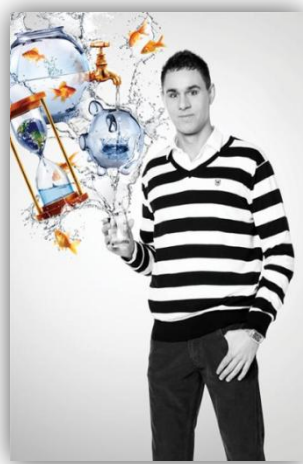


*AS Tallinna Vesi's Corporate Social
Responsibility report 2012*



Tallinna Vesi




Introduction

AS Tallinna Vesi is the largest water utility in Estonia providing drinking water and wastewater disposal services to over 400 000 people in Tallinn and in several neighbouring municipalities of Tallinn.

Being Estonia's largest water company, our activity affects the quality of life of almost one third of Estonia's residents and its surrounding natural habitat. Supplying good quality drinking water to the population as well as the disposal and treatment of wastewater and stormwater, and leading it back to the nature takes lot of efforts and arduous contribution of our highly professional staff.

The well-being of society is our collective responsibility. We do our best every day to find their work environment-friendly solutions. Our contribution to community:

- For greener and helthier living environment
- More environmentally-conscious citizens
- Help to those in need

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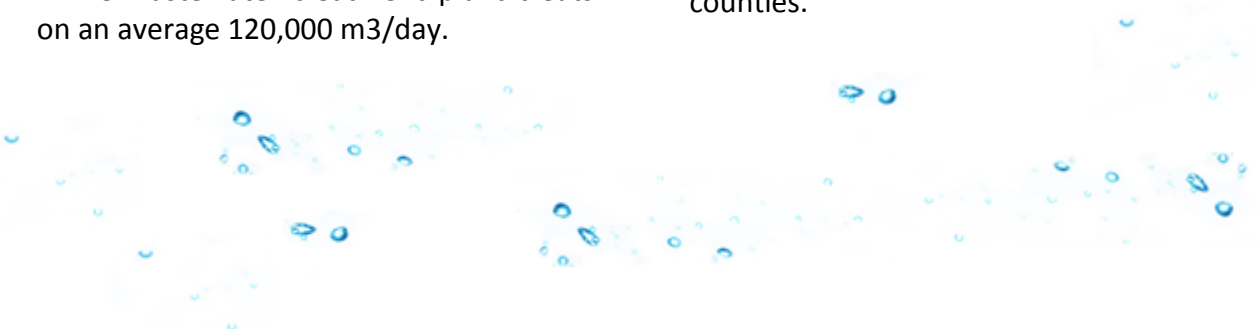
koduleht: www.tallinnavesi.ee

General facts

- AS Tallinna Vesi is the largest water utility company in Estonia, providing drinking water and wastewater disposal services to approximately 1/3 of Estonia's population.
- The Company provides water and wastewater disposal services to over 22,000 customers and 430,000 end consumers in Tallinn and its surrounding areas.
- The Company has the exclusive right to provide water and sewerage services in the Tallinn service area until the year 2020.
- A services agreement with 97 quality levels of service has been concluded between the city of Tallinn and the Company for providing the services.
- The Company has two main treatment plants: Ülemiste water treatment plant (WTP) and Paljassaare wastewater treatment plant (WWTP).
- Water has been treated at Ülemiste since 1927. A new water treatment plant was built in 1979.
- The water treatment plant produces an average of 60,000 m³ of water per day.
- Almost 90% of drinking water is produced from surface water. Lake Ülemiste is the main source of drinking water for the residents of Tallinn and, therefore, the lake is not a public water body. 10% of the consumers use regional ground water.
- Average water consumption in 2011 was 94 litres per inhabitant (95 litres in 2010).
- Paljassaare WWTP started operating in 1980.
- The wastewater treatment plant treats on an average 120,000 m³/day.
- The Company has an accredited water laboratory and an accredited wastewater laboratory, which together conducted approximately 129,000 analyses in 2011.
- The public water supply system comprises almost 954 km of water networks, 17 water pumping stations and 64 ground water borehole pumping stations with 93 boreholes.
- The public sewerage system comprises 921 km of wastewater networks, 414 km of storm water networks and over 146 sewerage pumping stations across the service area.
- AS Tallinna Vesi founded its 100% owned subsidiary, Watercom in 2010, to diversify the Company product offering and pursue business development and growth.
- In 2011, the Company and its subsidiary employed a total of 311 employees. On an average the Company employed 299 people in 2011.
- The Company shares are listed on the main list of Tallinn Stock Exchange.

OPERATIONAL SITES

- Head office, customer service, support services and OÜ Watercom in Ädala 10, Tallinn.
- Ülemiste water treatment plant, water and microbiological laboratory in Järvevana road 3, Tallinn.
- Paljassaare wastewater treatment plant, composting fields and wastewater laboratory in Paljassaare põik 14, Tallinn.
- Sludge composting and experimental site in Liikva village, Harju county.
- The catchment area ca 1800 square kilometres in Harju and Järvamaa counties.





Environment

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.

QUALITY OF DRINKING WATER AT THE CUSTOMER'S TAP

In 2011, the quality of drinking water supplied to our customers was the best ever, keeping the quality level comparable to Western-Europe countries. 99.66% of water samples taken at the customer taps complied with legal quality requirements set for drinking water. This is an outstanding achievement exceeding both the 2010 performance and the obligation of the Services Agreement signed with the City of Tallinn under which 95% of the drinking water samples are required to comply with the quality standards.

IMPROVING THE WATER TREATMENT PROCESS

In 2011, several investments were made to refine and improve the water treatment process.

The high content of plankton in the lake water increased the work load of treatment facilities – first of all ozonation and filters. The filters' work cycle reduced and pressure loss increased, quality of the filtrate started to drop. Number of filter flushings and the volume of flush water increased. In the beginning of the summer in 2011 we started with the maintenance of filters, the filter sands and coal were washed, the nozzles were cleaned in one filter and gravel layers were replaced. Process continues further. In case of water treatment facilities the main focus was on

the optimisation of clarifiers, water meters on the clarifiers of the B-building were started to be replaced, the procedure of washing the clarifiers was upgraded. In order to improve the security of energy supply and bring it into compliance with the requirements, the substations for high and low tension lines of the microfilter building were reconstructed, the worn out frequency converter of the filter washing pump was replaced. For the purpose of chemical safety, the secondary chlorination equipment that has been in use for years was replaced and upgraded in both treatment plants.

WATER NETWORKS MAINTENANCE AND INVESTMENTS

Preventive works such as networks flushing and water supply network renovation are carried out to maintain and improve the quality of drinking water supplied to customers. Cleaning and washing the water network removes the sediments inside the pipes and creates the necessary conditions for preserving water quality in the network. In 2011, 154 km of water pipes were cleaned using pressure washing method in order to ensure a stable supply of good quality drinking water at the customer tap.

5.1 kilometers of water pipes were reconstructed in 2011, ensuring the good conditions of networks.

LEAKAGES AND INTERRUPTIONS TO WATER SUPPLY

In 2011, the investments into leakage detection and remote reading equipment were continued and a new correlator was purchased for detecting leakages. As a result of constant monitoring, upgrading the equipment, quick detection and elimi-





nation of leakages, the leakage level in water network was reduced from 21.39% in 2010 to 17.73% in 2011. The total number and duration of unplanned interruptions to water supply reduced in 2011. The average duration of interruption per customer decreased in 2010 from 4.26 hours to 3.56 hours. Reduction in interruptions to water supply was a result of better planning of emergency works. Well-considered planning casted a positive effect also on the work of the network teams and the speed of eliminating emergencies. The objective of the Company is to notify the customers of all interruptions to water supply by phone in advance. In 2011 the customers were informed of over 97% of emergency interruptions that occurred during work days.

RECONSTRUCTION AND EXTENSION OF THE SEWERAGE NETWORK

In 2011, up to 5,7 km of the existent sewerage pipelines were renewed.

MAINTENANCE OF THE SEWERAGE NETWORK

Collection and discharge of wastewater is secured primarily by preventive flushing of sewerage pipes as well as by reconstruction and extension of sewerage and stormwater networks. Additionally the concentration level of wastewater is monitored on regular basis in order to prevent any failures in the treatment process. The number of blockages is the main indicator for the condition of the sewerage network and this number has mostly decreased over the years.

The Company uses annual pressure washing to prevent blockages and to increase the capacity of sewerage pipes.

In 2011, there were 944 blockages which is the lowest number of blockages since 1999.

WASTEWATER TREATMENT

Paljassaare Wastewater Treatment Plant uses environmentally-friendly and modern technologies to treat the wastewater collected from Tallinn and its surrounding areas. In 2011, the quality of treated effluent in Paljassaare Wastewater Treatment Plant was in compliance with all the set parameters.

In 2011, the Company continued with the reconstruction of the mechanical treatment stage by replacing mechanical wires and installing sand washers as well as screening waste washers/presses. In 2011, the construction of the 3rd treatment stage – biofilter – was completed. The biofilter was started at the beginning of the 3rd quarter. The aim of the biofilter is to make the process of denitrification more effective by decreasing the number of nitrate (NO₃) in the wastewater treatment's outlet. The applied process allows to decrease the pollution of total nitrogen in the Baltic Sea on the expense of nitrate component annually by 350 tonnes and increase the effectiveness of nitrogen removal to over 85%.

Sludge is a by-product of wastewater treatment and the Company processes the sludge into soil conditioner that is used in landscaping and horticulture. All of the sludge is re-used.

More information on the Company's water and wastewater treatment is available in the 2011 electronic environmental report.





Our employees

At the end of 2011, the Company and its Subsidiary employed a total of 311 employees under permanent employment contracts.

Employee commitment and satisfaction was considerably higher in comparison to both Estonian and European average in industry and service sector in 2011. Satisfaction has significantly increased compared to 2010 (2010-66%; 2011-74%).

DEVELOPMENT OF EMPLOYEES

In 2011, 635 training days amounted to an average of approximately two training days per employee.

The Company has launched several employee development programmes aimed at providing all employees with such will and readiness, with an opportunity to develop themselves in their speciality as well as professionally. The Management of the Company deems it the most important method for growing a new generation of specialists, supporting the organisation in adapting to changes and maintaining the high commitment of employees. Emphasis is also on expanding multi-functionality and flexibility of the workforce instead of specializing on a narrow area as this enables the employees to rotate smoothly onto new positions. Development of the staff forms a part of the remuneration and recognition system of the Company and is a key for planning a career in the Company.

Almost 20% of the Company's employees participated in various long-term development programmes.

OCCUPATIONAL HEALTH AND SAFETY

In 2011, special focus was on the improvement in following work safety requirements at the excavation sites of both the Company and subcontractors as well as on internal and external

occupational health and safety trainings, development of methods that increase the knowledge of safety requirements and constant improvement of work environment in accordance with the rules of OHSAS 18001:2007.

In 2011, 5 occupational accidents occurred, 4 of which were in AS Tallinna Vesi and 1 in its Subsidiary OÜ Watercom. The causes of all occupational accidents were thoroughly analysed by the Work Environment Council. Action plans to prevent any further occupational accidents of a similar type were put together and the timely delivery of those action plans is constantly monitored by the Work Environment Council. For better staff involvement and improvement of occupational safety awareness, the Company organized internally an occupational health and safety slogan competition.

The Company focused on the development of new awareness methods. Terve Tilgu" traffic sign was set up reflecting the achievement of the Company's occupational health objectives on a weekly basis. During the Company's summer days a quiz on occupational health and safety was carried out, a crossword on occupational health and safety was published in the Company's newsletter, occupational safety posters with photos of employees under a topic „Will you help your colleague out of trouble?“ were issued, occupational safety data on displays was updated on regular basis, also thematic information materials were distributed.

WORK ENVIRONMENT TRAININGS 2011.

In 2011 the following training events on occupational safety were carried out:

- theoretical chlorine safety training in the





Water Treatment Plant in co-operation with G4S and a joint training with airport in order to carry out rescue works at lake Ülemiste. As a result a new access to the lake and a place for flight rescue service to let a boat into water was established;

- regular trainings on pressure equipment;
- first-aid training and in-service training;
- ergonomics and occupational hygiene training;
- training on the ergonomics of workplaces;
- training on temporary traffic reorganisation (marking road works) in realistic conditions and briefing on the new Traffic Act;
- training on the usage of trench support and trainings for building site's co-ordinator;
- fire, electrical, chemical and gas work safety trainings.

CONTINUOUS IMPROVEMENT IN THE FIELD OF OCCUPATIONAL SAFETY

Among the most important works in 2011 were:

- renewal of the Company's work environment risk analysis, amongst other things an additional questionnaire to assess the psychological risk factors in all departments was carried out. In accordance to the risk analysis and the questionnaire's results, action plans for the improvement of work environment for 2012 has been started;
- during the cold winter period, temperature was measured in various rooms of the building on a regular basis and heating was regulated accordingly. If necessary, electric convectors were added to rooms;
- several substations were reconstructed

and internal as well as external lightning was repaired;

- ventilation survey in various buildings was carried out and as a result the system was reconstructed, put in order or regulated; conditioners were installed into some rooms;
- trainings introducing HAZOP (Hazard and operability study) methodology that were followed by relevant analyses in various parts of the treatment plants' operational processes. This activity continues in 2012;
- improvement of the ergonomics of computer workstations.

PROMOTING OCCUPATIONAL HEALTH

The Company organises various sports activities for its employees to promote a healthy lifestyle. Employees of the Company have the opportunity to use two gyms, as well as squash and ball courts, and also take part in the Company's sports events. In order to raise awareness on health-related matters among the employees, then in co-operation with Extra Comfort Eesti OÜ a foot sole computer check or foot sole computer diagnostics was carried out in the Company's medical office. During the period of 17.-24. April, a Heart Week took place all over Estonia and within this event, the Company organized various activities in order to raise the awareness of health-related issues: heart-healthy meals at the canteen, fire safety training followed by a stimulating exercise schedule in the gathering point, and calculating of body mass index (BMI) and fat percentage in the medical office. The employees also had an opportunity to read materials promoting healthy lifestyle that were issued by National Institute for Health Development.





Our costumers

In 2011, the Company provided water supply and sewerage services to a little less than 22,000 customers and 430,000 end users in Tallinn and its surrounding areas. The strategic objective of the Company is to offer the best water service in the Baltic states, so that anyone would wish to be our customer, employee and partner.

ANNUAL CUSTOMER SATISFACTION SURVEY

The Company scored an average of 72 points among its customers and end users in the final TRI*M index of the customer satisfaction survey on a scale of 100. In 2011 the Company made its best efforts to maintain the very good quality of drinking water and to further improve the service reliability. We also made efforts to enhance resolving customer contacts. The main focus was both on the speed of resolving the issues but also on improving the customer awareness of the Company's actions. Although the customer satisfaction survey results indicate satisfaction with the quality of our services, they also refer to some room for development in terms of problem solving. Customer satisfaction has remained on a more or less same level compared to the previous year. In comparison with the European utility and public sector, the

satisfaction of the Company's customer is above the average. However, the Company is going to focus on the improvement of customer service also in 2012.

DEVELOPMENT OF CUSTOMER SERVICE

The main activities in 2011 were as follows:

- Since August 2011, the Company automatically pays a compensation to customers upon failing a promise;
- In March, the Company amended the process of responding to written customer contacts. As a result of that above 95% of written requests are resolved within two working days and the average speed of responding to information requests was less than one working day.
- In order to ensure that the customers get informed of the time of Company's actions, inter-departmental cooperation was reorganised. This enabled to increase the proportion of informed customers significantly.
- The Company started a campaign "Cheers to nature – ask for tap water" together with several restaurants in Tallinn with the aim to encourage people to drink tap water with their meal.
- In order to reduce inconveniences experienced by customers due to interruptions to water supply, the Company notified the most of its customers of emergency water interruptions that took place during working days and –time.





Community

In 2011, the Company's target was to contribute to the promotion of environmental activities and raising awareness. Community and environmental projects are part of the Company's day-to-day operations and the Company continues to focus on promotion of environmentally-conscious and sustainable mindset.

CO-OPERATION AND INVOLVEMENT

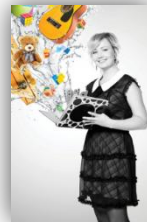
The Company sees its employees as the biggest asset which is why significant attention is paid to activities connected to work environment and raising awareness of health-related issues among the staff. Also, the Company supports the employees' voluntary participation in community projects in order to give its contribution for the well-being of the community.

- The Company renewed its co-operation contract with the no 1 Estonian decathlete Mikk Pahapill as well as with the Sports Union of Tallinn University of Technology. In 2011, Mikk Pahapill was also the campaign face of „Drink tap water“ and participated in various events aimed for the staff.
- The Company continued co-operation with the Estonian Union of Sports for the Disabled. AS Tallinna Vesi supports the trainings of the swimming team and their preparation for 2011 European Championship and 2012 London Paralympic Games.
- The Company became a godparent to a polar bear mother Vaida living in Tallinn Zoo.
- During the over-Estonia cleaning up event „Let's get it done“, Pikakari's beach on Paljassaare peninsula was cleaned up. In addition to the Company's employees and their family members, also the

employees of Coca-Cola HBC Eesti AS and the Embassy of the United States as well as the local residents of Paljassaare participated in the cleaning event. Around 150 volunteers contributed to cleaning up the beach area.

- The Company continued supporting various outdoor and sports events by providing pure drinking water. During the Athletics Championships that took place in summer, the Company offered clean and refreshing drinking water to athletes as well as spectators. Tap water was also provided for an office rat race charity event, Stamina health run and walk series, the Flower Festival and Tallinn Student Days. The Company was also the main sponsor for organizing the unique opera „Parsifal“, an open-air concert „Freedom Song“ and a film festival „Ideals Matter“ that is focusing on raising environmental consciousness among people.
- In 2011, the Company's „Good deed projects“ attracted a participation of over 40 employees who contributed voluntarily into the community's development. The Company's employees participated in the Estonian Food Bank's food collecting campaign „Notice an empty stomach“ by forwarding relevant information as well as collecting food products. Collecting, transporting and distributing necessary food products to families in need was carried out in co-operation with a non-profit association Nõmme Child Welfare Organization. The Company's employees also visited a kindergarten „Õunake“ that is a nursery for children with special needs and where the employees baked ginger breads together with the kids. Traditionally, the Company used the creation of „Õunake“ kindergarten





children for its environment-friendly Christmas card design.

- 2011 was the year of the European voluntary action. Within that was established in co-operation with non-governmental organisations and ministries a pilot programme with an aim to create in Estonia voluntary actions plan for supporting environment. In addition to establishing the programme's content, the Company's specialists also assisted a non-profit association Kodukant Läänemaa with training as well as legal consultation.

ACTIVITIES AIMED TOWARDS CITIZENS

- Traditional Open Door Days at Paljassaare Wastewater Treatment Plant on the 4th of June 2011 brought together approximately 250 visitors who all came to see the plant. Open was also the children area where Pipi Longstocking and the Company's mascot Tilgu introduced to children environmental-friendly water consumption via a variety of playful activities.

- Open Door Days at Ülemiste Water Treatment Plant took place on the 27th of August 2011. During the Open Door Days, the Company's employees took the visitors on excursions and introduced the functioning of the treatment processes to them. The Ülemiste Open Door Days coincided with the running competition around Lake Ülemiste and Lotte Children's Run that attracted many old and young sports lovers. The run around Ülemiste is popular among Tallinn citizens, partially due to the fact that under usual circumstances the naturally picturesque territory surrounding the lake is closed to the public. The event was attended by approximately 1500 participants, of which around 400 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.

- In spring, the Company organized a social campaign „Cheers to nature - drink tap water“ in order to draw attention to tap water's good quality and help people to acknowledge the global crises related to the lack of pure water.

- The Company started to co-operate with Tallinn eating places in order to encourage people to drink tap water with their meal. The Company sees in that venture a possibility to change people's mindset and also raise awareness of environment- as well as health-related issues among them.

- At the beginning of summer, the Company installed drinking water taps in Tallinn Old Town, Tammsaare park and Tallinn Zoo so that during warm summer days people would have an opportunity to refresh themselves with tap water that is free of charge. The main objective was to get people drinking tap water by giving them a chance to be convinced of its quality by trying it out themselves. Installation of taps was part of the „Cheers to nature - drink tap water“ campaign that draws people's attention to a responsible usage of environment and encourages people to drink tap water.

CHILDREN AND EDUCATION

In 2011, at the Enterprising Day, the Company was awarded with the most children- and youth-friendly company's title in Tallinn. This acknowledgement was possible due to employees who, besides their main job, also contributed into raising the environmental awareness.

- In 2011, a thorough renewal in the external look of the Company's website was carried out. In the process was es





established a site for children and teachers that focuses on environmental education. This site contains all information and materials to do with the Company's educational programme. A relevant theme site is also included to the Company's web campaign: www.jookraanivett.eu.

- Within the environmental education programme, the Company's specialists organize water-related discussions in kindergartens. Children are explained how natural water circulation and water treatment process work. Also tips are given on how to save water, experiments are made, a movie is watched and water-related games are played. In 2011, the Company's employees visited nearly 50 Tallinn kindergartens and with this activity they promoted environmental awareness among more than 3000 children.

- In addition to visiting kindergartens, the Company's employees participate almost every year also in a „Back to School“ programme during which they distribute relevant information and experience in school lessons as well as in various fields of business. The Company wishes to establish interest for a more environment-friendly and sustainable development among the youth, but also in general public, through having an open discussion

which is why educating future clients as well as consumers is considered of high importance.

- In order to celebrate the World Water Day, in co-operation with Lasteveeb OÜ a cartoon was made in an internet portal www.lastekas.ee where Bunny Jussi introduces Ülemiste water treatment plant. The aim of this animation movie was to raise environmental awareness among children in a playful and violence-free manner. This channel directed specially for children allowed reaching most kindergarten and also a large number of first level school children. In 2011, a colour book of the same subject on how Bunny Juss and his friends discover their way to pure drinking water, was created.

- Besides our main assignments - production of drinking water and treating of wastewater - the Company's plants fulfil also an important role in raising the population's awareness. Excursions in Ülemiste water treatment plant as well as in Paljassaare wastewater treatment plant are still carried out in order to introduce to the interested people the treatment process as well as the lab work. In 2011, the Company's plants were visited by altogether approx. 2300 people from schools and other companies.



Tallinna Vesi

