Annual Review 2008
Sustainable growth is in our hands
Corporate Social Responsibility

Introduction

We are committed to the continuing development of our comprehensive CSR policy covering the four main areas of workplace, marketplace, environment and community. I would like to highlight a number of our initiatives which have taken place in the last twelve months.

I regard our health and safety and environmental performance as two of our most important Key Performance Indicator (KPIs) and central to everything we do. In 2008 we made considerable progress with a 12% reduction in Lost Time Incident (LTI) accidents across the board and we are currently aiming to ensure every site is certified to ISO 9001, ISO 14001 and OHSAS 18001 by the end of 2009.

Our quality, health, safety and environment teams are working extremely hard with management and staff to drive the safety message home and the use of a cartoon crash test dummy known as RAE (Risk Assessment Expert) has significantly helped raise the profile of this vital issue.

Trade Union backing for our health and safety campaigns has been vital to their success. We have national recognition and procedural agreements with a number of Trade Unions including Unite the Union and GMB within municipal services, and we have also recently signed a national recognition agreement with UNISON that will operate at all levels and deliver joint benefits. Additionally we have a joint national agreement with URTU and Unite the Union within our commercial services activities.

In December 2008, I was delighted to address our joint Trade Union forum - a positive and valuable day dedicated to health and safety best practice and initiatives - attended by Unite the Union, GMB, URTU and Prospect with over 100 delegates.

The target we have is to be the best environmentally performing business in our sector and our expectations as for health and safety are uncompromising. Our overall target is zero prosecutions for environmental compliance.

Staff development is critical to our future and our group training facility, Campus Veolia, has become the first training organisation in the UK to achieve the Standards Verification UK accreditation. A recent Ofsted audit described the Campus as ‘outstanding in terms of achievement and standards.’

Our staff have also been at the forefront of our charitable activities with employees across the UK ‘Wearing it Pink’ to raise over £7,000 for Breast Cancer Care. Equally important have been the numerous CSR initiatives on a depot level to support worthwhile causes including local Wildlife Trusts, the Sick Children’s Trust and Disaster Relief Campaigns. As a community orientated organisation we actively encourage our employees to become involved and give their time and money in this way.

The launch of the company’s ‘Customers First’ campaign and alongside it the ‘Service Heroes’ is indicative of a move in the marketplace for ‘added value’. To reinforce this approach we have held joint events with a number of clients and ‘customer service’ has also been the focus of many of our employees’ suggestions in our new staff ‘Eureka ideas’ scheme.
Procurement is a key area where we are looking to improve our performance. We are ensuring companies demonstrate the required ethical and environmental and Health and Safety credentials before even being considered for inclusion as an approved supplier.

To enhance both our own and our customers’ environmental performance we have recently developed a tool that measures ‘Carbon Footprint’ called the ‘Greenhouse Gas Tracker’. This again is in response to customer demand and will prove a valuable asset in helping us deliver measurable reductions in the carbon footprint of our clients’ operations and assist the way we evaluate our own. Our environmental performance benefits from both our own Research and Technology department in the UK and from the Group’s resources worldwide. We are taking the initiative in areas like fuel conservation through defensive driver training and awareness, alternative fuels e.g. biogas-powered vehicles and conserving fossils fuels through our landfill gas to energy network and energy recovery facilities. Innovation must be at the forefront of our priorities and we will benefit from our R&D effort and the implementation of best practices in the group worldwide. The incoming challenge in the field of carbon reduction must be faced with determination and we can rely on the group’s R&D expertise in this respect, keeping in mind the demand resulting from the Carbon Reduction Commitment Act.

In terms of community engagement, The Veolia Environmental Trust and The Veolia Environmental Services Cleanaway Trusts committed a combined total of £4.7 million to over 200 projects in 2008.

Our extensive network of over 50 treatment and disposal facilities are fulfilling the role of ‘good neighbours’ on a daily basis notably through the use of local liaison groups. This ensures accountability with residents and improves communications – not least in finding solutions to help us work alongside local people and supporting worthwhile initiatives.

Finally, it is also appropriate to mention our Group’s sponsorship of the world famous Veolia Environment Wildlife Photographer of the Year competition for 2009 in partnership with the Natural History Museum. This association complements our commitment to both the environment and biodiversity and demonstrates our willingness to give a lead to the recycling and waste management sector in supporting sustainable development.

Business performance

In 2008 we reinforced our position as the UK waste management and recycling market leader. Our business performance was reflected in a strong operating profit and we are committed to further investment in the company and its strategic development and expansion.

Our results showed group turnover in 2008 of £1.23 billion, which represents a 10.6% increase on the previous year. Group operating profit was £121 million, an increase of almost 15% on 2007. The improvement in profits was due to several factors, the main ones being the inclusion of a full year’s results of significant contracts in the integrated waste management business and continuing synergies from the acquisition of Cleanaway in the UK in 2006.

The Private Finance Initiative (PFI) market remains buoyant, reflecting the urgent need for new waste infrastructure to meet increased landfill diversion targets in 2010 and 2013. We remain the leading player in this sector and in 2008 commenced long-term PFI contracts in Southwark and West Berkshire in February and March respectively. Plans have already been submitted for new integrated waste management facilities in both areas and the proposed sites in Old Kent Road and Padworth, West Berkshire have already received planning approval.

We have also recently signed a new public private partnership (PPP) with the Merseyside Waste Disposal Authority (MWDA) to further improve recycling performance in the region. The new 20-year £640 million waste management and recycling contract was awarded by the MWDA on behalf of the Merseyside and Halton Waste Partnership. It includes the development of a flagship Materials Recovery Facility (MRF) at Gillmoss and upgrading the existing Bidston MRF and the Household Waste Recycling network.

The company’s contribution to the UK’s waste infrastructure is substantial and continues to expand. We now manage and operate a total of nine MRFs across the UK with a total annual capacity of over half a million tonnes p.a. This includes the addition of Bidston and the recent opening of three more sites at Hollingdean, Mansfield and Four Ashes, near Wolverhampton.

A new Energy Recovery Facility is also under construction in Newhaven with two further sites proposed in Nottinghamshire and Shropshire. With a combined output of over 33MW, enough to power over 50,000 homes, these facilities reflect the importance of domestic energy from waste in countering concerns about UK energy security.
‘We’re at the forefront of the drive to increase domestic municipal recycling, evidenced by our partnership with RecycleBank® to motivate residents with incentives for their environmental actions.’
Veolia Environmental Services is the United Kingdom’s leading waste management company, enjoying a UK presence since 1990. With 2008 revenues of £1.23 billion, we employ almost 12,500 people across the entire spectrum of services in waste management and recycling.

Proud to call ourselves Veolia Environmental Services

Veolia Environmental Services is the United Kingdom’s leading waste management company, enjoying a UK presence since 1990. With 2008 revenues of £1.23 billion, we employ almost 12,500 people across the entire spectrum of services in waste management and recycling.

The company is known for its integrated waste management and environmental services to local communities and industry. It provides a range of key services to over a third of the UK population through approximately 130 Local Authorities across the UK. From refuse collection and recycling, to waste treatment and street cleansing services, we promote efficient and sustainable waste management solutions to suit local needs and invest heavily in the infrastructure needed to achieve this.

Key figures:

- We have circa 75,000 commercial and industrial customers
- Campus Veolia trained over 4,700 of our employees in 2008, equating to over 54,000 training hours
- A network of composting facilities process 168,000 tonnes of green waste per annum, which generates enough compost to preserve 295 square kilometres of peat bog. All our composting facilities produce quality compost in accordance with the UK industry PAS100 standard
- In 2008, our Energy Recovery Facilities processed 1.4 million tonnes of municipal waste, generating the equivalent energy of 466,000 tonnes of coal
- We handled 12.3 million tonnes of waste in 2008, 33% of which was recovered
- Capacity of handling half a million tonnes of waste through a network of material recovery and sorting facilities
- Our Energy Recovery and Landfill Gas to Energy network supplies sufficient energy to power over 280,000 homes annually - a major contribution to renewable energy
- Our Sheffield District Energy Network is one of the leading examples of its type in the UK and includes more than 27 miles of underground pipes supplying over 140 buildings across the city with green energy
Our parent company Veolia Environnement – the world leader in environmental services

Veolia Environmental Services forms part of a much larger company – Veolia Environnement. With 2008 revenues of €36.2 billion and over 330,000 employees in 72 countries worldwide, Veolia Environnement has been serving the environment for more than 150 years with its activities embracing water, transport, energy and waste management.

Veolia Environnement, by the very nature of its business, understands the importance and challenges of sustainable development. These include population growth and its effects, urban concentration, threat to natural resources and their renewal, global warming, access to essential services in developing countries and more stringent environmental standards. These are the issues that are at the very heart of Veolia Environnement’s activities. Veolia Environnement has created a sustainable development charter outlining its commitments for future generations. To view a copy or to find out more, please visit: www.sustainable-development.veolia.com

Veolia Environnement works in collaboration with many international organisations and is involved in a broad range of schemes. This includes membership of Global Compact, a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The Global Compact is a principle-based framework for businesses, stating ten principles in the area of human rights, labour, the environment and anti-corruption. Veolia Environnement is also a member of the FTSE4Good index.

As a company listed on the CAC 40, Veolia Environnement is rated for its extra-financial performance based on published information and statements. These ratings allow Veolia Environnement to see where it stands and serves as a guide for continuous improvement of its sustainable development performance. In 2008, Veolia Environnement appeared in the Dow Jones Sustainability Indexes World and Stoxx Index, the Ethibel Sustainability Indexes (Vigeo) and was also classified as ‘Prime’ by Oekom Research, the German ratings agency. In 2008, for the second consecutive year, Veolia Environnement came first in the Centre Français d’Information sur les Entreprises French business classification for the quality of its social and environmental information.
Where we are and where we want to be

This Annual Review where we report fully on our Corporate Social Responsibility (CSR) activities in the UK for the first time represents another significant step in our evolution. The progress we have made reflects increasing interest in this vital area among all our stakeholders and our own determination to give a lead to our sector in this field.

In 2007, the process started through the work of our Corporate Social Responsibility Working Group in creating our ‘Values and Responsibility’ policy statement (see p13). These values are at the very heart of our organisation and are reflected in the activities of staff across our entire company.

We first benchmarked our CSR performance in 2007 when we worked with Business in the Community (BiTC) to evaluate our performance on a detailed basis. Through this experience we learnt some valuable lessons that have encouraged us to assess our responsibility and commitment in this Annual Review document – an exciting first for Veolia Environmental Services (UK) Plc.

Since completing the BiTC CSR Shadow Index we have begun implementing its recommendations including recruiting our first dedicated individual with specific responsibility for CSR across the organisation. Working closely with our environmental management and health and safety teams, we are driving forward CSR initiatives, collating information on social responsibility issues and communicating our achievements both inside and outside the organisation.

Already we can feel the difference in that there is greater momentum behind our CSR Working Group to help it embed corporate social responsibility at the heart of our business with both ‘bottom up’ and ‘top down’ involvement. We have summarised these activities in this Annual Review which has been audited to Global Reporting Initiative (GRI) reporting standards B+.

The next stage is the full implementation of a national CSR strategy which will be developed and approved by our CSR Working Group. Through this approach we aim to capture the best of the many individual initiatives undertaken at a local level, develop best practice and increase the impact of our work in this area by formalising our approach.
Veolia Environmental Services (UK) Plc
Annual Review 2008

How we have listened to our stakeholders

Veolia Environmental Services works closely with stakeholders to innovate new working practices and improve our offering. We actively engage with a variety of bodies to canvass opinion on how to evolve our business to ensure that we are at least meeting, if not exceeding expectations.

Our stakeholders include our staff, regulatory bodies, Trade Unions, media, charities, customers, suppliers and industry groups. Veolia Environmental Services makes a conscious effort to maintain contact with these groups and instigate dialogue on a frequent basis. This may include regular meetings, liaison committees, customer services and other relevant channels of communication.

For the purpose of our Annual Review approximately 70 individual stakeholders were contacted and asked for their views and recommendations. The CSR Working Group went through the information to identify material topics against our own company strategy and policies.

Initiatives to communicate with staff in this area are wide-ranging and include our new programme of cross-divisional North, South and South East Regional Forums where employees can raise issues with senior management and hear the latest developments. Our ‘Eureka Moments’ scheme gives employees the opportunity to win prizes of up to £500 for ideas on topics including CSR that will improve company performance. CSR is also covered regularly in our monthly ‘Vision Extra’ electronic newsletter for management and four-monthly ‘Vision’ newsletter that is sent to all staff.

The information contained in this report represents the topics that were seen as significant by our stakeholders and to Veolia Environmental Services and the steps we are taking to address them.

Looking towards next year we are seeking to develop a method for quantifying the material significance of the research findings.

This report sets out to state our position on CSR in a transparent way, making clear where we stand. It documents the measures we have taken to reduce our impact on the environment and our commitment to improving the workplace, marketplace and relationships with the community.

This report has been prepared in accordance with the GRI Sustainability Reporting Guidelines (2003) to a B+ application level.

Our CSR Working Group

With circa 12,500 employees delivering a comprehensive range of environmental services within communities across the UK, it is inevitable that the range of CSR issues we cover is extensive.

The role of our CSR Working Group is to address these matters and drive forward CSR initiatives on a national basis.

Kevin Hurst
Marketing & Communications Director

Sue Kimber
Creative Manager

Richard Berry
Executive Director HR, QHSE, Legal Services

Natasha Liedl
CSR and Internal Communications Officer

Glenn Davies
QHSE Director

Simone Looi
Group Environmental Manager

Our CSR Journey at a glance

Values and Responsibility policy statement produced and issued throughout the company

Participation in the BITC CSR Shadow Index

CSR Working Group created and regular meetings held

Rigorous stakeholder engagement process undertaken to produce Annual Review

Development and implementation of our CSR strategy which will be rolled out across the business
CSR highlights at a glance

Responsible for a better environment

- **Systems Certification**: 70% of sites certified to ISO 14001 (equates to approximately 200 locations). We aim to have all our sites certified by the end of 2009.
- **Total Waste Recovered**: 1,985,599 tonnes (includes composting).
- **Energy from Waste**: Electricity exported: 1136,748MWh (from electricity generated from our landfill and Energy Recovery Facilities).
- **Total Greenhouse Gas Emissions**: 1,402,415 (t CO₂ eq): (indirect and direct emissions). Total avoided Greenhouse Gas Emissions: 862,300 (t CO₂ eq) (renewables, sale of electric and thermal energy).
- **Extensive Environmental Training**: Over 400 site managers will be attending environmental training courses in 2009.

Responsible for supporting communities

- **The Veolia Environmental Trust and the Veolia Environmental Services Cleanaway Trusts**: Committed a combined total of £4.7 million to over 200 projects in 2008.
- **Environmental Links**: The Veolia Environmental Trust has been working with three of the country’s leading environmental improvement organisations - the Woodland Trust, The Wildlife Trusts and the BTCV.
- **In 2008, we chaired over 42 liaison committee meetings**: We believe in good neighbourly relations. We have instigated a network of liaison committees with local communities at many of our facilities across the UK.
- **Through our rewards-based recycling pilot scheme with RecycleBank®**: We’re giving more than 2,800 households in Windsor and Maidenhead an innovative incentive to recycle.

Responsible for commitment to the workplace

- **Campus Veolia**: Our dedicated centre for learning. In 2008 the Campus trained over 10,000 employees, equating to 110,000 training hours.
- **In collaboration with the Learning and Skills Council**: The Campus started almost 1,516 employees on a NVQ Level 2 programme of which 1,472 were completed.
- **Award Winners in 2008**: The company was awarded the National Recycling Award for Innovation in Health and Safety Practice, the CIWM Plant and Equipment of the Year Award as well as 16 prestigious Gold Occupational Health and Safety Awards from RoSPA (the Royal Society for the Prevention of Accidents) in 2008. Committed to staff training and development, it was awarded the ‘Train to Gain’ category at the LSC National Employer Services (NES) Learners First Awards while its parent, Veolia Environnement, was named ‘Employer of the Year’.
- **Putting Safety First**: We achieved a 12% reduction in Lost Time Incidents in 2008.
- **53% of our sites have been awarded OHSAS 18001 certification**: We aim to have all of our sites certified by the end of 2009.

Responsible for promoting an ethical marketplace

- **Customers First**: Our Customers First initiative is focused on improving the quality of the customer experience.
- **Service Commitment**: We have established a series of key service commitments that outline the minimum levels of performance that our customers can expect from us.
- **Business in the Community**: We have signed up to Business in The Community’s ‘Marketplace Responsibility Principles’ programme.
- **Sales Training**: All sales staff are trained in Veolia Environmental Services’ Standard Sales Procedures to ensure they meet the ethical and moral standards we expect of all our staff and to ensure customer service excellence.
- **Ethical Procurement**: We take a pro-active approach to working with ethical suppliers and include sustainable development, social and environmental criteria in our complete purchasing selection process.
Our Waste Manifesto: a new way of thinking

Realising our responsibilities
The future is in our hands. Veolia Environmental Services knows the importance of taking ethical, responsible measures across all areas of our business, internally and externally. With a customer base of c21 million people, we can make a real difference to ensure a sustainable future. We are focused on redefining the way people think about waste, as a valuable resource that can be reused, recycled or recovered into energy. It’s about more than transforming waste, but transforming attitudes and encouraging responsibility across the board.

We fully support the waste hierarchy with prevention as the best option and landfill as the last. This model demonstrates the actions society needs to take in between these two points.

Challenges, risks and opportunities – the new thinking on waste
The waste and recycling industry is evolving through growing awareness, changing attitudes and increasingly stringent government regulation. Given the unprecedented public and private sector interest in environmental services and carbon reduction, there is considerable debate about where the recycling and waste management industry should be heading. With the launch of our Waste Manifesto we have set out our position on some of the top line issues faced by the industry today:

Waste management and climate change
The Climate Change Act became law in 2008 and under its enabling powers the Carbon Reduction Commitment will require major energy users to reduce their carbon emissions via energy efficiency measures. Benefits of adopting responsible waste management and resource recovery practices include facilitating the reduction of the carbon emissions for sectors such as paper, metals and plastics by enabling them to reuse and recycle materials and saving fossil powered energy.

Methane produced by the landfilling of biodegradable material is a contributor to carbon emissions. Moving away from landfill as the primary disposal route and adopting materials recycling and energy recovery reduces carbon emissions. While we support the diversion away from landfill through the imposition of landfill tax, we believe that fiscal revenues should be returned to furthering sustainable waste and resource management – including the fight against waste crime.

Hazardous waste
We believe that there should be no derogations or exemptions from the treatment requirements or the need for all hazardous waste facilities to be permitted. This will also have the positive effect of supporting investment in high quality treatment and infrastructure.

Anaerobic digestion (AD)
We support the development of anaerobic digestion and believe it will play an important role in the integrated waste management strategy of the UK for source-segregated organic wastes.

When addressing municipal waste, we believe that a holistic approach should be taken within an integrated waste management framework, involving a range of technologies (including AD) designed to maximise recycling and recovery.

Co-mingled collections
Collection systems need to be tailored to local circumstances, however we believe that the collection of co-mingled recyclates, which are then sorted in a Materials Recovery Facility (MRF) is the most appropriate system in the majority of cases. This approach makes it as simple as possible for even ‘agnostic’ recyclers by minimising the number of containers and thus helps maximise participation and increases the tonnages collected.

Integrated PFI contracts
Private Finance Initiatives (PFI) are the prime means used for raising finance to build infrastructure needed to enable Waste Disposal Authorities to meet their environmental and landfill diversion targets. In late 2006, DEFRA and Partnerships UK (PUK) issued guidance stating that Authorities should seek to procure facilities and services on an individual basis rather than procuring a fully integrated waste management contract.

We support an integrated approach as opposed to the disaggregation of PFI contracts. As the importance of recycling and energy recovery grows, it is essential to manage the dynamics of composition and compatibility along the chain of facilities in the waste treatment process to diminish the coordination risk, which would otherwise be placed on the commissioning local authorities. Multiple contracts not only miss opportunities for synergies but the additional bidding costs may deter some parties from bidding.
Veolia Environmental Services is dedicated to the welfare and development of all employees. We value our people and believe that they contribute most effectively to the success of the business and achieve greater job satisfaction when provided with an open, stimulating and dynamic environment that encourages individual progression and promotes a sense of personal security.

Through a variety of personal development educational schemes and environmental training, we encourage employees to strive for their maximum potential.

Veolia Environmental Services takes pride in a positive attitude to equality within the workplace and recognises that the provision of equal opportunities is not only good management practice, it also makes sound business sense.

Our company places a great importance on the issue of health and safety and actively encourages employees in order to ensure that every working day is a safe working day.
Education, training and development

Campus Veolia

Campus Veolia is a dedicated resource for staff training, learning and development. Established in 1999, it was set up to give all employees the opportunity to acquire new skills, knowledge and increase competencies, enabling them to progress and achieve within the Group. Programmes are written to national standards and are designed to help employees gain group and national qualifications, diplomas and certificates that can lead to new career opportunities across Veolia business units. As an indicator of our contribution to learning, in 2008 the Group was awarded Employer of the Year at the National Employer Services (NES) Learner First Awards.

Campus Veolia offers mandatory and core skills training, including health and safety and customer service. More extensive courses carrying national accreditation have also been introduced by the Campus, including a Graduate Certificate in Management Studies and an MA in Management Studies. The Centre is fully accredited and supported, as Campus Veolia UK has established partnerships with universities, postgraduate schools and governmental institutes, including:

- Institute of Leadership & Management
- University of Kingston
- University of Northampton
- Aston University
- South Staffordshire College and Stafford University
- British Safety Council
- Lantra
- IOSH – Institute of Occupational Safety and Health
- OCR – Oxford Cambridge & RSA Examinations
- CIEH – Chartered Institute of Environmental Health

Diversity training is supported through courses on offer at Campus Veolia, including amongst others: ‘Diversity at Work’ – a training programme aimed at managing the legal aspects of prejudice and discrimination in the form of equal opportunities (e.g. racism, sexism, bullying, harassment, and victimisation) and ‘Dignity at Work’ – a course that encourages and educates staff to respect the beliefs and values of others. Courses such as those mentioned above are designed to influence positive change with an improved diversity at work culture and to help stop behaviour at work that does not build constructive relationships. Veolia Environmental Services has invested in diversity, particularly though our extensive management training scheme, which incorporates Diversity 1 and Diversity 2 training programmes.

As part of Campus Veolia a specific Road Transport Training Unit is on hand to instruct LGV drivers in ways to minimise their impact on the environment. All drivers undergo induction training and an annual driver skills assessment to ensure that poor driving techniques are prevented. Investment in in-cab technology supports management in identifying the potential for improvement in all of the above areas. Over 1,000 drivers are assessed on an annual basis to identify training needs, with additional attention paid to techniques that control fuel usage, tyre wear and minimise the impact on road systems.

Key Achievements of Campus Veolia

- In June 2008, Veolia Environnement was awarded Employer of the Year at the National Employer Services (NES) Learner First Awards. This prestigious award reflects our commitment to training and development across the Group.
- Participation in the first European meeting of Young Apprentices (October 2008).
- In December 2008, Campus Veolia became the first organisation in the United Kingdom to achieve full accreditation with the prestigious Standards Verification UK, part of the Institute for Learning.
- Our Ofsted audit indicated a terrific performance by the Campus, citing the facility as ‘outstanding in terms of achievement and standards’.

Our people

Diversity

Veolia Environmental Services aims to encourage value and manage diversity and is committed to equality for its entire workforce. It is of paramount importance that the company achieves and maintains a workforce that is representative of the communities from which it is drawn. Our approach to supporting diversity is incorporated within our equal opportunities policy and features in our staff handbook. The key points of the policy are shown below:

Equal Opportunities Policy

It is our policy to provide employment equality to all, irrespective of personal circumstances. Veolia Environmental Services is opposed to all forms of unlawful and unfair discrimination.

We are committed to:

- preventing any form of direct or indirect discrimination or victimisation
- promoting equal opportunities for women and men, whatever their sexual orientation
- promoting equal opportunities for people with disabilities
- promoting equal opportunities for ethnic minorities
- promoting equal opportunities regardless of religion or belief
- Social and environmental performance is monitored using software known as ‘e-report’ and all operational locations complete an annual questionnaire.
- We are working to increase the monitoring of ethnicity and disability within the company. Further evidence of our investment in diversity includes a dedication to producing a large proportion of publications in different languages, as a considerable number of our workforce do not speak English as their native language.

Incidents of Discrimination and Action taken

During 2008 a total of ten claims of discrimination (which equates to less than one in a thousand members of staff) were made against Veolia Environmental Services. Of these, four were for disability discrimination, three for race discrimination, two for sex discrimination and one for age discrimination. Only five of these claims proceeded to a tribunal hearing, none of which resulted in a finding against Veolia. Of the remaining claims, four were resolved out of court and one claim is outstanding.

In 2008, its first year of contract in collaboration with the Learning and Skills Council

the Group started 1,516 employees on a NVQ Level 2 programme of which 1,472 were completed.
Development and wellbeing

The development and wellbeing of employees makes all the difference in creating a positive working environment. As well as the availability of training opportunities through Campus Veolia, a range of other options that support personal development are provided, including apprenticeships, work shadowing and mentoring. Wellbeing is placed at the forefront of the business with schemes on offer to staff that provide them with benefits, discounts, bonuses and even physiotherapy support should they need it.

Apprenticeships

The Veolia Environmental Services apprenticeship scheme is a key part of our progressive approach to career development, and covers a wide range of occupations. Designed to give people ‘hands-on’ work experience whilst simultaneously studying for qualifications, the apprenticeship scheme incorporates a structured programme of training that allows individuals to acquire specialist intermediate-level technician, supervisory and craft skills at NVQ standards.

Mentoring

Each group of students who takes our Graduate Certificate in Management is given a mentor who meets with them on a regular basis. Kevin Hurst, Veolia Environmental Services’ Marketing and Communications Director, has been mentoring staff for more than four years. Mentors act as a useful sounding board for the students, providing them with valuable advice and tips and assess their development levels and requirements.

Case Study

English Lessons in Westminster

As part of a major training initiative, Veolia Environmental Services has helped approximately 100 employees, who do not speak English as their first language, to improve their communications skills. A partnership between Veolia Environmental Services in Westminster, UNISON and the South Thames College has resulted in the employees passing their first and second stages of the ESOL (English for Speakers of Other Languages) Skills for Life course. The scheme has given them the chance to improve their ability, increase their confidence in English skills and assist them in the workplace to communicate with colleagues and members of the public.

A presentation ceremony was held at the Royal Horticultural Halls Conference Centre in London for the successful candidates to collect their certificates. This is the third year that the course has been run, building upon its successful introduction in 2006.

“It’s fun, helps me keep in touch and helps to improve the company network. Both sides learn as a result.”

Kevin Hurst, Marketing & Communications Director
‘Veolia Values’
As an expression of employee appreciation, Veolia Environmental Services makes concerted efforts to give back to our staff wherever possible. The Veolia Values employee discount scheme was launched in 2009 and allows members of staff access to a variety of discounted offers, cashback deals, reloadable discounted cards and High Street vouchers at reduced rates.

Human resources systems – proposed developments
As a result of the acquisition of Cleanaway in the UK in 2006, our Human Resources department inherited a multiplicity of payrolls and systems.

The aims in 2009 are to develop and deliver a number of new systems including:
• A new HR and Payroll system (including employee self service) provided by SAP

• Objective job evaluation e.g. series of manager – employee interviews to monitor fair treatment and payment
• Harmonisation of differences in terms of employment
• Better targeted and organised training and development using an enhanced competency model
• Improved employee induction
• Align the bonus system with corporate values and objectives

In order to match strategic requirements of the business and deliver organisational efficiencies, a company-wide job evaluation review (Project CaRRaTs – Competency and Rewards, Recognition and Training Strategy) will be implemented to review roles within the company and rewards. The strategy will also help to identify appropriate competencies and relevant training requirements for each role.

Project CaRRaTs will give Veolia Environmental Services the basis to develop a total reward strategy, delivering transparency of reward, for career development, clearer structures, role title consistency and identification of career paths for succession planning and reaffirming roles and responsibilities.

The above restructured systems should also lead to better automation of data, resulting in an improved quality of information for the purposes of our indicators.

Collective Bargaining
Veolia Environmental Services formally recognises five Trade Unions - Unite the Union, GMB, URTU, UNISON, and Prospect - for collective bargaining purposes under the auspices of various national framework agreements with each Trade Union. The Veolia Environmental Services Industrial Relations Manager is the author and a signatory to these national agreements and oversees their application and effectiveness. Throughout municipal and some disposal operations collective bargaining is conducted locally, whereas throughout commercial operations collective bargaining is conducted on a national basis. It is the industrial relations manager’s responsibility to intervene and resolve any collective disputes that may arise.
Taking an industry lead in health and safety

Veolia Environmental Services is committed to the highest standards of operational health and safety and becoming a reference point for the industry. As a result of this commitment, in 2008 we won the National Recycling Award for Innovation in Health and Safety Practice. We also won 16 prestigious Gold Occupational Health & Safety Awards from RoSPA, the Royal Society for the Prevention of Accidents.

With 10,000 operatives that come into direct contact with the public, drivers and pedestrians, it is clear that health and safety is one of our most important Key Performance Indicators and fundamental to the perception of the customers that we serve.

Our responsibility to ensure safe and healthy working conditions for employees and others is recognised throughout the business. Beyond compliance with statutory requirements, we pro-actively seek to prevent any accident arising from our operations and activities. This includes:

- Providing and maintaining plant, equipment and systems that are safe and without risk to health
- Undertaking risk assessments of all appropriate activities and to specify and implement resultant control measures
- Taking all reasonably practical steps to avoid injury or damage to property resulting from our activities
- Ensuring sufficient supervision, information, instruction and training to protect the health and safety of employees and the public
- Assigning responsibility to appropriate personnel to monitor compliance
- Reviewing and reporting on our health and safety performance with prompt implementation of corrective action
- Putting in place suitable arrangements for the safe handling, storage and transportation of substances
- Guaranteeing necessary resources, both financial and human, to ensure the full implementation of this policy

Fundamental to the success of this approach has been the selection of OHSAS 18001 as the framework for safety management systems. Currently, we are on target to achieve certification at all our sites by the end of 2009.

Emphasis on the importance of a safe working environment is supported at every level of the company. This proactive approach has seen a 12% reduction in Lost Time Incident (LDI) accidents (any accident resulting in one day or more of absence) in 2008.

One of the ways in which we are successfully reducing the number of accidents from happening is to identify situations that have a potential to cause harm to one of our employees. This is called a Near Miss report and we actively encourage all employees to take part in this process. The lessons we learn from Near Miss reports enable us to improve our workplace health and safety controls and prevent future accidents.

Behavioural Attitudes to Safety (BATS)

The BATS programme was introduced as part of our ongoing commitment to ensure the health and safety of employees and members of the public. The programme is designed to engage staff and heighten their awareness of health and safety issues. Operating in all locations, the aim is to examine, observe and influence people’s behaviour while they carry out their normal work activities, in order to improve safety and performance.

Veolia Environmental Services believes that all accidents can be prevented. And through observation, coaching and training we can work together to alert our staff to the risks associated with working in the industry.

RAE (Risk Assessment Expert)

The RAE campaign has helped employees prioritise the issue of health and safety at work and has increased awareness of the measures that should be in place to maximise accident prevention.

RAE acts as an upfront reminder of the personal consequences of overlooking health and safety. Through poster competitions, screensavers, mobile texts and taking the message directly to individual sites via our touring ‘Safety Bus’, RAE continues to make a dramatic difference in putting the emphasis on accident prevention.
Waste Industry Safety and Health (WISH)

Our core health and safety objectives are consistent with the priority needs of our key stakeholders, namely the WISH Forum, the Environmental Services Association and the Health and Safety Executive.

WISH objectives aim to cut accidents in the waste management sector by 10% each year for the next five years and reduce the amount of reported injuries, diseases or dangerous occurrences (RIDDORs) by 10% year-on-year until December 2013.

In addition to the above we are working closely with the Health and Safety Executive to ensure we demonstrate continuing improvement in Occupational Health and Safety.

Learning from experience

To further promote health and safety, Veolia Environmental Services has introduced the Andrew Longley Experience, led by an employee who suffered an accident at work whilst working for his previous company. Andrew is an inspiration to everyone and travels from depot to depot in a purpose-built health and safety vehicle acting as an ambassador for the BATS campaign.

Andrew comments: “I think being there in person helps to get the point across. I still get emotional sometimes and I think that brings it home to people how an accident can change your life. If I can stop one accident a year by what I do, then that has to be a good thing.”

Back in Action

Veolia Environmental Services works in partnership with ‘Back in Action’ to help staff, particularly operatives, receive expert treatment and guidance in preventing and treating the symptoms of back pain.

In consultation with ‘Back in Action’ our Croydon depot has developed the unique idea of a ‘Wellness Centre’. Veolia Environmental Services purchased a wide range of exercise equipment and transformed a disused room at the back of a Workshop into a fully-fledged free gym, in which employees can carry out prescribed exercise, as part of an injury rehabilitation programme, under the supervision of a qualified Back in Action physiotherapist and personal trainer. Employees can also receive advice and support on health and well being including weight management, avoiding diabetes and preventing heart disease.

Revitalising health and safety strategy

The Revitalising Health and Safety (RHS) Strategy is a Government and Health and Safety Executive (HSE) initiative to raise the profile of health and safety in the workplace. The Government and HSE are committed to improving standards and reducing the toll of occupational injury and ill health in British industry. As part of the ‘RHS’ agenda, HSE has identified a number of priority topics for action, these are:

- Musculoskeletal disorders (from manual handling etc)
- Slips and trips
- Falls from height
- Workplace transport
- Occupational stress

At visits to waste management premises, HSE inspectors will be seeking to ensure that management systems are in place to control the risks.

Plans are underway for HSE inspectors to assess the role of the client in controlling the risks to those affected by waste and recycling collection and processing. This will be conducted in two stages, initially the policies and control measures will be assessed and their practice tested at site visits. The second stage includes follow-up contact a year later to confirm remedial actions taken and assess improvement.

With a proactive, forward-thinking approach to health and safety we are able to reduce the risk of accidents before they occur. We work closely with Unions and have appointed Union Safety Representatives at all locations to keep health and safety under the spotlight. In 2008, we had no health and safety prosecutions.

This is how we performed in 2008

<table>
<thead>
<tr>
<th>HEALTH &amp; SAFETY</th>
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<tbody>
<tr>
<td>Lost Time Incidents Frequency Rate (LTIFR)</td>
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<tr>
<td>Lost Time Incidents Severity Rate (LTISR)</td>
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</table>

LTIFR – average length of absence in hours per accident for every 10,000 employees
LTISR – the number of injury accidents with absence of one day or more
When striving to achieve responsibility in the marketplace, businesses are often faced with tough dilemmas, grey areas and real challenges in managing and reporting performance. To help overcome such challenges, Business in The Community has developed a 'Marketplace Responsibility Principles' programme to act as a guide for implementing responsible business practice in medium to large companies. The Principles operate in two main areas: to guide key marketplace relationships and behaviours that support companies in managing these relationships.

Having signed up to the programme, Veolia Environmental Services is taking positive steps to ensure that we work with responsible, ethical suppliers and include sustainable development, social, and environmental criteria in our complete purchasing selection process.

Standing tall for an ethical, responsible marketplace

We are committed to Business in The Community’s ‘Marketplace Responsibility Principles’ programme

Marketplace Responsibility Principles

- Seek potential customers within excluded groups
- Manage the impact of our service
- Actively manage responsibility in the supply chain
- Treat suppliers as partners
- Work with the rule makers
- Respect our customers
- Support vulnerable customers
- Have consistent standards
‘Veolia Environmental Services make strong commitments to our partnerships regarding sustainability and equality.’

**Responsible supply chain**

As a company committed to a sustainable environment, Veolia Environmental Services operates to the highest practices and procedures. We invite our chosen suppliers to share this commitment within their own field with particular emphasis on Social, Economic and Environmental impacts.

Veolia Environmental Services will always endeavour to use suppliers that work in a responsible and ethical manner. Before making any tender decision, potential suppliers are required to go through a comprehensive pre-qualification process and complete an in-depth sustainable development request for information. This enables us to profile the organisation from a risk perspective and fully assess their ability to meet the Group’s requirements.

When signing a framework contract, we optimise the purchasing conditions by systematically integrating three key elements: a mutual non-exclusivity clause, a contract deployment clause and a sustainable development clause.

Once the framework contract is signed, Veolia Environmental Services establishes and maintains regular information exchanges with suppliers in order to specify the level of economic, social and environmental performance.

Veolia Environmental Services makes strong commitments to our partnerships regarding sustainability and equality. In return we expect our suppliers to:

- Share our attitude and dedication to sustainable development, within their own business scope and throughout their own supply chain
- Promote compliance with ethical rules and guarantee safety and security of facilities
- Implement an environmental management system and reduce the environmental impact of their activity
- Maintain good business relations

**Responsible selling**

It is vital that all personnel involved in the selling process are adequately trained and understand the importance of correctly promoting our services. In order to achieve this, Veolia Environmental Services has developed a set of standard procedures, designed to document our methodologies in:

- Sales prospecting
- Conducting risk assessments
- Sub contractor agreements
- Proactive and reactive customer contact processes
- Customer termination request procedure

Veolia Environmental Services offers a comprehensive training programme for all sales personnel. When joining the company, individuals complete a formal sales induction process designed to give an overview on the selling of our services and the correct ethical and moral standards that we demand.

During the actual selling process, we ensure that all Veolia field-based sales professionals use standard tools, procedures and pricing matrices to ensure transparency and fairness for all customers.

**Customer perception surveys**

Veolia Environmental Services regularly conducts customer perception surveys. The surveys serve a number of purposes, but primarily to provide a medium through which we can determine customer perception, expectations and requirements and also ascertain our market position. They also allow us to identify both service gaps and failures and successes and facilitate future strategies.

**Customers First**

Launched in 2008, the Customers First initiative is focused on improving the quality of the customer experience while ensuring appropriate performance measures on both service delivery and financial targets. Customers First is developed around the following principles:

- Our core objective is to provide our customers with the best service delivery
- We will listen to our customers and continuously improve the quality and speed of our response
- We will work proactively with our customers to anticipate their needs and strive to exceed their expectations through our creativity and innovation
- In providing our services we will treat all customers, both internal and external, honestly, fairly and with respect at all times
- We will carry out our activities safely and minimise the impact we have on our environment

Customers First involves participation from across the complete Veolia Environmental Services business. Our objective is to complete a review and agree a Customer Charter by the end of 2009.

**Standard Sales Procedures**

All sales staff are trained in Veolia Environmental Services’ Standard Sales Procedures to ensure they meet the ethical and moral standards we expect and to ensure customer service excellence.
Case Study
Working with the Natural History Museum

In January 2009, and in partnership with the Natural History Museum, the Group agreed to sponsor the Veolia Environnement Wildlife Photographer of the Year competition and exhibition. This not only brings together the best of wildlife photography from across the world, but most importantly it highlights the richness and diversity of nature and our responsibility to protect it.

We have established a series of key service commitments that outline the minimum levels of performance that our customers can expect from us

Improvement of service
Veolia Environmental Services believes in continuous improvement across all areas of the business. Only through ongoing refinement can we provide the highest quality service to all our customers and the local communities in which we operate. The success of our service is achieved through a customer-focused approach, developing and maintaining effective and efficient working relationships to ensure:

- A rapid response to concerns and suggestions raised by customers and local community groups
- Minimal disruption to normal service provisions
- Continual improvements to our service by constantly monitoring what we do

We work in partnership with clients to provide cost-effective environmental waste solutions. Through promoting cleaner streets, applying our philosophy of waste minimisation, reuse and recycling, using the latest technologies and delivering excellent service, we can help the sustainable development of our communities.

Building and maintaining good relationships and effective communications with our clients and communities is a key part of providing professional waste management services.

With this in mind, we have established a number of key service commitments, outlining the minimum level of performance customers can expect:

- Build a long-term partnership based on clarity and responsibility
- Progress in quality of service in order to continuously improve customer satisfaction
- Improve the environmental impact of our activities and promote sustainable resources
- Ensure continuity of service and act rapidly to restore service in the case of disruption
- Manage risk and improve safety
- Develop professional competencies and improve staff integration and motivation
- Act locally to support communities
- Innovate in order to develop ever more efficient services
- Offer contracts based on performance targets and adapted to specific local situations
- Inform and report regularly on the status of our compliance with commitments

This is how we performed in 2008

<table>
<thead>
<tr>
<th>MARKETPLACE</th>
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<tbody>
<tr>
<td>Group Turnover</td>
<td>£1.232 billion</td>
</tr>
<tr>
<td>Total spend with Framework Suppliers</td>
<td>£250 million</td>
</tr>
</tbody>
</table>

‘Building and maintaining good relationships and effective communications with our clients and communities is a key part of providing professional waste management services.’
Communities are at the heart of what we do. We are committed to respecting the environment and local communities, as well as striving to lower the impact of our work in the vicinity of our network of sites. As a member of Business in the Community, an organisation of companies dedicated to responsible business practices, we have made the following three commitments:

**Commitment 1**
To inspire others by sharing best practice

**Commitment 2**
To collaborate with others to make a positive impact in areas of greatest need

**Commitment 3**
To integrate responsible practices throughout the entire business

We believe in keeping the channels of communication fully open with local communities via a national network of community liaison committees to achieve better interaction with residents. Here, residents can meet with us to voice issues or concerns regarding our operations and receive information about our activities.

This face-to-face dialogue helps break down barriers, dispel myths and quickly deal with issues or concerns important to an individual community.

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The Veolia Environmental Trust contributed a total of £3.2 million in Landfill Tax Credits, helping 159 projects throughout the UK in 2008.

The Veolia Environmental Services Cleanaway Trusts

In 2008, the Veolia ES Cleanaway Trusts contributed £1.5 million to 45 projects in South Essex.
Case Study
Highmoor – ‘Keeping People Informed’

Background
During 2007 and the first half of 2008 our Highmoor landfill facility near Oldham received criticism from residents neighbouring the facility. This focused on odour issues in relation to the landfill gas collection system at the site and a perceived failure to communicate widely with local people in terms of explaining the issues and how they would be resolved.

In the second half of 2008, we launched a new operational strategy in response to odour issues raised by a number of local residents. This focused on improving gas containment across the site, collecting more gas and the installation of extra capacity to process it. Alongside this initiative we devised a community relations strategy based on a more pro-active approach typified by openness and accessibility.

Communication channels were opened in several ways including the establishment of a Helpline, website and promotional campaign. In the initial phase of our campaign, leaflets were created to outline exactly how residents could voice their concerns and the relevant points of contact they would need in order to do this. The information was distributed to around 13,000 households along with public information points (schools, libraries etc) within the local area. Once the initial lines of communication had been established, we were then able to progress by:

• Actively inviting community involvement through liaison group meetings
• Talking regularly to key stakeholders face to face including the Environment Agency, local authority and key suppliers
• Building a stronger working relationship with the local newspaper - the Oldham Chronicle.

Notably we established a website as an up-to-date source of information, detailing landfill activities e.g. work to be undertaken, estimated duration and possible disruptions to the public.

The improved operational performance at the site combined with the new communications strategy has resulted in much improved community relations and positive local feedback about the changes. This new relationship was typified by an invitation in November 2008 from the Rotary Clubs of Saddleworth and Oldham Metro to be actively involved with the 2009 Saddleworth Show – the major community event of the year. Our decision to accept and subsequent successful participation in the Show reflects the success of our measures to engage more closely and work with local people.

The Veolia Environmental Trust

Through The Veolia Environmental Trust, established in 1997 under the Landfill Communities Fund, we support a wide range of community and environmental initiatives throughout the UK. To be eligible for funding, projects must be located within five miles of a qualifying Veolia Environmental Services site and must come under one of the Fund's five funding categories, which include public amenities and biodiversity conservation.

We have contributed £39 million to this initiative, which to date has been used to help 995 projects. In 2008, The Veolia Environmental Trust committed a total of £3,225,000 in Landfill Tax Credits to 159 projects.

Details of two major Trust projects are given below:

Endcliffe Park Playground, Sheffield
Award: £50,000

After years of fundraising, this park now has a playground that caters for children of all abilities. It features the latest play equipment for differing ages, a specially designed wooden fence, a ‘maze’ garden and a brass-rubbing trail showing local plants and animals.

Unique Coffee Bar, Newark – Refurbishment
Award: £71,696

The Veolia Environmental Trust contributed to the refurbishment of this popular venue for young people. As well as the coffee bar, the redeveloped centre’s attractions include free internet access, computer games and a flat screen TV. Young people can meet up, have fun, receive support and access training opportunities.
In 2008, the Veolia Environmental Trust continued to support flagship projects run by three of the country’s leading environmental improvement organisations - the Woodland Trust, The Wildlife Trusts and BTCV - to help young volunteers take positive steps to improve their environment and develop new skills. Volunteers have found their involvement in projects to be highly valuable and enjoyable experiences, with some of those involved progressing to higher education or seeking employment where they can use their newly acquired skills.

"I found I was learning skills and gaining knowledge of practical conservation at a very quick pace." Sarah Knox – Volunteer Officer for BTCV

"I have learnt immense things about conservation. Things like how to use a shove holder or digging bar to coppicing and wildlife surveying. The experience I have ascertained has helped me gain a place at Sparsholt College." David Goodison – Volunteer Officer

**Case Study**

**North End Nature Reserve, Eastleigh**

The Eastleigh My Space! Our Space! Project took place at North End Nature Park, an oasis of land used extensively by the local community. The project encompassed varied improvements including clearing and surveying the pond, which is a haven for wildlife in the area. Other activities involved coppicing and path clearance, repairing a boardwalk to allow safer access across the site, litter clearance, construction of fencing and new signs for the site. Volunteers also took advantage of training in practical skills, including tree identification and pond management. A wide range of young people of all abilities got involved in the project, working hard to improve and protect the area.

**BTCV’s ‘My Space? Our Space!’**

My Space? Our Space! was a programme of 15 community environment projects across England, run by young people for young people. These ranged from the development of new ponds to the renovation of walled gardens. Run by BTCV, it was funded by the Veolia Environmental Trust, youth volunteering charity V and the John Laing Charitable Trust. Over 800 16-24 year olds were involved in the two-year programme, showing young people’s ability to take a positive and leading role in society.

While social networking websites such as MySpace encourage young people to spend time in the virtual world, BTCV enables them to get out, meet up in real life and stake a claim to spaces that they and the wider community can occupy together. Each group was given £16,000 to spend on their project and a twelve-month timescale in which to turn their ideas into reality.

**The Wildlife Trust’s ‘Viva Veolia’ programme**

Organised by eight Wildlife Trusts nationwide and scheduled to run over a two-year period, Viva Veolia encourages young people to get ‘hands-on’ experience and carry out environmental improvements at various locations, including Sheffield, Winchester and Stockton-on-Tees. Approximately 1,200 young volunteers have been involved in the Viva Veolia project to date. The delivery of the projects will finish in November 2009, with the scheme expected to be completed in December 2009.

"It's been great finding out about all the different wildlife... I would like to learn more" Jaqueline, 18

"I've never tried this type of work before. It's good being out in the fresh air." Sarah, 16

The Trust’s Board were keen that participants in Viva Veolia and other flagship projects were given the opportunity to gain nationally recognised qualifications. For Viva Veolia, The Wildlife Trusts chose the John Muir Award, which aims to encourage people of all ages, backgrounds and abilities to discover, enjoy and care for our natural environment. So far 216 participants in Viva Veolia have received a John Muir Award.

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The Veolia ES Cleanaway Trusts

The Veolia ES Cleanaway Trusts operate across South Essex to benefit local communities and the environment in areas where the company has significant recycling, composting and landfill operations. There are three separate Trusts:

- The Havering Riverside Trust (London Borough of Havering around the Rainham site)
- The Mardyke Trust (Borough of Thurrock, around the South Ockendon site)
- The Pitsea Marshes Trust (Basildon District around the Pitsea site)

The three Trusts are actively involved in a wide range of local amenity projects that aim to:

- Promote the conservation, protection and improvement of the environment
- Provide facilities in the interest of social welfare and for leisure and recreation
- Promote the education of the public in matters relating to the environment, its protection, conservation and improvement.

Examples of projects include: Canvey 2000 Skate Park, the RSPB Environment and Education Centre at Purfleet, the Essex Wildlife Trusts’ Langdon Hills Nature Reserve and the Asian Social and Environment and Education Centre at Purfleet, the Essex Wildlife Trust.

Case Study

Pitsea Marshes Trust

The Veolia ES Cleanaway Pitsea Marshes Trust has established long term strategic partnerships with other organisations with similar objectives in the Thames Gateway. These include Basildon and Castle Point Councils, RSPB, Essex County Council and Essex Wildlife Trust.

One of these strategic projects is Wat Tyler Country Park, opposite Pitsea Landfill. This 125-acre country park on the urban fringe is the gateway to the ecologically sensitive Pitsea Marshes. Over a period of ten years, the Trust has funded 15 projects, including:

- Outdoor pursuits centre
- Sculpture trail
- Educational pond
- Bird hides
- Miniature railway
- Children’s play areas
- Sensory garden extension

Throughout 2008, work took place on the 16th project – a new £2.2m visitor centre part funded by the Trust. The new centre is an exciting, interactive heritage interpretation space. It will provide a hands-on exploration of the Pitsea explosives factory story, the unique ecology of the area and the ways it can be protected for the future as the Thames Gateway develops. The facility will officially open in 2009.

Additionally, two separate independent Trusts are concerned solely with ensuring public access and nature conservation uses at the Pitsea and Rainham landfill sites, post closure and full restoration.

Working with local communities

Community relations and educational initiatives are key components of any integrated waste management programme. We actively engage with local community groups, schools and our general neighbours through education and the support of a wide variety of environmental initiatives, sponsorship and donations to charitable organisations. This is illustrated by the following examples of some of our integrated waste management contracts with local authorities, which lend support to projects and communities across the country.

Sheffield

Working proactively with Sheffield City Council, Veolia Environmental Services is engaged in a range of innovative and energetic communications and promotional campaigns, designed to increase awareness of waste issues, encourage waste reduction and engage all sectors of the community. Veolia Environmental Services has a dedicated waste education resource in Sheffield. The Schools Waste Education Programme provides workshops, talks and discussion sessions for local community groups, schools and after school clubs. In 2008, education sessions were delivered to 109 schools in Sheffield. Education sessions also take place at the Whirlow Hall Farm Trust, a local charity supported by Veolia Environmental Services, which provides residential visits for schoolchildren.

In 2008, support for charities and other events has encompassed a wide range of activities including the opening of a cycle track made from recycled materials, part of a BiTC project involving our staff to create a weatherproof cycle track for a local primary school. Veolia Environmental Services also teamed up with Sheffield City Council Libraries, Archives and Information Services to create the ‘Bag for Life’ partnership where the Council replaced the plastic carrier bags in its libraries with an environmentally friendly jute alternative, ‘Bag for Life’. On World Environment Day we teamed up with the council to work with local stores in a ‘plastic bag amnesty’. Over 3,000 re-usable bags were distributed on the day and the 4,400 bags collected were taken to local charity, Reclaim, for recycling. We also raised £4,000 for Sheffield’s Children’s Hospital through our Christmas and New Year recycling campaign.

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Nottinghamshire
In Nottinghamshire, we employ a full time Waste Awareness Officer who specifically delivers waste education and outreach sessions focusing on waste minimisation and recycling activities. A partnership has been entered into with the Nottinghamshire Wildlife Trust, annually sponsoring the Green Guardians Award for Education and the Environment. Publicity campaigns such as last year’s Treecycle Christmas also helped to raise waste awareness, resulting in the collection of over 646 tonnes of green waste in January 2008 and a corresponding donation of £100 for every 50 tonnes to the Nottinghamshire Wildlife Trust. Other contributions included taking part in a team challenge at Ollerton Pit Wood, Nottinghamshire, working with the Forestry Commission to help clear scrub and small trees to enable native species to re-colonise. This challenge (and subsequent challenges) were organised in partnership with Nottinghamshire Cares, a Business in The Community campaign to engage employees in their communities through volunteering, of which Veolia Environmental Services Nottinghamshire is an active member.

South Downs
In South Downs we are a member of the Brighton & Hove Business Community Partnership, which brings together commercial, community and voluntary sector organisations to support community development and encourage social entrepreneurship. This partnership is focused on the three key areas of environment, education and homelessness through the three initiatives of Brighton & Hove City Cares, Business Action on Homelessness and Community Partnerships/Community Mark.

As part of this partnership, our staff have been involved in a number of team challenges. These include working on a wheelchair-accessible sensory garden and front patio at the Belgrave Day Centre, a makeover of a safe house for vulnerable young people, and helping to dig and weed the charities allotment. The Veolia Environmental Services South Downs Resource Action Fund has been created to help the local community in East Sussex and Brighton & Hove take action on waste. The fund is for projects or schemes that contribute to the reduction, re-use or recycling of waste, either via practical action or promotion and education.

Hampshire
In Hampshire we participate in a number of activities to promote the importance and benefits of composting. Staff continue to support local initiatives, particularly Swap Shops which encourage re-use by asking local residents to swap items that they no longer need with others that can re-use them. Any non hazardous items (other than electrical goods) can be swapped.

Shropshire
In Shropshire there is a Master Composters scheme through which 60 local residents have been trained to become experts in composting at home. A further 20 master composters are being trained this autumn. Volunteers attend events to promote the importance and benefits of composting. Staff continue to support local initiatives, particularly Swap Shops which encourage re-use by asking local residents to swap items that they no longer need with others that can re-use them. Any non hazardous items (other than electrical goods) can be swapped.

‘Our employees are involved in a wide range of local community and national initiatives’

Encouraging employee involvement
We actively encourage our employees to become involved in a wide range of local community and national initiatives. We support “The Sick Children’s Trust” and our employees have taken part in a number of activities including a staff collection of Christmas toys and gifts, a painting day of a playroom, as well as a financial donation for every company Christmas card printed in 2008. Plans are now underway to develop further our partnership with the charity notably in Leeds and Sheffield with a view to extending our support nationwide.

To celebrate World Environment Day, Veolia Environmental Services teamed up with The Wildlife Trusts to design a poster on what the environment means to them, with an emphasis on waste and recycling. Eight regional winners received a free trip to a local Wildlife Trust reserve and a national winner received a £2,000 donation to spend on IT equipment for their school.

The winning poster was displayed in Wildlife Trust reserves across the UK and classes from the winning schools in each region went to visit each of their local wildlife trusts.

In 2008, staff from Veolia Environmental Services raised over £7,000 for Breast Cancer Care’s ‘Wear it Pink’ campaign with a series of dress down days and related activities.
A steady, strong commitment to the environment

‘We are well equipped to safeguard the planet alongside the success of our customers’

As the largest waste management company in the UK, Veolia Environmental Services has a great part to play in securing a positive future for the environment. This responsibility is perhaps our biggest challenge, and one we are proud to meet. We are well equipped to innovate and promote the long-term sustainable solutions that will help to safeguard the planet alongside the success of our customers.
Environmental Compliance

Our goal is to be the industry standard bearer in all areas of waste management. In achieving this aim we recognise that our environmental credentials and performance play a significant role. Compliance is therefore the minimum standard to which we operate, without compromise.

During 2008, Veolia Environmental Services’ commitment to achieving total compliance resulted in one environmental prosecution. Only with an exemplary record will we satisfy our own exacting standards. At the start of 2009 a series of proactive programmes commenced to support our goal of improving our environmental performance. Some of these programmes are outlined in this section of the report.

Veolia Environmental Services’ compliance schemes

In recognition of ever more stringent legislation from the EU covering battery, packaging and electrical equipment waste, Veolia Environmental Services offers a range of schemes to help customers meet their obligations.

Battery Compliance Scheme

Tighter rules for UK businesses concerning batteries and accumulators were introduced in September 2008 through the implementation of the Batteries Directive. The new legal obligations mean:

• stricter rules on recovery and recycling
• a UK target of 25% for recycling batteries by 2012
• improvements to the environmental performance of all new batteries on the market

The Batteries Directive applies to all batteries, regardless of their shape, weight, use or chemical composition. And any business that produces, imports, supplies or disposes of batteries and accumulators is affected.

Our Battery Compliance Scheme incorporates a UK collection network offering users simple and easily accessible options for depositing redundant batteries. We have recently joined forces with WasteCare to help establish one of the first UK battery compliance schemes called BatteryBack. For more information visit: www.batteryback.org

Waste Electrical and Electronic Equipment (WEEE) Compliance Scheme

Many businesses face a significant challenge to dispose of electronic equipment safely and if correct procedures are not followed the environmental implications can be huge.

Our electrical recycling service fully complies with new legislation, offering customers a safe, efficient and easy-to-use solution for disposing of electrical equipment and larger household electrical items such as fridges and televisions etc. We collect around 27,000 tonnes of household WEEE from the civic amenity sites where we operate. Waste collected is taken to our sorting centres for recycling and recovery.

Services include:

• ‘Box and Go’ – Veolia Environmental Services will arrange for delivery of a transit box, designed to hold up to 14 computer monitors or 20 base units
• ‘Tubecare’ – Suitable containers for the storage and transport of fluorescent tubes are provided, with other containers available on request

Packaging waste

Each year UK businesses use over 10 million tonnes of packaging for their products to ensure they are delivered safely and efficiently. However, at the end of its useful life much of this packaging is discarded.

Veolia Environmental Services’ membership scheme provides the latest guidance on all elements of specialist packaging waste management to ensure customers meet the regulations, including:

• the industry view
• dedicated helpline
• on-site packaging surveys
• pre-audit inspection

We can also offer our members the opportunity to participate in a ‘closed loop’ solution to meet their packaging obligations.

Our Compliance Package

Veolia Environmental Services’ compliance schemes

In recognition of ever more stringent legislation from the EU covering battery, packaging and electrical equipment waste, Veolia Environmental Services offers a range of schemes to help customers meet their obligations.

<table>
<thead>
<tr>
<th>Date of Offence</th>
<th>Company</th>
<th>Offence</th>
<th>Penalty</th>
<th>Remedial Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2007</td>
<td>Veolia ES Hampshire Ltd</td>
<td>Elevated levels of suspended solids and Biological Oxygen Demand (BOD)</td>
<td>Fine: £5,000</td>
<td>New discharge consent issued</td>
</tr>
</tbody>
</table>
Environmental training

Veolia Environmental Services places great importance on the education of all its employees to ensure environmental excellence across the business. We have recently launched two new training courses through Campus Veolia.

Environment Focus course: a one-day awareness session providing staff with the tools to become environmental managers. The course helps employees better understand how our business impacts the environment, what can be done to minimise that impact and how to improve environmental performance operationally.

Environment Legislation course: a two-day course to train staff in the latest environmental and waste legislation, including how it applies to our business.

All 400 of our site managers are required to attend both courses (three days in total) by the end of 2009.

"In an ever changing marketplace we are constantly striving to ‘raise the bar’ and develop our people to meet demands now and for the future. It’s all about unlocking our people potential!"

Tom Spaul, Chief Operating Officer

Risk Assessment Expert (RAE) goes green

Health and safety campaigns have historically employed ‘shock tactics’ to carry their messages. As a result they can become repetitive resulting in the campaign losing its momentum. Veolia Environmental Services has now adopted a fresh approach to keep health and safety issues front of mind.

In 2008 we launched ‘RAE’, a crash test dummy and our very own risk assessment expert. His task – to raise awareness of health and safety issues in the workplace. RAE puts himself in harm’s way to highlight the dangers so staff don’t have to.

RAE proved highly effective in encouraging safe working practices among all employees. Such was the success of the campaign, it gave rise to a new ‘green’ RAE, to promote awareness of environmental issues.

Veolia Environmental Services takes a positive stance to ensure all employees understand how our actions affect the environment now and into the future. The ‘Green RAE’ poster campaign was launched to bring important environmental considerations to the forefront and help the company to manage and minimise our impact.

Activating dialogue

Veolia Environmental Services is helping to lead the environmental debate and provide solutions. We stimulate dialogue on all aspects of environmental performance to foster a positive approach – both within our own company and those of our customers.

We participate in a wide variety of events, including seminars, exhibitions, sponsorship deals and other activities. Internal seminars are held several times during the year to keep staff up to date on the company, legislation and future business strategy.

Likewise, we arrange regular external legislation events, provided free of charge to customers on a regional basis. These events have proved particularly successful, with more locations being added each year to satisfy demand.

In response to customer requirements, we make regular presentations to organisations. These are targeted to the specific needs of each customer and are structured to ensure productive dialogue between Veolia Environmental Services and the customer’s key personnel.

In order to gauge responses to the changing issues of legislation, our current performance and planned future initiatives, Veolia Environmental Services also provides keynote speakers for major industry events to discuss topical issues in waste management.

Maintaining links

Staying in touch with the wider industry issues is fundamental to a successful and well-managed business. Veolia Environmental Services is a member of several key organisations with many of our executives serving on committees. These include: Environmental Services Association, Associate Parliamentary Sustainable Waste Group and Strategic Waste Forum, Hazardous Waste Forum, Chartered Institution of Wastes Management, European Federation of Waste Management and Environmental Services, Confederation of Business Industry, Resource Recovery Forum and Integrated Pollution Management Knowledge Transfer Network.

To provide an industry perspective on policy and regulatory issues, Veolia Environmental Services also maintains strong links with government departments such as the Environment Agency and DEFRA.

"In an ever changing marketplace we are constantly striving to ‘raise the bar’ and develop our people to meet demands now and for the future. It’s all about unlocking our people potential!"
Improvement systems

Management Systems are essential to assist us in achieving our business goals, which include: environmental compliance, health and safety management, customer focus and continual improvement. In 2008, Veolia Environmental Services began consolidating the various systems in the company, which came about as a result of acquisitions, into one management tool. The Business Management System (BMS) is a new computer platform that houses the company’s procedures and policies and plays an important role in consolidating the way we operate to provide consistency and common language throughout the business.

Our sites are certified to BS EN ISO 9001:2008 – the internationally recognised standard for quality management systems. This enables us to provide an assurance that we will fulfil agreed customer requirements. The majority of our sites are also certified to BS EN ISO 14001:2004 Environmental Management Standards, demonstrating our compliance to the guidelines for the development of environmental performance control. In addition, many of our sites are certified to OHSAS 18001 (Health and Safety Management System). Our external audits are conducted through a third party certification party, Lloyd’s Register Quality Assurance (LRQA). The company target is to achieve certification to the standards, across all 350 sites, by the end of 2009.

Recording environmental events

A software system to aid health and safety management and environmental risk and compliance, Rivo, has been operating at Veolia Environmental Services for some time, primarily as a health and safety reporting system. In 2008, Rivo was enhanced to allow for the recording of environmental near misses, incidents and Enforcement Authority Communications across the business. This is a big step forward in ensuring that we have a systematic, transparent and coordinated QHSE reporting system to enable data collection, trend monitoring, performance management and ultimately continual improvement.

Audits

To verify compliance with legal and system requirements, Veolia Environmental Services has programmed internal audits each year for all sites, which are conducted by our internal specialist team. In addition to this, we are audited externally by our accredited certification body, LRQA. In 2008, 380 internal audits and 114 external audits were conducted in total.

Systems Certification

70% of sites by revenue certified to ISO 14001 (equates to approximately 200 locations)

Climate change and carbon reduction

Carbon is integral to life on Earth. But the rise in concentrations of greenhouse gases (GHG) in the Earth’s atmosphere, especially carbon dioxide (CO₂), are attributed to causing climate change. The Climate Change Act became law in 2008 and under its enabling powers the Carbon Reduction Commitment will require major energy users to reduce their carbon emissions via energy efficiency measures.

CO₂ emissions are generated in the course of most activities. Carbon is of prime concern because it is the largest contributor to climate change by causing global warming. Globally, the waste management sector is directly responsible for approximately 3% of worldwide carbon emissions. Whilst this is relatively small compared to other sectors, we believe that it is incumbent upon the waste management industry to adjust its activities and reduce its carbon footprint.

The way we do this is by:
• capturing methane from landfill sites
• minimising the use of fossil fuels
• recovering materials through recycling
• recovering energy from residual waste that is not recycled
GHG accounting is the measurement and reporting of the direct, indirect and avoided impacts from all relevant GHGs attributable to an organisation. This can be measured as a ‘carbon footprint’ or in the form of a lifecycle analysis and provides a measurement of the equivalent CO₂ emitted.

Footnote: The term ‘Carbon’ is used throughout the document to mean Carbon Dioxide or other Greenhouse Gas Emissions (such as Methane).
Veolia Environmental Services has given a lead to the Environmental Services Association in developing a Protocol for accounting and reporting on Greenhouse Gas (GHG) emissions. The Enterprise pour l’Environnement (EPE) GHG Accountancy Protocol helps to provide consistency of reporting between businesses.

Our stance on climate change

We recognise that the impact of waste collection, sorting and some treatments will always be contributors to GHG production. Whilst the waste sector does incur direct emissions, the reason for using many treatments is to reduce environmental impacts and as such GHG emissions are avoided elsewhere in the economy. The recovery of energy and recyclable material avoids fossil fuel energy production and the manufacturing from virgin materials. We support the development of new technologies and actively investigate their application to reduce and manage the carbon contribution. Waste management processes have to be robust, reliable and sustainable. There is only benefit in introducing new technology if it provides an economic benefit after the cost of carbon is taken into account.

Initiatives that help us to reduce our carbon impact:

Data Collection

A key step in carbon management is the ability to record and monitor carbon emissions. Veolia Environmental Services monitors and measures its carbon footprint using in-house data collection systems. In addition, Veolia has developed a proprietary system to enable the measurement of carbon burden and benefit for our clients, depending on the various waste treatment options adopted. These are described in more detail below:

GHG Tracker - A unique in-house innovation in carbon footprinting

Veolia Environmental Services is working hard to help its customers reduce the environmental impact caused by treating the waste they produce. To help customers measure and decrease their carbon footprint our dedicated GHG department has developed a pioneering tool called the GHG Tracker, which is specific to the waste industry. It takes operational data from the customer services we provide and calculates an estimated carbon footprint contribution.

Different collection and treatment options can be compared and evaluated using this tool or carbon footprint information can be supplied to the client for reporting purposes. This is one of many in-house developments to ensure we remain at the forefront of the carbon agenda. This decision making tool provides a methodology for clients to make rational decisions as to how to optimise their spend to reduce GHG impacts.

The GHG Tracker is now available to all our customers and in 2009 it received recognition in the form of a Gold Award at the first ever Green500 award ceremony led by the Mayor of London, Boris Johnson.

Green office initiative

As more organisations focus on sustainability and the environment, Veolia Environmental Services has a duty to lead by example. In a drive to reduce the amount of waste produced by our operations, we have launched the ‘Green Office’ scheme – a unified approach to recycling and other green initiatives across our entire office network. At the six main offices here in the UK, initial waste production and energy consumption have been significantly reduced by following two main principles:

- Reduce the availability of disposable cups in the canteen and with water coolers and replace them with reusable cups
- Replace individual fax machines, printers and scanners with multifunctional copiers. The default setting is set to double-sided to reduce paper and electricity consumption

Paper, card and mixed materials are the current focus of recycling, but in due course we hope to introduce food waste recycling services within the scheme.

Bins under desks have been removed with central recycling points established on each office floor. Featuring three containers for uncontaminated materials as follows:

- The existing paper and card container
- A mixed recycling container for any uncontaminated glass, plastic bottles and cans
- A container for any remaining general waste

Energy consumption is a key issue of the Green Office scheme and Veolia Environmental Services is working in conjunction with Dalkia to improve energy conservation. Initiatives introduced include the ‘Night Watchman’ scheme involving IT software that remotely shuts down any PC inadvertently left on at night. The ‘Night Watchman’ scheme covers over 450 PCs, which reduces our energy by 50% or 25 tonnes every year.

Results of the scheme so far show a 53% reduction in the use of photocopy paper, based on the amount used before the scheme.

By fitting plumbed water-filtration systems, CO2 emissions are reduced by two thirds in this area.

Green energy supply

As an industry standard setter in sustainable energy, Veolia Environmental Services was proud to sign in 2008 a contract with Dalkia, its sister organisation, to supply our sites with renewable energy. Approximately 240 Veolia locations are currently supplied, with the generating sources originating from areas such as landfill gas, hydroelectric power, offshore wind, biomass and energy from waste. The total amount of renewable energy supplied to us is about 60,807,000kWh – a reduction in CO2 production of approximately 34,600 tonnes.
Veolia Environmental Services is adopting the latest technologies to reduce the environmental impact of its vehicles.

Case Study
A pioneering approach to vehicle fuel technology

Energy efficient transport has a great part to play in cutting carbon emissions – just one reason why Veolia Environmental Services is adopting the latest technologies to reduce the environmental impact of its vehicles. With the UK’s largest waste collection fleet encompassing over 4,000 vehicles, it’s a considerable challenge.

As the UK continues to over-consume natural resources we are supporting re-use and recycling in order to reduce the amount of waste generated to help offset that level of consumption. However, we are also endeavouring to reduce our own use of electricity, transport fuels and water across the business.

Veolia Environmental Services’ commitment to innovation is typified by the commercial trial of a compressed biomethane (CBM)-powered street cleansing vehicle in Camden. The trial has been supported by the installation of London’s first biogas fueling station at Camden Council’s York Way depot.

Biomethane, one of the most sustainable biofuels, is produced and captured from gas extracted from landfill. One tonne of compressed biomethane is equivalent to 1,200 litres of diesel, which is enough to run a 44-tonne heavy goods vehicle for an entire week.

The key findings of the trial are:

- The fuel savings per kilometre of the CBM-powered Cage vehicle compared to the current compressed natural gas (CNG)-powered Cage vehicle is 6%.
- The well to wheel CO₂ emissions, which also consider CO₂ released into the atmosphere during fuel production and distribution, show emission savings per kilometre between the CBM and CNG-powered vehicles is 56%. Typical commercial vehicle industry data shows, when compared to fuel consumption figures for a similar sized diesel vehicle, savings of between 53% and 59% CO₂ should be achieved.
- The twice daily CBM-powered vehicle showed no reliability issues during the six month trial.

Veolia Environmental Services vehicles now use Ultra Low Sulphur Diesel, which reduces emissions of sulphur dioxide by a factor of 10. Following the acquisition of Cleanaway in the UK our fleet has doubled in size, with diesel consumption currently at approximately 11 million litres per annum. Of our vehicles, 400 comply with Euro V emissions standards and new vehicles are now procured to Euro V standards, keeping us well ahead of the implementation deadline of 2009.

Over 43 vehicles in Westminster and Camden are now fuelled with CNG and six diesel vans have been replaced with electrically driven light vans. Only solvent free paints are used for painting vehicles and equipment, which lowers the emissions of volatile organic compounds into the environment.

Tyres specific to the needs of the waste management industry help to preserve natural resources such as rubber and fuel oil. When this policy was introduced in 2003, annual tyre consumption reduced by 12%.

The simplest way of reducing emissions by our transport fleet is to make fewer and shorter journeys. Efficient routing of vehicles has produced significant savings in fuel and emissions. Working closely with the relevant authorities, better utilisation of the fleet on municipal collections has provided excellent results, particularly on the introduction of alternate weekly collections for waste and recyclables.

In 2009, we will be looking at further trials of new vehicle technology, including an electric-powered street cleansing vehicle, a refuse collection vehicle that runs on Dual Fuel technology - a combination of diesel and natural gas, and a refuse collection vehicle that runs on Hybrid technology - a combination of diesel and electricity.

The biogas can be converted into energy to supply electricity to the National Grid. As well as providing a useful source of energy, by limiting the escape of greenhouse gas we can reduce the impact of global warming. In 2008, Veolia Environmental Services generated 422,000MWh of electricity from landfill and approximately 837,500MWh of electricity from our Energy Recovery Facilities (ERFs). Combined, this is enough renewable energy to power over 280,000 homes.

Climate Change data 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct emissions</td>
<td></td>
</tr>
<tr>
<td>Incineration emissions (CO₂ Eq t)</td>
<td>548,746</td>
</tr>
<tr>
<td>Fleet emissions: Diesel (CO₂ t)</td>
<td>120,231</td>
</tr>
<tr>
<td>Plant emissions: Diesel (CO₂ t)</td>
<td>27,136</td>
</tr>
<tr>
<td>Company car emissions: Diesel, Petrol (CO₂ t)</td>
<td>2,745</td>
</tr>
<tr>
<td>Other fuel emissions: Gas, CNG, etc (CO₂ t)</td>
<td>2,273</td>
</tr>
<tr>
<td>Landfill emissions (CO₂ Eq t)</td>
<td>686,800</td>
</tr>
<tr>
<td>Indirect emissions</td>
<td></td>
</tr>
<tr>
<td>Electricity purchased (CO₂ t)</td>
<td>24,504</td>
</tr>
<tr>
<td>Avoided emissions</td>
<td></td>
</tr>
<tr>
<td>Electricity exported from landfills (CO₂ t)</td>
<td>190,102</td>
</tr>
<tr>
<td>Electricity exported from ERFs (CO₂ t)</td>
<td>347,580</td>
</tr>
<tr>
<td>District Heating (CO₂ t)</td>
<td>9,415</td>
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<tr>
<td>Renewable Energy purchased (CO₂ t)</td>
<td>4,910</td>
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<tr>
<td>Materials recovery a) and waste derived fuels</td>
<td>145,911</td>
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<tr>
<td>Paper/Cardboard (CO₂ t)</td>
<td>154,115</td>
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<tr>
<td>Plastics (CO₂ t)</td>
<td>50,121</td>
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<tr>
<td>Glass (CO₂ t)</td>
<td>19,179</td>
</tr>
<tr>
<td>Ferrous metal (CO₂ t)</td>
<td>45,030</td>
</tr>
<tr>
<td>Non-Ferrous metal (CO₂ t)</td>
<td>36,183</td>
</tr>
<tr>
<td>Waste derived fuels (CO₂ t)</td>
<td>13,868</td>
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<tr>
<td>Total Direct emissions (CO₂ Eq t)</td>
<td>1,377,931</td>
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<tr>
<td>Total Indirect (electricity) emissions (CO₂ t)</td>
<td>24,504</td>
</tr>
<tr>
<td>Total GHG emissions (CO₂ Eq t)</td>
<td>1,402,435</td>
</tr>
<tr>
<td>Total GHG emissions kg CO₂/£ revenue</td>
<td>1.26</td>
</tr>
<tr>
<td>Total avoided emissions (CO₂ t)</td>
<td>862,300</td>
</tr>
<tr>
<td>Total avoided emissions kg CO₂/£ revenue</td>
<td>0.77</td>
</tr>
<tr>
<td>Methane emissions avoided by Landfill Gas combustion (CH₄ t)</td>
<td>78,949</td>
</tr>
</tbody>
</table>

Note: Includes CO₂ and N₂O (Nitrous Oxide)
Note: From modelled fugitive emissions of methane from operational landfills
Note: Materials recovered at Veolia Environmental Services sorting and transfer facilities.
Note: Methane flaring and utilisation at operational landfills.

Technologies - waste to energy

The traditional method of waste disposal involves burying materials in landfill sites. Today we have a much wider choice of methods available and landfill is now accepted as the last resort. Over the years, with better knowledge and understanding, landfill technologies have improved to not only reduce environmental impact, but also optimise the benefits of the natural degradation process through the capture of naturally generated biogas.

- The landfill methane Veolia Environmental Services has captured is enough to power over 280,000 homes.
- The landfill methane Veolia Environmental Services has captured is equivalent to the CO₂ that would be released from the electricity consumption of nearly 700,000 average UK households.

The landfill methane Veolia Environmental Services has captured is equivalent to the CO₂ that would be released from the electricity consumption of nearly 700,000 average UK households.
Integrated solutions to managing waste

There is no single solution to managing the diverse streams of waste produced by society, which is why Veolia Environmental Services adopts an integrated approach to waste management. By combining central management with an understanding of local needs, we can offer the best solution for both the community and the environment.

Environment

Case Study

Sheffield

Background

Veolia Environmental Services was awarded the waste management contract for Sheffield City Council in August 2001. At the contract’s start, Sheffield was recycling and composting only 4% of its municipal waste. Working with the council and the local community, Veolia has developed an integrated waste management programme. Recycling is currently at 27% and energy recovery at 59%, with the residual 14% landfilled.

The solutions

Refuse collection

A refuse collection service is provided to 225,000 households in Sheffield, with a 99.95% correct collection rate.

Kerbside recycling collection

A blue bin service is provided to 200,000 households for the collection of paper and card every four weeks. On average, 1,600 tonnes of paper and card are collected every month and taken for processing at our Materials Recovery Facility in Sheffield. Garden waste is collected from 46,000 households and a 12,000 household collection trial of textiles and cans is also available in certain areas of the city.

Combined, this recycling programme has already achieved over and above Sheffield’s original 2005/6 recycling target of 21%.

Infrastructure

Veolia Environmental Services operates five Household Waste Recycling Centres and maintains over 220 bring bank sites across Sheffield. A state-of-the-art Energy Recovery Facility was completed in 2006 to the latest environmental regulations. This generates up to 21MW of electricity and up to 60MW of heat for our award-winning District Energy Network (DEN).

Established in 1988, our DEN is one of the largest and most successful in the UK and is still expanding. Consisting of more than 27 miles of underground pipes, the network is connected to over 140 buildings and delivers greener energy to some of the city’s most prestigious landmarks including Sheffield Town Hall, The Winter Gardens, Lyceum Theatre and the University of Sheffield. The whole network saves on average 21,000 tonnes of CO2 from being emitted into the atmosphere every year.

Working with Sheffield’s community

Waste awareness

Public awareness is the foundation of widespread involvement in recycling. Veolia Environmental Services takes part in a variety of workshops, talks and discussion sessions with local community groups. Our Mobile Information Unit is present at many local events and in the city centre at key dates throughout the year. Education and awareness sessions are often timed to coincide with local and national events.

Schools Waste Awareness Programme

Veolia Environmental Services works with Sheffield City Council on a comprehensive schools programme that delivers workshops, interactive sessions, games and crafts to city schools.

Recycling Champions

The successful ‘Recycling Champions’ campaign encourages local people to take ownership of recycling efforts in their area. Members receive information packs, newsletters, advice and support on recycling campaigns and invitations to special events.
Veolia Environmental Services (UK) Plc
Annual Review 2008

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Case Study
Marchwood Energy Recovery Facility and surrounding area

The Marchwood Energy Recovery Facility is a key Veolia site adjacent to an estuarine area. Although small at approximately three hectares, this area supports an amazing array of wildlife. The river is important for salmonoids, which migrate upstream to spawn, whilst an abundance of species such as school bass, mullet, flat fish and eel use the area as a permanent habitat. The mudflat is a busy feeding area at low tide, with numerous types of gulls, waders, curlew, herons and egrets visiting. Great crested grebes have also been noted in the area. The land surrounding the facility is of equal importance. The coastal strip, with its mixture of wild bramble and flowers, has seen an explosion in insect life, providing an attractive nesting and feeding area for robins, pied and grey wagtails, dunnocks, house sparrows, meadow pipits and starlings. During the spring and autumn, several species of migrating bird also visit the area.

To protect and promote biodiversity on the Marchwood site and within the surrounding area, Veolia Environmental Services has implemented a landscaping scheme to actively incorporate the use of native species such as Ash, Oak, Hawthorn etc. Many areas remain uncut so as to allow the growth of meadow plants that are already attracting bees, butterflies, moths and other forms of insect life.

Biodiversity

In implementing an effective waste management strategy, Veolia Environmental Services believes that biodiversity must be protected through a sympathetic and considered approach. Many of our facilities are situated adjacent to Sites of Special Scientific Interest (SSSI) or have species of a protected or special nature identified as being present on-site. Veolia Environmental Services has implemented a number of biodiversity management measures to protect the habitats of these species. Other biodiversity management measures include the development of reservoirs, restoration within and around the grounds of facilities and the relocation of wildlife.

Environment Data continued

Energy

- Diesel fuel used in fleet (litres) 40,917,191
- Biofuels used in fleet (litres) 113,750
- CNG used in fleet (litres) 128,723
- Diesel - Operations Company Cars/vans (litres) 927,862
- Petrol - Operations Company Cars/vans (litres) 103,105
- Diesel used in plant (litres) 10,072,914
- Gas used in plant (kWh) 11,063,528
- Electricity consumed (kWh) – non renewables 41,424,313
- Electricity consumed (kWh) – renewables 10,381,171
- Electricity exported (MWh) 1,136,748
- Installed generation capacity (MW) 202.9
- Heat exported (MWh) 39,000

Water

- Potable - Mains water (m³) 802,749
- Non-potable - Surface water (m³) 11,423
- Water reused (m³) See Note 5

Air

- Landfill gas captured for flaring and gas utilisation (tonnes) 279,607

Waste

- Total Waste Handled (tonnes) 12,313,304
- Total Waste Collected (tonnes) 5,078,676
- Total Waste Recovered (tonnes) 3,985,599
- Total Waste Composted (tonnes) 168,460
- Total Waste Incinerated (tonnes) 1,494,938
- Total Waste Landfilled (tonnes) 5,261,203
- Total Hazardous Waste Treated (tonnes) 362,445

Capture rate of landfill gas (%)

- 2007: 50.0%
- 2008: 67.1%

Note 1: Ellesmere Port High Temperature Incinerator (HTI) – Project to reduce NOx emissions in line with the requirements of the Waste Incineration Directive. New limits effective from 31/12/09. Trials involving the injection of urea and ammonia.

Note 2: Our ERFs in 2008 complied with all permitted levels of dioxins

Note 3: No significant spills occurred in 2008

Note 4: Marchwood ERF used approximately 21,000,000 m³ of estuary water in the cooling process. Ellesmere Port HTI used approximately 1,400,000 m³ of supplied river water for cooling and processing.

Note 5: Major re-users of water include the Veolia Environmental Services ERFs. For example they use water collected from washing down for slaking lime, which is then used in the gas cleaning process.
### Our Goals

The table below shows our targets for the year ahead to help us move towards being a more responsible business. The topics covered are seen as significant by our stakeholders and to Veolia Environmental Services as outlined on page 15 of this report. We will be widening our reporting to cover more indicators in next year’s report.

<table>
<thead>
<tr>
<th>Topics</th>
<th>Indicator</th>
<th>2008</th>
<th>2009 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
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<td></td>
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<tr>
<td>Compliance</td>
<td>Prosecutions</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>No compliance classification schemes scores 1 or 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EA Inspections (from 2009 only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of sites certified by revenue 70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change</td>
<td>Increase landfill gas capture 67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>72%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>Annual turnover per year 20.91%</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>18.80% (reduction of 10%)</td>
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<tr>
<td>Agency staff</td>
<td>Agency costs per year £39.77 m</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>£35.80 m (reduction of 10%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Health &amp; Safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Incidents Frequency Rate (LTIFR)</td>
<td>19.40</td>
<td>15.28</td>
<td></td>
</tr>
<tr>
<td>Lost Time Incidents Severity Rate (LTISR)</td>
<td>0.44</td>
<td>0.36</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- LTIFR – average length of absence per accident for every 10,000 employees
- LTISR – the number of injury accidents with absence of one day or more

### Education and Training

<table>
<thead>
<tr>
<th>Topics</th>
<th>Indicator</th>
<th>2008</th>
<th>2009 (Target)</th>
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<tbody>
<tr>
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<td>125,000</td>
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<td></td>
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*Veolia UK Group
Conclusion

Throughout this Annual Review we have covered a broad range of our environmental, business, community and marketplace initiatives and projects. A significant number and variety of bodies have been involved in the process and this report is representative of the topics that are seen as significant to us and our stakeholders.

We realise that there are many topics to cover and many more goals to reach. In the coming year through the work of the CSR Working Group, we will look to embed CSR further within our organisation and will look to identify a greater number of indicators with a view to improving the measurement and reporting of our performance. This will set us even further along the road to becoming the industry benchmark for responsible practice – our ultimate goal.

Throughout the past year we have strived in all areas of our business, the environment and community to improve our performance. It is not just about meeting regulations and achieving targets - responsibility is at the heart of everything we do and this is becoming ingrained in our company culture.

Looking towards next year we will be widening our reach of responsibility to more communities and across more areas. We will be empowering more people inside and outside Veolia Environmental Services to come together and make a positive impact.

If you have any questions or would like more information on our CSR activities, please contact csr@veolia.co.uk or visit www.veolia.co.uk
**GRI Index**

This Annual Review has used the Global Reporting Initiative (GRI) Sustainability Reporting guidelines (www.globalreporting.org) to Application Level B+.

The table below details all the indicators that we have reported against.

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LRQA Assurance Statement

Terms of Engagement

Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by Veolia Environmental Services (UK) Plc (VES) to assure the Corporate Social Responsibility (CSR) section of its Annual Review 2008 (the Report) for the year ending 31 December 2008. The Annual Review will be available in printed format and as a download from the publications section of the company’s website at www.veolia.co.uk and circulated to all VES stakeholders.

The assurance engagement was undertaken against:

• AA1000 Assurance Standard 2008 (AA1000), where the scope was a Type 2 engagement at a moderate level of assurance, and

• Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, 2006

Note: Where VES presented data and information from a second party, LRQA corroborated only that data and information was transferred accurately or the correct reference was provided.

The objectives of the assurance engagement were to:

• review adherence to the AA1000 Accountability Principles of Inclusivity, Materiality and Responsiveness; and

• evaluate the reliability of the specified sustainability performance information

The Report has been prepared and approved by VES, who is also responsible for the collection and presentation of information within it. LRQA’s responsibility was to carry out an assurance engagement on the Report, in accordance with our contract with VES.

LRQA does not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

Our Approach

The assurance engagement was conducted at Veolia Environmental Services (UK) Plc, Veolia House, 84a Pentonville Road, London, N1 9PE. In order to form our conclusions we have obtained sufficient evidence to provide the moderate level of assurance stated in the terms of engagement.

Our assurance approach was risk-based and undertaken as a sampling exercise of the data and information disclosed in the Report. It covered the following activities:

• Reviewing the VES stakeholder engagement process and information collected from various stakeholder groups;

• Evaluating VES material issues against our own independent analysis of stakeholder issues;

• Carrying out a benchmarking exercise of high-level material issues by reviewing sustainability reports written by VES peers;

• Understanding how VES determines, responds and reports on its material issues;

• Interviewing senior management to understand VES reporting processes and use of sustainability performance data within its business decision-making processes;

• Interviewing key personnel to understand VES processes for setting performance indicators and for monitoring progress made during the reporting period;

• Verifying VES data and information management systems; and

• Validating VES self-declaration of GRI G3 application level B+

Our Conclusions1 and Findings

Based on the terms of engagement, LRQA’s conclusions for adherence to the AA1000 Accountability Principles and GRI Guidelines are:

Inclusivity

We found nothing that would cause us to believe that VES is not committed to being accountable to its stakeholders. VES has identified its stakeholder groups and actively encouraged them to participate in the determination of material issues. In response VES has developed strategies, plans and actions for addressing its sustainability issues.

Materiality

We are not aware of any material issues concerning VES sustainability performance that have been excluded from the Report.

Responsiveness

We are not aware of any additional issues of stakeholder interest that are not currently being managed by VES either by inclusion in the Report or through other communication channels.

Reliability of specified sustainability performance information

We found nothing that would cause us to believe that the specified sustainability performance is not reliable and that information has been mis-stated.

Global Reporting Initiative

The Report is in accordance with the requirements of GRI G3. VES self-declaration of B+ application level is fairly stated.

LRQA’s recommended improvements

VES should build on the momentum gained from the implementation of the Business Management System and formation of the CSR Working Group to:

• Further embed CSR within the organisation;

• Review CSR policies, procedures and Key Performance Indicators at planned intervals to ensure continuing suitability, adequacy and effectiveness;

• Establish a more robust method to identify and evaluate material CSR issues which is based upon GRI indicators. The process of evaluation should enable the relative significance of each topic to be determined;

• Identify and report on additional CSR key performance indicators in accordance with the GRI G3 Sustainability Reporting Guidelines; and

• Implement a programme of data verification

Progress to implement the above recommendations should be tracked using the business management system tool, Rivo.

S M Fletcher

For and on behalf of LRQA, UK, this Assurance Statement is valid for one calendar year from the date of issue.*

Third party liability

LRQA, its affiliates and subsidiaries and their respective officers, employees or agents are, individually and collectively, referred to in this clause as the ‘Lloyd’s Register Group’. The Lloyd’s Register Group assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd’s Register Group entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

LRQA’s Competence and Independence

LRQA ensures the selection of appropriately qualified individuals based on a rigorous appraisal of their training, qualifications and experience. The team conducting the assurance of the Report was multi-disciplinary and has been involved in assurance assessments from the outset of external verification of non-financial performance reports. LRQA’s internal systems have been designed to manage and review assurance and certification assessments. This involves independent review by senior management of the outcome derived from the process applied to the assurance of corporate reports.

Independence of LRQA from VES

LRQA and VES operate as discrete and independent legal entities. LRQA provides VES with third party accredited certification assessment services to ISO 14001, ISO 15400 and OHSAS 18001. The assurance and certification assessments are the only work undertaken by LRQA for VES.

Conflict of interest

LRQA is part of the Lloyd’s Register Group. Lloyd’s Register Group recognises that potential conflicts of interest may exist which could impact on its independent assurance and certification activities. Lloyd’s Register Group is committed to identifying and managing such conflicts so that they do not adversely impact its independence and impartiality. In order to protect the integrity, neither LRQA nor any other Lloyd’s Register Group company will provide services which create a conflict and compromise the independence and impartiality of third party assurance and certification. The Lloyd’s Register Group will never verify its own solutions to a customer’s problem.

*Date of issue: 09 October 2009

1: Conclusions given are based upon full disclosure by VES of all relevant data and information
Financial Results

Directors’ report for the year ended 31 December 2008

Principal activities, trading review and future developments

The principal activity of the Group is the provision of waste management services to the public and private sectors, including waste collection, recycling, disposal and environmental cleansing.

The directors consider that the key performance indicators of the Group to be turnover, operating profit and net financial debt.

Group turnover from continuing operations for the year ending 31 December 2008 was £1,231.7m (2007: £1,114.1m) which represented a 10.6% increase. This was due to several factors, the main ones being the inclusion of a full year’s results of the Shropshire integrated contract and the start-up of the West Berkshire and Southwark integrated contracts in the integrated waste management business, together with the increase in Landfill Tax from £24 to £32 per tonne from 1 April 2008.

The Group operating profit was £121.2m (2007: £105.4m), an increase of 15.0%. The main factors affecting this are the increased revenue as noted above and continuing synergies realised from the acquisition in 2006 of the Cleanaway Group, offset by the increased impact of the unwinding of discounted cashflows.

The net financial debt at 31 December 2008 was £297.8m (2007: £315.2m). Net financial debt is defined as total debtors plus cash less total creditors (excluding pension liabilities and provisions).

Net interest payable of £7.2m (2007: £15.1m) related mainly to interest on inter-company loans with the Group’s parent, external bonds and finance leases offset by interest receivable from the financial assets. The change in the year is due to a range of factors including group financing replacing bank financing and increased capitalisation of interest incurred in the integrated waste management operations.

The taxation charge for the year was £43.1m (2007: £29.9m) and a reconciliation of the total tax charge to the standard rate of corporation tax is set out in Note 9 to the financial statements, which can be found on our website.

The directors believe the company will continue to deliver a strong financial performance in the coming year despite the ongoing recession as the Group has the benefit of a diverse range of activities and the benefit of many Private Finance Initiative (PFI) long-term contracts. The directors will also continue to review potential acquisitions that will strengthen the Group’s presence in the current areas of activity and also to tender for appropriate long-term municipal waste management contracts.

Subsequent to the year end, on 20 May 2009, the Group was delighted to announce that it had been awarded a 20 year Waste Management and Recycling Contract with a value of £640 million by the Merseyside Waste Disposal Authority (MWDA) on behalf of the Merseyside and Halton Waste Partnership. Commencing on 1 June 2009, the contract includes the development of a flagship Materials Recovery Facility (MRF) at Gillmoss, Liverpool starting construction in 2009 and a refurbishment programme for the existing infrastructure to include upgrading the existing Bidston MRF and the network of 16 Household Waste Recycling Centres.

A firm grip on the finances

The directors present their report together with a summary extracted from the audited financial statements for the year ended 31 December 2008

Directors

J D Mallet
J C Banon
P Bellon-Serre
J Contamine
D Gasquet
G Kuch
J M Kutner
H Proglio
T Piquemal
(Appointed 27 March 2009)

Auditors

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Barclays Bank Plc
1 Churchill Place
Canary Wharf
London
E14 5HP

Registered Office

Veolia House
154A Pentonville Road
London
N1 9PE

Secretary

R Berry
Risks and uncertainties

The directors consider the following to summarise the key risks and uncertainties facing the Group:

Long-term integrated contracts such as PFI contracts

The Group has significant exposure to such contracts and further information is given in Note 2 of the Notes to the Financial Statements, which can be found on our website. The contracts generally result in a municipal body passing the operating and financing risk of running significant waste management plants in return for guaranteed revenues subject to a long-term contract. Whilst each contract is different and negotiated separately, the common risks arising from such contracts include:

- Technological risk – ensuring the plants meet current and future environmental legislation
- Operational risk – ensuring the plants can handle a certain amount of processing over an extended period
- Financial risk – there are many elements involved in assessing the financial viability of each contract with revenues arising from operational management fees payable by the municipal party, fees due from third parties who may be given access to the contracted facilities and the sale of by-products such as electricity, heat and recyclates. Costs arise from expenses incurred in the complicated planning process, infrastructure build costs, operational expenses and plant maintenance including diversion costs during shut-downs.

These risks are managed by significant levels of contract negotiation prior to Veolia agreeing to undertake such a contract and by ongoing customer liaison subsequent to contract signing. The Group is experienced in working with our customers in this way and, in the same way that contractual negotiation mitigates risks on the Group’s revenues, contracts are also placed with key suppliers for the provision of the plant to manage the financial risks thus associated.

Price risks relating to recyclates

Driven by the EU, national and local government bodies are urging greater recycling targets and as a result, recycling activities and the impact of the recyclates arising are growing in importance to the Group. Recyclate prices for metals, plastics and paper are all driven by global supply/demand trends and especially by the growth in the Chinese economy. The capture and sale of recyclates affects the Group in two significant ways: firstly, the Group has exposure to movements in the value of such recyclates and secondly, the more waste that is recycled sees less waste being taken to landfill, another of the Group’s major activities.

The current economic circumstances have seen the news media documenting much lower demand for these products and significant falls in the global prices paid for recyclates but Veolia has managed to offset the worst of these falls by leveraging global Group relationships and by profit sharing arrangements with our customers.

Falling landfill demand coupled with increased costs

Landfill operation continues to be heavily regulated. Areas subject to significant regulation include the emissions of gases and leachates, site restoration and aftercare and operational standards. Meeting and exceeding this regulation incurs significant costs to the business and these costs need to be passed on to the users of the landfill sites. Coupled with these increased expenses, landfill users also face the annual increase in the Landfill Tax of £8 per tonne from £32 per tonne from 1 April 2008 through to 2013. The combination of these two extra costs will impact on demand for landfill.

The business is also subject to risks surrounding environmental legislation, health & safety issues, business continuity and the actions of customers and competitors. The group has implemented risk controls and loss mitigation plans.

Dividends

The directors do not recommend the payment of a dividend (2007: £ nil).

Directors

The current directors of the company are shown on page 75.

Financial Results

Employees

During the year the Group continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the Group’s trading position and of any significant organisational changes.

It is the policy of the Group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group as well as generally through training and career development.

Payment of suppliers

It is the Group’s payment policy, in respect of all suppliers, to settle the terms of payment with suppliers when agreeing the terms and conditions under which business is to be transacted, to ensure that suppliers are made aware of the terms of payment and to abide by these terms of payment. The amount owed by the company to trade creditors at the year end in proportion to the amounts invoiced by suppliers during the year, expressed as a number of days was nil days (2007: nil).

Derivatives and other financial instruments

The Group’s principal financial instruments, other than derivatives, comprise group loans, bonds, finance leases and hire purchase contracts, financial receivables, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

The Group occasionally enters into forward currency contracts. The purpose is to manage currency risks arising from the Group’s operations and its sources of finance. There are no derivatives in the current financial year.

It is, and has been throughout the period under review, the Group’s policy that no trading in financial instruments shall be undertaken.
Financial risk management policies

It is the Group’s objective to manage its financial risks so as to minimise the adverse effects of fluctuation in the financial markets on Group’s profits and cashflows. Specific policies are detailed in Note 20 of the Notes to the Financial Statements, which are available to download from our website.

The main risks arising from the Group’s financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group borrows at both fixed and floating rates of interest to generate the desired interest profile and to manage the Group’s exposure to interest rate fluctuations. The Group’s policy is to obtain funds from within the Veolia SA Group at variable rates with finance leases taken as necessary at fixed rates.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of Group loans, bonds, finance leases and hire purchase contracts. Short-term flexibility is achieved by the use of overdraft facilities.

Foreign currency risk

Some of the Group’s current investing activities in integrated contracts require payment to contractors in Euros. The Group uses forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group’s policy not to enter into forward contracts until a firm commitment is in place.

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out earlier in the Directors’ report, including the financial position of the Group, its liquidity position and borrowing facilities are summarised in the Balance Sheet and described further in Notes 19 and 20 to the Financial Statements, which are available to download from our website.

Note 20 to the Financial Statements also includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term contracts with a number of customers across different industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

Having made enquiries of fellow directors and of the company’s auditors, each of the directors confirms that:

- to the best of each director’s knowledge and belief, there is no information relevant to the preparation of their report of which the company’s auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company’s auditors are aware of that information.

A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming annual general meeting.

Approval

By order of the Board:

R Berry
Secretary, 15 July 2009
Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This document contains primary financial statements and other key financial information that has been extracted from the Group’s audited financial statements for the year ended 31 December 2008. The full financial statements including other financial information not included within this document can be freely obtained from the Group’s website (www.veolia.co.uk).

No auditor’s report has been provided for the information included within this report but the full financial statements have been audited and the unqualified audit report provided by the Group’s external auditors, Ernst & Young LLP, on those full financial statements is included in the aforementioned document on the Group’s website.
Consolidated profit and loss account
for the year ended 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group and share of joint ventures’ turnover</td>
<td>1,261,409</td>
<td>1,143,642</td>
</tr>
<tr>
<td>Less: share of joint ventures’ turnover</td>
<td>(29,734)</td>
<td>(29,563)</td>
</tr>
<tr>
<td>Group turnover</td>
<td>1,231,675</td>
<td>1,114,079</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(968,086)</td>
<td>(860,508)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>263,589</td>
<td>253,571</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(142,394)</td>
<td>(148,131)</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>121,195</td>
<td>105,440</td>
</tr>
<tr>
<td>Group share of operating profit in joint ventures</td>
<td>5,856</td>
<td>4,952</td>
</tr>
<tr>
<td>Amortisation of goodwill arising on acquisition of joint ventures</td>
<td>(115)</td>
<td>(115)</td>
</tr>
<tr>
<td>Total operating profit: group and share of joint ventures and associate</td>
<td>126,936</td>
<td>110,277</td>
</tr>
<tr>
<td>Profit on sale of Fawley Incinerator</td>
<td>-</td>
<td>3,617</td>
</tr>
<tr>
<td>Interest receivable – group</td>
<td>19,716</td>
<td>20,940</td>
</tr>
<tr>
<td>Interest receivable – share of joint ventures</td>
<td>26</td>
<td>49</td>
</tr>
<tr>
<td>Interest payable and similar charges – group</td>
<td>19,742</td>
<td>20,989</td>
</tr>
<tr>
<td>Interest payable – share of joint ventures</td>
<td>(25,261)</td>
<td>(34,357)</td>
</tr>
<tr>
<td>Amortisation of goodwill arising on acquisition of joint ventures</td>
<td>(1,857)</td>
<td>(1,956)</td>
</tr>
<tr>
<td>Other financing income</td>
<td>1,787</td>
<td>1,358</td>
</tr>
<tr>
<td>Profit on ordinary activities before taxation</td>
<td>121,482</td>
<td>99,928</td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>(35,070)</td>
<td>(29,949)</td>
</tr>
<tr>
<td>Profit on ordinary activities after taxation</td>
<td>78,412</td>
<td>69,979</td>
</tr>
<tr>
<td>Minority interests – equity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retained profit for the year</td>
<td>78,412</td>
<td>69,979</td>
</tr>
</tbody>
</table>

All activities are continuing operations.
Consolidated statement of total recognised gains and losses for the year ended 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit excluding joint ventures</td>
<td>74,763</td>
<td>67,322</td>
</tr>
<tr>
<td>Share of joint venture profit for the year</td>
<td>3,649</td>
<td>2,657</td>
</tr>
<tr>
<td>Profit for the financial year after taxation</td>
<td>78,412</td>
<td>69,979</td>
</tr>
<tr>
<td>Actuarial (loss)/gain recognised in defined benefit schemes</td>
<td>(34,124)</td>
<td>29,999</td>
</tr>
<tr>
<td>Deferred tax arising thereon</td>
<td>9,413</td>
<td>(8,400)</td>
</tr>
<tr>
<td>Change in tax rate</td>
<td>(1,028)</td>
<td></td>
</tr>
<tr>
<td>Actuarial gain recognised in defined benefit schemes – joint venture</td>
<td>231</td>
<td>2,374</td>
</tr>
<tr>
<td>Deferred tax arising thereon</td>
<td>(65)</td>
<td>(665)</td>
</tr>
<tr>
<td>Total gains and losses recognised since the last annual report</td>
<td>53,867</td>
<td>92,259</td>
</tr>
</tbody>
</table>

Return on Capital Employed

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
<td>12.23%</td>
<td>12.23%</td>
</tr>
</tbody>
</table>

Financial Results

Consolidated balance sheet at 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>501,037</td>
<td>512,823</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>333,847</td>
<td>491,080</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of gross assets</td>
<td>53,557</td>
<td>48,789</td>
</tr>
<tr>
<td>Share of gross liabilities</td>
<td>(39,928)</td>
<td>(40,867)</td>
</tr>
<tr>
<td>Loans to joint ventures</td>
<td>11,629</td>
<td>7,922</td>
</tr>
<tr>
<td></td>
<td>5,034</td>
<td>5,194</td>
</tr>
<tr>
<td></td>
<td>16,663</td>
<td>13,116</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,071,547</td>
<td>1,022,019</td>
</tr>
<tr>
<td>Stocks</td>
<td>30,069</td>
<td>7,853</td>
</tr>
<tr>
<td>Debtors: amounts falling due after more than one year</td>
<td>206,500</td>
<td>243,809</td>
</tr>
<tr>
<td>Debtors: amounts falling due within one year</td>
<td>702,217</td>
<td>536,904</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>35,082</td>
<td>25,679</td>
</tr>
<tr>
<td></td>
<td>953,862</td>
<td>816,239</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>(543,766)</td>
<td>(439,952)</td>
</tr>
<tr>
<td>Net current assets</td>
<td>409,096</td>
<td>376,287</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td>1,481,643</td>
<td>1,398,306</td>
</tr>
<tr>
<td>Creditors: amounts falling due after more than one year</td>
<td>(697,802)</td>
<td>(683,658)</td>
</tr>
<tr>
<td>Provision for liabilities and charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>(2,471)</td>
<td>(2,294)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(76,241)</td>
<td>(82,799)</td>
</tr>
<tr>
<td>Net assets excluding pension liability</td>
<td>705,129</td>
<td>629,553</td>
</tr>
<tr>
<td>Net pension surplus</td>
<td>280</td>
<td>621</td>
</tr>
<tr>
<td>Net pension deficit</td>
<td>(37,592)</td>
<td>(16,024)</td>
</tr>
<tr>
<td>Net assets</td>
<td>668,017</td>
<td>614,150</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>268,038</td>
<td>214,171</td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>668,038</td>
<td>614,171</td>
</tr>
<tr>
<td>Equity shareholders’ funds</td>
<td>(21)</td>
<td>(21)</td>
</tr>
</tbody>
</table>

On behalf of the board

J D Mallet
Director, 19 July 2009

www.veolia.co.uk
You can find full details of our accounts online at www.veolia.co.uk
**Bio-diesel**
A fuel made from plant oils that can be used in a conventional diesel engine.

**Carbon Dioxide**
A greenhouse gas which makes up 0.033% of the air we breathe and a by-product of combustion processes.

**CBM**
Compressed Biomethane.

**CH₄ t**
Tonnes methane.

**CH₄ eq t**
Tonnes methane equivalent.

**CNG**
Compressed Natural Gas.

**CO₂ t**
Tonnes carbon dioxide.

**CO₂ eq t**
Tonnes carbon dioxide equivalent.

**CSR**
Corporate Social Responsibility.

**Environment**
Surroundings in which an organisation operates, including air, water, land, flora, fauna, humans and their interrelation.

**Environment Agency**
Government department that provides a comprehensive approach to the protection and management of the environment.

**Environmental Impact**
Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organisation’s activities, products or services.

**Environmental Objective**
Overall environmental goal, arising from the environmental policy, that an organisation sets itself to achieve, and is quantified where practicable.

**Environmental Policy**
Statement by the organisation of its intentions and principles in relation to its overall environmental performance, which provides a framework for action and for the setting of its environmental objectives and targets.

**Environmental Services Association**
Waste management trade organisation.

**Environmental Target**
Detailed performance requirement, quantified where practicable, applicable to the organisation or parts thereof, that arises from the environmental objectives and that needs to be set and met to achieve those objectives.

**ERF**
Energy Recovery Facility.

**Euro V**
European emission based standard for petrol and diesel engines.

**GHG**
Greenhouse Gases.

**Hazardous Waste**
Generally Commercial and Industrial wastes which require specialist handling and treatment.

**HGV**
Heavy Goods Vehicle.

**High Temperature Incineration**
Thermal destruction of organic materials at temperatures in excess of 1100°C.

**ISO 9001, ISO 14001, OHSAS 18001**
The International Standards for Environmental Management Systems.

**LCF**
Landfill Communities Fund.

**Leachate**
Liquid produced after water has passed through a permeable material.

**LFG**
Landfill Gas.

**LFGTE**
Landfill Gas to Energy.

**LNG**
Liquefied Natural Gas.

**L**
Litres.

**MRF**
Materials Recycling Facility – for the sorting and separation of mixed dry recyclables from separately collected waste.

**Methane**
A greenhouse gas which is the major component in natural gas and is produced as a by-product in landfill sites.

**MSWI**
Municipal Solid Waste Incineration.

**PFI**
Private Finance Initiative.

**PPC**
Pollution Prevention and Control provides an integrated approach to controlling emissions to air, land and water by means of, for instance, permits issued by the Environment Agency.

**QMS**
Quality Management Systems.

**RIDDOR**
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

**Rivo**
Health and Safety Database for recording accidents, near misses and environmental incidents.

**SLF**
Secondary Liquid Fuel: a blend of organic and solvent wastes, which can replace the use of fossil fuels in production processes such as cement manufacture.

**Waste Hierarchy**

**WEEE**
Waste Electrical and Electronic Equipment.