

Waste?



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Was waste

We're looking at waste in a whole new way. Everyone is suddenly realising that rubbish isn't worthless but that it's a powerful tool to create the world of tomorrow without placing undue pressure on precious natural resources. There's a growing realisation that what we need is what we already have.

The raw materials needed to make the things we will need tomorrow are here in front of us, all we have to do is stop throwing them away. This is a revolution that's already underway. You just might not have noticed. Viridor is at the forefront of this revolution, ensuring that waste is seen in a new and optimistic light playing an active role in delivering the changes that need to be made.





Was
thrown away

We're not going to stop wanting new things but we can harvest the high quality raw materials we're going to need from our old things. The undesirable, discarded by-products of daily life can become the must-have products of tomorrow, many of which you wouldn't think possible.

During the year, Viridor recycled or recovered over 2.4 million tonnes of materials including metals, paper, plastic, glass and even fridges.

Highlights of 2010/11

Viridor was named UK Recycling and Waste Management Company of the Year in 2010.

The company now operates 26 materials recycling facilities (up from 18 in 2010).

Recycling Registration Scheme quality protocol standard achieved at all relevant Viridor MRFs.

Training function reviewed and further strengthened, focused on training delivery. More than double the targeted amount of (NVQs) achieved by our employees.

Waste





Was
a wasteland

We're proud of our habitat creation and land stewardship which affects many living things. The people we increasingly employ and the communities we serve. Even landscapes once regarded as eyesores are now replenished by plants and trees and repopulated with wildlife.

The work of previous years came to fruition with the awarding of the Wildlife Trust's Biodiversity Benchmark at three of the company's closed landfill sites – Odcombe in Somerset, and Tatchells and Warmwell in Dorset.

Highlights of 2010/11

Viridor funded local environmental improvement initiatives to the tune of £9.9 million, reintroduced rare species of plants, and planted 8,500 trees.

Viridor was named UK Recycling and Waste Management Company of the Year 2010 at the National Recycling Awards.

Earls Barton materials recycling facility (MRF) won Campaign for the Protection of Rural England Town & Country Award for design.

Waste





Was food scraps

The latest anaerobic digestion technology means unpalatable kitchen scraps can be used to make electricity for the Grid. And even the waste that can't be recycled can be used as an energy source that makes as much power as all the UK's wind farms put together.

Viridor's contribution to the nation's electricity supply jumped by 10% to 752 gigawatt hours (GWh) last year, and this is set to rise once we have completed building the UK's largest energy-from-waste combined heat and power facility.

Highlights of 2010/11

Work underway to deliver 88MW of additional renewable power capacity in the form of new energy from waste, combined heat and power plants and anaerobic digestion facilities.

Four new major recycling/recovery-led contracts won, a new advanced materials recycling facility opens in Sheffield, five planning consents obtained for recycling and energy from waste facilities.

Waste



Was
reduced

The process of sourcing, transporting and processing virgin raw materials is a major cause of CO₂ emissions. Whereas the processes of promoting waste prevention, recycling to recreate raw materials, and using waste materials, to replace fossil fuels are effective ways to cut them. We are successfully reducing our environmental impact and maximising benefits.

Our industry has cut CO₂ emissions by 58% in recent years, and Viridor is leading the way in reducing the overall impact still further, although the challenge is reducing this impact with a growing business. We have introduced smart metering and will use this year as the carbon baseline for further improvement.

Highlights of 2010/11

Key energy efficiency initiatives underway, including company-wide installation of smart meters. Major energy and carbon reduction opportunities identified and implemented.

Five additional sites certified under Viridor's Business Management System, including one (Earls Barton) in record time.

Record percentage of CR targets achieved – 11 out of 12. The remaining one (achieving the Biodiversity Benchmark at three more sites) is ongoing.

Five acquisitions significantly strengthen Viridor's recycling services in key areas of Greater Manchester, the South West and East Anglia.

Waste



Chief Executive Overview

Our recycling and renewable energy generation services are helping the UK towards greater environmental sustainability by significantly reducing resource use and carbon emissions.



Colin Drummond
Chief Executive Viridor

Environmental, social and economic sustainability is fundamental to Viridor's business. Our recycling and renewable energy generation services are driving the UK towards greater environmental sustainability by significantly reducing resource use and carbon emissions. By its nature our business has a strong reliance on people, with nationwide operations and over 3,000 employees needing to work closely and sustainably with the local communities in which we operate. In terms of economic sustainability, ours is a long-term business with contracts and capital investment programmes spanning 25 years or more.

Corporate responsibility for Viridor is about much more than box ticking. It is undoubtedly ingrained in the fabric of what we do. It is pleasing to report positive achievements measured against the metrics and targets we have set in previous years. However, we recognise that favourable metrics alone may disguise underlying issues or fail to keep pace with external developments.

With this in mind, we are focussing our resources in the coming year on specific priorities as identified by our management team in a careful review of performance, risks and external developments. Our targets for 2011/12 (aligned, as last years, to those of our parent company Pennon) are outlined on page 34.

Environmental Sustainability

In terms of the environment, we performed well last year with further significant increases in recycling and renewable energy generation, and improvements in our carbon management and reporting. Indeed, the UK's waste and recycling industry remains a leading sector in the UK in terms of CO₂ emissions reduction: 58% since 1990 on statistics published by the UK Committee on Climate Change. It is clear that effective, market-friendly Government incentive systems (including Landfill Tax and Renewable Obligation Certificates), combined with public engagement on the need and demand for recycling, have benefits to the wider community.

Economic Sustainability

Economic sustainability, in our view, deserves more attention than it has received at least until recently in the UK. There are well publicised examples which seem to highlight the dangers associated with excessive concern about short-term profit momentum, often combined with unsustainable financial structures, at the expense of long-term shareholder value creation.

Viridor has delivered sustained profit growth of around 20% since 2000 by focussing on long-term competitive advantage. In 2010/11 we have continued to invest heavily in the long-term economic sustainability of our business with capital expenditure of £74 million, (well in excess of depreciation of £45 million), and with acquisitions of £50 million. In addition, in the past year we achieved planning approvals for four strategic energy from waste facilities*, which will help the UK meet its renewable energy generation and landfill diversion targets as well as underpinning long-term profit momentum for shareholders.

Social Sustainability

Last year we prioritised social sustainability matters, both internally for the benefit of our employees and externally to help the communities in which we operate. It is pleasing to report progress in these areas, and in particular a major improvement in our accident rates. However we are mindful of the fact that waste and recycling still performs poorly compared with other industries, and we are targeting continued improvements in the coming year with a goal of zero accidents.

We welcome the UK Government's continuing commitment to the Landfill Communities Fund (LCF). During 2010/11 we donated a total of £9.9 million to a broad range of eligible environmental and community projects in the areas in which we operate. Our aim is always to be a good neighbour, and by supporting a wide number of schemes, both directly and through the LCF, we can maximise the impact of our contributions by building on local initiatives and commitment.

For the coming year social sustainability matters will remain a high priority. My participation in Channel 4's *Undercover Boss* programme, which was broadcast in the summer of 2010, gave me first hand experience at the very sharp end of our activities – waste collection, operation of household waste recycling centres and working in quality control picking lines in our materials recycling facilities. This convinced me that our employees are genuinely our company's greatest asset, with admirable levels of motivation and positive ideas for improving the services we offer our customers. We would be foolish not to capitalise on this. My experience also made me more aware of the intensely physical nature of many of our jobs and the associated risks of slips, trips and falls, or even worse. In view of this, we are targeting further improvements in employee engagement, development and training (as well as in health and safety).

We have been particularly concerned that the UK's skills agenda has paid insufficient attention to fundamental technical skills. We welcome recent Government initiatives on apprenticeships. During the past year we assisted in the development of the Apprenticeship in Sustainable Resources Management and, at the time of writing, have 10 apprentices in the company.

We are aware that the whole world of communications and accessibility is changing rapidly with a new range of social media and participation levels unheard of a few years ago, particularly in a somewhat traditional industry such as waste management. In the coming year we are challenging ourselves to use such media effectively to start a genuine dialogue with the communities we serve, and to open a conversation with the broad range of stakeholders with an interest in our sector.

While social aspects figure prominently in the coming year, we are continuing to set challenging targets to ensure no let-up in our progress in other vital areas such as:

- Carbon management and energy efficiency.
- Recycling, with a particular focus on quality of output as well as overall volume, and.
- Renewable energy – meeting the challenge of moving from landfill gas (LFG) generation to various energy from waste technologies and anaerobic digestion.

Board Appointment

We have strengthened our board level focus on all corporate responsibility issues with the appointment of a dedicated Corporate Responsibility and Regulatory Director. This reaffirms our beliefs that the challenge of strong and meaningful corporate responsibility is fundamental to our business, and that being green is good for business.

*One of these approvals is subject to challenge.

Viridor People

We waste as little as possible. This includes the talents of our 3,000 employees. In the last year, our staff have grown in number and capabilities.

Viridor now employs approximately 3,200 people (up from 2,800 last year) including those welcomed from recent acquisitions in East Anglia, Manchester and Somerset. Ensuring our employees are safe, healthy, motivated and empowered is still our top priority. We aim to be a good employer for our large and diverse workforce.

As you will have read in his statement, Viridor's Chief Executive had the opportunity to experience the creativity, professionalism and energy of our employees first-hand when he took part in Channel 4's *Undercover Boss* primetime TV programme, which was broadcast in August 2010. Our employees' commitment to the company was apparent in the programme, which showed the extent to which their ideas help develop our business and contribute to what was another successful year for Viridor.

As new high technology facilities become more commonplace within the company, the skills required to run them will also increase. A combination of more people and higher skills requires a progressive and responsive approach to supporting Viridor's employees from our human resources department.

Continuing professional development is important, to get the best out of our team. We employ a huge array of disciplines at all levels. Membership of the Chartered Institute of Waste Management (CIWM) and other professional bodies is actively encouraged. All employees, irrespective of academic background, are thoroughly trained to an appropriate level as required for their roles.

Our employee appraisal scheme assists personal career development by identifying training and developmental areas. This in turn may lead to promotion, which we actively encourage. Our apprenticeship trainee programmes and graduate management training schemes have continued to achieve good results.

Aiming for best practice in all its employment matters, the company has a full range of policies and procedures in place, including an equal opportunities and a whistleblowing policy. The company works closely with trade unions and has recognition agreements with Unite, GMB and Unison, and aims to maintain good working relationships.

Viridor recognises that good internal communications are vital to achieve its business objectives. The company makes great use of its intranet, along with printed newsletters, bulletins and face-to-face 'tool box talks' for those who don't have online access. The aim is to ensure that all employees are kept up-to-date with company news and initiatives, as well as any changes to policies or procedures, and to encourage feedback and engagement from all employees.

Due to the current difficult economic climate in the UK the company has had to respond by examining its staffing levels and match these with internal and external customer demands and expectations. Some downsizing has been possible through natural wastage but some enforced redundancies have also been necessary. Genuine attempts are made where possible to redeploy employees rather than lose skills and experience.

Viridor continues a programme of identifying previously untapped labour pools or resources in the UK to meet its employment requirements. Areas of interest include young probationers looking for their first job long-term unemployed, internships for young school leavers, ex-offenders returning to the job market and graduate management trainee programmes. Good progress with various Government agencies has already been made and further results are expected over time.

For example, Viridor works in partnership with Pinnacle People who specialise in employment and skills services placements, addressing worklessness and social mobility. We have arranged many work placements and work experience projects with them across the business. One of these recently resulted in Darren Morton, who was on a part time placement after being out of work for two years, being offered full time employment within our training department.

Training and Development

During the year our training function was reviewed and further strengthened, helping us to focus on training delivery. More than double the number of targeted National Vocational Qualifications (200) were achieved by Viridor employees.

The Company has appointed a Head of Training and Development and a training and development strategy is now in place. The strategy will support the company's strategic vision and business plan by ensuring that health and safety compliance and personal development requirements are met while supporting and empowering employees to drive up productivity, efficiency and innovation.

Incidents 2010/2011		KPIs	
Injury Type	Number		%
Lifting/carrying/handling	16		26%
Slip	13		21%
Trip/fall on the same level	7		11%
Hit by a moving/flying/falling object	4		6%
Other	22		35%
Total	62		100%
<i>Incidence rate (per 100,000 employees)</i>	<i>2,049</i>		<i>-</i>

Incidence Rate (per 100,000 employees)



2010/11 Target
Review and develop the company's training function in line with legislative and operational needs, to ensure that the most cost effective and efficient means of training provision is available. Ensure no fewer than 200 employees attain NVQ Level 2 by 31 March 2011

Completed: Jan 2011

In support of our strategy and business plan Viridor will continue to work closely with Energy and Utility Skills, our relevant Sector Skills Council, and will continue to support the Waste Industry Skills Initiative (WISKI). The implementation of the strategy will also help us to widen the Investors in People award throughout the company.

Keeping Viridor People Safe and Healthy

A safe and healthy workforce will always be our priority, and a company with well-managed health and safety risk should be a successful one.

Viridor's cornerstone health and safety policy heads a comprehensive range of procedures covering operational health and safety requirements, integrating with other essential areas of the business including environmental compliance, human resources and quality. As we diversify further into recycling, renewables, composting and energy from waste we recognise the challenges arising from the introduction of more technology into the industry.

We aimed for, and achieved, a reduction in our overall RIDDOR incidence rate this year, although the company is never complacent in this vital area. Lifting, carrying and handling, and slips, trips and falls are our primary causes of general accidents.

Our health and safety team provides advice, guidance and support across the company. Every director is engaged in the process of reducing risk, all line managers are responsible for health and safety at their site, unit or section, and every employee is reminded of their responsibility to work safely and avoid health related risks.

Health and safety training is an essential element in maintaining and elevating standards, and an active and targeted programme continues. In 2010 another eight line managers successfully passed the NEBOSH General Certificate in Occupational Safety and Health course, one gaining a distinction. Viridor is also embracing the 'Safety Passport' for all its employees. The Passport assures a minimum basic knowledge and awareness of risks and best practice associated with the sector. Viridor will be rolling out the programme in 2011.

Structure for all health and safety systems and activities is also provided via the Company's Health and Safety Management System, accredited to OSHAS 18001:2007, certified by BSI, and forming part of its integrated Business Management System (BMS). Annual improvement targets are set, systems audited and performance reviewed annually. New or revised procedures during the year included:

- Control of contractors.
- Induction training.
- Confined space working.
- Reversing.
- Excavation, and
- Working with electricity.

A current focus is on transport hazards and, in particular, commercial collection and vehicles operating on landfills as these can result in the most severe accidents in the industry.

Viridor has signed up to the sector's Central Intervention Programme with the regulatory authority (HSE), with a lead inspector assigned to our company. This is designed to further improve dialogue between the HSE and industry and improve standards.

2010/11 Target
Achieve a 10% reduction in the three year rolling RIDDOR incidents, working towards an overall aim of zero accidents in the workplace.

The RIDDOR incidence rate has reduced by 16%



Business Performance and Management

It's sometimes difficult to see the tremendous value in waste – until you look at our results. The Viridor business model aims to deliver a strong and sustainable business.

This year Viridor achieved some 46% of profits through recovering the value in waste (compared to 44% in 2009/10, and only 17% 10 years ago). We are confident that this focus on recycling and renewable energy will continue to drive long-term growth for Viridor.

The last financial year demonstrates a strong financial performance, with a profit of £63 million and revenues of £712 million to continue Viridor's record of increasing its profit by 20% every year since 2000. The business handled over 8 million tonnes of material and recycled over 2 million tonnes (of which 1.7 million tonnes was sold on by Viridor).

The strength of our financial performance during 2010/11 was largely due to our recycling businesses, where volumes of material recycled grew and prices for materials remained strong. Added to this was the impact of two major recent investments, the Lakeside energy from waste (EfW) plant and the Greater Manchester Waste PFI, in addition to our other core services.

We will continue to ensure our core business goals are aligned to sustainability. We believe our objective to increase the proportion of profits derived from gaining value from waste (quality recycled materials and energy from waste) will help deliver long-term economic opportunities and stability. Our performance tracked against this trend over previous years clearly demonstrates this.

Growth was also driven by the acquisition of five high-quality recycling businesses for a total of £50 million, comprising seven material recycling facilities (MRFs) in East Anglia, the Midlands, the North West and South West of England. These acquisitions reinforce our position as the UK's leading operator of MRFs.

Viridor was delighted to be named the UK Recycling and Waste Management Company of the Year at the 2010 National Recycling Awards in London.

Our Business Management System (BMS)

Viridor has a fully integrated BMS certified by the British Standards Institute to ISO9001 (Quality Management), ISO14001 (Environmental Management) and OHSAS18001 (Occupational Health and Safety Management) standards. The BMS is subject to regular verification audits both internally and externally.

Our BMS has been implemented across all major operational sites, intended to provide assurance to both our customers and the communities around our operations. The BMS covers 150 of our operating sites, (which includes multi-facility sites, closed sites and development sites).

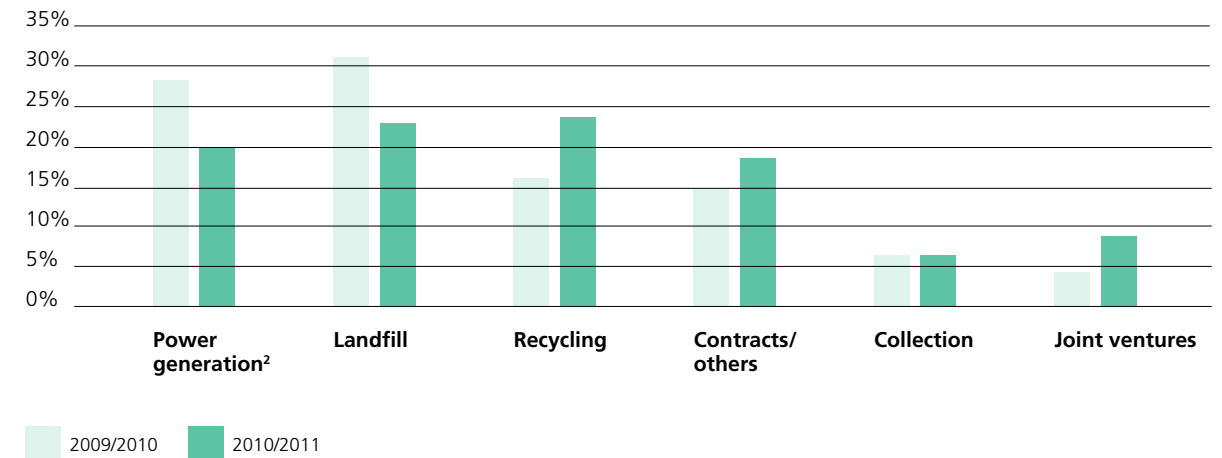
While meeting our target to implement the BMS at five new sites during the year, we also achieved accreditation for ISO 9001 and 14001 at the acquired Earls Barton MRF in a record six weeks.

In addition, Viridor has committed to support the Environmental Services Association-led recycling quality protocol, the Recycling Registration Service (RRS). Nine of its MRFs processing commingled municipal materials were assessed and accredited under the scheme, along with Viridor's recycle trading arm, Viridor Resource Management.

BMS sites covered	KPIs		
	2008/09	2009/10	2010/11
Number of sites with a BMS (14001, 9001, 18001)	139	148	150 ¹
Recycling Registration Scheme (RRS)			9

(1) Note: although this includes five additional sites, three sites are no longer owned by Viridor.

Profit contribution by segment: 2009/10 – 2010/11



(2) Note: The reason the percentage of profit in power generation fell was due to a fall in energy prices following their peak in 2008. We are confident that prices will firm up again in years to come.

Recycled materials traded		Renewable energy generating capacity	
2001	100,000 tonnes	2001	27MW
2010/11	1.7 million tonnes	2010/11	136MW

2010/11 Target

Revise incident reporting and report writing tool to enable accurate, timely and concise recording of all accidents, incidents and dangerous occurrences on all sites, and the production of management data on a quarterly basis.

Completed: Jan 2011

2010/11 Target

Extend scope of BMS registration for Rigmuir Landfill, London Recycling, Harrison House, and Viridor WEEE sites at Perth and St Helens.

Completed: Nov 2010

Regulatory Compliance

One thing this business never buries is its responsibility to be accountable for everything it does. We continue to run a business that not only values transparency but is judged upon it.

Complaints

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

Total numbers of complaints received over the last three years have risen from 644 to 892 – this represents approximately three complaints per site. During this reporting year half of the complaints received arose from one landfill which has seen an active local campaign against the site operations over the last two years. The company is actively engaged in dialogue with the community at this site and has implemented many measures on site to address their concerns. A further 28% arose from two other landfill sites and from household waste recycling sites. The landfills had experienced particular short-term operational issues that were quickly resolved and the household waste recycling sites have a high level of public interaction.

Odour related complaints continue to be the most significant, accounting for approximately 69% of total complaints received. Site managers and their colleagues work hard constantly to monitor and minimise the risk of off-site odours. Operational measures include ensuring daily cover and using tipping locations that consider the weather conditions, while site design measures such as cell and bund engineering incorporate agreed measures within formal odour management plans (which are an environmental permit condition).

Compliance

There were no prosecutions against Viridor during the year.

Two cautions were received. One was issued by the Environment Agency for a breach of an environmental permit condition relating to the protection of groundwater quality at Wangford Landfill following a leachate breakout. Extensive remedial works were conducted and successfully completed in consultation with the Environment Agency.

The second was issued by Yorkshire Water Services Limited as a result of leachate discharge to a sewer at Erin Landfill Site, (specifically exceeding permitted ammoniacal nitrogen concentrations) in the period November 2009 to May 2010. The situation at Erin has been addressed by means of a temporary treatment plant ahead of the move to a permanent plant, with the discharge remaining compliant since.

One enforcement notice was received under Regulation 36 of the Environmental Permitting Regulations 2010, relating to lack of notification of the liquid waste treatment facility based at Riverside Sewage Treatment Works in Rainham. The Environment Agency considered that a permit condition was not complied with as the company had not informed them that the site would be closed for more than three months. The notice was complied with.



Business Performance and Compliance

	2008/09	2009/10	KPIs 2010/11
Number of complaints	644	847	892
Total odour complaints	442	491	614
Number of complaints per operating unit	2.7	3.0	2.8

Business Performance and Compliance

	KPIs 2010/11
Number of prosecutions	0
Number of formal cautions	2
Number of enforcement notices	1
Number of abatement notices	0

Note:
Please see text on p18 under Compliance for further details.

Resource Efficiency

Every year this section becomes more pleasing to read. We remain frustrated that there are some things we simply cannot recycle, but we try to squeeze every last drop of worth from the rest.

Recycling, Resource Efficiency and Renewable Power

- 2.1 million tonnes of material recycled – an increase of 29% from last year.
- 454,000 tonnes of material composted*.
- Seven new MRFs acquired.
- New glass recycling plant and MRF opened in Sheffield.
- Recycling Registration Scheme quality protocol standard achieved at all relevant Viridor MRFs and recycle trading business, Viridor Resource Management.
- Four major recycling and recovery-led contracts secured.
- Planning consent secured for two recycling and four energy from waste (EfW) facilities
- UK's largest combined heat and power energy from waste facility under construction at Runcorn.
- Last of Viridor's planned landfill gas (LFG) power plants commissioned. Total landfill gas generation capacity increased to 108MW.
- Work underway to deliver 88MW of additional renewable power capacity in the form of new combined heat and power energy from waste and anaerobic digestion facilities.
- Record renewable power generating capacity achieved, with 10% increase in actual power output – 752,000 MWh.

*Comprises 224,000 tonnes composted at Viridor facilities and 230,000 sent for third party composting.

Recycling and renewable power generation (using waste and its by-products as a fuel) remain cornerstones of Viridor's business. The company's strategic objectives of continuing to expand these essential services should help meet the demand and expectations of our customers from all sectors, at the same time contributing to overall UK resource efficiency and renewable energy targets.

The company continues to utilise a combination of advanced technology and engineering, alongside innovation, professionalism and dedication from our employees to operate our growing number of recycling and resource recovery facilities. These include newly commissioned mechanical biological treatment plants with anaerobic digestion, high-tech materials recycling facilities, a network of landfill gas power plants and the award-winning joint venture Lakeside Energy from Waste facility.

The most important element in all our recycling operations is quality. This starts with the provision of clear information, education and awareness to business customers and householders regarding materials that can and can't be recycled, includes the provision of simple and convenient recycling systems (containers and collections) and strict quality control systems – before and after processing – in our materials recycling facilities. These measures ensure that the recyclates produced meet the exacting specifications and standards required by commodity markets in the UK and overseas. This in turn helps our customers produce new consumer goods using excellent recycled content, which saves energy, resources and money.

Our commitment to quality was underlined by the achievement of the RRS quality protocol standard at all of our MRFs that process commingled materials, and at our recycle trading business, Viridor Resource Management. We have also joined forces with our local authority partners to deliver innovative communications campaigns to encourage people to put the right stuff in the right recycling containers to maximise participation and high recycling rates.

Recycling and renewable power generation never stands still. We must ensure the processes we employ are as cost effective and as efficient as possible. That's why our waste to energy team of highly specialised engineers look at their waste and landfill gas as their fuel and are always looking to squeeze as much energy from it as possible. Our recycling managers and engineers work hard to fine tune collection services and processing systems to get the highest levels of recycling from every part of the process.

We also have to ensure that new capacity can be brought online to meet customer demand. That's also why our business development team works hard to obtain planning permission for new facilities in key areas, and to keep local communities around these sites involved and informed throughout the process.



Waste Inputs and Recycling

	2009/10	KPIs 2010/11
Total waste inputs (tonnes)	6.6 million	7.3 million
Total waste handled (tonnes)	7.8 million	9.0 million
Total recycled – including organics (tonnes)	1.7 million	2.1 million
Total green waste composted (tonnes)	171,000	224,000
Green waste sent to third party sites (tonnes)	198,000	230,000
Total material recovered (tonnes)*	1.9 million	2.4 million
Relative amounts of materials recovered as a proportion of total waste inputs	29%	32%
Renewable power generation capacity	130.5MW	136MW

*Includes materials recycled and reused, excludes materials used for energy generation.

2010/11 Target

Achieve accreditation to RRS (Recycling Quality Certification) for Mason and Ford MRFs.

Completed: March 2011

2010/11 Target

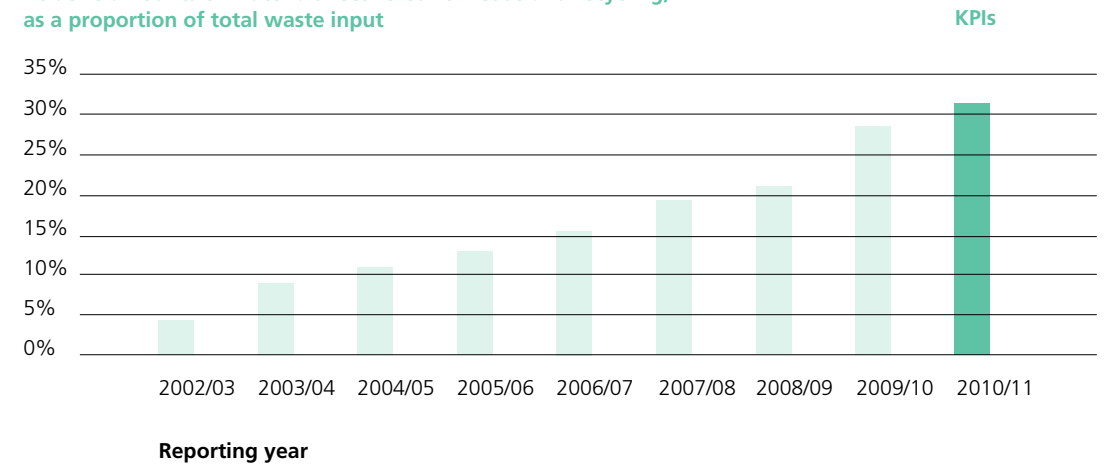
Continue to expand our recycling capacity by 10% and renewable power generation (exported electricity) by 5%.

Recycling Completed
Recycling – 29% Increase

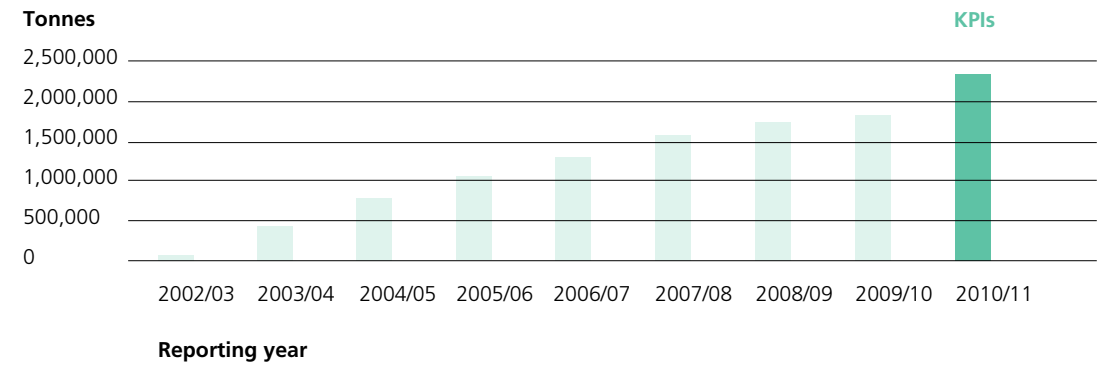
Power Generation – 9% increase



Relative amounts of materials recovered for reuse and recycling, as a proportion of total waste input



Total materials recycled and recovered



Fuel and transport use

	2009/10	2010/11
Fuel used by waste transportation vehicles for road travel (litres)	15,600,000	16,500,000
Distance travelled by waste transportation vehicles by road (miles)	21,400,000	25,200,000
Tonnes of waste received and transported by rail (tonnes)	450,000	436,000

Notes:
As a growing business, more fuel is required to maintain an expanded fleet of trucks to operate throughout the UK.

Waste arising from our customers using rail transport fell in 2011.

Carbon Management and Energy Efficiency

Our action on CO₂ emissions has intensified – it's not just a carbon copy of last year. We're clearly targeting energy savings and carbon reductions, as part of the broader international community.

2010/11 Target

Develop and evaluate the suitability of key energy efficiency initiatives and opportunities identified from the 2009/10 surveys. Proposals will be presented to the Viridor Board and actions will be implemented accordingly.

Completed: March 2011

2010/11 Target

Review and redefine, as appropriate, the carbon boundaries, and establish the carbon footprint of Viridor's operations to meet the updated Carbon Reporting requirements.

Completed: Jan 2011

2010/11 Target

Review the options for certification to the Carbon Trust Standard or similar, report to the Viridor Board and implement agreed course of action.

Completed: Oct 2010

The company met its energy and carbon-related targets set for 2010/11 and has set three further challenging targets for 2011/12. Viridor will use this, its fourth reporting year, as its baseline year for future carbon reporting. The reasons for this are as follows:

- Carbon reporting has become more established nationally and internationally and guidance has become more consistent and widely available.
- The current year being reported relies significantly less on estimated emissions.
- It will provide an accurate baseline for the establishment of the five-year energy and emissions reduction plan proposed as one of three climate change-related company targets for 2011/12.
- In line with DEFRA guidance and the GHG Protocol it will enable the reporting of emissions in defined areas ('Scopes') and enable Viridor to clarify its organisational boundary. This should help with comparisons against peer organisations.

Viridor's dedicated internal carbon management function oversees compliance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES), pursues energy efficiency and carbon reduction initiatives and ensures continual improvements in external carbon disclosure.

Carbon management training has been provided to senior management throughout the company. Further training and active involvement opportunities are being made available to all employees over the coming year.

A number of energy efficiency projects are underway at some of the company's most energy-intensive sites. Significant energy savings, with associated carbon reductions, are expected to be realised throughout 2011/12.

Towards the end of 2010 the nationwide installation of Automated Meter Reading 'smart meters' commenced, with completion expected during the first half of 2011. Data from these will drive energy awareness and energy efficiency measures.

The Carbon Saver Gold Standard was achieved by two of Viridor's departments – most notably by its polymers recycling facility in Skelmersdale, Viridor's most energy-intensive operation by a significant margin; (the company is building on this foundation for other parts of the business).

Through managing wastes generated by economies across the world, the global recycling and waste management sector is estimated to account for 3% of total greenhouse gas emissions (mainly methane gas from landfills). As reported last year, the UK Committee on Climate Change has recognised that the UK waste sector has been one of the most effective industries in reducing carbon emissions – down 58% from 1990 to 2006 with an estimated further 11% forecast by 2020 and overall reductions of 80% by 2050 achievable.

Over recent years Viridor has successfully pursued its strategy of recovering more value from waste. As the UK's current largest operator of material-recovery facilities, the company is now a significant energy user. Once material has been recovered it is sold to end users to offset the use of virgin materials in manufacturing processes (making considerable energy savings in the process). Unfortunately, although a body of evidence exists, there is as yet no formal mechanism to account for the embodied carbon and energy saved by Viridor as a result of its material-recovery operations.

Although Viridor continues to generate significantly more electricity (752 GWh during the year) than it consumes as a result of its energy from waste activities, including landfill gas operations, it is not possible to deduct the carbon savings made from displacing fossil fuel-based electricity generation from Viridor's carbon footprint. This is due to these carbon savings being passed on to energy utility companies in the form of Renewable Obligation Certificates.

We work with our trade association, the ESA, to help usually policy makers recognise and account for our sector's carbon emissions and the associated benefits derived by other sectors from recycling and waste management activities. The ESA has developed a set of carbon allocation principles which it expects will form the basis of a common industry standard to report on the following: direct emissions resulting from an operator's activities; indirect energy use emissions arising from an operator's purchase of electricity; and avoided emissions resulting from a company's activities, including savings made by other sectors.

Carbon Management and Emissions

	2009/10	KPIs 2010/11
Total landfill emissions (as tonnes of CO ₂ equivalents: tCO ₂ e)	1,273,804	1,304,780
Total transport related emissions (tCO ₂ e)	44,466	46,398
Composting emissions (as tonnes of CO ₂ : tCO ₂)	72,733	95,438
Thermal treatment emissions (tCO ₂)	33,055	233,028
Total energy related emissions (tCO ₂)	44,495	56,245
Total Viridor emissions (tCO₂e)	1,468,553	1,735,889

Gas Volumes and Utilisation

	2009/10	KPIs 2010/11
Total energy generated from landfill gas (GWh)	555	752
Amount of landfill gas (tonnes)	549,232	575,051
Gas flared	14% (119,967 tCO ₂ e)	16% (138,801 tCO ₂ e)
Gas used for power generation	70% (603,873 tCO ₂ e)	70% (631,272 tCO ₂ e)
Gas vented	16% (549,964 tCO ₂ e)	14% (534,707 tCO ₂ e)
Efficiency of gas capture	84%	86%
Total Viridor landfill emissions (tCO₂e)	1,273,804	1,304,780

Community

Communities throughout the UK give us their waste. Here's what we're giving them in return. We've been listening to what our neighbours and partners expect of us and we get involved to make a positive difference.

Community Funding and Charitable Giving

Viridor gets involved and supports local communities in all the areas in which we provide services. This can be via staff involvement, direct assistance or sponsorship of community events, or education and sports projects. The range of fantastic community initiatives is inspiring and we're pleased to be able to assist where we can. Great examples in every operating region last year included:

- The launch of the Greater Manchester Street Trees project – a partnership with the Red Rose Forest to improve the urban environment.
- The Beeding and Bramber Summer Fete in West Sussex, aiming to 'revitalise the heart of community life' in villages close to Viridor's Horton landfill.
- Helping provide new equipment to reinvigorate the Uffculme Toddler Group in Devon.

- Supporting Perthshire Womens Aid – employee Mark Taylor led a small group of supporters in cycling and canoeing around Scotland. With funding from Viridor, Mark raised over £3,000, now being put to good use in providing essential refuge and support services for women and children across Perthshire.
- Ground improvements at the ambitious community-focused Brigend Street Football Club in Cardiff, helping them to ensure their ground standards match their footballing success – aiming to achieve Welsh League status.

A total of £154,524 was provided for local sponsorship.

We also continued our charitable support – from October 2010 this was directed at our two new 'adopted' charities, the Cystic Fibrosis Trust and Trees for Cities, both chosen following a ballot of our employees. The company provides match funding to these organisations to any charitable funding raised by Viridor employees. A total of £13,336 was donated by the company.



Viridor Credits and the Landfill Communities Fund (LCF)

In 2010/11 Viridor provided £9.9 million of funding for community, amenity and conservation projects in areas close to its operating landfills, via the LCF. These community-driven projects all aim to provide demonstrable long-term social and environmental benefit and improve the quality of life in their areas.

The LCF is a unique scheme often enabling fast-track funding to be made available to help people get involved and help deliver significant local improvements to a range of project types such as:

- Sports facilities and play areas.
- Parks and open spaces.
- Community halls.
- Historic and important buildings.
- Habitat protection and conservation projects helping enhance biodiversity.

Viridor Credits is an independent charity set up to distribute funding to projects that are eligible under the LCF. Decisions of where the money goes are made by local panels using criteria of proven need, sustainability and value for money.

Some of the projects funded in 2010/11 include

Shepherd Water Wheel, Sheffield – restoring one of Britain's oldest metal water wheels. **£45,000.**

"The grant we received from Viridor Credits has been a huge boost to the restoration of the wheel and will help to preserve our local heritage. The end result will not only be enjoyed by the general public but will also be used as an educational facility."

Amanda Stokes
Project Development Officer.

The 'Spirit of Flight' Lanark Air Show Memorial, Lanarkshire – a community-led sculpture commemorating the first Scottish Air Meeting in 1910, which led to the formation of the Royal Flying Corps and subsequently the formation of the Royal Air Force in 1918. **£35,000.**

"We're delighted with the final results, which form a dramatic reminder of the role Lanark had in the formation of the RAF. The bulbs we have planted form a blue and white runway for the Spirit of Flight."

Sylvia Russell
Chair of the Lanark Air Show Committee.

Woods Mill Nature Reserve, Henfield, West Sussex – re-naturalising a river system and its floodplain to enhance wetland biodiversity near the home of the Sussex Wildlife Trust. **£50,000.**

"Visitors will be able to walk around the new landscape (when it's not flooded) and see the river course develop and change into a new valuable wetland habitat from specially constructed platforms."

Steve Tilman
Sussex Wildlife Trust.

Education and Awareness

Whenever we can, our site managers are happy to accommodate educational visits from schools, colleges, community and other groups at our operational recycling and waste management facilities. In order to further promote understanding of waste prevention, recycling, recovery and resource management, Viridor now operates and/or supports eight interactive on-site education centres. A total of 7,196 people visited the six centres directly operated by Viridor during the year.

These centres also provide information and signposting services to help teachers and lecturers deliver environmental education programmes. Our experienced and dedicated personnel have helped to gain the Learning Outside the Classroom (LOtC) Quality Badge – a national accreditation approved by the Department for Education combining the essential elements of learning and safety at three of our centres, while a fourth centre (Longley Lane) is currently in the process of applying for the award.

Stakeholder Engagement

Our company maintains its open door policy to encourage visits to our operational facilities by any interested parties, in order to better inform the wider community and relevant stakeholders about what we do effectively to manage society's materials and wastes. Visits are encouraged from community representatives, local groups and local, national and international politicians. This year we hosted a number of senior politicians at our sites, including the UK ministers responsible for recycling and planning and the Scottish Environment Minister, as well as HRH The Duke of Edinburgh at the opening of the Lakeside EfW facility.

We have active community liaison groups at all of our major facilities (44 locations, or 96% of appropriate sites), helping to keep the local community and their representatives involved and informed about site operations and developments, and to respond to any concerns that may arise.

We also consult and involve local communities and stakeholders wherever we are looking to develop new facilities, to make sure people are fully informed about what is planned and can therefore get involved in the planning process.

We carried out a full review of all our liaison groups and our community consultation activities during the year to ensure that we communicate as well as we can with all our community stakeholders. We are looking to increase accessibility to information about our site operations and potential developments by using smarter communications and social media where this will help.

In order to help promote awareness and understanding of why and how our company and industry operates – why recycling, renewable power and waste management are important – we work in partnership with the media wherever we can. During the year our sites were featured on primetime TV on Channel 4's *Undercover Boss* and our Ford MRF was used to show 'the future of recycling' in the BBC's *Bang Goes the Theory* science programme. We have also formed good local media partnerships in Greater Manchester, West Sussex and elsewhere to promote participation and best practice in local recycling schemes.

Our active dialogue with Government, industry, media and other stakeholders continues, and we encourage our employees to get involved. Viridor employees play an active role within our trade association, the Environmental Services Association, the Chartered Institution for Wastes Management (CIWM), and a number of other professional bodies and Government initiatives, as well as regulatory forums such as the HSE via the Waste Industry Safety and Health (WISH) forum.



Talking to Our Customers

In addition to the day-to-day contact with our customers, looking for ways to improve our service, we commissioned a customer service survey last year, which yielded some interesting and overall very encouraging results. The survey of our local authority and private sector clients helped to ascertain where the company's strengths lay and to define areas for improvement.

The results show that generally Viridor is seen to offer value for money with three quarters of respondents considering the product or service and administration to be either good or excellent and over two thirds saying the same of our website functionality. We identified two areas for improvement: response to sales enquiries and delivery timescales. Encouragingly, the attitude and helpfulness of employees were considered to be good and 49 percent of respondents rated them excellent.

As a result of the findings, a new customer service strategy is being prepared to provide clear targets and action plans to further increase customer satisfaction. A clearly defined customer service charter is also under discussion to help sites and services to stay fully aware of required standards.

2010/11 Target

(i) Implement key recommendations from our employees' survey.

(ii) Consult a representative sample of our customers regarding our corporate vision, service provision and environmental and social performance via a structured survey.

Completed: Mar 2011

2010/11 Target

Review effectiveness of community and stakeholder engagement via our site liaison groups and site consultations, and establish and maintain liaison groups across new facilities as they become operational (including Greater Manchester).

Completed: Mar 2011

Talking to Our Employees

Following our survey conducted in 2009/2010, with over 300 respondents out of 1,000 employees contacted, results showed that communications with Viridor employees had improved, but that we could still do better.

We then developed and implemented an internal communication strategy to keep people across the company involved and informed on the company's vision and values, and the way we go about our business.

This work incorporated a wide range of improved and new initiatives designed to foster two-way communication, and we also appointed a dedicated internal communications officer position in November 2010.

In 2011 Viridor will further seek feedback from employees, particularly those without online access, through focus groups across all four regions. This additional information will complement the 2009 survey and will allow us to evaluate the impact on employee engagement as a result of the strategy and plans being implemented.



Biodiversity and Stewardship

Our biodiversity credentials, as endorsed by the red-flanked bluetail, the emerald damselfly and the starved wood sedge. We continue our efforts to encourage native and rare species to make a new home on the land we look after.

Viridor's site stewardship and restoration activities fit well with the concept of 're-wilding' tracts of land once used for commercial activity – a concept of growing importance in the world today. The company aims to play a role in the realisation of a vision shared with the Wildlife Trusts of 'A Living Landscape', both as a landholder and an integral part of the community.

We recognise that our landholdings – particularly closed landfill sites – can have significant benefits to plants and wildlife. In order to better understand the potential of these sites, we have carried out detailed ecological assessments, leading to the development of Biodiversity Action Plans to enhance habitats and species of national importance. Meeting the rigorous standards required to achieve the Wildlife Trust's Biodiversity Benchmark status reflects our commitment in this important area. The sites being restored demonstrate that, with careful and committed management, wildlife can flourish even in places that have been used for landfilling in the past.

The work of previous years came to fruition with the awarding of the Wildlife Trust's Biodiversity Benchmark at three of the company's closed landfill sites – Odcombe in Somerset, and Tatchells and Warmwell in Dorset. Biodiversity action plans are being implemented at all three, protecting and enhancing the habitats and species found on the sites. At Tatchells an area of dense conifer plantation was cleared and, under the guidance of the Dorset Heathland Project, was replaced with a mosaic of heather, gorse and open grassland to encourage woodlark and other rare species, such as the Dartford warbler and nightjars.

Although we didn't meet our formal target in this area, good progress was made during the year. The Biodiversity Benchmark criteria were met and audited, but the auditing body was not able to formally issue accreditation in time. Viridor intends to achieve the Biodiversity Benchmark at three further sites in the coming year, and to significantly improve biodiversity at three sites with lower current potential.

Further landfills have come into closure regimes during the year, perhaps the most significant of which is Beddingham in Sussex. This site has already received close attention as it now falls within the newly created South Downs National Park. The latter phases were restored to chalk grassland but the earlier sections lie adjacent to the River Ouse which is, in some parts, SSSI. Significant works have been carried out on site and further works are planned to enhance the restoration and extend the key habitats. This is one of three additional sites identified for benchmark certification (the others being Poole in Somerset and Lackford in Suffolk).

There are now 25 closed sites being actively managed. Over the next five years we will target key sites where the biodiversity can be enhanced through prudent management and controls. In order to do this we will actively encourage partnerships and participation of interested external groups within the local community.

We also work closely with the relevant authorities to review and amend outdated planning constraints to reflect current thinking and habitat demands. Other aspects such as tree and hedgerow planting remain dependent on operational progress too.

2010/11 Target
Secure the Biodiversity Benchmark for three more (closed or operational) sites.

Not completed. Three additional sites have been identified which will be incorporated in the revised targets set for 2011/12.



Stewardship

KPIs

	2009/10	2010/11
Number of trees planted	15,873	8,425
Length of hedgerows planted	280m	1,697m
Number of designated Sites of Special Scientific Interest (SSSI) maintained by Viridor	5	5
Number of local biodiversity action plans	4	5
Number of partnerships with local authorities, business and voluntary sectors on resource management	17	19
Number of partnership projects as a proportion of total sites	61%	65%

Objectives and Targets

Our aims for 2012 unambiguous. Challenging. Focused how well we do in the coming year will depend entirely on how we respond to the challenges we have set for ourselves as a business.

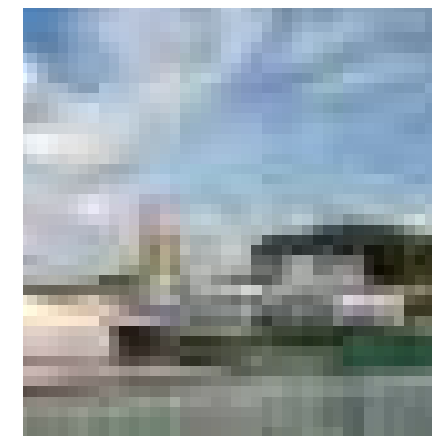
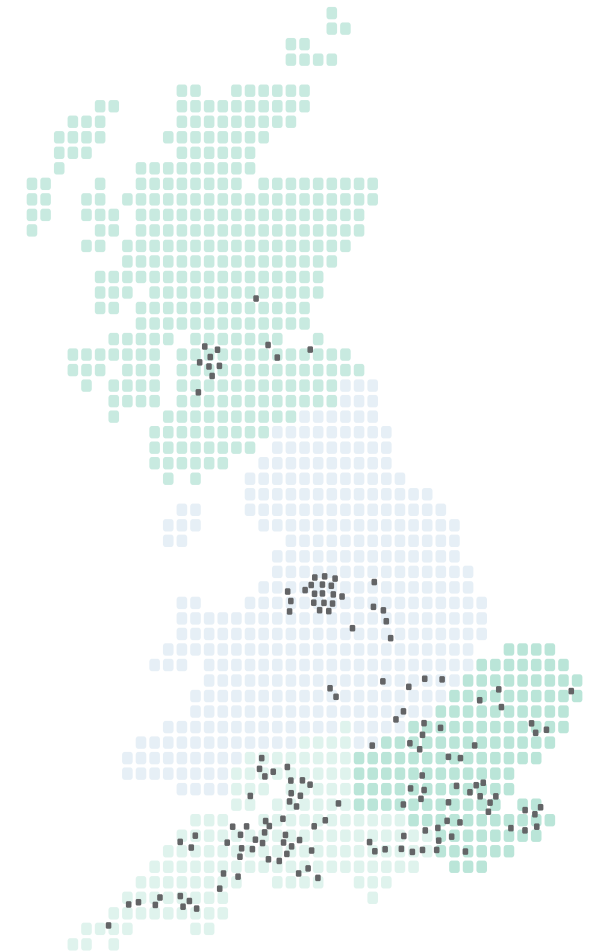
Viridor Corporate Targets 2011/12

Pennon's CR Objectives	Viridor Targets 2011/12
To manage Pennon as a sustainable and successful business for the benefit of shareholders	Baseline objective: all Viridor targets contribute.
To aim to ensure that all our business activities have a positive economic, social and environmental impact on the communities in which we operate	<ol style="list-style-type: none"> 1) Review the biodiversity potential for all significant Viridor sites, identifying three further sites to attain the Biodiversity Benchmark standard and identify three sites with low biodiversity value to be improved to 'good' within a five year period. 2) Reduce the number of non-conformances raised externally against the Company's ISO registrations by 20% (based on 2010 statistics, excluding extension to scope).
To engage with all our stakeholders and to foster good relationships with them	<ol style="list-style-type: none"> 3) Following a trial in the SW region, gain regulatory approval for, and implement, the Environmental Data Sharing Scheme, working with the Environment Agency to establish a 'better regulation' mechanism for the industry. 4) Conduct an employee survey (especially engaging employees without day to day access to ICT) regarding key aspects of internal communication, H&S, working for Viridor and ideas for improving business and corporate responsibility performance. 5) Improve accessibility to, and engagement with, Viridor's proposed developments, services and people via targeted and expanded use of social media and online resources, establishing good practice for planning consultations, community liaison groups and stakeholder contact.
To strive for the highest standards of health and safety in the workplace so as to minimise accidents, incidents and lost time	<ol style="list-style-type: none"> 6) Reduce the levels of slip, trip and fall type accidents across the business by 10% from 2010/11 figures. 7) Achieve a 10% reduction in the three year rolling RIDDOR incidence rate, working towards an overall aim of zero accidents in the workplace.
To develop and motivate our employees, to treat them fairly and ensure that they are fully engaged in all aspects of the group's objectives	<ol style="list-style-type: none"> 8) Roll out Investors in People registration in the northern region to cover three additional locations by 31 March 2012. 9) Working with employees and industry regulators, review and implement a 'Corporate Management System' as an alternative to the Certificate of Technical Competence scheme with improved procedures designed to demonstrate corporate competence across all levels of the business, site and operations management.
To aspire to leadership in minimising emissions which contribute to climate change, and develop climate change adaptation strategies	<ol style="list-style-type: none"> 10) Develop a computer-based energy monitoring and targeting system to remotely capture and interpret site energy consumption data (mains electricity and gas), covering more than 95% of operational sites. 11) Develop and implement a five-year energy and emissions reduction plan covering Scope 1 (Site Fuels, Fleet and Transport Fuel and Gas) and Scope 2 (Mains Electricity) to cover FY 2011/12 to FY 2015/16. 12) Extend certification to the Carbon Gold Standard to at least three more operational sites/businesses/departments.
To aspire to leadership in all aspects of resource efficiency	<ol style="list-style-type: none"> 13) Implement a strategy to reduce reject rates of MRF outputs by circa 15% from current levels. 14) Continue to expand our recycling capacity by 10%. 15) Continue to expand our renewable power generation (exported heat and electricity) by 5%.
To comply with all legislative environmental standards and to exceed them where appropriate	Baseline objective: all Viridor systems and targets contribute.

We operate a diverse range of sites in locations across the UK.

Our Operational Facilities

Head/Regional Office	5
Support Services	14
Educational Centres	8
Material Recycling Facilities (MRF)	26
Household Waste Recycling Centres	83
Anaerobic Digestion Facilities	4
Composting/Organics Recycling	15
Energy from Waste	3
Landfill Gas Power Plants	34
Collection services (depot)	30
Waste/Recyclate Transfer stations	44
Liquid Waste Services	6
Closed Landfill Sites	25
Operational Landfill Sites	22
Total	324



Verification Statement

“The Report provides a coherent and compelling explanation of the company’s strategy for developing alternative sources of energy and the environmental and financial benefits.”

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

- The quantitative data (including those relating to carbon emissions) are materially accurate.
- The qualitative statements can be supported by evidence and properly represent activity across the company.
- The report gives a balanced picture of performance.
- Performance in respect of previously published targets is accurately reported.

Responsibilities of Viridor Waste Management and Acona Partners LLP

The information and statements contained within Viridor Waste Management’s Corporate Responsibility Report for 2011 (hereinafter the Report) are the responsibility of Viridor Waste Management. This statement is the responsibility of Acona Partners LLP and represents our independent opinion of the content of the report and is addressed to Pennon Group’s (Viridor Waste Management’s parent company) Sustainability Committee.

Scope and process

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

In performing our work we adopted the following approach:

- Desk-top evaluation and detailed analysis of the raw data used to construct the Report, including comparisons with previous years.
- Review of internal and external documents relating to Corporate Responsibility management, including policies, procedures and stakeholder comments, particularly ensuring that evidence was made available to support substantive comments and claims made in this Report.
- Detailed interviews with employees involved in compiling the Report to test the accuracy of the data and underlying processes.

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

Opinion

Based on our work we conclude that:

- The Report correctly identifies the company’s material social and environmental impacts and provides a balanced and comprehensive account of its performance in these areas.
- The data, and inferences drawn from them, and substantive statements are materially accurate and are supported by a range of evidence from internal and external sources. Inaccuracies identified during the verification process were of a minor nature, were readily rectified and the report was amended accordingly.
- Data relating to carbon emissions were reported in accordance with Defra’s Voluntary Reporting Guidelines.
- Progress against a wide range of targets was accurately presented.

Viridor Waste Management has continued to improve its reporting and governance processes relating to Corporate Responsibility. With regard to the former, the company has dedicated resource – human and financial – to improving data quality, which now provides a firm foundation for the effective management of its environmental and social impacts.

Likewise, Corporate Responsibility has become much more integrated and embedded into strategic and operational decision-making.

We highlighted this last year and it has continued during the period under review. Specifically, the appointment of a board-level Corporate Responsibility and Regulatory Director underlines the increasing importance the company attaches to the effective identification and management of the risks and opportunities relating to its social and environmental impacts.

Once again, the Report provides a coherent and compelling explanation of the company’s strategy for developing alternative sources of energy and the environmental and financial benefits that are likely to accrue as a result.

Recommendations for future reporting

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

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

- How it is engaging with government and other stakeholders to encourage greater investment in waste from energy and what obstacles Viridor faces in developing its offering in this area.
- Details of how its organizational culture is evolving and how the associated values and behaviours are communicated to existing and new employees.
- The extent to which environmental and social performance are taken into account in the procurement process.

Paul Burke
Senior Partner
20th July 2011

acona

Viridor Corporate Responsibility Report 2011

Viridor

National Recycling Awards 2010 Winner

Viridor

Great Western House
Station Approach
Taunton
TA1 1QW

Tel: 01823 721 400
www.viridor.co.uk

Design: 375.co.uk

