

Viridor

› CORPORATE RESPONSIBILITY REPORT 2010

CONTENTS

	Page
Viridor Vision	1
Chief Executive's Overview	2
Highlights of the Year	5
Viridor People	6
Business Performance and Compliance	9
Health and Safety	10
Recycling, Renewable Power and Resource Efficiency	12
Carbon Management and Emissions	15
Community	16
Biodiversity and Stewardship	19
Objectives and Targets	20
Verification Statement	23
Photo Montage	24

Cover image: Recycled Polymer Pellets



Maureen Lindsay, graduate trainee, now Scottish recycling manager, Bargeddie MRF



Viridor is one of the UK's leading recycling, waste management and renewable energy companies. Our vision is to:

-  **DELIVER QUALITY RECYCLING, ENERGY RECOVERY AND WASTE MANAGEMENT SERVICES**
-  **FULFIL AND EXCEED THE EXPECTATIONS OF OUR CUSTOMERS AND STAKEHOLDERS**
-  **EMPOWER OUR EMPLOYEES TO BE SAFE, PROFESSIONAL AND ENTERPRISING**
-  **IMPROVE RESOURCE EFFICIENCY AND PROTECT AND ENHANCE THE ENVIRONMENT**

Viridor aims to be a sustainable business in environmental, social and economic terms. Climate change, excessive resource use and environmental degradation/loss of biodiversity are the key environmental issues facing the UK and the world. As reported last year, Viridor's business as one of the UK's leading recycling, waste management and renewable energy companies, is founded on addressing these fundamental environmental issues.

There is an on-going risk that difficult world economic conditions might lead to a reduction in focus on these key issues. This has been one of the issues we have had to address in the current year as I highlight below.

Climate change is now rightly a mainstream issue for policy makers in the UK and worldwide. We must not however think that everything can be reduced to CO₂ equivalents. There are other critical environmental issues, most notably that the world is using resource at an unsustainable rate. Food security is just one example. Over the past hundred years the world has lost one third of its topsoil, at the same time as its population has trebled. Topsoil is vital for agricultural production and our ability even to feed ourselves. Similarly energy security is a key issue particularly for the UK with North Sea gas and oil reserves declining, nuclear power plants due to close and coal facing major issues relating to carbon capture and storage. For these reasons improved resource efficiency from waste by recycling and energy generation is critically important.

Environmental Sustainability

I am pleased to report that despite difficult trading conditions and difficult debt markets, Viridor's business model is proving economically sustainable. Profit Before Tax (PBT) in fact grew by 34.8%, from £40.8m to £55.4m, which is very creditable in the circumstances. More importantly we have continued our investment in new facilities undertaking total capital expenditure of £46.6m (of which £15.2m was in recycling and £3.9m

in renewable energy) and acquisitions of £14.8m (in recycling). In addition, we invested £30.8m in our Lakeside and Manchester ventures. We deliberately decided not to be diverted from our long term strategy in the face of a weakened economy even at the risk of reduced short term returns. Indeed Pennon Group Plc, our parent company, undertook a £125m convertible bond issue specifically to permit ongoing investment in Viridor.

Social Sustainability

During the year we met our key target highlighted last year of establishing accurate recording of all our greenhouse gas emissions. Nearly 90% of these (in CO₂ equivalent terms) come from methane from landfills. For a number of years we have been working to capture and utilise this and at the same time generate more renewable energy, thereby earning good returns for our shareholders. With 84% of the methane from our landfills now recovered the scope for further improvement in this specific area is limited. This is one of the factors driving our business into other areas of resource efficiency and carbon benefit, including diverting waste from landfill via recycling, composting and energy recovery. These activities also assist climate change abatement.

In terms of resource recovery, during the year we have seen our proportion of waste recovered for recycling increase by 8%, to a total of 1.9 million tonnes, and our landfill gas energy generation increase by 10% to 555 Gigawatt hours (GWh). Recyclate prices, especially for paper, card, plastics and metals, generally recovered well to around long term trend levels upon which we base our investment decisions.

Our energy prices in 2009/10 were locked-in based on the high levels pertaining in May 2008 when we sold our energy forward. However, for next year energy prices are likely to be lower due to current economic conditions. Our view remains that in the long term the price of energy, and the premium received for renewables under the Renewables Obligation and similar

mechanisms, will trend upwards. The UK is increasingly short of any form of energy and particularly of renewables. Waste is a low cost, base load, distributed form of renewable energy. As highlighted last year waste already accounts for 1.5% of UK electricity generation and accounts for 25% of the UK's renewable energy. Respected commentators such as the Institutions of Civil Engineers and of Mechanical Engineers indicate that waste could account for 15% - 20% of UK electricity production. Our view is that environmental and economic realities will ensure that policy makers reflect this in practice, and Viridor has called upon the UK Government to set a target of 6% of UK electricity production to come from waste-based energy sources by 2015.

We have reflected on these factors in our planning and have concluded that continued investment in recycling and renewable energy is in the long term best interests of the company. In addition resource productivity forms a key part of our corporate responsibility targets for next year.

Economic Sustainability

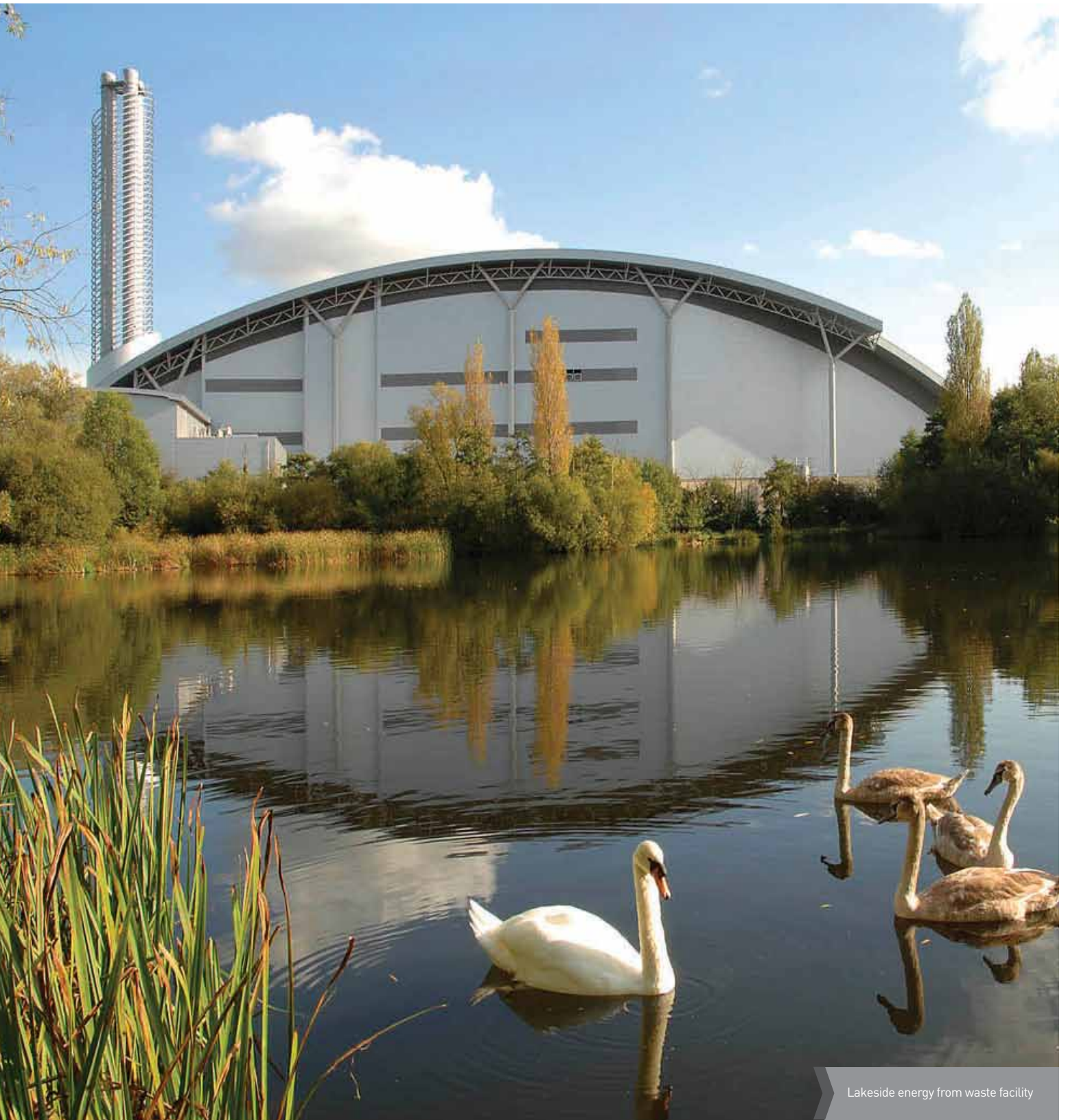
Our donations under the Landfill Communities Fund and via direct sponsorship continue to increase. Our aim is always to be a good neighbour as outlined in more detail later in this report. Continued positive community engagement, and support for community projects, within our operational areas remains important to us.

With regard to our responsibility towards our own employees, our RIDDOR accident statistics are too high. The company is very disappointed that our reportable accident and incident rate per 100,000 employees rose to 2445 in 2009 (from 1505 in 2008). This was primarily due to manual handling type injuries and slips, trips and falls. We are redoubling our efforts in this area focussing particularly on the underlying cause of accidents and effective promotion of safety and good practice in the workplace. Health and safety forms a key part of our targets for next year.



Colin Drummond, Chief Executive, Viridor





Lakeside energy from waste facility

**VIRIDOR'S BUSINESS IS FOUNDED ON ADDRESSING
FUNDAMENTAL ENVIRONMENTAL ISSUES**



RECORD PERCENTAGE OF CORPORATE RESPONSIBILITY TARGETS ACHIEVED



HIGHLIGHTS OF THE YEAR

- › Record percentage of corporate responsibility targets achieved: 13 out of 16 completed, 2 ongoing, one delayed.
- › Power generation capacity increased by 27.5 Megawatts (MW): Two additional energy from waste (EfW) facilities incorporated into operations.
- › Energy and efficiency reviews conducted across all materials recycling facilities (MRFs), major reprocessing operations and landfills. Significant saving opportunities identified; programme of implementation and evaluation established.
- › 1.9m tonnes of material recovered/ recycled. Six major recycling-led contracts secured or started.
- › 5 new recycling facilities operational at Ford, Salmon Pastures and Bargeddie MRFs, and Deepmoor and Waithlands in-vessel composting plants (IVCs).
- › Greater Manchester: UK's largest integrated waste and renewable energy PFI contract became operational – A Viridor Laing joint venture delivering services for Greater Manchester Waste Disposal Authority; all planning consents achieved; Greater Manchester Waste Ltd integrated into Viridor; construction programme underway, 22 new facilities built and operational.
- › Winner at National Awards for Excellence in Recycling and Waste Management 2009 – Innovation in Design of a Waste Management Facility category. Shortlisted for two awards at National Recycling Awards and commended in two categories at the Organics Recycling awards.
- › Employee survey completed – excellent response rate and results show high levels of satisfaction with company workplace, vision and internal communications.
- › Training review completed. Training department strengthened, along with increased access for all employees to regular training opportunities, with particular focus on health and safety training initiatives.
- › Viridor Biodiversity Action Plans in place at three key sites – Tatchells, Warmwell and Odcombe closed landfills. UK Biodiversity Benchmark initial assessment passed.

Viridor Operations	Number
Head / Regional Office	6
Support Services (other)	5
Educational Centres	7
Material Recycling Facilities (MRF)	18
Transfer stations and other recycling	45
Composting	11
Household Waste Recycling Centres	78
Energy from Waste (EfW)	3
Power Plants (Landfill Gas)	31
Liquid Waste Services	3
Landfill Operational	22
Landfill Closed	24
Collection services (depot)	29
TOTAL NO. OPERATING UNITS	282

KEY PERFORMANCE INDICATORS

KPIs

BASE DATA	2009-10
Total waste inputs to Viridor facilities	6.6 million tonnes
Total waste handled	7.8 million tonnes
Total organic waste composted	171,000 tonnes
TOTAL WASTE RECYCLED BY VIRIDOR *	1.7 million tonnes
Organic waste sent to 3rd party sites	198,000 tonnes
Total material recovered for recycling	1.9 million tonnes
Relative amounts of materials recovered as a proportion of total waste inputs	29%
Renewable power generation capacity **	130.5 MW

* includes organic waste composted and traded recycling volumes

** includes 3MW of sub-contract capacity in Suffolk

Employees

Following a year that saw several important acquisitions, Viridor's greatest asset remains its workforce which stands at around 2,800 employees. Our challenge is to continue to harness our employees' expertise and channel it into supporting business objectives and future development.

The company employs a diverse workforce. Its objective is to be a best practice employer, embracing equal opportunities and to do this Viridor has a wide range of policies in place, including a whistleblowing policy. Proactive internal communications policies help Viridor retain and develop the skills it needs for fast-moving business demands.

Viridor's vision of leadership and growth can only be achieved if everyone in the company is kept safe, healthy, motivated and empowered. Part of this calls for the continuous development of individuals, with the right training being delivered to the right people at the right time.

Over the years we have invested wisely in our people and even in difficult economic times the company's commitment remains undiminished.

This investment includes:

- › A range of management and leadership courses, operating at every level of the company
- › Extensive health and safety training and awareness raising
- › The Performance Appraisal Review (PAR) process, which recognises employee achievements, sets future objectives and identifies opportunities for training and development to benefit both the individual and the company
- › Our Employee Assistance Programme (EAP), a comprehensive welfare resource providing fast and easy access (via 24/7 telephone helpline) to confidential support, advice and counselling for those facing difficult or stressful situations, either at work or at home.

Key people issues for the company include:

- › Ensuring that employees have good access to opportunities to develop and enhance appropriate skills to support their career development and the current and future needs of the business
- › Continuing to attract, develop and retain key skills at all levels as the company moves towards increased recycling, treatment and recovery processes
- › Addressing the trend towards an ageing workforce
- › Further developing and reviewing employee benefit packages to remain competitive in the marketplace, particularly non-financial benefits
- › Continuing improvements that allow the absorption and integration of acquired companies into the Viridor family in a speedy and effective manner.



Barry Falgate, regional landfill manager, Scotland



Bargeddie MRF employees with work placement student

Internal survey

During 2009/10 Viridor conducted a survey of our staff, with over 300 responses (out of circa 1,000 employees contacted). The survey showed that:

- › Over 85% of employees agree or strongly agree that Viridor is a good company to work for.
- › 96% believe that provision of information on health and safety is satisfactory, good or very good (77% good or very good).
- › 93% believe provision of information on company policies is satisfactory, good or very good.
- › 97% state they are well-informed on company news and developments.

As a result of the survey, the company has implemented a number of actions. These focus largely on internal communications, including improvements to the company newsletter, the staff website and targeted training communications.

Training

Key Training issues include:

- › Continuing to develop training programmes in response to current legislation.
- › Exploring Scottish/National Vocational Qualifications (S/NVQ) levels 2 & 3 training for site based personnel.
- › Attracting and retaining talent and expertise.
- › Continuing to work with Energy and Utility Skills and to support the Waste Industry Skills Initiative (WISKI).

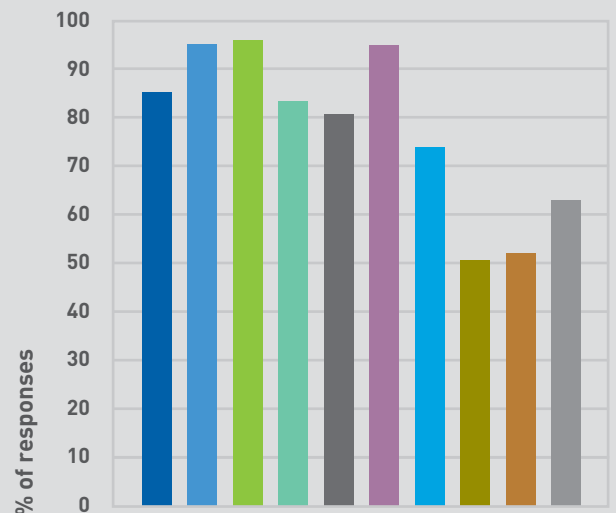
The company appointed a new training manager and conducted a full training review during 2009/10. A full and appropriate training policy is in place. Our Greater Manchester operations have retained the Investors in People (IiP) registration. Roll out of IiP into the Northern Region is planned for 2010/11.

The strengthened training department has delivered training courses covering important areas such as: the fundamentals of management; manual handling; Control of Substances Hazardous to Health (COSHH); Representatives of Employee Safety (RES); risk assessments; National Examination Board in Occupational Safety and Health (NEBOSH) General Certificate in Safety and Health; and driver Certificates of Professional Competence (CPC) training. In our South East region COSHH, RES and risk assessment courses were attended by 87% of relevant employees.



Plymouth waste transfer station team

YOUR SAY SURVEY
YSS



- › Viridor is a good company to work for
- › I am satisfied with communication about health and safety requirements
- › I am satisfied with communication about company news and developments
- › I am satisfied with communication about training and management structure
- › I am satisfied with the frequency of Viridor's publications (BMS portal news centre, monthly news brief and Flagstaff)
- › I am satisfied with the quality of Viridor's publications (BMS portal news centre, monthly news brief and Flagstaff)
- › I know how to use the BMS portal
- › Navigation through the portal and access to documents and information is convenient
- › I would like to see Viridor pages in Flagstaff clearly branded
- › I would like to see more Viridor stories in Flagstaff



Waithlands in-vessel composting facility, Rochdale



Heathfield recycling centre and landfill, Devon



VIRIDOR CONTINUES TO DELIVER QUALITY SERVICES SUPPORTED BY A ROBUST BUSINESS MANAGEMENT SYSTEM



In 2009/10 Viridor delivered another year of strong profit growth despite the difficult economic conditions. Revenue was up 18.7% (£98.5 million) to £626.5 million. Profit before tax at £55.4 million was up 34.8% on the previous year and has grown at a compound rate of 18% since 2001.

We progressed various major strategic initiatives, including in particular the Greater Manchester PFI waste and renewable energy project (the largest of its kind in the UK) and the Lakeside Energy from Waste plant, both of which commenced profitable operations. We also completed the acquisition of two further recycling companies.

Viridor continues to deliver quality services supported by a robust business management system (BMS) which meets the requirements of formal environmental, health and safety and quality management standards.

The BMS is the vehicle by which the company gains and maintains certification by the British Standards Institute to ISO9001 (Quality Management System), ISO14001 (Environmental Management System) and OHSAS18001 (Occupational Health and Safety Management System) standards. Adherence to the BMS is regularly verified internally and externally.

The BMS now covers 148 of Viridor's operating sites (out of a total 188 including closed sites and development sites), many of which are multi-functional. All operations under the Greater Manchester PFI contract were fully certified during the year. The application of the BMS is one of the key tools in the integration of new businesses following acquisitions.

Complaints

All complaints received by the company are recorded and investigated. Findings are recorded and fed back to the complainant and appropriate rectifying actions are implemented.

Total numbers of complaints received has increased to 847 from 644 the previous year. This represents approximately 3 complaints per site. 42% of complaints arose from one landfill site where an active local campaign exists against the site operations. The single biggest cause of complaint across all sites is odours, accounting for 58% of complaints. In any such cases, odour management plans are developed and implemented as part of the environmental permit conditions and improvements monitored accordingly.

Previous odour complaint profiles relating to composting operations led to a company-wide review of such operations. Infrastructural and operational changes have been implemented at a number of composting plants and this has resulted in significantly improved odour controls.

Another 30% of complaints arise from Household Waste Recycling Centre (HWRC) operations, sites which have by far the greatest level of public interaction. The company has an HWRC working group which reviews and assesses all complaint trends with a view to identifying methods of improvement.

Compliance

There were no prosecutions against Viridor during the year.

Two cautions were received from Yorkshire Water Services Ltd under section 121 of the Water Industries Act 1991 for exceeding discharge agreement parameters at Parkwood and Erin Landfills. Further improvements to the leachate treatment and management systems have been implemented at both sites.

One enforcement notice was received regarding an alleged technical breach of Environmental Permit conditions relating to odour control at Horton Landfill Site. The notice was unsuccessfully appealed.

As part of Viridor's commitment to continual improvement to its management systems, and to better working practice between industry and the regulators, significant improvements were made to its sampling and environmental data management systems throughout 2009/10. Viridor has entered into a partnership with Severn Trent Laboratories to improve sample and data flows, markedly improving environmental data verification for the purposes of demonstrating environmental compliance. The company is also trialling a scheme with the Environment Agency for the regulator to access real-time data from Viridor systems as part of a better regulation initiative.

KEY PERFORMANCE INDICATORS

KPIs

BUSINESS PERFORMANCE & COMPLIANCE	2009-10
Number of complaints	847
Number of complaints per operating unit	3.0
Number of sites with a BMS (ISO14001, 9001, & OHSAS18001)	148 *
No. of Prosecutions	0
No. of Formal Cautions	2
No. of Enforcement Notices	1
No. of Abatement Notices	0

* Multi-functional operating centres are classed as one site

Despite concerted efforts to maintain Viridor's focus on the health and safety of its employees, 2009/10 saw a disappointing rise in RIDDOR incidents from 32 (or 1505 per 100,000 employees) in the previous year to 67 (2445 per 100,000 employees), an increase in the RIDDOR rate of some 62%.

Key areas of health and safety focus include:

- › Further improving Viridor's Health and Safety performance in line with industry objectives in accordance with the ESA Charter on Accident Reduction
- › Improving methods by which acquired companies can quickly embrace the Viridor Health and Safety systems
- › Supporting and assisting busy employees in the discharging of their Health and Safety obligations
- › Continuing to respond to the ever increasing legislative requirement.

The increase in the RIDDOR incidence rate may be partially explained by improved reporting procedures. Regardless of this, the causes of this increase are complex and varied and potentially include the change in operations to more labour intensive activities in recycling and treatment processes, as well as the increase in the transport fleet accounting for slips and falls from vehicle cabs.

A reduction in slips trips and falls, further improvements to incident reporting, along with reductions in the overall RIDDOR incidence rate will be a primary focus for the coming year.

Proactive health and safety training continues. In 2009, 12 line managers attended training for the NEBOSH General Certificate in Safety and Health. The second intake for 2010 is fully subscribed.

The regulatory authority, the Health and Safety Executive (HSE), has increased compliance visits recently and has set up a 'lead inspector' initiative for each waste management company. This is designed to further improve dialogue between the HSE and industry. It is of note that acquired companies often have lower standards than those of Viridor and concerted efforts are required to implement the company's procedures in a swift and effective manner. The HSE are alive to this issue and take a keen interest at an early stage.

Viridor continues to support industry health and safety management and initiatives via the trade association and with the HSE via the Waste Industry Safety and Health (WISH) forum. The company also made significant contributions to new HSE guidance on Local Authority Procurement and Waste Contracts on the need to build in sufficient budget to allow safety to be properly managed. Such support will continue.

KEY PERFORMANCE INDICATORS

KPIs

HEALTH & SAFETY	2009-10	
	Number	%
Slips, trips and falls	25	37%
Manual handling	21	31%
Impact	9	13%
Other	12	19%
Total	67	100%
Incidence rate (per 100,000 employees)	2,445	-



Waste Electronic & Electrical Equipment (WEEE) recycling equipment, Perth



A REDUCTION IN THE OVERALL RIDDOR INCIDENTS RATE WILL BE THE PRIMARY FOCUS FOR THE COMING YEAR

RECYCLING, RENEWABLE POWER AND RESOURCE EFFICIENCY

Key issues include:

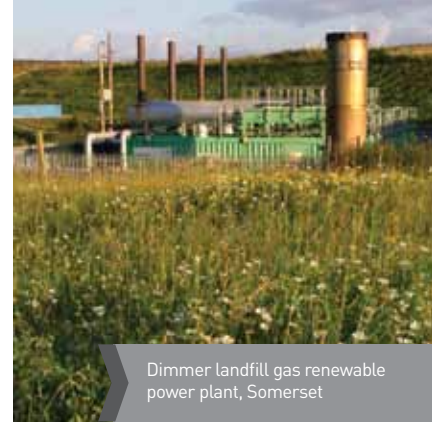
- › Increased recycling capacity
- › Production of quality recyclates
- › Improved materials reprocessing capabilities
- › Increased renewable power generation capacity

Recycling and renewable power are now cornerstones of Viridor's business and will be increasingly important over coming years in line with the business plan and with UK waste and energy strategies. The company is therefore well-placed to deliver these essential services, making a substantial contribution to improved UK resource efficiency and renewable energy generation, whilst meeting both public expectation and customer demand.

In 2009/10 Viridor recycled 1.7m tonnes of material. This figure reflected reduced waste arisings across the UK during the recession. The company secured or began servicing additional major recycling-led contracts with customers from public and private sectors, including Greater Manchester PFI, Cambridgeshire County and District Councils, Harrow Council, Coca-Cola Enterprises Ltd and Ikea.

Quality control initiatives to improve and sustain our recycled products remain an important focus for the business in supplying the demanding specifications of both UK and overseas commodity markets. Such initiatives include the certification to the Resource Recycling System (RRS) industry protocol at Masons and Ford MRFs, and working with West Sussex County Council and its district partners and with Greater Manchester Waste Disposal Authority on effective communications, education and awareness programmes to ensure input quality.

During the year important new recycling facilities became operational at Ford (West Sussex), Salmon Pastures (Sheffield) and Bargeddie (Glasgow) MRFs and Deepmoor (Devon) and Waithlands (Rochdale) IVCs. St Helens and Perth WEEE Recycling Facilities were also refitted with increased capacity and improved processing technology.



Dimmer landfill gas renewable power plant, Somerset



Plastics recycling feedstock

RECYCLING AND RENEWABLE POWER ARE NOW CORNERSTONES OF VIRIDOR'S BUSINESS

Further business acquisitions also increased Viridor's recycling capacity and range of services with the additions of:

- › London Recycling Ltd – offering a range of office recycling, collection and processing services to white collar businesses in the City of London and across the Capital. Now fully integrated and delivering Viridor's 'London Recycling' services.
- › International Recycling Ltd – now Viridor Polymer Recycling, a plastic reprocessing facility producing food-grade flake and pellet products from post-consumer plastics for remanufacture. Viridor has improved the processing facility's efficiency and significantly increased its capacity since acquisition in July 2009.
- › Waste Management Ltd – a paper collection and recycling business based in Trafford Park, Manchester. Now fully integrated within Viridor's Northern Region.
- › Greater Manchester Waste Ltd – formally acquired as part of the Greater Manchester Waste PFI: 620 employees integrated within Viridor; 22 new and improved recycling facilities constructed and operational. The contract is the UK's largest integrated waste and renewable energy PFI contract aiming to recycle a minimum of 50% of the total 1.2 million tonnes of waste arisings by 2020 and to generate up to 140MW of renewable power, utilising energy from waste, combined heat and power and anaerobic digestion technologies.
- › Reconomy Recycling Solutions (acquired June 2010) - providing recycling and waste management services across the South Midlands and East Anglia. Includes three MRFs, handling over 150,000 tonnes of recyclate.

Renewable power capacity increased by 27.5MW to a total of 130.5MW*. This comprises two additional EfW facilities at Lakeside, near Slough and Bolton being incorporated into operations. (Lakeside is a joint venture with total capacity of 37MW). Such output is deemed renewable under the EU Renewables Directive and both plants operate under NFFO (non fossil-fuel) contracts. During the year an Environmental Permit was received from the Environment Agency for the proposed 3MW capacity Exeter EfW facility.

(*Includes sub-contracted Suffolk figures)

The Lakeside EfW facility won the Innovation in Design of a Waste Management Facility category at the 2009 National Awards for Excellence in Recycling and Waste Management.

Viridor was also commended in two categories at the Association for Organics Recycling awards (Jim Balance Composting Award for its Revive soil conditioner product, and Bio-waste Site Manager Award) and was shortlisted for two awards (Recycling Company of the Year and Electronic Recycler of the Year) at the National Recycling Awards.



2009 National Awards for Excellence in Recycling and Waste Management



Acquisition of Reconomy Resource Solutions

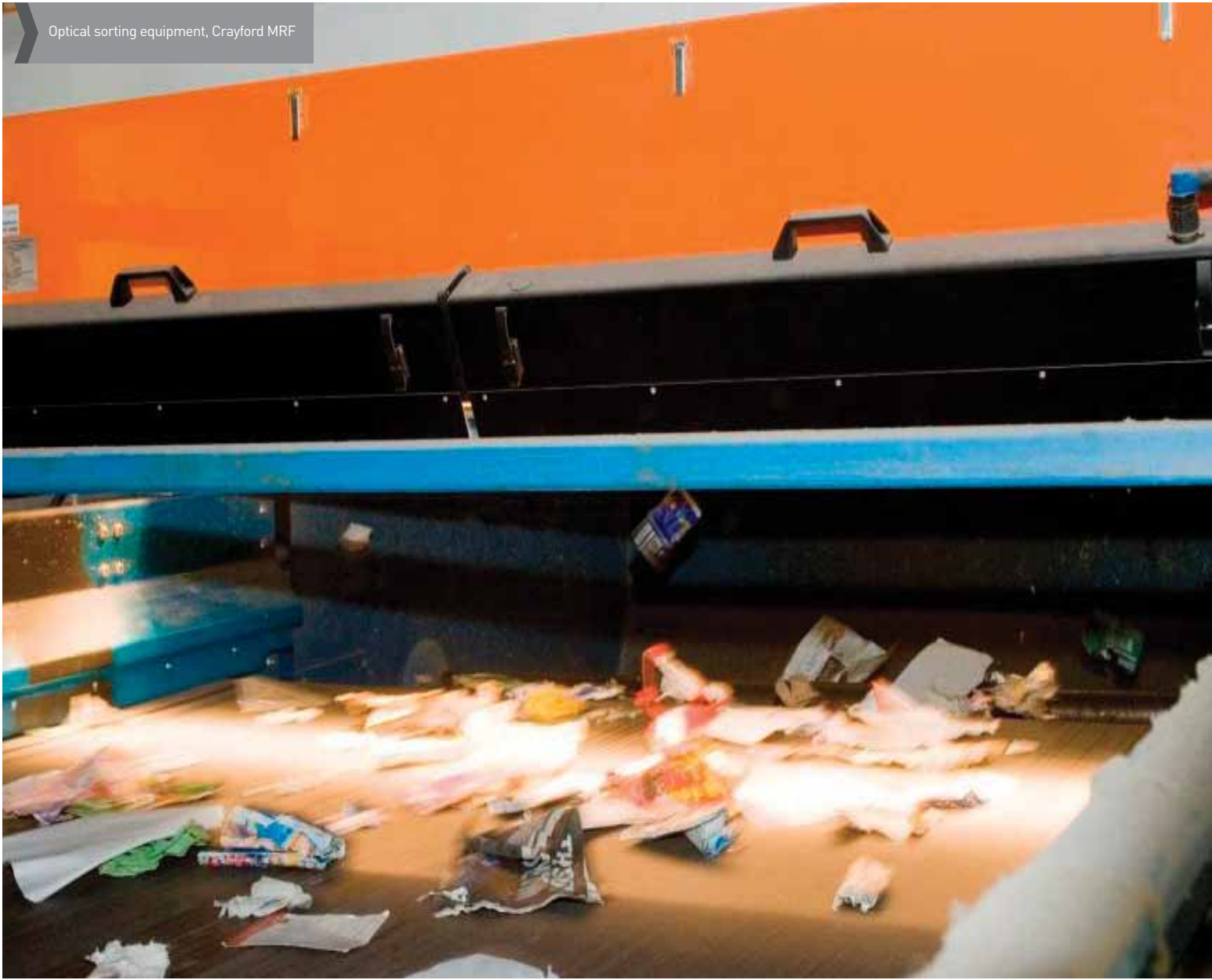
KEY PERFORMANCE INDICATORS

KPIs

RESOURCE USE	2009-10
Fuel used by waste transportation vehicles for road travel	15,600,000
Distance travelled by waste transportation vehicles by road	21,400,000
Tonnes of waste received and transported by rail	450,000

Note – includes 320,000 tonnes transported by rail for final disposal from four Greater Manchester sites

Optical sorting equipment, Crayford MRF



Glass recycling collection vehicles

THE COMPANY UNDERTOOK A FUNDAMENTAL REVIEW OF ITS APPROACH TO CARBON MANAGEMENT AND ENERGY USE

The company met its energy and operational efficiency targets set for 2009/10, and also undertook a fundamental review of its approach to carbon management and recording of energy use. This was, in part, driven by the introduction of the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) but generally it is recognising the increasing importance of carbon accounting in business. This has resulted in the recruitment of a dedicated Carbon and Energy Efficiency Manager whose responsibilities will include driving through the key energy saving initiatives identified in the energy efficiency surveys.

Data collection systems will continue to be developed and will form one component of the requirements for producing the CRCEES evidence packs.

2009/10 saw an increase in the Viridor recycling capabilities both through acquisition and facility development. To date no assessment has been made of carbon savings through the replacement of virgin resources by recycled materials. However, the supply of 117,438 tonnes of glass for remelt and glass fibre production has resulted in savings of 32,950 CO₂e compared with the use of virgin materials*.

A UK Government report anticipating the greenhouse gas effects of the UK's main waste streams between 2005 and 2031 showed that recycling and energy recovery has significant benefits over landfill, particularly in terms of reduced carbon emissions for non-ferrous metals, plastics, textiles, paper and card, and food and garden waste (particularly by anaerobic digestion, producing heat and power).**

* Using British Glass Manufacturers Confederation Life Cycle Analysis Glass Recycling Protocol.

** Carbon Balances and Energy Impacts of the Management of UK Wastes. ERM & Golder Associates Report for Defra, March 2006

According to the UK Committee on Climate Change, carbon emissions in the UK waste sector were reduced by 58% from 1990 to 2006, making it one of the most effective industries in this important area. The Committee estimates that 11% of further reductions should be achieved by 2020 through continued increases in recycling and energy from waste, and Viridor continues to make significant contributions in these vital areas.

The company operates a vehicle collection fleet of 720 trucks. Fuel use and associated emissions are negative impacts and transport services are managed in order to minimise and reduce these where feasible.

Initiatives include:

- › 'Keep It In The Green' driver training, whereby a league table for drivers is produced every month based on fuel efficiency achieved for individual trucks.
- › Standard procurement of 'Euro 5' high specification engines across the company.
- › Participation in the Freight Transport Association Logistics Carbon Reduction Scheme.
- › Trialling of hybrid vehicles and evaluation of alternative fuels.

One negative aspect for the year has been the reported increase in greenhouse gas emissions from the Company's landfills. This is contrary to the downwards trend of previous years. The principal cause is the significant reduction of inputs into the landfills as a result of the economic downturn, rise in landfill tax and increased recycling. This resulted in operational cells of sites remaining uncapped for longer than the normally planned 12 months.

KEY PERFORMANCE INDICATORS

KPIs

CARBON MANAGEMENT AND EMISSIONS	2009-10
Total landfill emissions as CO ₂ equivalents	1,273,804 tCO ₂ e
Total transport related emissions as CO ₂ equivalents	44,466 tCO ₂ e
Composting emissions as CO ₂ equivalents	72,733 tCO ₂ e
Thermal treatment emissions as CO ₂ equivalents	33,055 tCO ₂ e
Total energy related emissions as CO ₂ equivalents	44,495 tCO ₂ e
Total Viridor emissions 09/10	1,468,553 tCO₂e

GAS VOLUMES AND UTILISATION	2009-10	
Total energy generated from landfill gas	555 GWh	
Amount of landfill gas	549,232 tonnes	
Gas flared	13.92%	119,967 tCO ₂ e
Gas used for power generation	70.11%	603,873 tCO ₂ e
Gas vented	15.97%	549,964 tCO ₂ e
Efficiency of gas capture	84.03%	
Total Viridor landfill emissions 09/10	1,273,804 tCO₂e	

Landfill Communities Fund (LCF)

Viridor provided £9,409,206 of funding for conservation and community projects in areas of landfill operations via the LCF. Such projects can create significant long-term environmental and social benefits, including jobs and volunteer engagement opportunities. This successful and innovative tax credit scheme enables landfill operators to contribute up to 6% of landfill tax liability to registered Environmental Bodies, such as Viridor Credits Environmental Company, providing essential and important funding access for local communities and conservation groups.

Viridor Credits is an independent charity set up to consider applications and distribute LCF funding in areas around Viridor landfill operations. Decisions on local funding are taken by 22 area panels using criteria of eligibility, sustainability, value for money and proven need.

Awards can be made to approved types of projects including:

- › Provision or maintenance of public amenities (such as community halls, parks, sports and play area facilities, etc.)
- › Conservation or promotion of biological diversity (including habitat protection or enhancement and support for important species)
- › Maintenance or restoration of historically and architecturally important buildings.

Example projects funded in 2009/10 include:

- › **Combe Wood South nature reserve, Backwell, North Somerset.** A grant of £59,578 enabled a local group to purchase an area of neglected woodland and rare limestone grassland to protect and enhance for the benefit of local people, plants and wildlife.
- › **Spartans Football Academy, Edinburgh.** Providing a top class sports facility in the deprived Granton area, this excellent initiative combines education with sporting opportunities. Viridor Credits made a grant of £21,458 towards vital equipment.
- › **The Fusilier Museum, Bury, Lancashire.** A grant of £66,000 enabled a strong community-led project to relocate the Fusilier Museum from Wellington Barracks to the much-loved Bury Technical School. This has improved access opportunities to an important part of Lancashire and the British Army's history, creating one of the finest regimental museums in the North West.
- › **Great Crane Project, Somerset.** A showcase project to reintroduce a population of breeding common cranes into the Somerset levels and moors to help secure its future as a UK breeding species. The project, a partnership between the Wildfowl and Wetlands Trust, the Royal Society for the Protection of Birds and Pensthorpe Conservation Trust, has received £700,000 from Viridor Credits.



Great Crane reintroduction project



VIRIDOR CREDITS PROVIDES ESSENTIAL AND IMPORTANT FUNDING ACCESS FOR LOCAL COMMUNITIES AND CONSERVATION GROUPS





Charitable Support and Local Sponsorship

Viridor continued to support its two adopted charities, Scope and the Primary Immunodeficiency Association, with the company providing match funding to these organisations to any charitable funding raised by employees. A total of £4,294 was donated to charities.

The company also continues to deliver local sponsorship to community endeavours including sports teams, education initiatives and events in areas close to operations and services. Examples include on going support for the award-winning Carymoor Environmental Education Centre in Somerset, AFC Fritwell football team in Oxfordshire and the Go4SET science, engineering and technology education and business link initiative in Scotland. A total of £60,456 was provided for local sponsorship.



Educational visit, Dimmer recycling centre and landfill

Education and Lifelong Learning

As well as hosting educational visits for school, college, community and other groups at its recycling and waste management facilities across the UK, Viridor also operates and/or supports seven innovative and interactive on-site education centres promoting waste prevention, recycling, energy recovery and best practice. It also provides information and signposting services assisting environmental education programmes for teachers and lecturers. The total number of visitors at the education centres was 8,139.*

Three of its education centres (at Bolton, Pilsworth, near Bury, and Ford, West Sussex) achieved the Learning Outside the Classroom Quality Badge, a national accreditation approved by the Department for Education combining the essential elements of learning and safety.

*some figures based on latest academic year.

Stakeholder Engagement

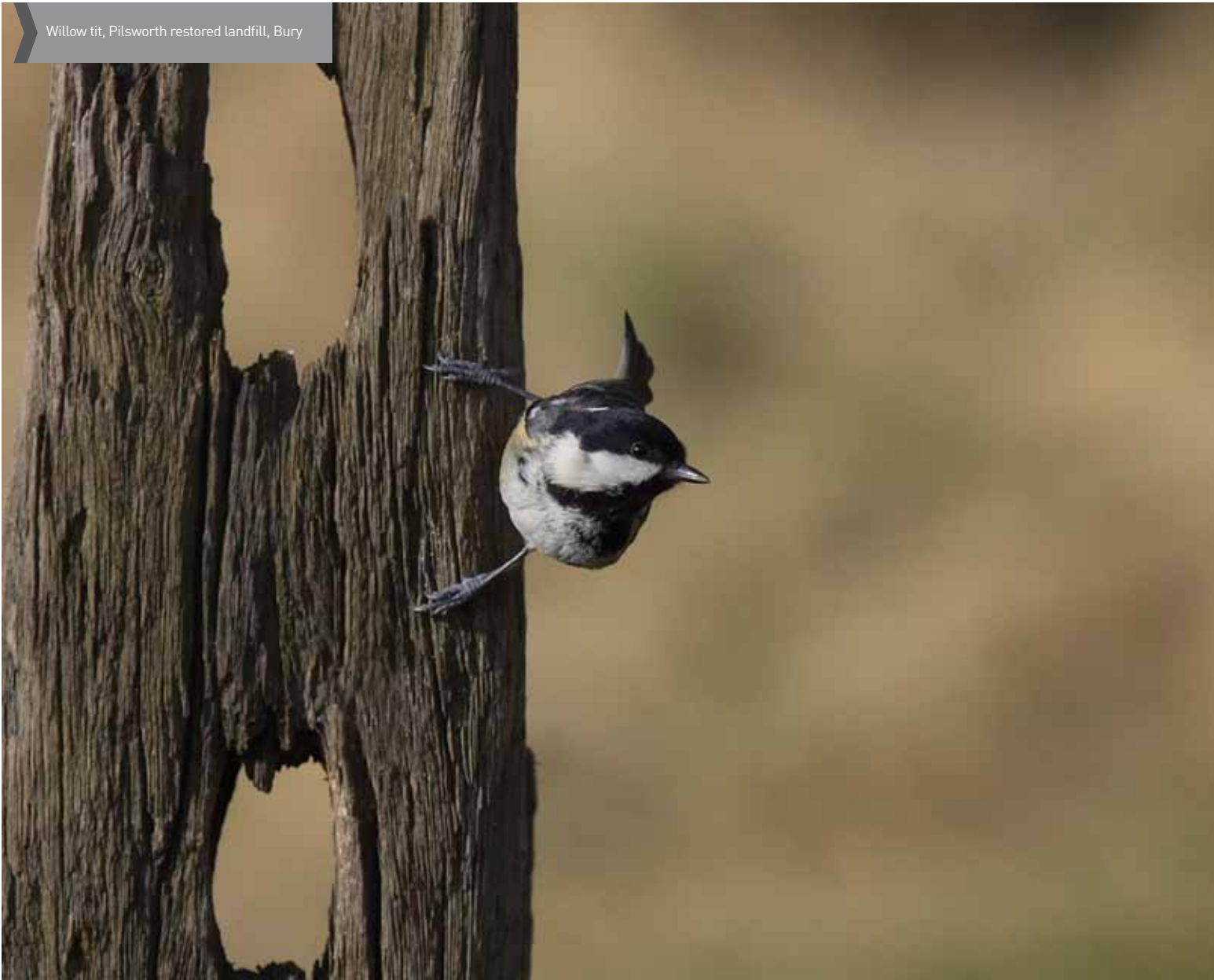
The company's 'open door' policy encourages communities and other stakeholders to become better informed on recycling and waste issues via visits to operational facilities. In 2009/10 many visits were accommodated including local community groups, local and national Government committees, officials and ministers.

Viridor maintains an active dialogue with government, industry, media and other stakeholders through an active public affairs programme. The company's Chief Executive chairs the UK Environmental Sustainability Knowledge Transfer Network, UK Trade & Investment's Environmental Sector Advisory Group, and the Business Advisory Board for the Government's Living with Climate Change programme. Other company directors and senior managers actively participate and support various government, industry and trade body committees and initiatives.

During the year a customer survey was completed to obtain detailed feedback on the company and its services. Results will be assessed, and recommendations for improvement will be implemented during 2010.

THE COMPANY DELIVERS LOCAL SPONSORSHIP
TO A RANGE OF COMMUNITY ENDEAVOURS

Willow tit, Pilsworth restored landfill, Bury



Common toad, Whitehead restored landfill, Wigan



SENSITIVE AND APPROPRIATE LAND MANAGEMENT CREATES OPPORTUNITIES FOR LONG-TERM HABITAT CREATION AND ENHANCEMENT

Sensitive and appropriate land management on closed and restored tracts of operational landfill sites as well as other land assets can create opportunities for long-term habitat creation and enhancement, providing biodiversity improvements and social benefits. This is the responsibility of the company's landfill aftercare management team and of unit managers and support staff.

Notable examples of habitat and species biodiversity at Viridor's landfills include: all six species of British reptiles, including rare sand lizards and smooth snakes, on managed and new heathland habitat in Dorset; rare migratory and breeding birds on managed and created wetland habitats at Beddington, South London; and dormice at Odcombe closed landfill in Somerset. Proactive land management continues to create opportunities for partnerships with local and conservation groups such as the RSPB, local wildlife trusts, and Beddington Birding Group.

A significant amount of effort was put into securing the Wildlife Trust's Biodiversity Benchmark before the end of the 2009/10 reporting year. However, due to personnel changes and administrative issues within the assessing body, the benchmark has yet to be awarded.

The site based audits were carried out in January 2010. Viridor received the results of the audits in April 2010. The main summary indicated that Viridor has shown evident commitment to biodiversity. Having passed the initial audit there are some minor non-conformances that need addressing before applying for the final audit. These non-conformances are being tackled and an application for the final audit was submitted in May 2010.

The Wildlife Trust has indicated that they are confident that Viridor, having addressed these minor issues, will have a positive outcome in their main assessment. It remains Viridor's intention to roll the Benchmark out to further sites in 2010 and beyond.



Woodland creation on restored landfill, Pilsforth

KEY PERFORMANCE INDICATORS

KPIs

STAKEHOLDER LINKS AND COMMUNITY ENGAGEMENT	2009-10
Number of sites with liaison committees	44
Number of sites with site liaison committees as a proportion of the total number of sites where they would be appropriate	96%

STEWARDSHIP	2009-10
Number of trees planted	15,873
Length of hedgerows planted	280m
Number of designated Sites of Special Scientific Interest (SSSI) managed by Viridor	5
Number of local biodiversity action plans	4
Number of integrated contracts that include waste minimisation	11
Number of partnerships with local authorities, businesses and voluntary sectors on resource management	17
Number of partnership projects as a proportion of total sites	61%

Objective	Target	Target Date	Status
Review and develop data and information regarding carbon management in line with the developing sector/ ESA guidance	1. Review current data capture for the Carbon Reduction Commitments and implement changes	Jun 2009	Completed
	2. Carry out a review of working methods at all MRF's to assess potential efficiency savings	Mar 2010	Completed
	3. Compare energy usage across all landfill operations. Assess and review the variations in the key activities and identify any potentially significant efficiency savings	Mar 2010	Completed
Establish, implement and maintain a robust business management system to ensure continued improvement and efficiency	4. Develop effective communication and feedback systems (i) Internal feedback (ii) Customer feedback (iii) Employee Information	Dec 2009	Completed
	5. Re-establish and develop the main functions of the portal (including navigation, content, ownership and task management)	Dec 2009	Ongoing. 62% of actions complete - project being progressed
	6. Establish and implement Business Continuity Models at a senior level	Dec 2009	Ongoing. Forecast completion Autumn 2010
	7. Establish a technical advice section on the Viridor external web site	Dec 2009	Completed
	8. Provide a range of development courses and programmes designed to ensure that line managers at every level have the skills and expertise necessary effectively to manage and develop their teams	Dec 2009	Completed
Enhance biodiversity across the closed site portfolio by adopting Biodiversity Action Plans at selected sites	9. Biodiversity (i) Implement Biodiversity Action Plans (BAPs) on 3 sites for which baseline studies have been conducted. (ii) aim to implement the Wildlife Trust's Biodiversity Benchmark for these sites, to determine its viability as a company wide standard at selected sites with high biodiversity potential	Mar 2010	Completed
Health and Safety	10. Draw up and implement an active H ₂ S management plan for all relevant sites that ensures a safe and health environment for all workers who may be in contact with H ₂ S	Dec 2009	Completed
	11. Continue to support the WISH forums' Accident Prevention Charter and contribute to and support ESA/WISH work in publishing Occupational Health Incident rates and DSEAR guidance documents.	Mar 2010	Completed
	12. Draw up and implement an active contractor selection and management plan for all units that ensures only competent and experienced contractors are utilised thereby improving H&S, compliance and quality performance.	Dec 2009	Delayed. Plan awaiting authorisation
	13. Implement recently revised OHSAS 18001:2007	Jun 2009	Completed

1	Secure the Biodiversity Benchmark for three more (closed or operational) sites.
2	Extend scope of BMS registration for Rigmuir landfill, London Recycling, Harrison House and Viridor WEEE sites at Perth and St Helens.
3	(i) Implement key recommendations from our employees' survey. (ii) Consult a representative sample of our customers regarding our corporate vision, service provision and environmental and social performance via a structured survey.
4	Review effectiveness of community and stakeholder engagement via our site liaison groups and site consultations, and establish and maintain liaison groups across new facilities as they become operational (including Greater Manchester).
5	Revise incident reporting and report writing tool to enable accurate, timely and concise recording of all accidents, incidents and dangerous occurrences on all sites, and the production of management data on a quarterly basis.
6	Achieve a 10% reduction in the three year rolling RIDDOR incidents, working towards an overall aim of zero accidents in the workplace.
7	(i). Review and develop the Company's training function in line with legislative and operational needs, to ensure that the most cost effective and efficient means of training provision is available. (ii). Ensure no fewer than 200 employees attain NVQ Level 2 by 31 March 2011.
8	Develop and evaluate the suitability of key energy efficiency initiatives and opportunities identified from the 2009/10 surveys. Proposals will be presented to the Viridor Board and actions will be implemented accordingly.
9	Review and redefine, as appropriate, the carbon boundaries, establish the carbon footprint of Viridor's operations to meet the updated Carbon Reporting requirements.
10	Review the options for certification to the Carbon Trust Standard or similar, report to the Viridor Board and implement agreed course of action.
11	Achieve accreditation to Resource Recycling System (RRS) recycling quality certification for Mason and Ford MRFs.
12	Continue to expand our recycling capacity by 10% and renewable power generation (exported electricity) by 5%.

Masons landfill gas power plant, Ipswich



Beddington recycling centre and landfill



'THIS REPORT PROVIDES A CLEAR INSIGHT INTO VIRIDOR'S MAIN SOCIAL AND ENVIRONMENTAL IMPACTS AND HOW IT IS ADDRESSING THEM'

This is the third year that Acona Limited has been retained by the Corporate Responsibility Committee of Pennon Group to undertake an independent review of the Viridor Corporate Responsibility Report and provide assurance that:

- › The quantitative data is materially accurate
- › The qualitative statements can be supported by evidence and properly represent activity across the company
- › The report gives a balanced picture of performance
- › Performance in respect of previously published targets is accurately reported

Responsibilities of Viridor and Acona Ltd

The information and statements contained within Viridor's Corporate Responsibility Report for 2010 (hereinafter the Report) are the responsibility of Viridor. This statement is the responsibility of Acona Limited and represents our independent opinion of the content of the report and is addressed to Pennon Group's (Viridor's parent company) Corporate Responsibility Committee.

Scope and process

The review covered Viridor's operations for the period specified in the Report. Information subject to verification by other third parties – such as financial data included within the Annual Report and Accounts – was outside our scope. However, we have relied on it in forming our conclusions.

In performing our work we adopted the following approach:

- › Desk-top evaluation and detailed analysis of the raw data used to construct the report, including comparisons with previous years. We focused particularly – though not exclusively – on data relating to waste, greenhouse gas emissions, energy consumption and production, and fuel usage.
- › Review of internal and external documents relating to Corporate Responsibility management, including policies, procedures and stakeholder comments, particularly ensuring that evidence was made available to support substantive comments and claims made in this report.
- › Detailed interviews with employees involved in compiling the report to test the accuracy of the data and underlying processes.

The work was undertaken by a multi-disciplinary team whose members have expertise in the areas of CR assurance and reporting, and of wider aspects of CR both within the water sector and more broadly. Biographical information – including details of individuals' experience and backgrounds – are available on our website (<http://www.acona.co.uk/who-we-are.html>).

Opinion

Based on our work we conclude that:

- › The Report correctly identifies the company's material social and environmental impacts and provides a balanced and comprehensive account of its performance in these areas.
- › With a very small number of exceptions, the data, and inferences drawn from them, are accurate. For those issues where we were unable to reconcile final reported totals with underlying data, the margins of difference were no greater than +/-1%. Consequently, we do not regard them as material.
- › Substantive statements are materially accurate and are supported by a range of evidence from internal and external sources.
- › Progress against a wide range of targets was accurately presented.

The company's Corporate Responsibility reporting has developed considerably over the last few years. Data management systems are increasingly robust and, where appropriate, align with other internal management processes. This Report provides a clear insight into the company's main social and environmental impacts and how it is addressing them. Moreover, these impacts and responses are placed within the wider context of climate change, the drive for resource efficiency and the need to develop alternative sources of energy.

Recommendations for future reporting

Our comments on the reporting process and report itself, together with suggested areas for improvement, will be raised in a letter to Pennon Group's Corporate Responsibility Committee. Neither the comments nor recommendations contained therein affect our opinion on the Report as set out in this statement. Our main recommendations are provided below.

In future Reports, the company may wish to consider the following areas for inclusion:

- › Details of how it is promoting recycling within its various contracts and the extent to which it is transferring examples of good practice from one area to another.
- › Information on how the company is seeking to improve Health & Safety performance, particularly with regard to how it integrates acquisitions into its approach.
- › A description of how it is influencing its business partners and suppliers to improve their social and environmental performance.



Paul Burke
Senior Partner

20th July 2010

Acona Limited

Acona Limited is an independent consultancy, based in London but with staff all over the UK. We have broad expertise and advise large, mainly corporate, clients on the full range of social, environmental and ethical matters. More information on Acona can be found on our website – www.Acona.co.uk

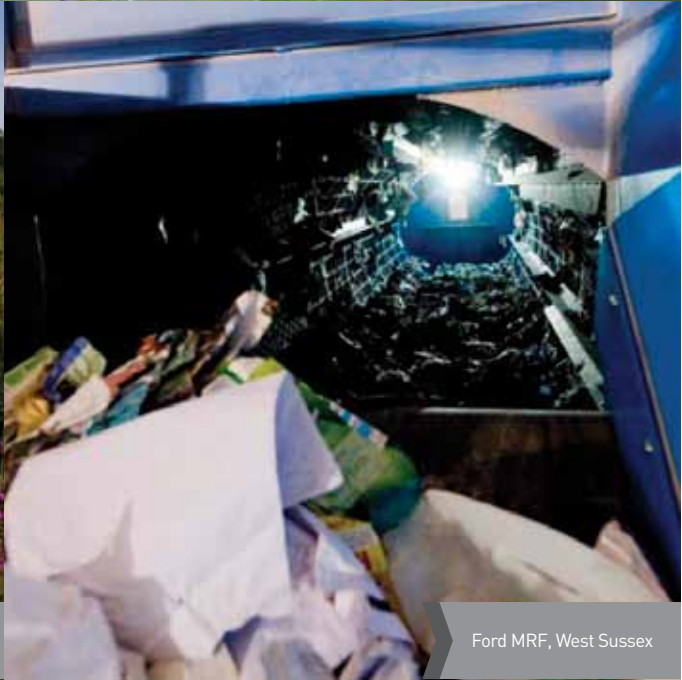
With the exception of this work, Acona has no commercial relationship with Pennon Group and/or its subsidiaries. The total fees payable in respect of this work accounted for less than 10% of Acona's annual turnover.

acona Understanding risk.
Improving performance

Silver-studded blue butterfly, Trigon restored landfill



Heathland restoration, Tatchells landfill, Dorset



Ford MRF, West Sussex

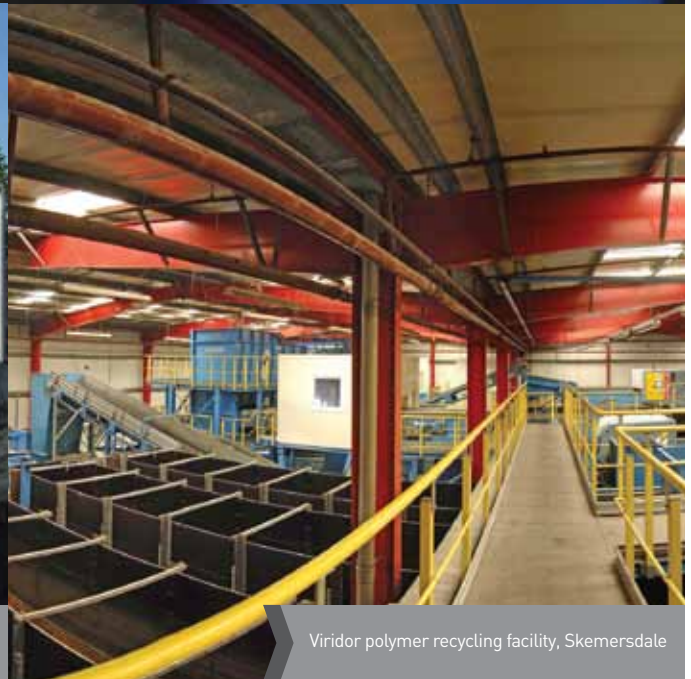


VIRIDOR BIODIVERSITY ACTION PLANS AIMING FOR UK BENCHMARK





Former recycling minister Dan Norris at Priorswood recycling centre, Taunton



Viridor polymer recycling facility, Skemersdale

Thanks to Martin Grey and Lee O'Dwyer for Viridor photography

FIVE NEW RECYCLING FACILITIES OPERATIONAL



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