



YorkshireWater

Mr J Cox
Chairman
Ofwat
Centre City Tower
7 Hill Street
BIRMINGHAM B5 4UA

28 October 2013

Dear Jonson

Board leadership, transparency and governance – principles

Thank you for your letter of 19 September and the accompanying paper which I have now had the opportunity of discussing with the Yorkshire Water Board.

As I stated in my letter of 8 July the Board has welcomed dialogue with Ofwat on the matters first raised in your lecture of 5 March. As a Board and a company we are fully supportive of the principles of good governance as reflected in the UK Corporate Governance Code and as you will have seen from our Annual Report we responded positively to the best practice standards of the Code. In particular the Report included significant additional disclosures in relation to the company's corporate structure, senior management remuneration and its tax position. As you will also know, following a review carried out with the assistance of Egon Zehnder we rearranged our board structure from April 2012 in line with their recommendations as to best practice.

We are however keen to continue to improve the corporate governance of Yorkshire Water in line with current best practice, your Principles and those of the Code. We will therefore develop a code for Yorkshire Water as requested. In doing so we assume that the principles of the Code will apply and in particular those contained in its "Comply or Explain" section. Your recent helpful Information Notice recognises that deviations from the Code may be justified but should be "explained clearly and carefully". We acknowledge and accept your statement that "comply or explain is not a blanket opportunity for companies to disregard the UK Code's provisions".

We also take it as read that directors' duties to comply with company law will not be compromised or conflicted, as set out in Ofwat's Explanatory Note of 1996 which was provided when the provisions of Condition F6A.5A were first introduced into the company's licence.

I should also mention that, as you would expect, our shareholders have been provided with sight of the Principles and I understand that they intend to write to you separately in their capacity as shareholders in the company.

Yours sincerely

Kevin Whiteman
Chairman