

AS TALLINNA VESI CORPORATE SOCIAL RESPONSIBILITY REPORT 2010

Cooperation and involvement

The Company has a very serious approach towards its relationship with the various stakeholders, therefore Company's employees have regularly participated in meetings with various customer groups, also in cooperation with City District Administrations. In addition to organising regular information exchange, the Company's representative presented tips on water efficiency at a conference held in Russian aimed towards apartment associations in November. Regular meetings have also been held with the Ministry of Social Affairs, Ministry of Environment and other government institutions who regulate the water industry. As a member of EVEL (Estonian Water Undertakings Association), the Company has organised several water and sewerage themed seminars and training programs for other EVEL members.

In 2010 the Company continued the sponsorship agreement concluded in 2009 with an athlete of great promise, decathlete Mikk Pahapill. In June 2010 Mikk Pahapill came second at the Athletics Super League held in Estonia, which lifted him to the fourth position in the European ranking. During the year Mikk visited several motivational events and trainings aimed towards Company's employees. In addition, Mikk has acted as the Company's promotional face in various campaigns.

In 2010 the Company continued cooperation also with Estonian Union of Sports for the Disabled. The Company wants to support the interest of the disabled in sports and their will to participate in community life. AS Tallinna Vesi is supporting the trainings of the swimming team and their preparation for 2011 European Championship and 2012 London Paralympic Games.

In April 2010, the Company continued with the memorandum of understanding concluded with Tallinn Technical University to support their interdisciplinary doctoral programme with Company's expertise and through granting access to Company's resources.

In addition to joint projects organised with Tallinn Technical University, the continuity of human resources is also ensured through cooperation with Tallinn Kopli Vocational School, which hopefully will provide future employees for the Company.

In 2010 the Company supported several outdoor and sports events with providing pure drinking water. From May to August, the Company supplied free water from hydrants and water tankers to the Flower Festival in Tallinn's Old Town. From May to October water was provided to weekly running and walking events organised by Eesti Energia. The Company provided water also to the Nordic walking event organised by Estonian Rheumatism Association, car-free day organised by the Ministry of Environment, Tallinn Marathon, Students' Days and Rat Race.

In cooperation with the City District Administrations of Tallinn the Company established ice rinks and provided soil to the apartment associations for landscaping after the winter.

Company's employees and their families participated in a Cleaning Up event on 1 May during which the beach of Pikakari at Paljassaare Peninsula was cleaned in cooperation with Coca-Cola HBC. In September close to 60

ampelopsis were planted to the wall surrounding the Pirita pumping station in cooperation with Pirita Local Association.

One of the Company's objectives is to improve the awareness of its customers regarding Company's products and services. Company's activities were recognised at a competition organised by the Ministry of Environment of the Republic of Estonia, where the Company was awarded with a prize "Top Performer 2010 in Environment Area". In the category of environmental management the Company was positively highlighted for environmental education aimed towards residents.

Traditional Open Door Days at Paljassaare Wastewater Treatment Plant on 29 May 2010 brought 270 visitors to come to see the plant, including 40 children. The Company's mascot Tilgu and Pippi Longstocking were in charge of providing entertainment for the children. In addition to games, issues like water cycle, human impact on nature and other environmental issues were introduced to children.

In June 2010 the Company launched a social campaign, the aim of which was to explain to the residents the necessity of and possibilities for preventing sewerage blockages. With a merry slogan "Don't clog the bog!" the Company drew attention to the sewerage pipes intended for discharging water, wastewater and toilet paper.

Open Door Days at Ülemiste Water Treatment Plant took place on 28 August 2010. During the Open Door Days the Company's employees showed the visitors around the plants and explained how the treatment processes function. The Ülemiste Open Door Days coincided with the running competition around Lake Ülemiste and Lotte Children's Run, which attracted many old and young sportsmen. The run is popular among Tallinners, not least due to the fact that under usual circumstances the naturally picturesque territory surrounding the lake is closed to the public as a sanitary protection zone. In previous use years the visitors have primarily been schoolchildren and graduate students, this year there was also an interest in the water company from whole families. The feedback from the visitors showed that they learned a lot of new information about water treatment and water efficiency. The event was attended by approximately 1500 people, of which close to 300 also came to see the water treatment processes. The Company's children's tent where children of each age group could draw and play water-related games proved to be especially popular.

Tallinn miniregatta took place on Vabaduse Square from 30 July to 8 August 2010, organised in cooperation of the Company and the City of Tallinn. The event was a part of a wider campaign, the aim of which was to inform Tallinners about the construction of public water supply and sewerage system in Tallinn to be completed by 2011, which provides each house in Tallinn with the possibility to connect with public water supply system.

Children and education

The Company's objective is to be a responsible member of the community. For years the Company has supported children with special needs. For example, the Company's Christmas greeting cards have featured

the drawings of children from the "Õunake" kindergarten for several years already, joint gingerbread baking events have become a tradition during Christmas. The Company has also continued the long-term cooperation with Ristiku primary school, supporting their summer camps financially. The Company's employees also gave lessons at the Ristiku school on environmental sustainability in 2010 as a part of the "Back to School" program.

Considering the volume of cooperation the Company already has with schools, kindergartens, and higher educational establishments, it was decided to consolidate ideas for an environmental educational programme for all educational levels from pre-school to university. The Company continued increasing children's environmental awareness also in 2010.

Within the environmental education programme the Company prepared a Tilgu trick book "How to save water" in July. It is a puzzle book meant for children of 5-6 years, which helps to improve children's knowledge about water efficiency in a playful manner.

In addition to the water-related PC-game "Traveller Drop" released in 2008, worksheets on the same topic were published in 2010. Worksheets are meant for children of various age groups both to kindergartens as well as to schools. Worksheets include 8 topics: water cycle on earth, Lake Ülemiste, water treatment plant, water pipeline, water at home, sewerage pipeline, wastewater treatment plant and sea.

In 2010 the Company completed the tap water pilot project launched in 2009 in cooperation with Lilleküla Secondary School. During the project public water taps were established in the school building, which enable both children and adults to use tap water for drinking. Based on the survey carried out at school it turned out that 93% of the respondents gladly drink tap water and approximately 66% of the respondents consider tap water fountains at school to be very necessary.

In addition to annually participating in Youth to School ("Noored kooli") programme, in 2010 the Company launched a kindergarten pilot project within Charity Day programme. Within the project several Company's employees carry out discussions on water in kindergartens. The target group of the project is children in the age of 4 to 7, who are told about water cycle, water efficiency and with whom interesting water-related games are played. During two months the Company visited 11 kindergartens within Harju County, thereby increasing environmental awareness for close to 330 children.

In 2010 the Company participated in the project "Free exercise book" with the campaign "Don't Clog the Bog!". In cooperation with Road Administration, Rescue Board, Tax Board and Police Board a total of 10 000 exercise books with social message were compiled, which support the social topics included in the curricula of schools of general education. The objective of the project was to increase environmental awareness and efficient consumption in Estonian educational institutions.

Our environment

The quality and environment policies approved by the Company's Executive Team express the Company's principles about managing corporate responsibility and environmental activities. The Company's activity has a

significant impact on the surrounding natural environment. The objective of the Company is to cause as little environmental damage as possible from its day-to-day operations. The Company systematically monitors its impact on the environment, the quality of life of the population as well as its business activities by identifying and keeping in check existing and potential negative and positive consequences. Implementing the environmental management system also means the Company agrees activities for improved environmental performance as part of setting the Company's annual objectives and individual performance objectives of our unit managers and employees. Any performance improvements also have to follow established legal requirements and restrictions.

The Company has implemented a quality and management system to improve customersatisfaction and the effectiveness of its environmental activities. The environmental management system is a part of the Company's management system aimed at minimizing or where possible, avoiding polluting the environment, through the integration of environmental management systems in the Company's daily operations. The Company's environmental activities and the environmental management system are in accordance with international environmental management standard ISO 14001 and the requirements of the European Union's Eco Management and Audit System EMAS certificate.

The Company has identified the operational aspects that are most likely to cause significant changes to surrounding environment and has established necessary control mechanisms to avoid or mitigate any unfavorable environmental impact.

At the same time there are several positive aspects related to the Company's operations, which allow to improve the environment either directly or indirectly – one of the most important of these is raising consumer awareness about the environment and also promoting the optimal and efficient use of water as an important natural resource. Additional information about the Company's environmental activities can be found in the electronic Environment Report attached to the annual yearbook and on the Company's website.

Our employees

In 2010, the departments in operations division went through significant rearrangements both in terms of the responsibilities of managers and work allocation. A subsidiary called OÜ Watercom was created, the successful launching of which assumed changes to be made inside the Company and introduction of new competencies that would allow the subsidiary to manage providing services and products on a competitive market.

Management Team of the Company deems the involvement of employees in the decision making process, regular informing and equal treatment of staff very important. For that purpose development seminars were organised at the time of creating a Subsidiary, the Management Board had meetings with the staff at least once a quarter and monthly newsletter was issued to provide an update on the delivery of objectives as well as financial and operational performance.

At the end of 2010, the Company and its Subsidiary employed a total of 319 employees under permanent employment contracts. This number has

reduced by 5% compared to the same period previous year when 336 people were working for the Company. The average number of full time employees was 305 in 2010 and 322 in 2009. Reduction in staff resulted mainly from the reorganisation of the departments in the end of 2009.

Employee commitment and satisfaction was at a high level in comparison to both Estonian and European average in service and industry sector in 2010 (Figure 1).

AS Tallinna Vesi employee commitment remains at 2009 level

Our customers

In 2010, the Company provided water supply and sewerage services to more than 22,000 customers and 430,000 end users in Tallinn and its surrounding areas. The strategic objective of the Company is to achieve customer service excellence and to provide the best customer service of any utility company in the Baltic States.

The Company undertook significant efforts in 2010 to further improve the quality of its drinking water and service reliability. We also made efforts to enhance customer communication by making our activities more visible and open to our customers. Customer satisfaction survey results indicate that these improvements were recognized by the customers and were met with a positive reaction. Customer satisfaction has significantly increased compared to the previous years. Despite a high customer satisfaction, the Company continues to enhance its customer service strategy also in 2011.

An independent market research company TNS Emor carried out a customer satisfaction survey for the Company, conducting phone interviews with 901 customers and end users regarding their satisfaction with the customer service of the Company in 2010. Satisfaction was measured on the basis of the TRI*M method developed by the research company to characterise the strength of customer relationships and to allow comparison with other companies. The Company scored 73 points among its customers and 71 points among its end users in the final TRI*M index of the customer satisfaction survey on a scale of 100. The results of the study show that satisfaction is above 70 points in all segments. Compared to the previous year, satisfaction has increased among both domestic and commercial customer segments. The satisfaction of end users has gone through a slight decrease and was 71 points after being stable at 74 points in the past three years.

Compared to other utility companies in the world, the Company's customer relationships can be considered to be good and the score of the Company in terms of satisfaction of customers and end users is within the upper third among similar companies.

The strength of customer relationships and customer satisfaction are first and foremost influenced by the quality of services, primarily the quality of drinking water, the condition of infrastructure, the price of the service, and reputation of the Company, as well as the handling of problems and customer communications. Compared to the earlier results regarding the handling of problems, improvements can be seen in the ratings from both private and commercial customers. However, the outcome cannot yet be considered as

sufficient. Both private and commercial customers expect improvements in the area related to billings and water meters, also handling sewer blockages, interruptions to water supply and emergencies. Providing stable water supply and pleasant communication by e-mail are considered as the main strengths of the Company. According to both private and commercial customers, the price/quality relationship continues to require further attention.

Also, in order to strengthen the customer relationship, the Company needs to make continuous contributions to the activities that help to preserve the environment and increase customer awareness. Positive image of the Company that is created by the information provided to the customers via open communication plays an important part as well.