



**SOCIAL RESPONSIBILITY AND
SUSTAINABLE DEVELOPMENT REPORT
2015**



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1. Chairman's Statement

As a water utility company, we have a significant interface with the surrounding environment and local communities. Therefore, we work tirelessly to ensure the needs and expectations of our various stakeholders are being constantly met. AS Tallinna Vesi's Group has its own internal workforce of more than 300 employees, and throughout the year 2015, considerable focus was placed on ensuring their continued safety, commitment and development.

Testament to our employees' hard work was the excellent feedback received in the customer satisfaction survey and several external awards related to safety, corporate social responsibility and stakeholder relations. Results of the employee opinion survey were also very good when compared to similar companies and European norms.

2015 was a year of exceptional performance for AS Tallinna Vesi. As in previous years, we managed to deliver yet further improvements with respect to our operational results and the quality of services that we provide to our customers in Tallinn and its surrounding areas. The quality of drinking water and the level of leakages in the network have both surpassed previous performance levels, and are amongst the best in class when compared to other European water utilities.

As a listed company, we are accountable to shareholders, customers and a variety of external stakeholders, with whom we interact on a daily basis. Our focus remains on creating consistency, transparency and balance between the various elements of our operations and we constantly ensure AS Tallinna Vesi operates with the highest standards of corporate governance.

I would like to thank my colleagues in AS Tallinna Vesi, Watercom OÜ and United Utilities, and all our clients, suppliers and business partners for their continued support in helping the company to deliver an exceptional performance during 2015.

Sincerely,

Karl Heino Brookes



*Karl Heino Brookes,
Chairman of the Management Board*

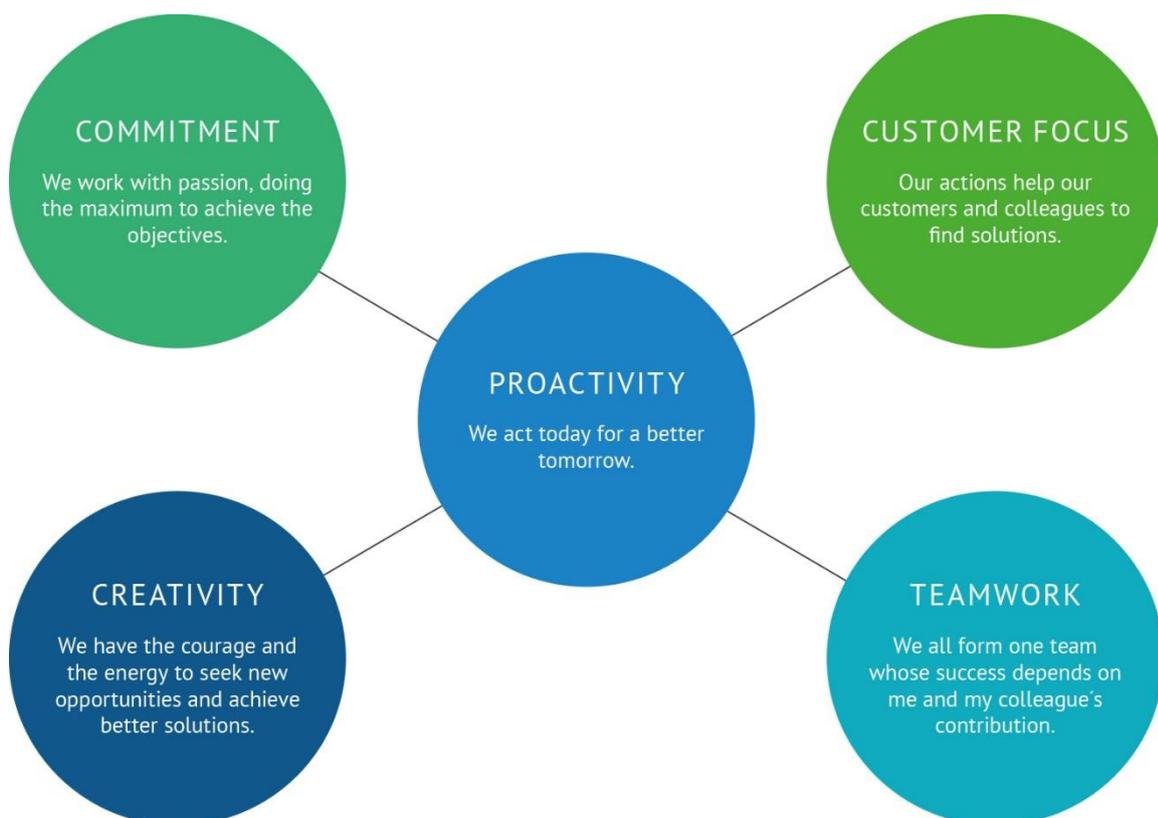
MISSION

We create better life with pure water.

VISION

Everyone wants to be our customer, employee and partner because we are the leading water services company in the Baltics.

OUR VALUES



2. About This Report

Being Estonia's largest water company, our activity affects almost one third of Estonia's population. We provide pure drinking water to customers and collect and treat wastewater and storm water, using environmentally safe and modern technologies. We realise that by offering services to our customers that comply with all the requirements we influence the quality of life of Tallinners, surrounding municipalities and all people living next to the Baltic Sea.

We wish to be a trusted partner to our customers, investors, employees and representatives of the community, therefore our management practices take into account the impact we have on surrounding living environment and the association with the different stakeholder interests. This means we consider social responsibility central to our activities, through everything we do. We do more than we are expected to, in terms of quality, support for the community, environmental education, as well as working environment.

AS Tallinna Vesi's report on social responsibility and sustainable development provides an overview of our activities and performance in 2015 in the area of sustainable development in economic, environmental and social perspective.

We have been using these three important aspects of corporate responsibility in preparing this report.

In preparing this report, we have used the 2015 Environmental Report, which was deemed compliant with the Eco-Management and Audit Scheme (EMAS) and verified in 2016, as well as the Annual Report along with the Financial Statement.

This report follows the guidelines of the international Global Reporting Initiative (GRI) G4 standard's *in accordance – core* option and it has been approved by the independent third party. The social responsibility and sustainable development report includes all information of our Company's activities, including the subsidiary OÜ Watercom, which is 100% owned by AS Tallinna Vesi.

Compared with the previous reporting period, there has not been any significant changes in the company's size, structure, ownership, or the supply chain.

We issue the report according to the GRI-standard annually since 2012. All the reports are available on the webpage of AS Tallinna Vesi.

Date of the previous report: 17/06/2015.

3. Facts About the Company

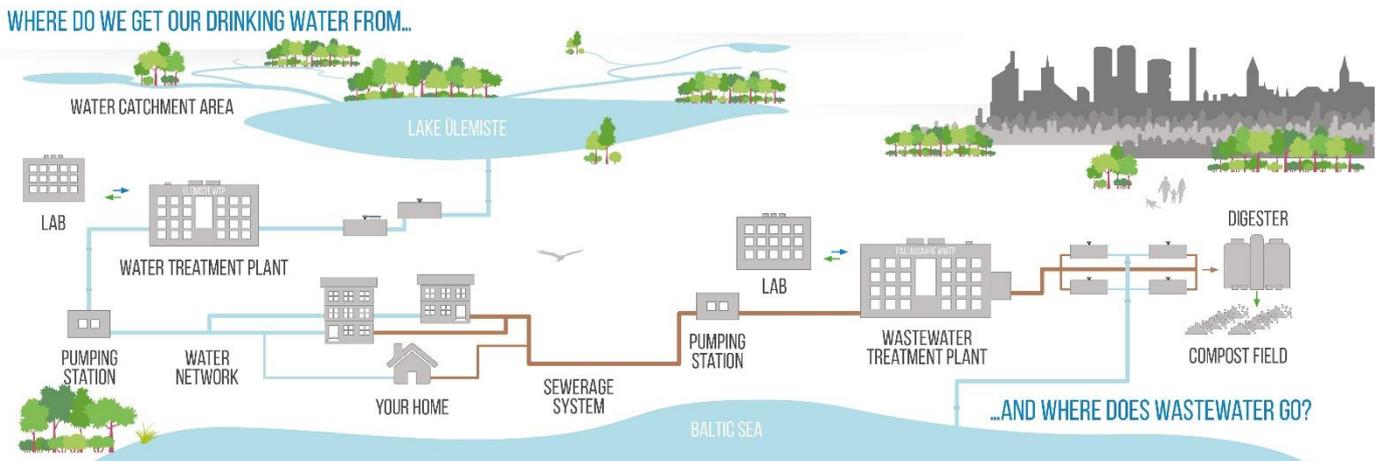
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OUR MAIN PRODUCTS AND SERVICES

- Water collection, treatment and supply
- Water and wastewater services
- Wastewater and storm water drainage and treatment
- Laboratory services
- Design works
- Pipeline construction works
- Owner supervision and project management
- Transportation services and road construction

OVERVIEW OF THE COMPANY'S OPERATIONS AND THE SUPPLY CHAIN



COMPANY'S AREA OF OPERATION:

- City of Tallinn City
- City of Maardu
- City of Saue
- Harku Parish (villages of Tiskre and Harkujärve, and small town of Harku)
- The catchment area in Harju and Järva counties.

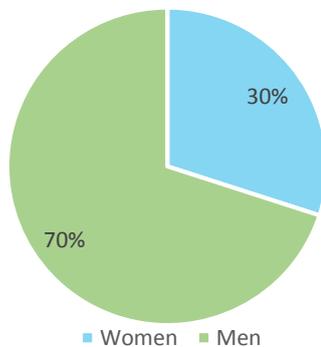


AS Tallinna Vesi area of operations

Our Employees

The number and gender distribution of our employees has remained quite stable over the recent years (see the diagram below). Last year our team, including the subsidiary company, consisted of 323 employees with permanent contract (321 in 2014). 98% of them worked full-time and 2% half-time. The Company hired 6 seasonal workers and employees at fixed term contract in 2015. Majority of the employees were placed in Tallinn, however, 7 employees work in the Lake Ülemiste catchment area outside the City of Tallinn.

EMPLOYEES BY GENDER, IN 2015



To ensure equal treatment, we have signed a collective agreement with the trade Union of Water Supply and Sewerage Staff, the collective agreement applies to all staff. These contractual obligations and benefits extend to all our employees.

Our Supply Chain

AS Tallinna Vesi is a service provider. Considering the nature of our activity as a water company, our supply chain includes other service providers and partners who help us to guarantee the performance of our main operations and availability of services to the customers. Unlike many other industries, our supply chain is relatively simple, because AS Tallinna Vesi produces and sells the service without having any other links in its supply chain. Still, the Company itself is often an integral link in our customers' supply chain and therefore, it is very important that our service would meet the high quality standards. However, for this short but vital supply chain to work without any interruptions we need

our suppliers to be reliable. For this purpose, we have alternative suppliers in place in several chains of critical importance to whom we can turn to in case something should happen with the main contract partner. We find our suppliers mostly through the tenders, which gives us an opportunity to set the criteria that we want our suppliers to meet. We consider the environmental safeness and safety of our suppliers' employees very important.

Our cooperation partners can be divided up into three larger groups: suppliers of goods, services and construction works. In the globalizing world the suppliers' market is constantly changing. Our suppliers are mostly Estonia-centred, but we do have also international tenders. We choose high-quality products and invest in the renovation of systems, in order to ensure an effective and sustainable operational activity. We outsource various support services so that our focus could remain on the main activity. For instance, we are outsourcing the advertising, legal and cleaning services and many other specific services. Our subsidiary OÜ Watercom also helps to ensure that all the construction works would be completed properly and on time, hiring assistance from outside, when needed. We sign long-term contracts to keep our suppliers and ensure good and reliable cooperation. We have constantly approximately 1,000 suppliers in our database with whom we have been in cooperation at least once a year.

We consider important to find new suppliers, as well as to improve the cooperation with the current partners. We have a suppliers' evaluation system in place, which enables us to create a two-way communication with the current partners - to form a reliable list of suppliers and use the supplier's competencies to create additional value for the Company. In addition to evaluating the suppliers' activity, we also collect feedback on our own activity so that we could improve the relations and cooperation with the suppliers to become a better partner.

Our Principles and Membership in Organizations

We deem it important to have a say on the issues that are relevant in the society and to contribute to the development of areas related to our activity and the preparation of legislation. To these purposes we have joined and become a founder member in various associations. AS Tallinna Vesi is a founder member of the Estonian Association of Environmental Management and the Corporate Social Responsibility Forum in Estonia, a collective member of the Association for Quality, and a member of the Estonian Waterworks Association.

We are devoted to the responsible business, characterized by such key words as environment friendliness, customer orientation, safe and healthy working environment, high quality product and service, and economic profitability. To this purpose, we have implemented an integrated management system that meets the international quality, environmental and occupational safety standards ISO 14001, ISO 9001, and OHSAS 18001. Our laboratories are accredited according to ISO 17025 standard. Additionally, Company's environmental management system complies with the requirements of the Eco-Management and Audit Scheme (EMAS) developed by the European Commission. As a listed company, we have brought our activity in compliance with "The Good Corporate Governance Practices". On 12 January 2001 we signed a trilateral Services Agreement with the City of Tallinn and the investors, committing to meet, among other things, 97 levels of service. Our activity is regulated by the environmental permits issued to the Company (4 permits for a special use of water, 2 waste permits and 2 ambient air pollution permits). To the purpose of better protecting the Baltic Sea we have joined the Baltic Sea region organizations' network „*The Baltic Sea Challenge*“.

AS Tallinna Vesi management has approved the following policies and guiding principles that set the overall framework for acting in different areas. All of the following policies are available at

least in Estonian and English. Policies can be found in the appendices:

- ENVIRONMENTAL POLICY
- QUALITY POLICY
- OCCUPATIONAL SAFETY AND HUMAN RESOURCE POLICY
- PRINCIPLES OF RESPONSIBLE BUSINESS

Our Main Stakeholders

Being Estonia's largest water company, our activity affects almost one third of Estonia's population. We understand the impact of our business on the surrounding natural habitat and therefore deem it important that our activities engage with the interests of different stakeholders. Having in mind the perspectives of our development, we have mapped our stakeholders, considering those who are most impacted by our activity and decisions and whose satisfaction is important for us. We receive feedback from our stakeholders through surveys, direct communication and involvement. Input that has been collected that way has also served as a basis for compiling the materials of this report.

- *Customers*

Our role is to provide our customers a service, which they can rely on 24/7, 365 days a year. We dare to make promises to deliver this service and take the responsibility for keeping these promises. Each year, we carry out a customer satisfaction survey, which gives us consistent feedback and enables to identify the customer satisfaction indicators. In 2015, the average satisfaction indicator measured with TRI*M index reached the best ever result – 94 points on a 100 point scale.

- *Employees*

We value our employees highly and wish to create opportunities so that everyone in our team could contribute at the best level possible. Most of all, we consider safe working environment to be very important – no work assignment is worth getting hurt for. Each year, we also carry out commitment surveys among our employees, and in 2015, 93% of employees

took part in the survey. Last survey identified two most important issues: how to better involve the frontline managers in company's development and how to better explain management decisions. The results of the survey are discussed in teams with further action plans being put in place. In addition, we organize meetings between the management and the employees 4 times a year to enhance the employee involvement in the Company's management.

- *Community*

The community we operate in, people whose lives our work impacts – they are vital for us. We therefore consider very important to actively take part and support the community we operate in. We try to spread the messages that help to increase the environmental awareness, and provide environment-related educational study materials and programs for free. Feedback on all this reaches us through the customer satisfaction survey.

- *Investors*

We aim at being transparent and honest through our business activities, giving timely and accurate information to our shareholders. We treat all our

shareholders equally and are dedicated to efficiency while ensuring the sustainability of the Company. Each quarter, we introduce Company's results to the investors and take part in discussions on the web seminars. All shareholders are welcomed to ask questions from the members of the Management Board and the Supervisory Board on the Annual General Meeting of Shareholders.

- *Partners*

We deem important to hold common values with our partners and suppliers, and to support achieving our and their objectives. Each year, before the construction season starts we organize a meeting with our partners, to introduce the Company's objectives, principles and requirements and to discuss other topics on the agenda.

- *Public Sector*

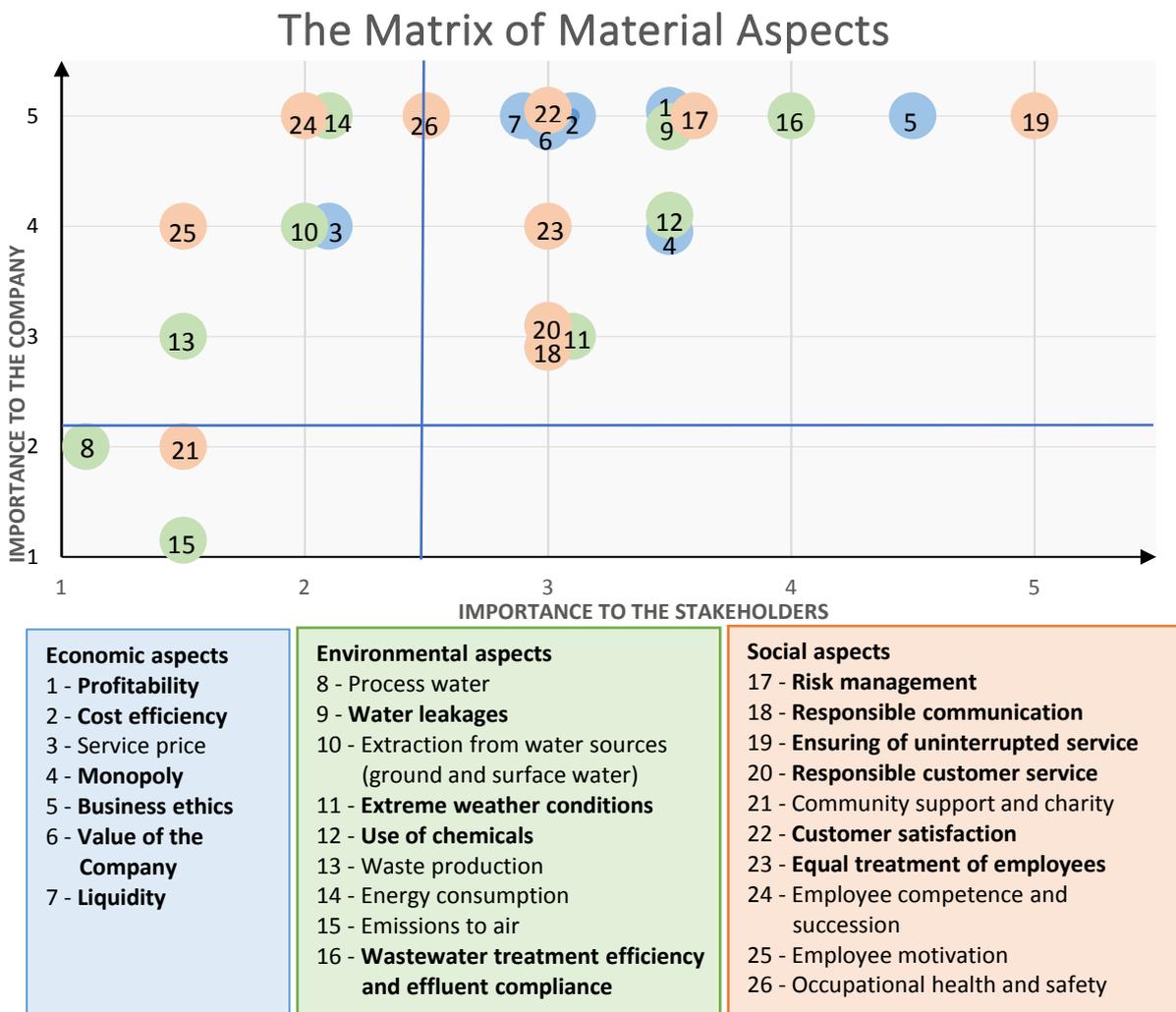
We aim at being good partners with national and municipality government institutions. We held regular meetings with the City of Tallinn to discuss the problems and topics on the agenda, seeking together for the most optimal solutions.

4. Material Aspects and Boundaries

Aspects and boundaries of the responsible business have been identified according to the G4 reporting principles and are based on the quality, environment and occupational health and safety management systems, feedback received from various stakeholders, management opinion, and the Company values and objectives. Material aspects and boundaries were identified by evaluating the importance of those aspects to the organization and to the stakeholders. Stakeholders' opinions were involved through the surveys in specific area (e.g. employee commitment and customer feedback surveys). Aspects have been divided into three categories: economic, environmental and social aspects. All the aspects received an assessment on a 5-point

scale, separately to the stakeholders and to the organization. Importance boundary is 2.5 points on both scales (material aspects listed in bold).

All the defined material aspects are important for AS Tallinna Vesi but due to its area of activity the aspects of monopoly and efficiency of the wastewater treatment and compliance of the effluent are not important for our subsidiary OÜ Watercom. Defined material aspects are important both for the Company and its stakeholders. At the same, occupational health and safety, employee competence and succession planning, and energy consumption are important for the Company but not for the stakeholders.



5. Economic Aspects

Profitability, Cost Efficiency and Liquidity

Profitability is the primary goal of all business ventures. Without *profitability* the business will not survive in the long run. So measuring current and past *profitability* is very important. *Profitability* is measured with income and expenses. Profitability also provides us with the financial capital for fulfilling our commitment to provide a reliable and high quality water service to our customers and ensure that all our activities, from initial water catchment to wastewater treatment, are enacted in accordance with strict environmental legislation. As a listed company we are also accountable to shareholders, customers and a variety of external stakeholders, with whom we interact on a daily basis.

Last year's total revenues were EUR 55.93 million, showing an increase by 5.0% or EUR 2.69 million year on year. As tariffs remain frozen at their 2010 levels, related revenues are being impacted by consumption. In 2015, we increased external sales of construction, design and asphaltting services by 188.9% or EUR 1.78 million. Operating profit for 2015 was EUR 25.58 million, an increase of 3.0% or EUR 0.75 million, compared to 2014.

Cost efficiency is one of the main ways for the Company to be profitable and meet its goals in the current situation, as tariffs are frozen and the Company is involved in two separate law suits regarding the tariffs. As a mean to be more cost-effective the Company switched from outsourced services to insourced services, that are provided by the subsidiary OÜ Watercom.

Profitability and cost efficiency of the Company is reported in more detail in the [Annual Report](#) under section 'Results of Operations'.

For AS Tallinna Vesi it is also important to have a healthy cash balance, in order to meet its immediate and short-term obligations, which is important to our partners. It also makes us an attractive investment for current and future shareholders. We have been a consistent

dividend payer. In June 2015, we made a payment of EUR 0.90 per share. This is in accordance with our current dividend policy, which is to increase dividends by a minimum of CPI each year, therefore providing a return that is consistent with other privatised utilities in Europe.

Monopoly

AS Tallinna Vesi is the largest water utility in Estonia providing drinking water and sewerage services to over 400,000 people in Tallinn and several neighbouring municipalities of Tallinn. Water business is a natural monopoly and the service areas of water companies are established by local governments. E.g. AS Tallinna Vesi has an exclusive right to provide water and sewerage services in Tallinn's main service area until the year 2025. AS Tallinna Vesi is required to ensure the compliance with the 97 levels of service in line with the Services Agreement, which is valid until 2020.

As a monopoly AS Tallinna Vesi's tariffs are regulated by the Competition Authority. AS Tallinna Vesi has been having a dispute with the Estonian Competition Authority, with regards to tariffs, since 2011. Despite the fact that the Administrative Court dismissed the Company's claim, considering the Services Contract not to be binding on the Competition Authority, we have appealed to the Circuit Court. Until the final verdict in the matter, our tariffs remain frozen at 2010 levels.

In parallel, and independent from the local court proceedings, International Arbitration Proceedings are being held via the "International Centre for Settlement of Investment Disputes" (ICSID). In 2014, AS Tallinna Vesi and its shareholder United Utilities (Tallinn) B.V., commenced arbitration proceedings against the Republic of Estonia for the breach of the "Agreement on the Encouragement and Reciprocal Protection of Investments between the Kingdom of the Netherlands and the Republic of Estonia." The timetable of the International

Arbitration Proceedings has been determined, with the final hearing set for November 2016, which will be webcast live and via the internet.

Business Ethics

Business ethics is strongly related to responsible business. Our focus is on creating consistency, transparency and balance between the various elements of our operations and we oversee the business with the highest standards of corporate governance. Good corporate governance, internal controls and risk management are all key elements to a successful business. Good corporate governance, transparency, sustainability, internal controls and risk management are fundamental components to build and maintain the trust and credibility of all stakeholders of the Company. AS Tallinna Vesi considers it crucial to be transparent in its methods of operation, making corporate disclosures and in its relations with its stakeholders.

In recognition of this, during 2015 the Company received several external awards, which include:

- “Golden” Mark in Corporate Social Responsibility index by the Minister of Entrepreneurship, Liisa Oviir, on behalf of the Ministry of Economics and Communication, Estonian Responsible Business Forum, Estonian Business School, KPMG and Äripäev. This is a sign of being responsible in our actions and minds thorough the business.
- Nasdaq Baltic Market Awards – 1st place “Best Investor Relations in the Baltics”
- Nasdaq Baltic Market Awards – 1st place “Best Investor Relations in the Baltics according to market professionals”.
- Nasdaq Baltic Market Awards – 1st place “Best Interactive Relations”
- Nasdaq Baltic Market Awards – 1st place “Most Trustworthy Company”
- “Most Youth and Children Friendly Company in Tallinn”

Company’s Supervisory Board has a Corporate Governance Committee. In 2015, the Corporate

Governance Committee continued to advise the Supervisory Board on the improvement of corporate governance of AS Tallinna Vesi for the benefit of its Supervisory Board and shareholders.

More information on the subject can be found in the [Annual Report](#).

Value of the Company

We are a listed company, our shares are listed on NASDAQ OMX Main Baltic Market since 1st June 2005. A company’s market value is a good indication of the overall value of the Company and investors’ perceptions of its business prospects.

During 2015, the shareholder structure was relatively stable compared to the end of 2014. During 2015 the closing price of AS Tallinna Vesi’s share has increased by 5.3% from EUR 13.10 to EUR 13.80, which lead to the increase of market capitalization. At the end of 2014, the market capitalization was at EUR 262.0 million, and by the end of 2015 the market capitalization increased to EUR 276.0 million.

Market value is impacted by factors controlled by the Company and also by factors not controlled by the Company. Profitability and cost effectiveness are major influences on market value, controlled by the management of the Company. Given the ongoing tariff dispute with the Estonian Competition Authority, significant raising of the profitability in the core business is not possible at the moment. Therefore working on the successes of 2015, the Company will seek further external opportunities in asphaltting and construction via our subsidiary Watercom OÜ. However, each opportunity will be carefully considered to ensure no significant risk to the core business.

As mentioned one of the biggest external influences and difficult to control is the ongoing tariff dispute.

6. Environmental Aspects

Environmental aspects and impacts have been described in more detail in our annual Environmental Report, which addresses many of the environmental topics that are presented below. In 2015 the Company did not identify any non-compliance with environmental laws or regulations. Our 2015 Environmental Report can be accessed [here](#).

Leakages

One of our main objectives is to keep the leakages i.e. losses of pure water in the water network at a minimum level. In 2015, the level of leakages was 14.68%. About ten years ago the level of leakages exceeded 32%, which means that we are currently saving over 14,000 m³ of treated water a day compared to the period ten years ago.

The low level of leakages increases efficiency and reduces costs due to the reduction of water losses, which in turn directly and indirectly affects our employees, investors and clients as well as public sector and the community.

This reduction in the level of leakages has been facilitated by our consistent efforts to use the water resource sustainably and with lower losses. Detecting and eliminating the leakages as fast as possible and regular preventive actions contribute to the reduction in the level of leakages. Lower level of leakages in the network also means lower volumes of water extracted from water sources. AS Tallinna Vesi supplies its customers with the drinking water extracted from both surface water and groundwater sources, whereas, approximately 90% of our clients use water from Lake Ülemiste, which has been treated in Ülemiste Water Treatment Plant.

More detail on the use and quality of water resources is provided in our [Environmental Report 2015](#).

Extreme Weather Events

Our work is largely dependent on the weather, for example, it affects the quality of water entering into the plants and sewage parameters,

also the amount of energy and chemicals required in the treatment processes. Extreme weather events have a significant impact on our business.

The strongest impact on the activities of AS Tallinna Vesi and its stakeholders (including employees, community, clients and public sector) results from extreme weather events such as heavy downpour for example. Heavy downpour and peaking quantities of storm water may cause floodings and short-term incapacity of the sewage and storm water network to take in such large amount of water. Moreover, it may result in the incapacity of the waste water treatment plant to take in and/or fully treat such large amounts of sewage. In those circumstances, to avoid major damages, we are from time to time bound to discharge partially treated sewage into the sea or open emergency outlets to lead highly diluted wastewater into the sea. Effective operation and minimising the risks are fundamental in keeping such occurrences as rare as possible.

As a water company we are required to act in line with the environmental permits and pay pollution charge aimed at preventing and reducing the potential damage that the pollutants or waste discharged into the environment may cause.

The calculation of pollution charges is established in the permit for the special use of water and in the Environmental Charges Act, and is applied to the pollutants contained in the effluent and storm water at the particular outlets. Both the receiving water coefficient of the specific outlet, as well as compliance with the pollutant limit value in effluent are taken into account in pollution charge calculations. In 2015, the pollution charge paid for discharging pollutants into receiving waters accounted for 4.2% of the cost of services sold.

Use of Chemicals

We use approximately 325 hazardous and less hazardous chemicals in both the water treatment

and wastewater treatment plants. With regard to the health and wellbeing of our employees we deem safe handling of chemicals at the work site extremely important. For this purpose, we have created necessary conditions for safe storage and use of all chemicals. In 2015, we used a total of approximately 6,090 tons of various chemicals in our operations. One of the chemicals indicated as renewable is for instance ozone, which is produced out of oxygen on site in the ozonators; and methanol, which is produced as a result of natural processes.

More detail on the use of chemicals is provided in the [Environmental Report 2015](#).

Wastewater Treatment Efficiency and Effluent Compliance

We treat the wastewater collected in Tallinn and nearest surrounding areas, using environment-friendly and modern technologies at Paljassaare Wastewater Treatment Plant. We are committed to maintaining the high standards and outperforming all standards established for the effluent discharged into the Baltic Sea. The quality of the effluent discharged into the sea has a direct impact on the marine environment, and therefore, directly and/or indirectly constitutes an important aspect for all our stakeholders.

More detail on wastewater treatment and effluent compliance is provided in the [Environmental Report 2015](#).

7. Social Aspects

Risk Management

Risks are an inevitable part of our daily business and as risk cannot be entirely avoided we have to manage them. The objective of risk management in the Company is to understand, assess and control the circumstances that may pose problems to the Company, and to guarantee success and minimise possible setbacks. Risk management and its effectiveness affects all our stakeholders.

We classify our risks into business- and financial risks, environmental risks, occupational health and safety risks and operational risks. Our risk management is based on the Company policy (chapter “Our Principles and Membership in Organizations”). Although not directly referring to Rio Declaration, our environmental and occupational health safety policies include precautionary principle.

Risk levels are determined by assessing the probability of risks and severity of their impact. Under the probability we consider the possible frequency of risk materialisation and the severity of impact is evaluated, depending on the nature of the risk, by considering the inherent factors of our business. Should the risk assessment result in the risk level exceeding the desired level, we undertake a relevant risk treatment process to reduce the risk to a desired level.

In line with the Emergency Act, we have prepared the risk assessment and –plans for continuous operation of processes and update them regularly.

We are currently transferring from a spreadsheet method to the electronic risk management method, which allows us to further improve our efficiency in risk assessment, by linking risks to the right processes, notification and taking account of risks in our activities.

Responsible Communication

It is instrumental for us to provide timely, reliable and clear information about our activities both pro-actively and when needed. Due to the strong

impact of our activity on both the people and environment, responsible communication is fundamental to ourselves and our stakeholders. Given that our stakeholders have different expectations, it is the key for the communication to address all necessary aspects and balance those expectations. Therefore, communication plays an important role in shaping the Company’s reputation.

One of the main activities of AS Tallinna Vesi – production and supply of drinking water to customers – constitutes a vital service. Our activities are subject to strict legal requirements and standards on both local and EU level. We are constantly monitoring the quality of drinking water and the drinking water supplied from the treatment plant to the network is always 100% compliant with all standards, whilst the compliance of samples taken from customers’ taps was 99.9% in 2015. In case any non-compliant water gets into the network, we have a legal requirement to notify the Health Board, also the public if necessary, of such occurrences and take immediate steps to resolve the problem.

Providing Uninterrupted Services

We provide water supply and sewerage services to more than 22,000 contractual customers and approximately 439,000 end-users in Tallinn and its surrounding areas. Our services are used by almost one third of Estonia’s population. Our role is to ensure the availability of high quality service to our customers and community 24/7 and 365 days a year. Therefore, our focus lies on ensuring the reliability of the service, preventing problems and finding fast resolutions to the problems. Stringent control over drinking water and consistently high quality levels in all segments of our products and services are fundamental to ensure the provision of uninterrupted services. Also, effective water treatment and functioning of the water network, prevention of problems through regular maintenance and efficient, prompt and smooth discharge of wastewater and treatment thereof in compliance with strict requirements contribute to the availability of

uninterrupted service. In order to be able to deliver uninterrupted service to our customers, each year we set ourselves targets to our operations performance, more detail on which is provided in our [Yearbook 2015](#).

Customer Satisfaction

We understand the importance of our service to people and focus on maintaining and improving the quality and reliability of our service. Customer satisfaction and feedback from them allows us to have their honest opinion on our activities, recognise our strengths and areas of improvement we should turn more attention to. Each year, a customer feedback survey is carried out by a research company, TNS EMOR among our customers and end-users.

Besides customers themselves, addressing customer satisfaction is also important to our partners, investors, community and public sector. High results in customer satisfaction improve the reputation and reliability of the Company.

In 2015, the average score of the segments of customer satisfaction survey was very high - 94 TRIM index points (on a scale of 100). 91% of the responded customers living in private houses said that they drink tap water and the fact that this number has been steadily growing over the years is a good indication of our message coming through to the consumers and their trust in the quality of our product has increased.

More detail on the results of the customer satisfaction survey is provided in the [Environmental Report 2015](#).

Responsible Customer Service

Besides the high quality of product, responsible customer service is another aspect underpinning customer satisfaction. The responsible customer service of AS Tallinna Vesi as a provider of vital service is primarily represented in three activities:

1. *Pro-active communication*
 - Giving advance notices to customers of interruption to services

- If possible, providing alternative options to use the service during interruptions (temporary connections, water tanks)
2. *Consistent monitoring of complaints and issues and taking improvement actions as needed*
 - Internal procedure for problem handling
 3. *Specific promises related to ensuring the availability of service and providing information*

We have implemented a unique system of promises, which means that if we violate our promises, we pay compensation to our customers. Our promises to customers are as follows (clarification on the content of promises is provided [here](#)):

WE PROMISE TO:

- ENSURE THAT YOUR WATER METER READS ACCURATELY;
- SEND YOU AN ACCURATE BILL;
- TIMELY RESPOND TO YOUR PHONE ENQUIRY;
- TIMELY RESPOND TO YOUR WRITTEN ENQUIRY;
- KEEP THE AGREED APPOINTMENTS;
- CLOSE AND OPEN WATER SUPPLY AT THE TIME PROMISED;
- RESTORE WATER SUPPLY AS QUICKLY AS POSSIBLE;
- ENSURE YOU A CONSISTENT WATER PRESSURE;
- DELIVER HIGH QUALITY WATER;
- KEEP ENVIRONMENT AROUND YOU.

In 2015, we failed to keep our promises in 9 cases, each of which has been analysed and compensation has been paid to the customers. The number of customer complaints has decreased year-on-year, the total number of complaints being 67 in 2015 (76 in 2014). No complaints were received in 2015 with regard to any loss of customer data or violation of privacy.

Equal Treatment of Staff

The value of the Company lies not only in the services we provide, but also in the people who provide those services. We believe it is important to treat our employees equally, involve them in

the decision-making process and to inform them regularly. No company can function without its employees and therefore, this subject matter concerns either directly or indirectly the majority of our stakeholders.

Despite the diversity of its members, our team still represents certain characteristics. For

example, the average age of our staff is relatively high (47 years) and Estonian is not a mother tongue for quite a number of our staff. Our employees are also very loyal, the person with the longest service has been with the Company for 53 years. The average number of years in the Company is 12.4 years and 53 members of staff have been with the Company for over 25 years.

Groups of staff	Total number	Gender			Age groups			Native language		
		Women	Men	Women/Men	< 30 y	30-50	> 50 y	Russian	English	Estonian
Management Board	3	1	2	33%/66%	1	2	0	1	1	1
Executive Team (incl. management board)	9	6	3	66%/33%	1	8	0	1	1	7
Management Team	20	11	9	55%/45%	1	17	2	2	1	17
All staff	320	96	224	30%/70%	29	153	136	69	1	250

We have clear principles in place to ensure equal treatment of staff and have established an action plan to develop our teams:

- Competitions for all vacancies are public and everybody has equal opportunities to apply. We always circulate the job offers internally as well.
- We believe that the strongest are the teams, where the members with many years of experience are balanced with young and energetic members. We provide trainings and support to the managers on how to create and manage such teams effectively.
- We support the development of staff internally and provide career opportunities within the Company. The discussion of the plans for professional development always constitute a part of the annual performance interviews, which are held with all of the employees (100%). Addition to that we had 1,8 training days per employee in 2015.
- Each summer we have 7-10 trainees working in our Company. We decide upon the candidates based on their interest in cooperation with us for a longer period of time and their desire to stay with the Company after traineeship. Trainees are 100% members of our team, with opportunities to participate in all team

events and initiatives (incl. meetings, roadshows and discussions).

- Remuneration is based on definite position-based salary ranges, along with the description of the criteria used to generate the salary ranges and to move salaries therein. The definitions of criteria are as objective as possible and linked to the years of professional experience, education and professional as well as behavioural competencies.
- All members of staff have the opportunity to receive annual PRP, which is based on very clear and transparent principles and the delivery of a balanced combination of personal and company objectives, which are set for each year.
- Young Specialist Program has been implemented in our Company to support the development of young staff and to provide them with a comprehensive overview of the whole Company.
- Good Retirement Practice ensures the transfer of know-how from more experienced staff to the young members of staff.
- We organise Estonian classes at the Company's expense to make the staff, whose mother tongue is not Estonian, also feel as part of our unified team. At the same time,

we provide the majority of important information also in Russian.

More detail on our employees is available in our [Environmental Report 2015](#).

8. GRI Content Index

Report name	Abbreviation in the GRI content index	Web link
Environmental Report 2015	Env. r.	http://tallinnavesi.ee/images/2016_uus/Environmental_report_2015.pdf
Yearbook 2015	Yearbook	http://klient.tallinnavesi.ee/aastaraamat2015/eng/index.html
Annual Report 2015	Annual report	http://tallinnavesi.ee/images/2016_uus/Annual_Report2015_ENG1.pdf

Standard disclosures					
Disclosure	Description	Coverage*	Page	External reference	External assurance
G4-1	Statement from the most senior decision-maker of the organization.	✓	3	Env. r, p. 3-7	p. 25
G4-3	Name of the organization.	✓	6	-	p. 25
G4-4	Primary brands, products, and/or services.	✓	6	Annual report, p. 7	p. 25
G4-5	Location of organization's headquarters.	✓	6	Env. r, p 5	p. 25
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	✓	5	Annual report, p. 7	p. 25
G4-7	Nature of ownership and legal form.	✓	6	Annual report, p. 35	p. 25
G4-8	Markets served	✓	6	Annual report, p. 7; Env. r, p 13	p. 25
G4-9	Scale of the organization.	✓	6-7	Annual report, p. 7, 9, 15	p. 25
G4-10	Overview of the employees of the organization	✓	7	Annual report, p. 15-16	p. 25
G4-11	Percentage of total employees covered by collective bargaining agreements.	✓	7	-	p. 25
G4-12	Organization's supply chain.	✓	6-8	-	p. 25
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain.	✓	5	-	p. 25
G4-14	Precautionary approach or principle addressed by the organization.	✓	16	Annual report, p. 21	p. 25
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	✓	8	Env. r, p. 7	p. 25
G4-16	Memberships of associations	✓	8	-	p. 25
G4-17	Entities	✓	5-6	Annual report, p. 7	p. 25
G4-18	Defining the report content and the Aspect Boundaries and how the Reporting Principles for Defining Report Content has been implemented	✓	10	-	p. 25
G4-19	Material Aspects identified in the process for defining report content	✓	10	-	p. 25
G4-20	Aspect Boundary within the organization	✓	10	-	p. 25
G4-21	Aspect Boundary outside the organization	✓	10-17	-	p. 25
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	✓		Compared to previous report there have been no re-stated statements	p. 25

G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	✓	In previous years the importance of CSR aspects have not been assessed this way		p. 25
G4-24	List of stakeholder groups engaged by the organization.	✓	8-9	-	p. 25
G4-25	Basis for identification and selection of stakeholders with whom to engage.	✓	8	-	p. 25
G4-26	Organization's approach to stakeholder engagement	✓	8-9	Env. r, p. 10-13, Annual report, p 22-28	p. 25
			No stakeholder engagement was undertaken specifically as part of the report preparation process		
G4-27	Key topics and concerns that have been raised through stakeholder engagement	✓	8-9	Env. r, p 10-13 Annual report 22-28	p. 25
G4-28	Reporting period (e.g., fiscal/calendar year) for information provided.	✓	5	-	p. 25
G4-29	Date of most recent previous report (if any).	✓	5	-	p. 25
G4-30	Reporting cycle (annual, biennial, etc.)	✓	5	-	p. 25
G4-31	Provide the contact point for questions regarding the report or its contents.	✓	6	-	p. 25
G4-32	GRI Content Index	✓	5, 19-21	-	p. 25
G4-33	Policy and current practice with regard to seeking external assurance for the report.	✓	5, 25	-	p. 25
G4-34	Governance structure of the organization, including committees of the highest governance body	✓	-	Annual report, p. 21-30	p. 25
G4-56	Describe the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	✓	4, 8	-	p. 25
Specific standard disclosures					
G4-DMA	Description of the economic aspects	✓	10-12	-	p. 25
G4-DMA	Description of the environmental aspects	✓	10, 13-14	-	p. 25
G4-DMA	Description of the social aspects	✓	10, 15-18	-	p. 25
G4-EC1	Direct economic value generated and distributed	✓	11	Annual report, p. 8-19, 32-35, 47-66	p. 25
G4-EN1	Materials used	✓	13-14	Env. r, p. 18-20, 32-33, 41	p. 25
G4-EN8	Water withdrawal	✓	13	Env. r, p. 18-20	p. 25
G4-EN9	Water sources affected by withdrawal of water	✓	13-14	Env. r, p. 18-20	p. 25
G4-EN15	Direct greenhouse gas emissions	✓	-	Env. r, p. 39	p. 25
G4-EN21	NO _x , SO _x and other significant air emissions	✓	-	Env. r, p. 39	p. 25
G4-EN22	Total water discharge by quality and destination	✓	13-14	Env. r, p. 28-31	p. 25
G4-EN23	Total weight of waste by quality and destination	✓	-	Env. r, p. 34-35	p. 25
G4-EN29	Non-compliance with environmental laws and regulations	✓	13	Env. r, p. 9-10	p. 25
G4-LA9	Average hours of training per year per employee	✓	18	Env. r, p. 12	p. 25
G4-LA10	Programs for skill management and lifelong learning	✓	17	Env. r, p. 12	p. 25
G4-LA11	Percentage of employees receiving regular performance and career development reviews	✓	17	-	p. 25
G4-LA12	Composition of governance bodies and employees	✓	7, 18	Annual report. p. 15-16	p. 25
G4-SO1	Local community engagement	✓	-	Env. r, p. 14	p. 25
G4-SO7	Monopoly practices and their outcomes	✓	11	Annual report. p. 6	p. 25

G4-PR4	Non-compliance with regulations and voluntary codes concerning product and service information	✓	15-16	-	p. 25
G4-PR5	Results of surveys measuring customer satisfaction	✓	16	Env. r, p. 13	p. 25
G4-PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	✓	16	-	p. 25

* ✓ Completely covered, ✓ Partially covered

Material Aspect	GRI4 indicator	External Assurance
Profitability	G4-DMA, G4-21, G4-EC1	p. 25
Cost Efficiency	G4-DMA, G4-21, G4-EC1	p. 25
Monopoly	G4-DMA, G4-21, G4-SO7	p. 25
Business Ethics	G4-DMA, G4-21	p. 25
Value of the Company	G4-DMA, G4-21, G4-EC1	p. 25
Liquidity	G4-DMA, G4-21, G4-EC1	p. 25
Leakages	G4-DMA, G4-21, G4-EN8	p. 25
Extreme Weather Events	G4-DMA, G4-21, G4-EN29	p. 25
Use of Chemicals	G4-DMA, G4-21, G4-EN1	p. 25
Wastewater Treatment Efficiency and Effluent Compliance	G4-DMA, G4-21, G4-EN22	p. 25
Risk Management	G4-DMA, G4-21, G4-14	p. 25
Responsible Communication	G4-DMA, G4-21, G4-PR4	p. 25
Providing Uninterrupted Services	G4-DMA, G4-21	p. 25
Customer Satisfaction	G4-DMA, G4-21, G4-PR5	p. 25
Responsible Customer Service	G4-DMA, G4-21, G4-PR4, G4-PR8	p. 25
Equal Treatment of Staff	G4-DMA, G4-21, G4-LA9, G4-LA10, G4-LA11, G4-LA12	p. 25

9. APPENDICES

Appendix 1

ENVIRONMENTAL POLICY

We are the largest water company in Estonia. Our activity influences nearly one third of Estonia's population. We acknowledge that by providing service compliant with all requirements, we influence the quality of life of the citizens of Tallinn, neighboring municipalities as well as the Baltic Sea natural habitat and its surrounding areas. Therefore, we take into account the impact we have on surrounding living environment, and association with the different stakeholder interests.

- ✓ We act responsibly – we take into consideration our impact on the natural habitat, health and quality of life of the residents as well as interests of different stakeholders.
- ✓ We fulfil all legal requirements, but we are dedicated to doing more than required.
- ✓ We value the natural environment we operate in and therefore use natural resources sparingly and continuously seek ways for a more sustainable consumption. In order to help shaping an environmentally conscious way of thinking in our community, we encourage and support others accordingly.
- ✓ We wish to give our contribution to those who need more help and attention in the community to experience the joy of success.
- ✓ We strive to be a good neighbour in the community by supporting and encouraging activities related with environmental awareness and healthy life style.

Appendix 2

QUALITY POLICY

We aim to ensure that our customers have drinking water with a very high quality and to discharge wastewater and stormwater in an environmentally wise manner.

- ✓ We continuously improve the quality-, environment-, occupational health and safety performance of our products, activities and services.
- ✓ Management is based on the principle of continuous improvement throughout the business.
- ✓ We do more than required by the legal acts and we follow the best practices.
- ✓ We are a good partner for our customers. We are not afraid to give promises and take responsibility when we fail to keep our promises.
- ✓ We believe that it is only by involving our various stakeholders and through open and honest dialogue that we can strive for continuous development to improve our services, quality and work organisation.
- ✓ We believe that behind every successful company there are inspired and competent employees. Therefore, we consider very important to support and acknowledge, and involve them in our activities and decision making processes.
- ✓ We provide our stakeholders with relevant and timely information.

Appendix 3

OCCOPATIONAL SAFETY AND HUMAN RESOURCE POLICY

A. Health and safety policy

We aim to be recognised as a water company that delivers strong safety performance and a safe environment for customers and colleagues, by enabling a positive safety culture.

To ensure a consistent and coherent implementation of this policy, company complies with OHSAS 18001:2007 certification by independent accredited bodies.

Safety is an inseparable part of our business. It's central to everything we do, and we absolutely do not compromise on it:

- ✓ We provide adequate control of the health and safety risks arising from our work activities.
- ✓ We consult with our employees on matters affecting their health and safety.
- ✓ We are committed to providing safe and healthy working conditions.
- ✓ We provide information, instruction and supervision for employees in order to ensure they use safe working practices.
- ✓ We are dedicated to ensuring all employees are competent to do their tasks, and provide them with adequate training.
- ✓ We ensure a crisis and emergency management system is in place to minimize the impact of such incidents.
- ✓ We proactively put into place processes and practices to prevent work accidents and illnesses.
- ✓ We provide our employees with benefits that support their wellbeing and encourage them to pursue a healthy lifestyle.
- ✓ We implement health and safety management system to ensure our employees work in safe and healthy work environment. It is in full compliance with legal requirements.
- ✓ We are dedicated to continuous improvement of company's performance in health and safety.

B. Our contribution for the benefit of the employees

As a socially responsible company that values its staff and is dedicated to continuous improvement, we believe and contribute towards being a company with committed, competent and efficient employees.

- ✓ Our activities have a considerable impact on natural living habitat. Therefore, we believe that our work is meaningful and responsible.
- ✓ We encourage the development in the company. That is why we give opportunities to devoted and capable employees for self-realisation and career within the company.
- ✓ We encourage our employees to continuously learn and develop, offering them training opportunities on the basis of their own and the company's needs.
- ✓ We consider it important to ensure a sustainable succession of capable staff. We acknowledge efficient and devoted work over-and-above their day job and award a contribution to their pay annually where appropriate.
- ✓ We believe that motivated and competent employee is company's greatest asset.
- ✓ We acknowledge and reward our employees long-term contribution to the company.
- ✓ We firmly believe that no work assignment is worth getting hurt for. Therefore, we are committed to ensuring safe work environment and provide our staff with the work tools that meet the required standards and our needs.
- ✓ We value and support healthy lifestyle.
- ✓ We strive towards being a good neighbour in the community. We encourage and support our employees to actively take part in community activities.
- ✓ We consider it important that our employees are engaged in the company's activities and aware of important topics which is why we ensure timely and relevant flow of information.

Appendix 4

PRINCIPLES OF RESPONSIBLE BUSINESS

We are the largest water company in Estonia and our activity influences nearly one third of Estonia's population. We have a responsibility to bring very high quality drinking water to consumers, ensure service reliability, collect and treat wastewater and stormwater in an environmentally wise way.

We acknowledge that by providing service compliant with all requirements, we influence the quality of life of not only the citizens of Tallinn and its neighbouring municipalities, but also the Baltic Sea natural habitat and its surrounding areas.

We consistently and systematically apply this knowledge in our daily management decisions and business operations. This means that our management practices take into account the impact we have on surrounding living environment, and association with the different stakeholder interests.

We consider social responsibility central to our activities, thorough of our activities. Most of all, it means we do more than we have to, in terms of quality, support for the community, environmental education as well as working environment

Customer

Our most important role is to provide our customers a service, which they can depend on 24/7, 365 days a year. We know our responsibility and we are not afraid of giving promises and take responsibility to fulfil them.

Employees

We value our employees highly and wish to create opportunities so that everyone in our team could contribute at the best level possible. Our aim is to create a working environment to support providing our customers with high quality. Most of all, we consider safe working environment to be very important – no work assignment is worth getting hurt for.

Community

The community we operate in, people whose lives our work impacts – they are vital for us. We therefore consider very important to actively take part and support the community we operate in.

Quality and environment

We are dedicated on providing very high quality, at the same time minimizing our impact on living environment.

Investor

We aim to be transparent and honest thorough our business activities, giving timely and accurate information to our shareholders. We treat all our stakeholders equally and we are dedicated on efficiency while ensuring the sustainability of the company.

Partner

We develop relationships with partners and suppliers based on common values to support achieving our objectives.

External Verification Statement

(In Accordance - Core)

Maalinn Consulting OÜ hereby states that AS Tallinna Vesi has presented its Social Responsibility and Sustainable Development Report 2015 (the Report) to Maalinn Consulting OÜ for an external assurance, which have concluded that the Report fulfils the requirements of GRI G4 In Accordance - Core criteria.

GRI In Accordance options (Core or Comprehensive) communicate the extent to which the content of the GRI G4 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for the In Accordance option have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G4 Guidelines.

In Accordance options *do not* provide an opinion on the sustainability performance of the reporter *nor* the quality of the information in the report.

Tallinn, 12th of July 2016



Helen Maalinn

Consultant and GRI Guidelines' specialist
GRI Certified Training Program, Certificate No TR81578
Maalinn Consulting OÜ

This statement only concerns material submitted to Maalinn Consulting OÜ at the time of the check on 12/7/2016. Maalinn Consulting OÜ explicitly excludes the statement being applied to any later changes to such material.