imported in the 2nd century AD. The piece was an example of 'samian' pottery, one of the classic fine wares of the early Roman period.

In Crouch Hill, similar work uncovered a section of London's Roman City Wall. Historic records suggest it was built in the late 2nd century and continued to be developed until at least the end of the 4th century.

The section unearthed could be a 'postern' – a secondary gateway or door, often built in a concealed location so that people could come and go inconspicuously.

Our wider responsibilities
Biodiversity and access
Screening our engineering works

Our engineering work covers a wide variety of projects, including laying new pipelines, upgrading treatment works and increasing the capacity of our sewer network to reduce the risk of flooding.

In 2008/09, we assessed the ecological, archaeological and cultural heritage impacts of 285 schemes at 860 locations.

The process uses specialist IT and a biodiversity database to help screen for important wildlife, archaeology and heritage sites, such as listed buildings, conservations areas and Sites of Special Scientific Interest.

The specialist team studies the project in finer detail by carrying out field surveys, which give the opportunity to survey the working area for other ecology or heritage issues including protected or rare species.

If necessary, we contact the local biological records centre to gain further information on the ecology of the proposed site. We also liaise with statutory and non-statutory bodies, such as English Heritage, Natural England, the National Trust and local wildlife trusts, as well as county archaeologists and borough ecologists. We aim to ensure legal compliance to minimise our impacts on the natural and historic environment.

Our wider responsibilities
Biodiversity and access
Wildlife partnerships

We helped sponsor the Oxford Ornithological Society Tree Sparrow Project, in which volunteers put up nestboxes and bird feeding stations along the River Thames through Oxfordshire.Tress sparrows have already successfully bred at two sites in 2008.

Working with Gloucestershire Wildlife Trust, we have cleared large areas of scrub at Seven Springs Water Treatment Works, near Cheltenham. This should encourage plants, such as marsh orchids and early purple orchids, to flourish.

In south-east London, we have teamed up with the London Borough of Bexley to deliver a regeneration project called the Erith Marshes and Belvedere Links Programme. This aims to improve biodiversity and access to the wider area including the nature reserve we run at Crossness Sewage Treatment Works.

In 2008/09, we have worked with architects to improve facilities for visitors to the reserve, including a classroom for school visits, eco-toilets and better signage. The project also aims to improve the drainage and ditch network across Erith Marshes, with particular emphasis on providing habitats for water voles.

We also joined with the Berks, Bucks and Oxon Wildlife Trust to clear invasive scrub at Dancers End Water treatment Works, near Tring, Hertfordshire. This chalk grassland site supports a wide range of flora, including common twayblade and gentians.

Pond Action held a two-day course on sampling ponds at Pinkhill Nature Reserve near Farmoor Reservoir in Oxfordshire. Thanks to funding from Thames Water and the Environment Agency, they have also conducted a detailed survey of the site and shown that the ponds there are exceptionally species-rich, supporting more than 20 per cent of the UK invertebrate and aquatic plant species.

Our wider responsibilities
Biodiversity and access
Access through partnership

We worked closely with Berkshire Ornithological Club to open up controlled access for birdwatchers on a permit system at Queen Mother Reservoir in Datchet, allowing them to walk around the site and record the birds that visit it.

The same site hosted a series of three ten-kilometre runs around the reservoir, in May, June and July. The events were run by Marlow-based Purple Patch Running. More than 500 runners took part, raising money for the charity Whizz-Kidz, which provides disabled children with customised mobility equipment, training and advice.

Staff from Boots attended a series of volunteer days at Kempton Nature Reserve, in west London, to help clear footpaths and manage vegetation to enable better access for the reserve's 250 members.

In partnership with the British Trust for Ornithology, we held a nest box day at Farmoor Reservoir. Visitors heard a talk about recording nests, then made nest boxes and were shown how to safely inspect the nests inside.

In June 2008, we ran several educational visits for local primary schools to Crossness Nature Reserve. The pupils took part in activities including pond dipping, mini-beast hunts and habitat analysis, as part of work to tie in with the Key Stage 2 science curriculum.

As a result, Parkway Primary School in Erith successfully nominated us for an award from the Bexley Education Business Partnership, in recognition of our contribution to work-related learning.

Our wider responsibilities
Biodiversity and access
Water voles find new home

Essential upgrade work at Crossness Sewage Treatment Works in Bexley meant that lagoons and ditches at the site had to be drained to make way for extension work. Ecologists surveyed the areas and found they were inhabited by water voles, which, as the UK's fastest declining mammal, are legally protected.

Our ecology and heritage team spent four weeks at the site trapping the water voles and moving them to a captive breeding centre run by the Wildwood Trust in Herne Bay, Kent.

Water voles typically live for an average of two years.The healthiest offspring will be moved back to Crossness and released on the site once the work is complete.

In the meantime, new and improved habitats for the voles will be created as part of the work.

Our wider responsibilities
Biodiversity and access
Sale or lease of land

In 2008/09, we checked 75 potential sales or leases of our land to ensure that ecology and heritage issues were taken into account. Six of these were in areas of Outstanding Natural Beauty and one was within a site designated as a Scheduled Monument. None was placed in a legally protected Site of Special Scientific Interest.

Our wider responsibilities
Biodiversity and access
Sites of Special Scientific Interest

In 2008/09, Natural England reported that 54.5 per cent of our SSSI areas were in 'favourable' status, while 45.1 per cent were in 'unfavourable recovering' status.

Overall, the total area meeting the Defra Public Service Agreement target, which combines 'favourable' and 'unfavourable recovering' sites, was 99.7 per cent.

We achieved significant progress in restoring one of our sites from 'unfavourable' to 'unfavourable recovering' condition, and carried out work at another which we are hopeful will result in a similar redesignation. We also considered future options for a further two small SSSIs.

Our wider responsibilities
Biodiversity and access
Protecting biodiversity

We continued to improve biodiversity awareness and implement our Biodiverstiy Action Plan across our sites.

During 2008/09, 14 resurveys were carried out for sites previously surveyed some years ago. A further ten baseline surveys were undertaken for other sites, and biodiversity condition assessment carried out for a further 15.

We now have a total of 261 biodiversity schedules written for 256 sites. We wrote a further 36 site management statements during the year, to bring the total to 121.

We also continued to plan and implement further biodiversity protection measures in grounds maintenance.

Our wider responsibilities
Waste management

Capital and operational waste disposal
Our work to re-use as much as possible of the capital investment and street works waste produced by our projects has seen us become arguably the water industry's leading recycler.

We recycled 77.9 per cent of the capital investment waste produced in 2008/09 – up from 56 per cent the year before.

Government recycling body Waste & Resources Action Programme (WRAP) – which uses us as an exemplar in several publications - says a figure of 50 per cent is best practice.

We were one of the first companies to introduce 'site waste management plans' for every capital project costing more than £200,000. These plans identify how much waste will be produced by the work and advise our contractors how to dispose of it. We plan to strengthen this agreement, so that we can in future tell them where to recycle waste.

One of our major recycling projects includes finding a route to re-use waste from our Victorian mains replacement project, in which we are replacing many of the capital's oldest water mains.

The spoil is processed and taken by barge to Hoo Island, in the River Medway, which was formerly used by the Ministry of Defence.

The location is a Site of Special Scientific Interest, and our recycled material is helping return it to nature following is military use. The project reached the finals of the Chartered Institution of Environmental Wastes Management Awards for Environmental Excellence in November 2008.

We continue to search for new ways to recycle material, including the ash from our two sludge-powered generators in east London, and even weed cleared from the New River.

Sewage sludge is the main waste product from the treatment of wastewater, and in 2008/09 we continued to put 100 per cent of this to beneficial use, as mentioned in the Wastewater section of this report. The process also produces grit, screenings and, on two of our largest sites, incinerator ash, while the water treatment process produces sludge and weed.

Most of the various types of waste that result from sewage treatment can be fully or partially recycled. The exception is sewage screenings, of which 100 per cent is currently sent to landfill.

During the year, we secured new recycling contracts for both incinerator ash and sewage grit, which has restored the recycling route for ash and increased the proportion of recycled grit to 39 per cent.

The waste from water treatment can also be put to beneficial use. The sludge is used in agriculture, as dried soils, or returned to the sewerage network, where it can be recycled after the wastewater treatment process. Weeds can be used in landfill restoration.

The success of our aggregates recycling programme is outline above. However, the street works spoil arising from our routine maintenance work is included among our operational waste.

The disposal routes for our capital waste are set out below:

Disposal routes for capital waste

Total	Landfill	Recycled	Transfer	Landfill %	Recycled %	Transfer %
630,950.99	120,704.99	471,425.1	38,827.26	19.1%	74.7%	6.2%

Main operational waste types

Waste stream	Waste produced (tonnes)	Recycled (%)	Landfill (%)
Sewage treatment screenings	20,328	0	100
Sewage grit	4,642	39	61
Water treatment sludge	33,523	96	4
Water treatment weed	2,045	100	0
Incinerator ash	22,728	4	96
Streetworks spoil	471,130	82	18
Total	**554,396**	**77**	**23**

Our wider responsibilities
Waste management

General office waste
We aim to minimise and recycle all of our waste as far as possible, and that includes general waste products.

General waste from all of our sites is handled through a framework agreement with our main waste contractor, Biffa. On operational sites, skips are provided for the segregation of wood and metals, and bins for plastics and paper.

At our main office buildings, all dry recyclables are segregated through our facilities management agreement with Mitie, achieving an average recycling rate for office waste of 53 per cent.

We have several schemes in operation to encourage staff to not only recycle waste, but to minimise it in the first place. For example, caterers in our Reading headquarters offer a discount to staff who buy drinks using their own mug, rather than requiring a disposable cup. 'Another of our Reading offices has been using confidential waste recycling consoles, supplied by Shred-it. Recycling the contents of two of these bins saves one tree.

Our wider responsibilities
Street works

We are one of the largest promoters of street works in the UK, and the single largest in London.

This work is carried out on our behalf by 13 contractors. Their activities include routine repair and maintenance work, installing new supplies and improving our sewer network to reduce flooding.

Another major element of this is our high-profile programme to renew London's oldest water mains, to reduce the number of leaks and burst pipes. This has helped increase our street works activity to its highest level ever.

There is also increasing pressure to improve our performance and reduce the impact of our work, driven by the rising expectations of road-users and recent legislation.

We are the first UK utility to have begun making widespread use of high-strength plastic plates, which can be placed over excavations to ease traffic congestion during rush hour.

The plates can be put in place during busy periods in London, so that motorists can drive straight over our trenches, then removed afterwards to allow work to resume.

New regulations came into effect in April 2008 under the Traffic Management Act 2004. The changes include an increase in the amount of detail we must give local councils about work we want to carry out in or near roads. Providing incorrect details could lead to fines.

We fully support the Act's aims, which are to minimise traffic congestion and improve the co-ordination of street works between highway authorities and utilities.

In order to cope with these changes, we carried out extensive IT development and reviewed our businesses processes.

The next phase of the Act means that, as an alternative to the current system of notices for street works, councils can apply to set up their own 'permit scheme'. Under this, utilities would have to seek permission for work, rather than simply giving notice of their intentions.

Permit schemes could be introduced in London and Kent, but have yet to be approved by the Department for Transport.

In 2008/09, we received total fines of £72,753 for 80 street works offences. We have written to our contractors reinforcing the seriousness with which we view breaches of street works legislation.

We have one improvement notice in effect, issued by the London Borough of Bromley.

Our wider responsibilities
Procurement

In 2008/09, we spent over £1.2bn on construction, goods and services. Most of our agreements are made following an open, non-discriminatory competitive bidding process and, where applicable, comply with the requirements of the EU Directive on Utility Procurement. All our published notices under European legislation make direct reference to corporate responsibility.

In our overall selection of suppliers, we have introduced into our tender process social and ethical questions. We also give a weighting to suppliers' carbon footprint – for example, by asking how they manage their production processes.

In 2008/09, we reduced our previous +10/-10 day tolerance to a more stretching +3/-3 day tolerance. Using the former of these targets, we paid 84 per cent of our top suppliers according to agreed terms, compared to 76 per cent the year before. Under the new target, we achieved 80 per cent.

Our wider responsibilities
Our people

In 2008/09, we continued with the second year of our People Strategy. Its key themes were inspiring a culture of engagement, shaping organisational development, delivering expectations and setting standards, building and developing relationships, strengthening the organisation, resourcing, and developing and evaluating talent.

Our employee turnover decreased from 17 per cent in 2007/08 to 8.4 per cent in 2008/09, largely due to the organisation stabilising following the company's change of ownership at the end of 2006.

Our wider responsibilities
Our people
Employee engagement

We have continued to work with Gallup to measure levels of employee engagement through the Q12 process. This asks employees to anonymously answer 12 questions, linking to key business issues such as productivity, customer engagement and safety.

Under the title 'Passionate about Thames', we carried out the second wave of Q12 in June 2008. We achieved a participation rate of 61.7 per cent, and our 'grand mean' core improved to 3.41 out of 5. This compared to a figure of 3.07 in the pervious year.

Teams throughout the company then followed a process called 'impact planning'. This involved identifying issues for improvement in their part of the business and deciding what action to take, in order to make their team a better place in which to work.

At a corporate level, work to support local managers has included an event to celebrate the work of 'best practice' teams, recognising those teams that achieved the highest 'grand mean' scores.

Our wider responsibilities
Our people
Talent management

We have continued to focus on talent management to maximise the performance and potential of staff throughout their career. For example, we have implemented 'Talking Talent' reviews across the company, to support succession planning and development, and identify talent risks.

We have also launched a pilot project, covering about 100 managers, of two core leadership development programmes, to ensure we have the right leadership now and in the future.

We continue to drive a culture of performance, and carry out 'performance development reviews' for employees, which link individual objectives to Thames Water's business plan and assesses to what extent staff live the company values.

In 2009, we have introduced performance-related pay, based on employees' overall performance ratings.

Our wider responsibilities
Our people
Diversity

It is important that we have a diverse workforce, in order to reflect, and better serve, our diverse customer base.

Seventy-six per cent of our employees are white, with eight per cent of our workforce declaring themselves in 2008/09 to be from an ethnic minority group – an increase from 7.3 per cent the year before.

Despite this increase, we recognise we could do more to attract a diverse workforce, since, according to the 2001 Census, ethnic minority groups make up nine per cent of the population in England.

About 71 per cent of our workforce is male, and around 25 per cent of our 411 management grades are female (compared to 23 per cent of 403 in 2007/08).

We remain committed to attracting a more diverse workforce, using a variety of strategies, including advertising and online recruitment, and strengthening links with external organisations.

We are in the process of introducing a diversity and inclusion strategic framework, which will ensure we improve in this area. Improvements in our IT capability will also allow us to monitor our diversity strategy more closely.

Our wider responsibilities
Our people
Training and development

We are committed to training and developing all our employees, as we realise the success of our business is highly dependent on the quality and performance of our staff. Training and development are fundamental to ensuring we have capable, confident and skilled people in all parts of the company.

We have signed up to the Government's 'Skills Pledge', through which companies commit to develop the skills of their workforce.

Our 2009/10 training and development budget is £3.4m, which will enable us to deliver and maintain our technical and safety skills training, graduate and apprentice schemes and implement our leadership development programmes.

Our wider responsibilities
Health and safety

We were pleased to note a decrease in the number of accidents that happened in 2008/09. During this period, there were 34 accidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) – a 20 per cent reduction on the figure of 43 for the previous year.

During the year we launched a new online health, safety and environment management system, called Safeguard, which allows the remote, electronic reporting of accidents in the Water and Wastewater areas of our business.

Health and safety targets and performance for 2008 to 09

Target area	Target 2008 to 2009	Performance 2008 to 2009	Target achieved	Target 2009 to 2010
Thames Water employees (excluding contractors)				
Number of accidents per 1,000 employees	8.3	6.71	Yes	6.55
RIDDOR accidents	47	34	Yes	35
Major injury accidents	7	6	Yes	6
Occupational illnesses and diseases	0	0	Yes	0
Accident injury rate	0.70	0.57	Yes	0.55
Lost-time accidents	90	71	Yes	74
Dangerous occurrences	7	0	Yes	4
Total working days lost	1,243	746	Yes	966
Thames Water employees and opex contractors				
RIDDOR accidents	52	41	Yes	41
Major injury accidents	9	8	Yes	8
Occupational illnesses and diseases	0	0	Yes	0
Accident injury rate	0.53	0.49	Yes	87
Lost-time accidents	102	83	Yes	87
Dangerous occurrences	7	0	Yes	4
Thames Water capex contractors				
RIDDOR accidents	26	28	No	25
Major injury accidents	17	12	Yes	14
Occupational illnesses and diseases	0	0	Yes	0
Accident injury rate	0.39	0.45	No	0.39
Dangerous occurrences	1	5	No	3

Our wider responsibilities
Health and safety

During European Health and Safety Week, in October 2008, we ran a successful campaign focusing on risk assessment and hazard identification, during which approximately 88 per cent of participants responded, making this the most successful such campaign in recent years.

Our Health, Safety and Environment training section has achieved accreditation from the Institution of Occupational Safety and Health to run the 'Managing Safely' course, designed to give managers the ability to handle health and safety in their teams. The programme of courses began in October 2008.

It has also received accreditation from the Health and Safety Executive to run first aid training courses.

During the year, we opened a new training centre, at Mogden Sewage Treatment Works in west London, which is a convenient location for staff in the capital.

In addition, we reintroduced a 'skills passport' scheme for all personnel working on capital projects, as a quick and simple means of checking that they have the required expertise and knowledge.