

# Directors' report and business review

## 1. Business strategy



John Cuthbert, Managing Director, presenting at a partnership conference.

### Strategic direction

Our strategy is to focus on the Group's core competences of water and waste water management and, through that focus, to deliver value to all of our stakeholders. Our activities and priorities continue to be directed to achieving our mission to be the national leader in the provision of sustainable water and waste water services. Our three priorities are:

- to maintain our strong reputation and relationships by:
  - delivering excellent service to customers;
  - delivering regulatory outputs;
  - creating shareholder value; and
  - involving our main stakeholder groups.
- to ensure a stable financial profile by:
  - maximising revenue;
  - delivering operational efficiency; and
  - securing low cost long term funds.
- to develop a culture of continuous improvement by:
  - ensuring a focus on safety and rigorous risk management;
  - encouraging employees to fulfil their potential;
  - promoting a flexible and proactive attitude; and
  - embracing a sustainable and responsible approach.

### A clear framework

Our core business, NWL, has identified five key strategic themes. Four of these, People, Customer, Competitiveness and Environment, are important individually and also contribute to the fifth, Reputation. These themes underpin our drive for performance and delivery of our corporate objectives. The themes are mutually supportive and achieving the right balance between them is an essential part of our success.

#### People

We believe strongly that our people are the key to business success.

#### Customer

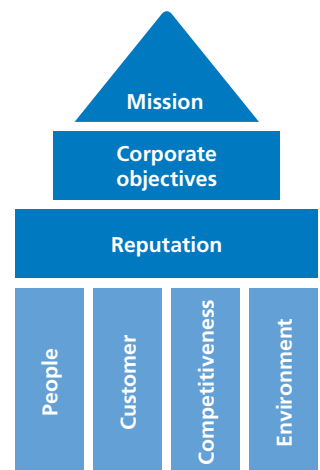
Customers are central to our thinking and our overriding objective is to properly understand and meet their needs.

#### Competitiveness

To grow our business and meet the challenges of a developing market we strive to be competitive in everything we do.

#### Environment

Our business is founded on water and environmental engineering and a great deal of what we do influences the environment. We seek to understand our impact on the environment and, also taking into account our



impact on, and contribution to, the economy and communities in which we operate, aim always to deliver sustainable outputs from our activities.

### Reputation

Our ability to develop our business will be influenced by our reputation. A good reputation is often the starting point for good stakeholder relationships on which business growth can be achieved.

By staying focused, motivated and innovative we are confident we will be able to continue to supply our customers with an excellent service at the right price and, by satisfying our customers, we provide a platform on which we will build, expand and develop our business.

NWL's corporate objectives are:

- to deliver industry leading customer service;
- to be the most efficient water company;
- to be recognised as a great company to work for;
- to be the company of choice for investors; and
- to protect and enhance the natural environment.

### Looking to the future

NWL consulted key stakeholders before publishing 'Looking to the future', our long term operational strategy for the next 25 years. We published different versions for each of our operational areas and they have been well received by a range of stakeholders. They are available on our websites at [www.nwl.co.uk](http://www.nwl.co.uk) and [www.eswater.co.uk](http://www.eswater.co.uk)

In our strategy, we set out our long term aims for NWL alongside intermediate targets for the period to 2015 for the key areas of:

- customer satisfaction;
- water quality;
- availability of water;
- waste water services;
- sustainability, the environment and climate change;
- finance; and
- employees.

Our long term operational strategy was produced to help inform our plans for the period 2010-15. The strategy builds on our achievements of the past 20 years and re-affirms our commitment to long term planning and investment to deliver value to all our stakeholders.

We identified three key challenges for the future:

- sustaining and, where appropriate, improving services while keeping bills affordable;
- maintaining healthy and stable finances to ensure we can continue to borrow money to meet the investment needed in the business; and
- responding to climate change by further reducing greenhouse gas emissions and future-proofing our operations.

Last year, we developed our plans for the period 2010-15 in support of our long term strategy and submitted initially a Draft and then, in April this year, our Final Business Plan to Ofwat. Part A of the Final Business Plan is available on our websites.