Shanks

Making more from waste

Shanks Group plc
Corporate Responsibility Report 2013

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Leading sustainable waste management

Shanks Group is a leading international sustainable waste management business.

We meet the growing need to manage waste without damaging the environment. Our solutions reduce greenhouse gas emissions, recycle natural resources and limit fossil fuel dependency.

Shanks uses a range of sustainable and cost-effective technologies to make valuable products from what is thrown away and generate increasing returns for our shareholders. We produce green energy, recovered fuel, recycled commodities and organic fertiliser.

Shanks operates in four divisions that reflect our markets: Solid, Hazardous, Organics and UK Municipal. It has operations in the Netherlands, Belgium, UK and Canada, and employs around 4,000 people.

In its target markets, the Group is at the forefront in providing sustainable waste management solutions for both the public and private sectors.

About the data in this report

Since publishing our Corporate Responsibility (CR) Report 2012, we have reorganised the business into four market-facing divisions:

- Solid Waste: the collection and treatment of non-hazardous waste
- Hazardous Waste: the reprocessing and recycling of contaminated soil, water and other contaminated materials and industrial cleaning
- Organics: The treatment of food waste, garden waste and other organic materials
- UK Municipal: long-term PFI or PPP contracts providing recycling and waste management services to local authorities and commercial activities in the UK

Our CR reporting data is split into: Benelux Solid Waste (activities in the Netherlands, Belgium and Northern France), Hazardous Waste (hazardous waste operations and industrial cleaning in the Netherlands), Organics (organic waste treatment in the Netherlands and Canada only) and UK (municipal, organics and solid waste activities in the UK).

In previous years, CR data was split by country. We recognise the need to compare performance over time and so we have recalculated our CR data for 2012 in this report to provide a consistent view of our CR activity over the past two years. Note that we have not adjusted the data in our older CR reports, and these are still available on our corporate website.

Data is represented in financial years unless otherwise stated. Single years are noted in tables and graphs (for example, 2013 for the financial year ending March 2013). Details of the definitions used are contained in our CR indicators document, available at www.shanksplc.com/cr.

Group highlights

Read more about carbon on page 11, page 12 for recycling and recovery and page 18 for health and safety

Corporate responsibility

- Reportable accident rate improved by 8% over the year and has fallen by more than 20% since 2009/10
- Overall recycling and recovery rate stabilised at 78% in 2012/13, having increased from 70% in 2009/10. Current development plans mean that we are on track to achieve our 80% target by April 2015
- We achieved 1.21 million tonnes of carbon avoidance benefit from our recycling and recovery activity. We are on track to achieve our 2015 target of 1.3 million tonnes

Operational

- Business reorganised into market-facing segments: Solid Waste, Hazardous Waste, Organics and UK Municipal
- Good profit performances in Organics (up 7%*), UK Municipal (up 80%) and Hazardous Waste unchanged maintaining record prior year performance
- Solid Waste (down 50%*) affected by impact of recessionary markets and record construction lows
- Structural cost programmes on track to reduce costs by £20m per annum by 2015/16
- Investment programme continues to deliver expected returns, is well funded and has a promising pipeline

Financial

- Resilient performance against the backdrop of very challenging solid waste markets
- Revenue, underlying profit before tax and underlying EPS down at constant currency
- Total cost savings of £17m delivered, with £11m operational savings plus £6m savings through structural cost programme, including headcount reduction of 310 full time employees
- Robust balance sheet with lower than expected core net debt at £177.3m and EBITDA ratio of 2.0 times
- Final dividend maintained at 2.35 pence per share, reflecting confidence in medium-term growth
- Non-trading and exceptional charges of £61.8m in line with guidance previously reported and principally reflecting restructuring and impairment in Solid Waste

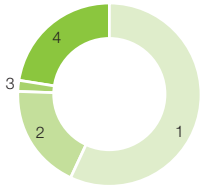
* At constant currency

2013 facts and figures

Our operations are varied and widespread, with four key functional markets in Europe and North America.

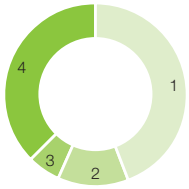
Number of employees[1]

1 Benelux Solid Waste	2,285
2 Hazardous Waste	749
3 Organics	77
4 UK	900
Group	**4,011**



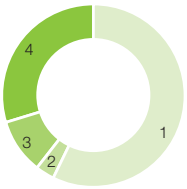
Active operating centres

1 Benelux Solid Waste	46
2 Hazardous Waste	13
3 Organics	6
4 UK	39
Group	**104**



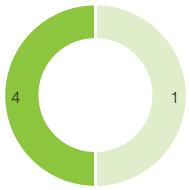
Operating centres with recycling/recovery

1 Benelux Solid Waste	35
2 Hazardous Waste	2
3 Organics	6
4 UK	18
Group	**61**



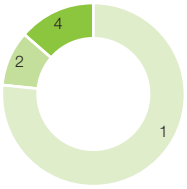
Operational landfill sites

1 Benelux Solid Waste	3
2 Hazardous Waste	–
3 Organics	–
4 UK	3
Group	**6**



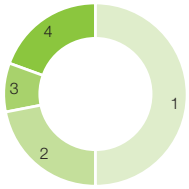
Collection and transport lorries

1 Benelux Solid Waste	818
2 Hazardous Waste	105
3 Organics	–
4 UK	143
Group	**1,066**



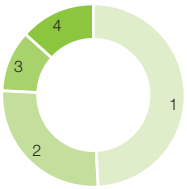
Tonnes waste handled million tonnes

1 Benelux Solid Waste	3.93
2 Hazardous Waste	1.71
3 Organics	0.68
4 UK	1.51
Group	**7.83**



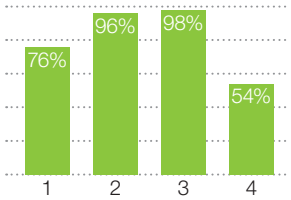
Tonnes materials recovered million tonnes

1 Benelux Solid Waste	3.00
2 Hazardous Waste	1.62
3 Organics	0.66
4 UK	0.81
Group	**6.09**



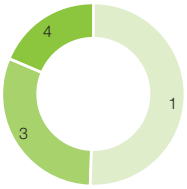
Overall recycling and recovery rate

1 Benelux Solid Waste	76%
2 Hazardous Waste	96%
3 Organics	98%
4 UK	54%
Group	**78%**



Total energy generated 000' megawatt hours[2]

1 Benelux Solid Waste	58.7
2 Hazardous Waste	–
3 Organics	35.7
4 UK	21.5
Group	**115.8**



1 At the end of March 2013
2 Data may not sum due to rounding

Chief Executive's statement

Our business is at the heart of a global shift in attitudes towards waste

Peter Dilnot Group Chief Executive

Sustainability is at the heart of Shanks' business. Our strategy is to create value by making products from material that is otherwise thrown away. We believe that recycling and the production of green energy makes great sense for the environment, while also generating returns for our shareholders. Sustainability, however, means more to us than the benefits of carbon reduction and easing the pressure on natural resources. We strive to be sustainable in how we manage our employees and engage with local communities.

Given the ongoing macro-economic downturn, this year has been a challenging one for Shanks – yet it has also been a transformational one. We have repositioned the Group for growth through a major reorganisation that focuses more on our customers. We have also continued to make strides with our corporate responsibility goals. This includes investments in further recycling and green energy capabilities, meeting our annual safety targets, developing our team and building better relationships with local communities.

While sustainability is a core component of our business, it is also important to our stakeholders, in particular our customers. It is their need to reduce costs and manage resources more efficiently that we address through our services and technologies. We are well placed to meet our customers' current and future requirements, and are investing in our capabilities to do so.

Our ability to deliver world-class services is underpinned by successfully developing and recruiting a strong Shanks team. This year we have introduced an improved personal development system which is centred on our values and enables our people to enhance their skills. In order to further improve the health and safety of our employees, we have also re-shaped our Group Health & Safety Committee. This has led to a major new traffic safety initiative, the launch of a Group-wide safety award system, improved safety measurement and safety summits held across all parts of the Group.

Our Group operates from many sites in the UK, Netherlands, Belgium and Canada. We have relationships with, and a strong commitment to, all neighbouring communities and local regulators. Without their approval and support we cannot operate effectively, or deliver sustainable services for the communities and customers we serve. To support better dialogue with all stakeholders, this year we have developed a more robust communication system to ensure that feedback from individuals and groups is logged and acted upon efficiently.

While we have made progress in these areas, I am committed to ensuring we do more to be a good corporate citizen going forward. This commitment is not based solely on a desire to 'do the right thing', but on a belief that we must do this to be a successful, vibrant and sustainable business in the years ahead.

Peter Dilnot
Group Chief Executive

A sustainable business

Our vision is "to be the leading provider of sustainable waste management solutions in our target markets". To achieve this vision, we are investing in effective and efficient technologies which turn waste from a disposable material into a valuable resource. This reflects the shift in the business and regulatory environment which is placing emphasis on resource efficiency, re-use, and recycling and recovery of waste materials.

Sending waste to landfill is not a sustainable option. Their operation can create odour, dust, wind-borne material, methane emissions and effluent. The waste deposited may take decades to degrade, during which the risk of pollution remains. That is why we, as a Group, are in line with government policy by moving away from landfill as a viable route for waste materials.

Thermal treatment may be a valid alternative to landfill as it effectively destroys the hazardous properties of some waste materials. This is different to the mass incineration of dry, non-hazardous waste, which, without energy recovery, squanders the value inherent in this material and destroys valuable recyclable materials.

Our business strategy is focused on taking waste which would have gone to landfill or mass incineration and making more from it. We do this by providing sustainable waste management options, such as:

- Recycling of waste to displace virgin raw materials in the marketplace. For example, recycled aluminium has much lower embedded carbon, so reducing the footprint of resulting products.
- Composting or treatment of waste in an anaerobic digestion (AD) facility, producing a fertiliser which displaces a chemical alternative. AD has the added benefit of creating renewable energy which can be used on site or sold back to the grid.
- Producing waste derived fuels which displace fossil sources in a manufacturing or power generation facility.

Our vision

To be the leading provider of sustainable waste management solutions in our target markets.

Leading Provider
Defined as high market share and with clear competitive advantages

Waste Management Solutions
Combining technologies to make valuable products from waste

The Leading Provider of Sustainable Waste Management Solutions in our Target Markets

Sustainable
Providing effective alternatives to landfill and mass incineration

Target Markets
Markets with high sustainable growth drivers and potential for high recycling rates

Our strategy

Our overarching strategy of 'making more from waste' remains consistent. However, the new Group structure with four market-facing divisions has led to our strategy evolving into one which is more market-orientated. The core pillars of this strategy are therefore now aligned with each division and aim to generate growth in each of our distinct markets.

The core pillars of our strategy are to:

1 **Improve the profitability of our Solid Waste businesses.** We will continue to face challenging market conditions in Solid Waste and as such, we will continue to streamline our organisation and operations in the years ahead. We are also increasingly focusing our activities in regions and areas where we can be the lowest cost operator through local scale and productivity advantages. Our cost actions will be supplemented by commercial activity in both securing waste and the sale of our products.

2 **Broaden the scope of our Hazardous Waste business.** Our Hazardous Waste business delivers superior returns through its symbiotic range of treatments and operational excellence. We will build on this profitable base by investing in more water treatment capacity. In parallel, we will expand the range of waste inputs that we treat with our existing assets and will broaden our commercial coverage.

3 **Expand the Organics footprint in target geographies.** Our unique design, build, own and operate business model provides us with a distinct competitive edge which we will leverage to expand in target markets. This will include successfully ramping-up new UK assets and developing co-processing with Dutch A-brand customers. We will also expand our North American footprint by delivering proven solutions that meet the emerging diversion requirements of that market.

4 **Grow the UK Municipal long-term contract business.** We will deliver continued improvements in our operational contracts and will profitably ramp-up newly commissioned assets. Our medium-term growth will be underpinned by the successful construction of significant new sustainable waste management infrastructure. We expect this strategy to deliver top-line growth with similar operating margins.

Underpinning our four divisional strategies are two key Group strategies that span all our businesses:

5 **Develop world-class capabilities in a cohesive Group culture.** Going forward, we will further increase our focus on building Group capabilities. This will include the introduction of a formal continuous improvement function across the Group and an initiative to improve commercial effectiveness.

6 **Actively manage the Group's portfolio.** We are actively managing our wide portfolio of assets to improve the quality of our earnings and the return on capital employed. We are focused on deploying capital in areas where we are confident of sustainable advantage and higher growth, including potential bolt-on acquisitions.

Key corporate responsibility objectives

Core Corporate Responsibility (CR) objectives and progress:

In our 2010 Corporate Responsibility Report we defined three key CR objectives to be achieved by April 2015:

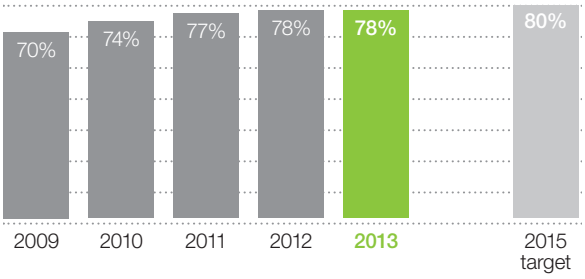
- Increase our recycling and recovery rate to at least 80%
- Increase the carbon avoided though our business activities to more than 1.3 million tonnes a year
- Reduce our reportable accident rate by at least 25%

Recycling and recovery rate

Recycling and recovery reduces the need for finite resources and diverts material from landfill and other less sustainable waste management operations. The way we state our recycling and recovery rate encapsulates the resource benefit of our activities and our success in minimising the use of less sustainable disposal options.

After an initial rise from 70% in 2009, our recycling and recovery rate has stabilised at 78% over the past two years. This is despite severe economic headwinds which have put pressure on waste volumes and the cost of waste management. We are confident that our investment programme will enable us to achieve our target of 80% by April 2015.

Recycling and recovery rate %

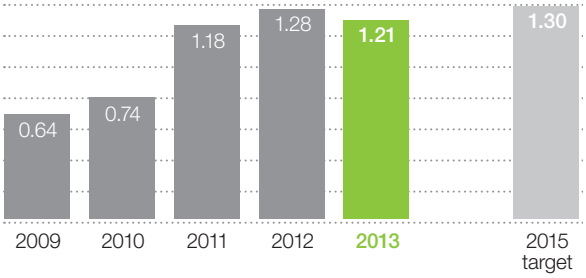


Carbon avoidance

Recycling and recovery have a carbon avoidance benefit. For example, burning a tonne of waste derived fuel saves more than a tonne of emitted carbon when compared to the use of coal. Similarly, the use of recycled aluminium rather than virgin feedstock from processed ore produces ten times less carbon emitted to the atmosphere. An added benefit is that some of our technologies produce green energy which displaces even more carbon emissions.

The more efficient and effective we are as a business the more we can increase the carbon avoidance benefit of our activities. We are working to generate a carbon avoidance level of 1.3 million tonnes a year by April 2015. In 2011/12 we almost reached this target, but 2012/13 saw a drop to 1.21 million tonnes, reflecting the impact of the economic environment on waste management operations. We are confident that our new structure and ongoing investment will see us achieve our five year objective by 2015.

Carbon avoidance million tonnes



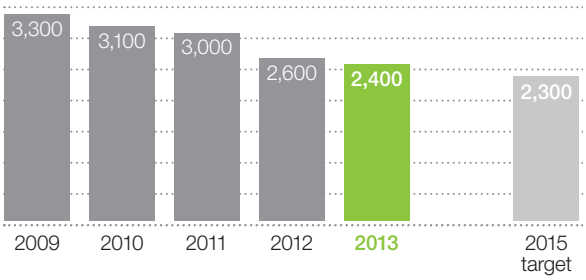
Accident rate

Our employees are our priority. They are a crucial conduit for our business and sustainability strategy through their dealings with each other, customers, partners, suppliers, communities and investors and they have a right to expect the highest standards of custodianship and management from us. Our industry operates high-risk processes and traditionally has accident rates in excess of manufacturing and other comparable sectors.

Our ability to deliver a safe and healthy working environment is a crucial measure of our sustainability performance. Our third key CR objective is to reduce our reportable accident rate by 25% by April 2015.

During the year we improved our reportable accident rate by 8%. Since 2010 our rate has been reduced by more than 20%, which means we are on target to achieve our five year objective. In addition, the days lost to absence per accident reduced by 25% over the year.

Reportable accident rate



Reportable accident rate is defined as an employee accident which results in greater than three day absence per 100,000 employees.

Sustainability and the environment case studies

#1

Making more from waste

Shanks wins PLC 'Achievement in Sustainability' Award

Our corporate vision, underpinned by our approach to sustainability was recognised at the 2012 PLC Awards.

We won the 'Achievement in Sustainability' award for our approach to the economic, environmental and social aspects of our business. This reflects our own performance and how we have demonstrated leadership, innovation and a lasting commitment to the wider sustainability agenda.

Peter Dilnot, Group Chief Executive, said: "Winning this award is testament to a great team effort and recognises that sustainability is at the heart of our business. It spurs us on to continue building a successful business that leads in the provision of sustainable waste management solutions."

The award was sponsored by PwC. Alan McGill, partner at PwC said: "Shanks has produced a report that is transparent and has shown how it has integrated sustainability thinking into its operations. The reporting reflects the progress that Shanks is making towards becoming a more sustainable organisation, showing it to be one of the most forward thinking listed companies."

#2

Making more from waste

Partnerships for sustainability

In December 2012 Orgaworld, part of our Organics Division and Icova, from our Solid Waste Division, signed a national contract with a major Dutch supermarket chain, Albert Heijn.

Under the contract, Icova provides the logistics solution at the four Albert Heijn distribution centres by managing the transportation of out-of-date food waste from the supermarket chain. The waste is unpacked and treated at our anaerobic digestion (AD) facility in Amsterdam.

Orgaworld and Icova have been working with Albert Heijn for several years; the addition of the innovative logistic approach to the contract further strengthens our cross-divisional portfolio.

How we contribute to sustainability

See page 13 for more on our sustainable technologies

Environmental sustainability at Shanks

Waste is a renewable resource. Whilst reducing demand and promoting re-use is the ideal, something needs to be done with the residual waste that is inevitably produced. This is a resource which can be used as a raw material or to provide a source of renewable energy. Shanks operates at this interface of waste and resource efficiency. It helps to drive our business and underpins our approach to environmental sustainability.

Turning waste into a renewable resource requires the use of innovative technologies. We use a wide spectrum of such technologies with the simple aim of developing and providing more sustainable waste management capacity and increasing the efficiency of our business operations. We know that by excelling at what we do we divert waste from landfill and create a renewable resource, thereby avoiding the potential pollution and carbon downside of disposal.

Our sustainable business not only underpins our commercial offer, but makes us a better, more competitive business. By being focused on our markets, we can improve efficiency and concentrate each of our divisions on making more from waste.

Embedding environmental sustainability

In 2012/13 we significantly increased our anaerobic digestion capacity, opened new organic and mechanical biological treatment facilities and enhanced and expanded our existing portfolio of recycling facilities. Our capital investment in new facilities has been directed at building and launching recycling and recovery capacity. This has been achieved in the face of challenging economic conditions.

Further information on our approach to sustainable waste management, resource use and carbon avoidance can be found in this report and on our Group website.

Sustainability and carbon performance highlights

Our carbon footprint represents the emissions generated by our business operations and the carbon avoidance benefit these activities generate. Our recycling and recovery performance is critical to our business and sustainability.

Carbon footprint

Emissions from our activities

Source	**CO_2 equivalent 2013 ('000 tonnes)[1]**	CO_2 equivalent 2012 ('000 tonnes)[1]
Process based emissions		
Emissions from anaerobic digestion	**14**	9
Emissions from composting	**41**	41
Emissions from hazardous waste treatment	**258**	287
Emissions from landfill	**105**	100
Emissions from mechanical biological treatment (MBT)	**18**	13
Transport based emissions		
Fuel used by waste transport vehicles	**70**	80
Business travel (cars, trains, flights etc)[2]	**4**	–
Energy use emissions		
Electricity used on sites and in offices	**46**	48
Gas used on sites and in offices	**9**	9
Fuel used on sites and in offices for plant and equipment/heating[3]	**24**	23
Total emissions from significant sources	**589**	610

Emissions avoided by our activities

Renewable energy generated	**44**	36
Waste derived fuels produced and sold	**652**	652
Materials separated for re-use/recycling (some re-used directly, others undergo re-processing by third parties)	**518**	588
Total potential avoided emissions	**1,214**	1,276

1. Figures rounded to nearest 1,000 tonnes.
2. Data not reported as a Group total for 2012.
3. Includes heat use on site for Shanks Hazardous Waste.

Sustainability and carbon performance highlights

Recycling and recovery rate

Total waste handled million tonnes

1 Benelux Solid Waste	3.93
2 Hazardous Waste	1.71
3 Organics	0.68
4 UK	1.51
Group	**7.83**

1 Benelux Solid Waste	3.92
2 Hazardous Waste	1.75
3 Organics	0.56
4 UK	1.62
Group	**7.85**

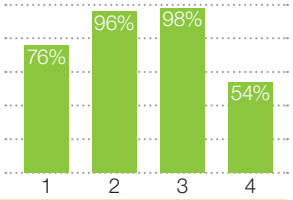
Amount of materials recovered from the waste stream million tonnes

1 Benelux Solid Waste	3.00
2 Hazardous Waste	1.62
3 Organics	0.66
4 UK	0.81
Group	**6.09**

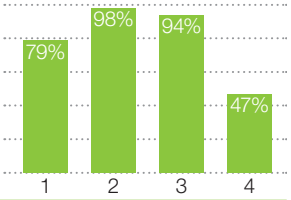
1 Benelux Solid Waste	3.09
2 Hazardous Waste	1.71
3 Organics	0.53
4 UK	0.76
Group	**6.09**

Proportion of total waste handled recovered from the waste stream %

1 Benelux Solid Waste	76%
2 Hazardous Waste	96%
3 Organics	98%
4 UK	54%
Group	**78%**



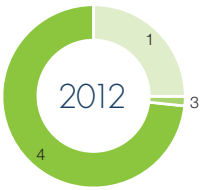
1 Benelux Solid Waste	79%
2 Hazardous Waste	98%
3 Organics	94%
4 UK	47%
Group	**78%**



Tonnes of waste handled sent for landfill million tonnes

1 Benelux Solid Waste	0.35
2 Hazardous Waste	–
3 Organics	–
4 UK	0.64
Group	**0.99**

1 Benelux Solid Waste	0.27
2 Hazardous Waste	–
3 Organics	0.02
4 UK	0.79
Group	**1.08**



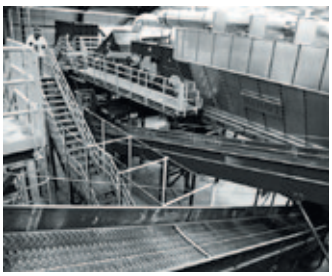
Tonnes of waste handled sent for incineration million tonnes

1 Benelux Solid Waste	0.58
2 Hazardous Waste	0.06
3 Organics	0.01
4 UK	0.06
Group	**0.71**

1 Benelux Solid Waste	0.56
2 Hazardous Waste	0.04
3 Organics	0.01
4 UK	0.07
Group	**0.68**

Technologies and sustainability

The table below provides a snapshot of the sustainability and carbon benefit offered by the technologies that we use. While this is not a comprehensive list, it covers the main types of waste management operation across the Group.

	Technology	Sustainability and carbon benefit
	Mechanical biological treatment (MBT) facilities	MBT facilities take residual waste, such as that left over from separated collection schemes, and extract residual recycled material. The waste is then shredded and dried to produce a waste derived fuel, such as solid recovered fuel (SRF) which can be used in power production and industrial processes. MBT facilities: • Displace need for fossil fuels in power production and industrial processes providing a carbon avoidance benefit • Divert waste from landfill and other environmentally unfriendly disposal methods
	Anaerobic digestion (AD) facilities	AD facilities take organic waste, such as food waste, and turn it into fertilisers and green energy. AD facilities: • Provide an alternative to artificial and chemical fertilisers • Produce green electricity that offers a carbon avoidance benefit • Divert organic waste from landfill thereby reducing methane emissions
	In-vessel composting (IVC) facilities	IVC facilities take materials with a higher organic content, such as residual domestic waste, and compost it to produce a fertiliser. IVC facilities: • Provide an alternative to artificial and chemical fertilisers • Divert organic waste from landfill thereby reducing methane emissions
	Sorting centres, materials recycling facilities (MRFs) and recycling facilities	Sorting centres and recycling facilities take mixed or partially separated waste and sort it into individual components, such as paper, card, plastics and metals. Such facilities offer the following benefits: • Displace need for non-renewable, raw materials • Provide a high level of carbon avoidance • Divert waste from landfill and other environmentally unfriendly disposal methods
	Hazardous waste (specialist treatment processes and industrial cleaning)	Our main hazardous waste treatment facility uses thermal and other treatments to destroy the hazardous components of waste such as contaminated soils and paints. Specialised hazardous waste treatment: • Destroys the hazardous properties of waste preventing their release into the environment • Provides a safe alternative to less suitable waste management technologies • Provides an environmentally friendly method of managing potentially hazardous materials

Environmental performance highlights

Our use of resources and energy provide key environmental performance indicators.

Resource and energy use

Electricity consumption at sites and offices 000' kilowatt hours

1 Benelux Solid Waste	41,154
2 Hazardous Waste	52,887
3 Organics	20,669
4 UK	24,139
Group	**138,849**

1 Benelux Solid Waste	36,330
2 Hazardous Waste	57,099
3 Organics	19,016
4 UK	25,608
Group	**138,053**

Gas used at sites and offices cubic metres

1 Benelux Solid Waste	3,759
2 Hazardous Waste	926
3 Organics	12
4 UK	46,632
Group	**51,329**

1 Benelux Solid Waste	4,171
2 Hazardous Waste	854
3 Organics	9
4 UK	40,265
Group	**45,299**

Fuel use at sites and offices 000' litres[1]

1 Benelux Solid Waste	5,053
2 Hazardous Waste	410
3 Organics	874
4 UK	1,365
Group	**7,702**

1 Benelux Solid Waste	4,924
2 Hazardous Waste	639
3 Organics	874
4 UK	1,175
Group	**7,612**

1. Diesel fuel used (mainly for heavy mobile or static plant).

Fuel used in waste collection and transport vehicles 000' litres

1 Benelux Solid Waste	18,697
2 Hazardous Waste	3,078
3 Organics	–
4 UK	2,738
Group	**24,513**

1 Benelux Solid Waste	21,617
2 Hazardous Waste	2,596
3 Organics	–
4 UK	2,681
Group	**26,894**

Environmental performance highlights

Total electricity generated '000 megawatt hours

	2013
1 Benelux Solid Waste	58,660
2 Hazardous Waste	–
3 Organics	35,665
4 UK	21,543
Group	**115,868**

	2012
1 Benelux Solid Waste	66,348
2 Hazardous Waste	–
3 Organics	34,668
4 UK	12,136
Group	**113,152**

Water used at sites – potable water[2] '000m³

	2013
1 Benelux Solid Waste	80
2 Hazardous Waste	139
3 Organics	8
4 UK	47
Group	**274**

	2012
1 Benelux Solid Waste	80
2 Hazardous Waste	172
3 Organics	81
4 UK	45
Group	**378**

Water used at sites – surface water[2] '000m³

	2013
1 Benelux Solid Waste	18
2 Hazardous Waste	3,842
3 Organics	–
4 UK	–
Group	**3,860**

	2012
1 Benelux Solid Waste	21
2 Hazardous Waste	4,893
3 Organics	–
4 UK	–
Group	**4,914**

Water used at sites – groundwater[2] '000m³

	2013
1 Benelux Solid Waste	48
2 Hazardous Waste	–
3 Organics	9
4 UK	–
Group	**57**

	2012
1 Benelux Solid Waste	48
2 Hazardous Waste	–
3 Organics	10
4 UK	–
Group	**58**

Water used at sites – rain water[2] '000m³

	2013
1 Benelux Solid Waste	36
2 Hazardous Waste	20
3 Organics	24
4 UK	0.5
Group	**80.5**

	2012
1 Benelux Solid Waste	37
2 Hazardous Waste	18
3 Organics	2
4 UK	0.5
Group	**57.5**

Water used at sites – grey water[2] '000m³

	2013
1 Benelux Solid Waste	83
2 Hazardous Waste	613
3 Organics	81
4 UK	–
Group	**777**

	2012
1 Benelux Solid Waste	77
2 Hazardous Waste	694
3 Organics	20
4 UK	–
Group	**790**

2 All data rounded to nearest 1,000m³.

Health and safety case studies

#3

Making more from waste

‘Alles OK Kaart’ wins Shanks Group safety award

All of our sites are committed to making continuous safety improvements. To celebrate these efforts and share knowledge across the Group we launched a Group-wide safety award in February 2013.

The award was won by Reym for its ‘Alles OK Kaart’ last minute risk assessment system. Key to their success was the clear improvement in safety performance when using the system, the level of innovation and the applicability to other Group operations.

The majority of Reym’s work is undertaken on third party premises. While this work is strictly controlled, the ‘Alles OK Kaart’ system streamlines last minute risk assessment of key tasks. It has already proven its worth by preventing accidents on at least two separate occasions. Since the system was introduced, many hazards have been identified and avoided.

#4

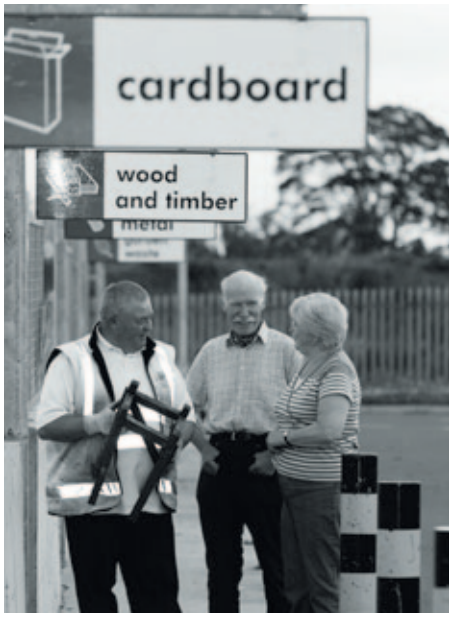
Making more from waste

Controlling risk with our partners

One of our prime duties is to control and mitigate risk at all of our operating sites. Our safety performance is a key part of the relationship with our customers, who rely on us to maintain the highest levels of operational integrity at all times.

As part of our Cumbria PFI contract we operate a number of civic amenity sites on behalf of the local authority. While we work with a third party, Cumbria Waste Management, to run the sites, we still have a responsibility for operational safety.

Each site is subject to routine inspections by Shanks’ safety professionals and we work closely with our partner to ensure that they are meeting our own high standards. In 2012 our Group Corporate Responsibility Committee visited one of the sites to assess safety performance. All members of the Committee were impressed by what they saw and the obvious commitment shown by both the Shanks and Cumbria Waste Management teams to deliver a high-quality service to our client.



Health and safety in a high risk industry

The health, safety and wellbeing of our employees is a key component of our corporate values. This is particularly important in the waste management industry where accident rates have traditionally been higher than manufacturing and other industrial sectors.

In line with our corporate restructuring in 2012, we re-shaped our Group Health & Safety Committee and tasked it with further improving our performance and producing and enacting Group-wide safety innovations.

The committee has been extremely active and has introduced a range of innovations and guidelines relating to common standards on non-permanent worker induction, the use of mobile telephones and personal entertainment devices, traffic and pedestrian segregation and performance reporting. A traffic safety initiative launched in November 2012 has resulted in quantified improvements across all of our sites. In February 2013 we organised our first Group-wide safety award. In addition, we now operate a communications cascade process for all of our safety professionals and have held a series of safety workshops in all of our operating divisions.

All safety improvements and initiatives have been captured in a Group Health & Safety Action Plan. This plan was developed and actioned by the Group Health & Safety Committee which tracks actions and outcomes. Our focus in 2013/14 is on fire prevention and improving our safety culture through employee engagement.

How we performed

Whilst we have an excellent safety record in comparison to sector peers, we are committed to continuous improvement. During 2012/13 we reduced our reportable accident rate by 8% compared with the previous year and by 20% over the previous three years. Our ultimate aim is to operate a zero accident business. Our accident severity rate has also fallen by 25%, measured as the number of days lost from accidents compared to the number of accidents.

Health and safety performance highlights

In 2012, we revised our internal health and safety reporting process. In addition to our established performance measure of accident rate, we added severity measures, performance against days worked and information on non-permanent worker safety.

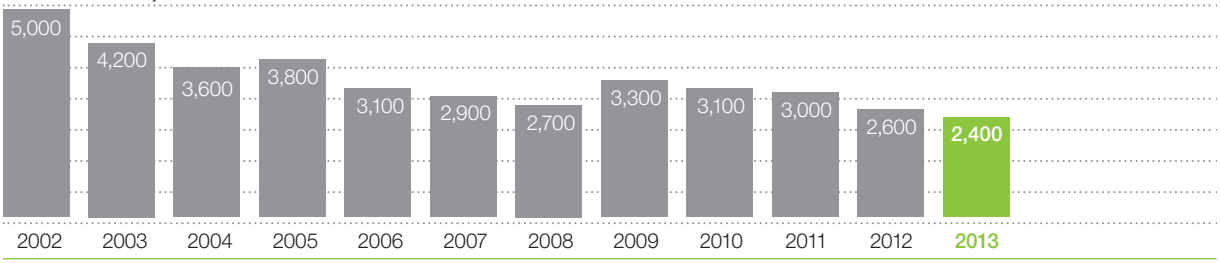
Employee health and safety

Employee accident performance

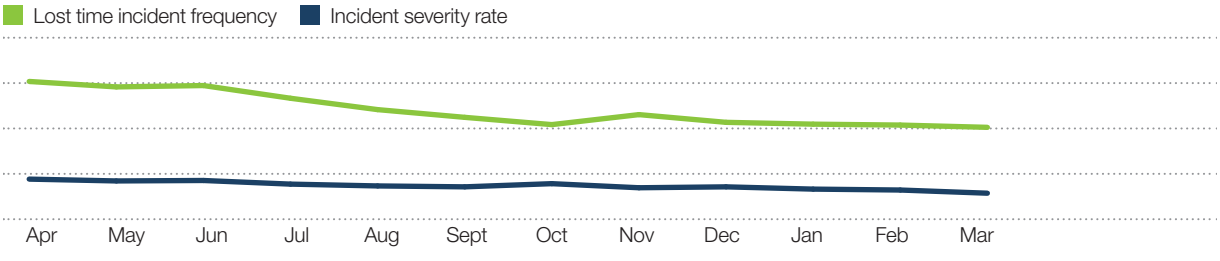
	2013					2012				
	Total number LTA	**LTA rate**	**Number of reportable accidents**	**Reportable accident rate**	**Number of fatal accidents**	Total number LTA	LTA rate	Number of reportable accidents	Reportable accident rate	Number of fatal accidents
Benelux Solid Waste	**85**	**3,700**	**76**	**3,300**	**–**	96	3,900	78	3,200	1
Hazardous Waste	**5**	**650**	**5**	**650**	**–**	9	1,200	8	1,100	–
Organics	**3**	**4,300**	**–**	**–**	**–**	5	6,900	1	1,400	–
UK	**29**	**3,200**	**17**	**1,850**	**–**	33	3,700	19	2,100	–
Group	**122**	**3,000**	**98**	**2,400**	**–**	143	3,500	106	2,600	1

Long-term reportable employee accident performance

More than three day accident rate.



Lost time employee accident frequency and incident severity rate trend (2012/13)



Key to terms used in health and safety data, tables and graphs:

Reportable accident rate: any injury to an employee which results in more than three days' absence from work (note – definition of reportable accident is internal and not regulatory).

LTA (lost time accident) injury: any injury to an employee which results in at least one day's absence from work.

Reportable and LTA accident rates: total accident figures do not allow adequate comparisons to be made over time as employee numbers can, and do, change. The accident rates quoted are per 100,000 employees which provide a truer measure of performance.

LTA frequency: number of lost time employee accidents per 100,000 days worked. This data is presented on a rolling 12 month basis.

Incident severity rate: average number of days lost per lost time employee accident. This data is presented on a rolling 12 month basis.

Our people case studies

#5
Making more from waste

Social Return Policy at Van Vliet Contrans

We are committed to the highest standards of equality and diversity practice within the business. This ethos is exemplified by Van Vliet Contrans' (VVC) Social Return Policy which creates opportunities for disabled, low-skilled people and those who are long-term unemployed in the Netherlands.

Those engaged on this project gain skills and experience which can assist them in securing future employment.

Employees are also given the opportunity to access language and mathematics lessons funded by VVC. Young people are also taken on through 'Learn & Work' projects which offer a way into work, valuable experience and transferable skills.

The policy has been so successful that vocational education institutes have certified VVC as an official training provider for transport, administration, metal working and the motor industry.

#6
Making more from waste

Works Council

In July 2012, Shanks UK launched a dedicated Works Council. Chaired by the UK Managing Director, the Works Council brings a range of employees together to discuss key issues and ideas.

Although a number of our sites have recognised trade unions, some do not and even where sites are recognised, membership is often not 100%. The Works Council provides an ideal forum for two-way communication and an opportunity for employees to direct their views and questions to the Managing Director.

The Works Council meets four times a year at different UK locations. The issues discussed include strategy, performance, future developments and employee welfare. Minutes of the meetings are then circulated to the rest of the UK team.

Our people

Our values, culture and people

There have been many changes in our business in the last 12 months, including a new divisional structure, a new Executive Committee and a significant restructuring programme. A key differentiator during this period of change is our people and our culture. Our people continue to demonstrate the ability to meet the market challenges with a 'can do' approach. The effective changes we have been able to put in place over the past year are a testament not only to our people but also to our culture and values.

Shanks' culture has been built on key values which demonstrate that 'how' we do things is just as important as 'what' we do. Embedding these values into our daily working lives allows us to create a unique culture and to meet the expectations of our people, our customers and our stakeholders. Having an open culture is important to us as it provides an environment where our employees feel informed, included and are motivated and aligned to perform at their best.

In order to deepen this culture and to support our momentum and drive for high performance, the Board appointed Shanks' first Group Human Resources (HR) Director, Michelle Cummins, in August 2012. Michelle's role focuses on working with the senior leadership team to recruit the right talent to help create an organisation which supports and develops our people.

At Shanks, we have set our values to be a guiding force for the way we behave and go about our business, we strive to be:

- **Responsible:** we recognise our obligations to our fellow employees, the environment and the communities in which we operate and can be trusted to do the right thing.
- **Innovative:** we aim to create an environment which encourages and supports an entrepreneurial spirit.
- **Straightforward:** a 'no nonsense' approach means we do what we say we will do, empower our people to make decisions and are easy to do business with.
- **Open:** a transparent approach means that we are able to maintain high professional and ethical standards and internally our open culture enables us to benefit from shared knowledge and experience.

How we performed

Our employees are the foundation of our business and having the right people in place is vital for our success. Today we have more than 4,000 employees, working across four countries. We have implemented specific communication channels to ensure our people feel supported and engaged:

- Our internal magazine *Shanks Matters* is published five times per year and has proved a great success.
- We held a leadership conference in September 2012 which enabled managers from across the Group to come together to reset the priorities to ensure we focus on building our winning team.
- Our Group-wide performance and development review (PDR) system was rolled out at the end of 2012 and will improve the way we empower our people to manage their performance and development.
- The SpeakUp whistleblowing service allows our employees to report any wrong-doing in the workplace in a completely confidential manner.
- We provide informal as well as formal communications conduits for our employees either through local toolbox talks or through various works councils which we have set up in the Netherlands, Belgium and the UK.

Our people performance highlights

In 2012 we launched a number of new initiatives including a performance development review system and leadership framework.

People

Employee performance

	Benelux Solid Waste		Hazardous Waste		Organics[1]		UK		Group	
Indicator	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Total number of permanent employees	**2,285**	2,394	**749**	756	**77**	40	**900**	854	**4,011**	4,044
Number of operational employees	**1,789**	1,926	**490**	533	**47**	23	**556**	509	**2,882**	2,991
Number of administration, support, etc. employees	**496**	468	**259**	223	**30**	17	**344**	345	**1,129**	1,053
Number of male permanent employees	**1,939**	2,132	**644**	658	**63**	30	**738**	708	**3,384**	3,527
Number of female permanent employees	**346**	263	**105**	98	**14**	10	**162**	146	**627**	517
Number of full-time permanent employees	**2,132**	2,203	**661**	673	**66**	31	**880**	839	**3,739**	3,745
Number of part-time permanent employees	**153**	191	**88**	83	**11**	9	**20**	15	**272**	298
Permanent employee turnover (% replacement)	**8**	8	**6**	4	**18**	18	**23**	19	**11**	10
Average number of years service	**10**	9	**10**	11	**3**	4	**6**	6	**9**	7
Number of training days per permanent employee	**1.4**	1.8	**8.0**	5.5	**2.9**	3.0	**3.0**	2.8	**3.5**	2.6
Number of non-permanent employees (full time equivalents)[2]	**211**	–	**82**	–	**14**	–	**130**	–	**437**	–
Number of cases of discrimination against employees	**–**	–	**–**	–	**–**	–	**–**	1	**–**	1
% of employees covered by joint management/ worker safety consultation committees	**84**	85	**100**	100	**100**	55	**85**	85	**88**	85

1. Data for 2012 is for Organics Netherlands only. Data for 2013 includes Organics Canadian operations.
2. Data not reported for 2012.

Community relations case studies

Watch the Landfill Harmonic Orchestra Project film at: http://vimeo.com/52129103.

#7

Making more from waste

Landfill Harmonic Orchestra

In early 2013 we were contacted by an organisation called Put Your Money Where Your Mouth Is Community (PYMWYMIC) requesting support for an orchestra with a difference.

The Landfill Harmonic Orchestra is a talented group of young people from a village in Paraguay who play musical instruments made from waste materials. With no money for instruments, the orchestra decided to make them from the waste in the landfill site surrounding the village. Violins and cellos are made from oil drums, flutes are made from water pipes and spoons, and guitars are crafted from packing crates.

When we were approached by PYMWYMIC we didn't think twice about helping out. The orchestra is completely aligned with our goal of creating value from material that is otherwise thrown away.

The funding that we provided enabled several members of the orchestra to travel to Amsterdam and reach a wider audience. The orchestra members were joined by musicians from a Dutch music school who also played the recycled instruments – a great example of sustainable cross-cultural collaboration.

The concert was a great success and the orchestra is now looking forward to sharing their story and further demonstrating their talent internationally.

#8

Making more from waste

Community liaison at BDR

In March 2012 Shanks signed a £750m waste management contract with Barnsley, Doncaster and Rotherham (BDR) Councils, a joint venture with SSE. Keeping the local community up to date with the project has been a key priority.

Local consultation events and community drop-in sessions have been organised from the early stages of the project. Regular newsletters have been issued to local communities and the BDR website (www.bdronline.co.uk) is constantly updated to ensure that local residents know exactly what, where and when key events and developments are taking place.

A Community Liaison Group was established prior to commencement of the contract to provide a communications forum for local people. It meets when key decisions and developments are required with input from the BDR contract manager and representatives of SSE.

Sustainable community relations

Communications, co-operation and community

While the resource and carbon benefits of sustainable waste management are widely accepted, the industry has an ongoing challenge to engage, inform and educate those living and working close to its facilities.

All of our facilities have a permit to operate which requires us to consult with the public and remain open to scrutiny. We know and accept that if we do not engage with communities adjacent to our facilities this is unfair on them and will have a detrimental effect on our ability to generate wider sustainable benefits through our activities. Our community neighbours across all of our sites are key stakeholders and their voice has weight and the nature of their comments and those of local regulators we consider as critical performance measures.

We believe in proactive engagement with local residents. New and sustainable waste management technologies represent a change and may be viewed with caution. Proactively explaining the benefits of new technologies and responsible methods of dealing with waste can address such concerns.

We believe that our activities support society's move to a more sustainable future, but we accept that this argument may not be enough for individuals or community neighbours. Through positive and proactive engagement we gain an insight into views and concerns, which in turn helps us to modify processes and minimise our impact on the local environment.

How we performed

Our ability to encourage and capture comments from local residents is critical in formulating a response that reduces and eliminate any potential nuisance. During 2012/13, an assessment of complaints and community interaction became a regular feature of Group internal reporting. All complaints and comments logged across our operating divisions are now reported into the Group Executive Committee and the Group Board.

The Community Liaison Group described in the case study on our Barnsley, Doncaster and Rotherham (BDR) contract exemplifies our approach to local engagement across our divisions.

We are also keen to engage with the wider public about sustainability, CR and our industry. In 2013 we introduced a dedicated CR feedback and comment e-mail address: CRinfo@shanks.co.uk

Community relations performance highlights

Complaints received from local residents and enforcement actions taken by regulators relating to nuisance are critical performance measures.

Our complaints record

Environmental complaints received by Shanks sites

	Benelux Solid Waste		Hazardous Waste		Organics		UK		Group	
Indicator	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Number of environmental complaints received[1]	**112**	128	**174**	180	**153**	175	**59**	62	**498**	545
Average number of complaints per site (out of total number of sites)	**2.6**	2.9	**13**	15	**26**	25	**1.5**	1.6	**4.8**	5.4

1. Includes all complaints, both those substantiated and those not substantiated.

Our environmental compliance record

Compliance performance

	Benelux Solid Waste		Hazardous Waste		Organics		UK		Group	
Indicator	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Number of environmental convictions and fines	**1**	2	**–**	–	**–**	–	**–**	–	**1**	2

Data is for convictions (where the Group goes to court) and significant administrative fines (such as those that can be received in Belgium and the Netherlands).

Sustainable management systems

Managing sustainability

We operate formal management systems at all of our operations that set the precedent for continuous improvement across our business. These are designed to maximise the quality of our resource recovery activities, maintain the highest standards of health and safety, ensure that employees are treated in an ethical manner and that the concerns of communities are acknowledged and addressed.

While these management systems are internal to the Group, they are audited by third parties and comply with national and international standards. We are also included in high profile benchmarking and independently assessed schemes, for example, the FTSE4Good index and the Carbon Disclosure Project. We engage proactively with such bodies to ensure the specific issues facing waste management companies are taken into account within their ratings.

In addition to knowing that we comply with the law and good practice, our customers may insist on international accreditations before committing to a commercial relationship. Our certified management systems are therefore crucial for enhancing our customer relationships as well as providing a structure for achieving our sustainability objectives.

Our commitment to sustainability was recognised when we won the PLC 'Achievement in Sustainability' award in March 2013.

How we performed

We operate high risk processes with the potential for environmental pollution and health impacts. We can sometimes make mistakes and fall below the performance required of ourselves or external standards. We believe that such situations should be handled in a transparent and open manner and provide an opportunity to learn and improve.

As part of our ongoing commitment to improvement in 2012 all of our UK sites were accredited to OHSAS18001, the international safety standard.

Management systems performance highlights

Our external, independent accreditations provide confidence in our management approach and commitment to legal compliance and good practice. The table below lists the main standards against which our divisions are accredited.

Our management systems achievements

Number of sites accredited to formal management systems standards

	Benelux Solid Waste		Hazardous Waste		Organics		UK		Group	
Indicator	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
IS014001/EMAS	**31**	32	**16**	12	**–**	–	**39**	35	**86**	79
ISO 9001	**34**	36	**14**	10	**5**	5	**39**	35	**92**	86
OSHAS 18001	**6**	8	**15**	11	**–**	–	**39**	–	**60**	19
SCC/VCA	**21**	28	**14**	10	**–**	–	**–**	–	**35**	38
Other	**13**	12	**10**	14	**3**	3	**–**	–	**26**	29

ISO14001/EMAS – international environmental management standards
ISO9001 – international quality standard
OHSAS18001 – international health and safety standard
SCC/VCA – national health and safety standards
Other – national and international accreditations relating to activities such as tank cleaning

#9

Making more from waste

Satisfied customers

Our customers want to know that they are sending their waste to a responsible, ethical and legally compliant business.

ATM uses innovative technologies to treat hazardous waste. Given the nature of the material, ATM's customers need to know that it is managed in a sustainable and appropriate manner. Each year ATM hosts around 25 high level audits, which allow customers to gain a full picture of the on-site processes and procedures.

Such audits satisfy our customers that we meet technical standards and are true to our own performance objectives. They also provide an opportunity for us to review and improve our operating standards and to enhance our customer relationships.

Corporate responsibility framework

Driving improvement

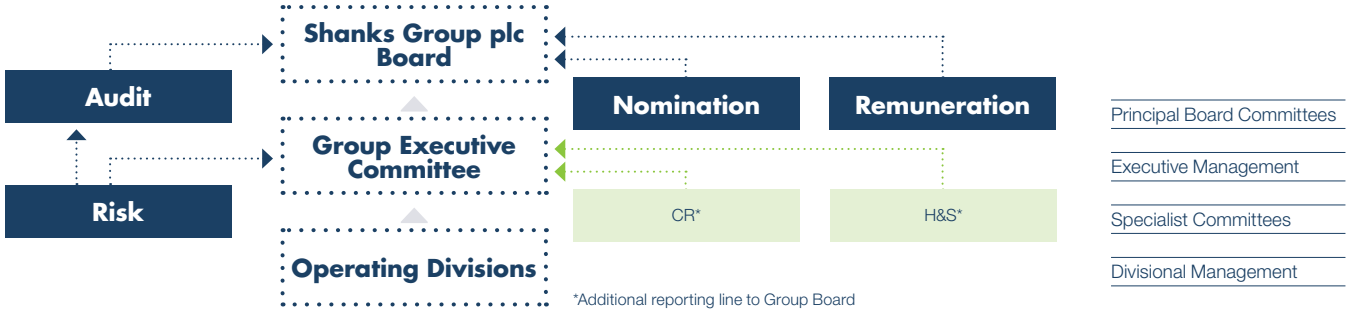
Our Corporate Responsibility (CR) and Health & Safety Committees co-ordinate and monitor our sustainability strategy and report progress to the Group Executive Committee. They comprise senior sector and technical specialists from across the Group selected for their knowledge of our sustainability priorities.

The committees provide high level advice to the Group on CR and health and safety, performance monitoring, reporting, policy formulation and communications. They also provide independent commentary on our CR and health and safety standards as well as defining performance improvements.

For example, in 2012 our Health & Safety Committee focused on transport safety, a major concern for the waste management industry. The Health and Safety Committee formulated a Group-wide traffic safety programme that prioritised segregation between pedestrians and vehicles. Employee engagement was crucial, from identifying major risk areas and issues, to formulating common pedestrian protection standards and action plans.

The programme resulted in traffic safety action plans for more than 100 sites and many local safety improvements. This was a major initiative requiring leadership, resources, co-ordination, performance monitoring and quality assurance. While just one example, it exemplifies the fact that CR and sustainability are key market drivers and core components of our business strategy.

Our Corporate Governance reporting management framework



CR and H&S Committee site visits

Each year our CR and Health & Safety Committees visit a number of our sites. These are not intended to be formal audits, but provide an opportunity for our most senior environmental, health and safety and HR professionals to view practice at a local level. The format is informal but thorough and allows for dialogue between senior management and employees with responsibility for on-site practices. Structured reports from these visits are distributed widely across the Group, including to the Group Executive Committee.

The 2012/13 programme included the following site visits:

- **30 May 2012** – CR Committee visit to Van Vliet Groep, Recycling Plant, Utrecht, Netherlands.
- **17 October 2012** – H&S Committee visit to East London, Jenkins Lane MBT, Recycling and Civic Amenity Facility, Frizlands Lane Civic Amenity Site and Gerpins Lane Civic Amenity Site, UK.
- **22 January 2013** – joint CR/H&S Committee visit to Vliko, Recycling Plant, Leiden, Netherlands.
- **23 January 2013** – joint CR/H&S Committee visit to Kluivers, Recycling Plant, Leiderdorp, Netherlands.

More about our CR performance

Want to know more?

Our CR Report is one of many resources that we make available to describe our approach and performance around sustainability. Other detailed information is available through our Group website and questions or issues can be raised using the details provided in the contacts section of this report or by using our CR information e-mail address: CRinfo@shanks.co.uk

Want to see detailed data?

This report offers a summary of our performance. Our Group website provides divisional level information and more detail on all aspects of CR performance. See our CR full data document at www.shanksplc.com/cr

Want to know how we calculate CR data?

Our CR indicators document defines what we measure and how these measurements are calculated. It also describes the rules that we define and follow in our reporting. Our CR indicators document is available at: www.shanksplc.com/cr

Want to know about our reporting and GRI?

The performance data and narrative in our CR Report and other published information is based on the requirements of the Global Reporting Initiative (GRI). Our response to GRI and our GRI navigator document can be viewed at: www.shanksplc.com/cr

Want to know more about our strategy and financial performance?

Our Annual Report provides more information on Shanks Group, including our vision, strategy, operations, people, risk and financial performance. The Annual Report and other corporate information can be viewed at: www.shanksplc.com/investor-centre

Want to learn more about our operations?

As well as Group documents, some of our operating divisions produce their own reports. These documents can be viewed at the divisional web addresses shown in the contacts section of this report.

Do you have a comment or question on our CR Report or associated activities?

Please contact us at: CRinfo@shanks.co.uk. If you do not have access to e-mail please refer to the details at the end of this report.

Contacts

Further information about our operations, CR Reports and other publications can be obtained from our Group website: www.shanksplc.com. For information about our divisional operations please refer to the contacts below.

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