

CORPORATE SOCIAL RESPONSIBILITY.

Environmental performance.

All activities in the group have an environmental purpose and particularly in our regulated UK and US waste water businesses, our goal is to achieve 100% compliance with our legal and regulatory obligations.

BENCHMARKING OUR ENVIRONMENTAL PERFORMANCE

For the second consecutive year Kelda has been ranked the best performing water and waste water company in Business in the Environment's (BiE) Index of Corporate Environmental Engagement.

The Index measures the extent to which companies understand and manage their impact on the environment and whether environmental issues are an integral part of their business strategies.

With a score of 96.4% we are again eligible for BiE's 'Premier League', an accolade shared by only 27 other FTSE 250 companies.

We remain committed to improving our environmental performance and have recently introduced a new Environmental Management System (EMS) which has achieved ISO14001 certification.

IMPROVING THE AQUATIC ENVIRONMENT

River water quality in Yorkshire continues to improve, largely thanks to the ongoing investment we are making in our sewers and waste water treatment works.

The Environment Agency (EA) has reported that 90% of rivers in Yorkshire are now rated as good or fair, a rise of 9% since 1990. In particular, the EA has singled out the dramatic improvements we have made to the quality of the River Spen in West Yorkshire, which has seen fish return to its lower reaches between Heckmondwike and Dewsbury for the first time in decades.

River quality is expected to improve further as a result of our ongoing programme of work to upgrade hundreds of sewer overflows in the region. This will reduce the amount of toilet related litter such as paper, condoms and sanitary towels, which can escape from the waste water system into local rivers and watercourses.

A new £17m waste water treatment works in Hornsea was commissioned, leading to similar improvements in the quality of our region's bathing waters. A record 15 local bathing waters now meet the EU's higher 'guideline' quality standard.

As a result, four east coast holiday resorts can now fly the coveted Blue Flag, providing a boost for holidaymakers and the region's tourism industry as a whole.

BIODIVERSITY

We recognise the need to conserve and enhance biodiversity on our land, protect key species and their habitats and move towards environmental sustainability. Our land provides a valuable asset for wildlife and recreation. Our catchment rules and guidance are designed to ensure biodiversity is considered at all times, alongside issues such as water quality, land use, tenants, and recreation.

We recognise that biodiversity conservation is the collective responsibility of governments, businesses, individuals and communities and so work in partnership with our stakeholders to pursue this goal.

For example, Yorkshire Water's Environment Advisory Panel, which consists of a mix of key regional biodiversity and conservation stakeholders, meets every quarter to discuss key environmental issues including biodiversity conservation. This open dialogue allows us to identify issues and receive their advice on ways in which we could improve our practices.

Environmental issues are considered for all major capital schemes to identify ways to protect or improve the environment.

WHAT NEXT?

- ◉ **IMPROVE OUR RANKING IN BUSINESS IN THE ENVIRONMENT'S INDEX OF CORPORATE ENVIRONMENTAL ENGAGEMENT;**
- ◉ **ACHIEVE 100% COMPLIANCE WITH DISCHARGE CONSENTS AT OUR WASTE WATER TREATMENT WORKS;**
- ◉ **BUILD REGULATOR AND STAKEHOLDER RELATIONSHIPS;**
- ◉ **RETURN AT LEAST 15% OF SSSI's TO FAVOURABLE STATUS;**
- ◉ **DRIVE PROGRESS AND SET TARGETS ON ENERGY CONSERVATION.**

SITES OF SPECIAL SCIENTIFIC INTEREST

YORKSHIRE WATER AND ENGLISH NATURE HAVE SIGNED A PARTNERSHIP AGREEMENT TO PROTECT AND IMPROVE MORE THAN 50 OF YORKSHIRE'S 363 DESIGNATED SITES OF SPECIAL SCIENTIFIC INTEREST (SSSIs).

THE AGREEMENT IS DESIGNED TO HELP ENGLISH NATURE FULFIL ITS ROLE IN SUPPORTING THE GOVERNMENT TO ACHIEVE ITS TARGET OF 95% OF SSSIs BEING IN FAVOURABLE OR RECOVERY STATUS BY 2010.

IN YORKSHIRE, MANY UPLAND MOORLANDS HAVE UNINTENTIONALLY SUFFERED THE EFFECTS OF OVER-GRAZING AND ENVIRONMENTALLY DAMAGING FARMING PRACTICES.

A JOINT STEERING GROUP HAS NOW BEEN SET UP TO SHARE INFORMATION ABOUT THE STATUS OF SSSIs AND TO ENSURE THEY ARE MAINTAINED IN THE BEST POSSIBLE CONDITION.

YORKSHIRE WATER AND ENGLISH NATURE AIM TO ACHIEVE THIS BY WORKING CLOSELY WITH LANDOWNERS, FARMERS AND THE OWNERS OF SPORTING RIGHTS, AS WELL AS IMPLEMENTING AND SUPPORTING REGIONAL BIODIVERSITY ACTION PLANS.

SIR MARTIN DOUGHTY, CHAIR OF ENGLISH NATURE, SAID: "YORKSHIRE'S RICH AND ATTRACTIVE NATURAL ENVIRONMENT IS CENTRAL TO THE REGION'S CHARACTER AND ECONOMY. THE 363 SSSIs PLAY A SIGNIFICANT PART IN THIS AND IT IS ESSENTIAL THAT WE CARE FOR THESE NATURAL ASSETS. WE'RE DELIGHTED TO BE WORKING IN PARTNERSHIP WITH YORKSHIRE WATER TOWARDS GETTING THESE AREAS INTO GOOD CONDITION."

REDUCING OUR ENERGY CONSUMPTION

THE CARBON TRUST, A GOVERNMENT BACKED ORGANISATION THAT WORKS WITH BUSINESSES TO REDUCE THEIR CARBON DIOXIDE EMISSIONS, IS WORKING WITH YORKSHIRE WATER TO IMPROVE THE EFFICIENCY OF ITS REGIONAL WATER SUPPLY SYSTEM.

THE TRUST IS CONDUCTING A ONE YEAR FEASIBILITY STUDY WITH THE AIM OF CUTTING CARBON DIOXIDE EMISSIONS, POSSIBLY BY AS MUCH AS 15%.

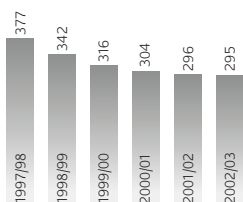
AS WELL AS REDUCING THE COMPANY'S IMPACT ON THE ENVIRONMENT, THE INITIATIVE WILL ALSO ENABLE THE COMPANY TO REDUCE ITS ENERGY COSTS. AS YORKSHIRE WATER CURRENTLY SPENDS AROUND £8M A YEAR PUMPING WATER ROUND THE REGION, EVEN A SMALL REDUCTION IN ENERGY USE COULD LEAD TO SUBSTANTIAL FINANCIAL AND ENVIRONMENTAL SAVINGS.

THE STUDY WILL LOOK AT SOFTWARE DEVELOPMENT AND PUMPING CONFIGURATIONS AND USE THIS DATA TO MODEL THE NETWORK IN SUCH A WAY AS TO OPTIMISE ENERGY EFFICIENCY LEVELS.

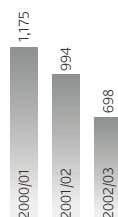
ONCE COMPLETE, THE FINDINGS WILL BE SHARED WITH OTHER WATER AND WASTE WATER COMPANIES ACROSS THE UK TO ENSURE THEY TOO CAN SHARE THE ENVIRONMENTAL AND FINANCIAL BENEFITS.

THIS IS JUST ONE OF A NUMBER OF ENERGY SAVING INITIATIVES UNDERWAY AT YORKSHIRE WATER. OTHER AREAS BEING EXPLORED INCLUDE THE INCREASED USE OF HYDRO AND WIND POWER AND COMBINED HEAT AND POWER (CHP) TECHNOLOGY.

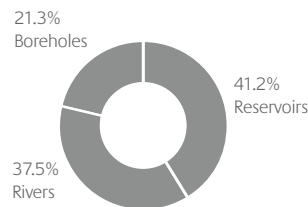
YORKSHIRE WATER KEY PERFORMANCE INDICATORS



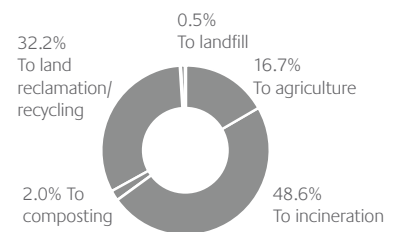
LEAKAGE
(megalitres per day)



NUMBER OF UNSATISFACTORY INTERMITTENT WASTE WATER DISCHARGES
(out of 2,441 in total)



SOURCES OF WATER (YORKSHIRE WATER)



SLUDGE DISPOSAL (YORKSHIRE WATER)