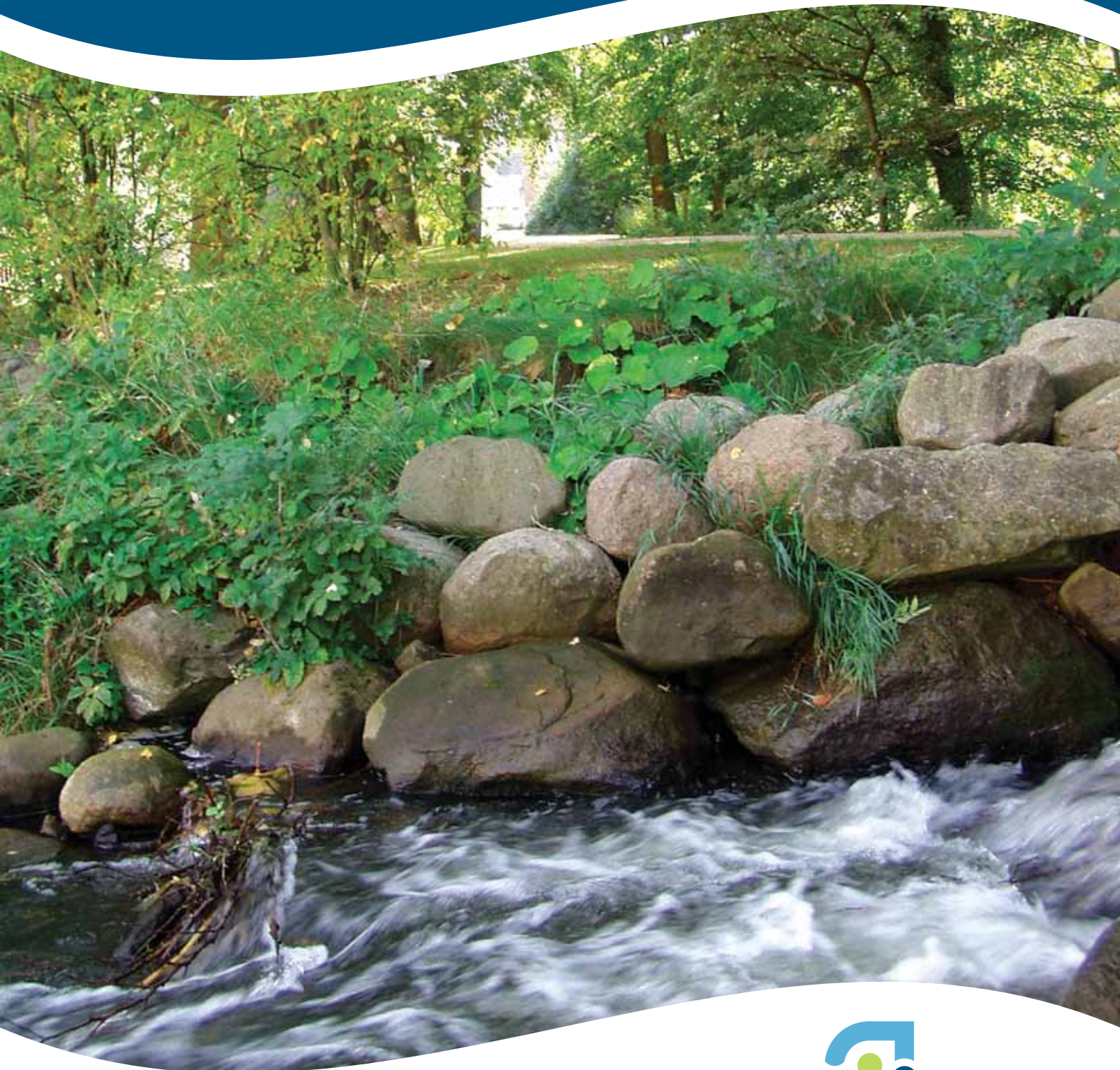


Responsibility Report

2010

SUMMARY



VCS Denmark
PRACTICAL WATER KNOWLEDGE

Index

Reporting principles	2
Executive Director's statement	3
About us	4
Economic responsibility	6
Environmental responsibility	7
Social responsibility	10

Reporting principles

This report is a short summary of VCS Denmark's Danish corporate responsibility report for 2010, covering the period January 1st to December 31st 2010.

We have chosen the GRI Sustainability Reporting Guidelines (G3) as the framework for our reporting. Our Danish corporate responsibility report has been externally verified by PwC (PricewaterhouseCoopers).

This summary focuses on those performance indicators that are most relevant to our international partners and customers. For more detailed information on our 2010 performance, please do not hesitate to contact us.



Executive Director's statement

Responsibility is a fundamental principle for everything we do in VCS Denmark. It always has been.

As a water and wastewater company, we are responsible for one of our most precious natural resources: clean water.

Not only is it our responsibility to provide such essential services as supplying clean drinking water and removing and treating wastewater. It is also our responsibility to do so in an environmentally sustainable way, protecting the water resource in all our processes. From catchment to consumer, from consumer to recipient.

At VCS Denmark we believe that acting responsibly is about always doing your best – while constantly striving to do even better. Our annual responsibility report helps us to stay focused in our striving. Because even when you do your very best, there is always room for improvement.

2010 was a year of major changes and implementation of new strategies in VCS Denmark.

New water sector legislation was carried out and implemented in VCS Denmark. Legislation which undoubtedly will change the Danish water sector in years to come, encouraging consolidation within the sector.

At VCS Denmark we are well prepared for change. We already have a clear strategy for growth, emphasising collaboration and consolidation, and we entered into several close partnerships with other Danish water and waste-

Being a water and wastewater services company, our economic, environmental and social responsibilities overlap. They also coincide with our corporate goals. Protecting our precious water resources becomes a matter not only of environmental responsibility but of social and economic responsibility as well – and responsibility becomes a matter of good business sense. We have grown well beyond the Odense city limits, and today we market our services both nationally and internationally.

water companies in 2010. With effect from January 1st 2011 we have entered into merger with one of these companies.

In a strategic process involving the entire organisation, we developed our new 5-year business strategy – which, among many other important strategic goals, resulted in the ambitious goal of becoming CO₂ neutral by 2014.

In VCS Denmark we continuously strive to reduce energy consumption and to increase our own production of renewable energy; now we have committed ourselves to doing even better than that – by reducing our net CO₂ emission to zero.

In addition to our business strategy, we also developed a new long-term strategy for sustainable rain and wastewater management. The strategy focuses on climate change adaptation, prevention of flooding and reduction of overflows – and on how to manage our major investments in climate change adaptation in the years 2010-2030.

2010 was the year we could take two major sustainable solutions into use. Two new storm tunnels were completed and will reduce sewer overflows due to torrential rain and contribute to protect the aquatic environments of our recipients.

In accordance with our groundwater protection strategy, we bought 300 ha farmland in close corporation with the state and the City of Odense, where we plan a forestation project to protect the groundwater resource.

You can read more about these investments and our many other efforts to continuously improve our performance in this summary of our responsibility report. I hope you will find it both informative and interesting.

Anders Bækgaard
Executive Director, VCS Denmark



About us

VCS Denmark is the third largest water and wastewater services company in Denmark, and is known as a frontrunner in the Danish water and wastewater sector.

Our headquarters are located in the City of Odense - home of the first modern waterworks in Denmark, established in 1853. We have served the citizens and industries of Odense ever since.

Activities & markets

We manage water resources from catchment to consumer and from consumer to recipient – adopting a holistic approach to water and wastewater management, and applying the most advanced technologies and methods in our daily operations.

Our main operational activities are water catchment, treatment and distribution along with wastewater removal, treatment and disposal.

We also carry out highly complicated technical tasks within such areas as water resource protection and recipient protection, hydrogeological surveying and establishment of well-fields, leakage detection and network modelling, pipeline registration and rehabilitation.

In addition to our operational activities within our supply area, we offer our services and expertise nationally as well as internationally.

We offer a wide range of consultancy services and hands-on training programmes, specializing in leakage detection and NRW reduction, energy optimization and CO₂ reduction, process optimization and capacity building.



Vision & values

Our vision is simple, yet ambitious: We wish to be a role model – locally, nationally and internationally. We wish to create maximum value for our customers – and, preferably, more than they expect.

Our actions are shaped by our core values: *responsibility, commitment, innovation, professionalism and loyalty.*

We practise value-based management and have developed our own integrated management system, in order to ensure that all our processes live up to the high standards we set for ourselves.

Sustainability strategies

Our values also guide us in our strategic approach to sustainability.

We are dedicated to:

- optimizing our plants and processes – securing the highest possible level of sustainability in all areas of operations
- protecting our precious water resources – and promoting a wider understanding of the importance of both catchment area and recipient protection
- ensuring the highest possible quality of drinking water
- ensuring wastewater discharge levels well below the Danish official limits
- creating a healthy and safe work environment – and a work place where our employees thrive and grow as individuals
- being a competent and visionary partner for government and stakeholders
- supporting the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the UN Convention against Corruption

Ownership

VCS Denmark was established as the independent limited company Odense Water in 1994, through a merger of the water and wastewater departments of Odense Municipality.

Odense Municipality remains in 2010 the sole shareholder.



Merger with Nordfyns Spildevand A/S



FOCUS

As of January 1st 2011, we entered into a merger with the wastewater management company of the municipality of Northfunen. VCS Denmark is handling wastewater in a more extended geographic area. However, this report is about 2010, and information about these activities is not included.

Partnerships

VCS Denmark has a clear strategy for growth, emphasising collaboration and consolidation, and we have extended close partnerships with several other Danish water and wastewater companies in 2010.

2010 was also a year of partnerships on the international market.

In Malaysia, we worked closely with the Danish consulting company Danwater on several projects, primarily ground-water surveys.

Together with Danwater, we planned the founding of DanAqua, which is owned by Danwater and VCS Denmark (61%/39%) and will be handling activities in South East Asia. The new Danish water sector legislation has given us the opportunity to form a joint venture between public and private partners. DanAqua has been founded officially on January 1st 2011.

We participated in the IWA World Water Congress in Canada, and we have been working on an agreement with Halifax Water on exchange of technical solutions, working methods, energy savings and shorter exchange stay for employees. The agreement is expected to enter into force in March 2011.

Memberships, charters & policies

VCS Denmark is a member of the board of the Danish Water and Wastewater Association, DANVA, as well as DANVA's Technical Advisory Board and several of its committees.

We are represented on the boards of ISTT, SSTT and Danish Water Services – and we are also represented on The National Danish Committee for IWA.

We follow IWA's framework for water supply management, "The Bonn Charter for Safe Drinking Water", as well as DANVA's supplementary policy on documented drinking water safety.



Economic responsibility

VCS Denmark has a sound and stable economy. In 2010 we had a turnover of 348 million DKK, and a net result of 30.5 million DKK.

As a 100% municipally owned company we do not pay out dividends to our shareholder, and all profits are re-invested in the company.

Financial results		FACTS		
Mill. DKK	2010	2009	2008	
Turnover	348.1	339.0	320.3	
Gross profit	90.3	73.1	57.8	
Profit, primary operations	63.4	47.5	30.4	
Net financial items	-23.2	-15.0	-13.3	
Net result	30.5	24.3	12.9	
%				
Gross profit margin	25.9	21.6	18.0	
Operation profit margin	18.2	14.0	9.5	
Return on assets	70.4	62.3	35.1	
Equity capital	76.3	79.9	81.7	
Return on shareholders' equity	1.0	0.8	0.4	

Responsible investments

As a water and wastewater company we are faced with great environmental challenges that require large-scale and long-term investments.

One of our main challenges in recent years has been extreme rainfall due to climate change – a tendency that will continue in the years to come.

The Odense sewers were not originally dimensioned for extreme rainfall, and torrential rains may cause the sewers to overflow, which in turn may result in flooding and pollution of nearby bodies of water.

In order to reduce such overflows by up to 95%, we are implementing several innovative climate change adaptation projects, as well as preparing our entire wastewater system for the increased amounts of rain.

Since 2006, we have invested 840 million DKK, and in 2009 we committed an additional 850 million DKK to renewal and expansion of our wastewater system in the period 2010-2014.

Sustainable building

In 2010 we took our new, sustainable building project into use: the new sludge dewatering plant at our largest wastewater treatment plant.

The new sludge dewatering plant is part of our effort to optimize our sludge treatment processes and the plant reduces the amount of sludge to be transported by more than 25% – thus cutting not only costs, but CO₂ emission as well.

NRW ratio at 5.3%



Water is a precious resource, and continuous maintenance is the key when it comes to reducing leakages and securing the lowest possible NRW ratio.

At VCS Denmark, we maintain and continuously improve our pipelines by means of systematic leakage detection. In 2010, we detected and repaired leaks in both our own pipelines and our customer's water installations corresponding to an annual loss of approximately 230 million litres.

Furthermore, we changed the water meters at our six waterworks.

In 2010, with our targeted effort to bring down leakages, we maintained our strategic goal – a maximum NRW ratio of 8%. In fact, our NRW ratio reached an all time low of only 5.3%.

Our water is pure groundwater.
Only aerated, and filtered.
No chemicals used.

Environmental responsibility

As a water and wastewater company we are acutely aware of the potential environmental impact of our activities, and we do our best to limit our impact as much as possible.

Both when it comes to our impact on the water resources – and the environmental impact of our activities through energy consumption and CO₂ emission.

Water supply

In Denmark, the water supply is based on catchment of groundwater. A complex process – and an activity that can have a negative impact on both the aquifer itself and the surrounding aquatic environments.

As the aquifer water table drops, so does the quality of the remaining water. If the aquifer water table drops too far, it can lead to saltwater penetration.

Water catchment can also cause water levels to drop in streams, rivers and lakes within a given aquifer's run-off area – which, in turn, may seriously affect the biodiversity in these aquatic environments.

At VCS Denmark, we practice sustainable water catchment, taking great care to prevent any such negative impacts when establishing and operating our well fields. We perform extensive preliminary hydrogeological analyses, and monitor our well fields closely, making sure that production matches local conditions at all times.





Two new stormwater tunnels taken into use



Our climate adaptation projects play an important part in protecting the aquatic environments of our recipients.

In 2010, we took two new stormwater tunnels into use. The two climate change adaptation projects in the Odense suburbs of Dalum and Bellinge were completed. The Odense River – an important habitat area – runs through these suburbs, and has seen its fair share of sewer overflows due to torrential rains in recent years. The purpose of both projects was to reduce the sewer overflows and sewage flooding cellars in the area.

The two projects involved establishing a 720 m stormwater tunnel in Dalum and a 650 m long stormwater tunnel in Bellinge under roads and the river bank – almost entirely by means of no-dig technologies. The tunnel outlet has been designed as a wide channel, in order to prevent erosion of the river bank and not to disturb the natural flow of the river.

The stormwater tunnels will reduce overflows in the area by approximately 95%, and the tunnels have a lifetime expectancy of 100 years.

Wastewater treatment

In 2010, we treated 28,300 million litres of wastewater. An activity with a major potential environmental impact. Especially when it comes to the aquatic environments in our primary and secondary recipients – several of which are appointed habitat areas, calling for extraordinary measures of protection.

At VCS Denmark we do our utmost not only to stay within but well below the official discharge limits.

We monitor all processes closely, and test the effluent quality of both the untreated and treated wastewater daily, adapting our treatment processes accordingly.

It is our declared goal to contribute actively to creating healthy aquatic environments. We are happy to report that we did not have any significant spills from any of our plants in 2010.

Effluent quality 2010



	Official discharge limits	Our average discharge levels
BI ₅ , mg/l	8	1.2
Total nitrogen, mg/l	8	3.8
Total phosphorus, mg/l	0.5	0.1

Use of chemicals and generation of sludge

Wastewater treatment requires the use of chemicals. It also generates quite a lot of sludge.

Wastewater treatment 2010



Wastewater treated, litres	28,300 million
Polymer, tons	65
Iron chloride, tons	10
Iron sulphate, tons	157
Aluminum, tons	2
Sludge generated (22% solids), tons	26,871

Sludge disposal is strictly regulated, and at VCS Denmark we fully comply with all rules and regulations regarding disposal, making sure we keep within discharge limits at all times.



Our sludge is composted and recycled as fertilizer – but first we use it as a source of renewable energy in our biogas plants.

Energy and CO₂ emission

Water supply and, especially, wastewater treatment are highly energy consuming activities, with a significant potential impact on the environment through CO₂ emission.

At VCS Denmark, we have made it our goal to be CO₂ neutral by 2014.

One way of reaching this ambitious goal is through optimization of our processes, reducing energy consumption where we can. Another way is to use renewable sources of energy.

At our wastewater treatment plants we produce our own renewable energy, when we turn sludge into biogas, and biogas into green energy – generating heat and electricity. We actually produce more heat than we can use ourselves, and sell our surplus production to the regional district heating company.

All in all, we generated 15.831 GWh of renewable energy in 2010.

Energy production 2010



Electricity produced	6.267 GWh
Electricity produced in relation to electricity consumed	38%
Heat produced	9.564 GWh
Heat produced in relation to heat consumed	111%

Optimization reduces CO₂ emission – and saves money



In order to become CO₂ neutral by 2014 we have to reduce our emission by 3000 tons of CO₂ per year.

During 2010, we have described our CO₂ emission and founded a catalogue with ideas for optimization projects. A CO₂ committee assesses the proposals and chooses the projects that benefit of the highest reduction to the lowest price.

While wastewater treatment – by far – accounts for most of our energy consumption, it also holds the greatest potential when it comes to reaching our goal of becoming CO₂ neutral.

Currently we're developing several new projects to optimize our wastewater treatment process to reduce our CO₂ emission significantly.

Over the last couple of years we have optimized our sludge treatment processes. We have renovated our anaerobic digesters, resulting in both an increased production of biogas and a reduction in the amount of sludge. In other words: more renewable energy – less sludge to dewater and transport.

Our new sludge dewatering plant reduces the amount of sludge to be transported even further; our calculations indicate more than 25% and up to as much as 29%. A reduction which both cuts CO₂ emission – and costs.



Social responsibility

Water is our most important resource – and one we must all do our best to protect.

Both research and development projects as well as communication activities play an integral part in our efforts to contribute to the protection of water resources at VCS Denmark.

Without knowledge and awareness of the complex issues at stake in water resource protection, no sustainability.

Research and development

VCS Denmark supported and participated in several important R & D projects in 2010, within such areas as sustainable water and wastewater management, climate change adaptation and water quality management.

We began describing our project towards becoming CO₂ neutral by 2014. We are seeking inspiration abroad and expecting to see develop new energy optimization projects during the process of becoming CO₂ neutral.

A four year project, *MIREOWA*, explores methods of microbial remediation of contaminated soil and groundwater. Another project, *Black, Blue and Green*, explores how integrated infrastructure planning can contribute to the development of sustainable urban water systems – while the project *SENSOWAQ* develops sensors for online monitoring of water quality.

Communicating for awareness

Awareness is a prerequisite for responsible action. At VCS Denmark we promote awareness of water resource protection through a wide range of communication activities.

Many of our activities are directed towards children and young people. We offer school programmes and participate in the development of educational materials. Every year, on the UN World Water Day, we host special events.

In 2010 we launched a groundwater campaign “Groundwater without Pesticides” to raise awareness towards the fact that our groundwater resources need protection against pesticides to ensure clean drinking water to future generations. It is a common responsibility to protect the groundwater and VCS Denmark is buying farmland to raise forest in order to protect the wellfields from pesticides.

Healthy work environments

At VCS Denmark, we prioritize the health and safety of our employees. We do our best to create a healthy work environment, in which our employees can thrive and grow as individuals.

We are certified in accordance with the international standard for occupational health and safety, OHSAS 18001, and, in accordance with Danish working environment legislation, we have established a health and safety committee, and six health and safety groups within the company.

All of our 178 employees are covered by collective bargaining agreements, and are free to join any labour union they may choose.

Quality drinking water



FOCUS

Clean drinking water is a matter of both consumer safety and public health – and providing it is a great responsibility.

Denmark is known for its high quality of drinking water. So is VCS Denmark.

Our water more than fully meets the requirements of the EU Drinking Water Directive – and we do our very best to make sure that it continues to do so. At all times.

We monitor the quality of our water closely and continuously – performing extensive, daily testing at several points on the water's journey from well field to the consumer's tap.

Protecting the groundwater



FOCUS

At VCS Denmark, we are dedicated to protecting the groundwater against external sources of pollution.

One of our groundwater protection strategies is our forestation projects – turning farmland into woodland, thereby protecting the aquifers in the area, and ensuring clean drinking water for future generations.

In 2010, we bought 300 hectares farmland in close corporation with the state and the City of Odense, where we plan a forestation project to protect the groundwater resource. The goal is a total of 2000 ha new woodland, which in turn will become a protected landscape area.

Key figures 2010



FACTS

Water

Supplied water, litres	9,100 million
Average daily consumption per person, litres	111
Population served	155,000
Waterworks	6
Production wells	43
Pressure zones	11
Pipelines, km	1,014
Water metres installed	48,500
Leakage ratio, %	5.3

Wastewater

Treated wastewater, litres	28,300 million
Sludge production, tons (22 % dry solids)	26,871
Wastewater treatment plant capacity, PE	512,000
Wastewater treatment plants	3
Catchment area, km ²	84
Sewers, km	1,437
Pumping stations, main sewers	123
Stormwater basins	137
Stormwater overflows	130

Certifications

- ISO 9001 – Quality Management
- ISO 14001 – Environmental Management
- ISO 22000 – Food Safety Management
- DS/OHSAS 18001 – Occupational Health and Safety Management