

Sir Adrian Montague, CBE
Chairman

6 March 2014

Jonson Cox
Chairman
OfWat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Dear Jonson

Board leadership, transparency and governance – holding company principles

Thank you for giving us the opportunity to comment on your proposed governance principles for holding companies. As you would expect, this response has been discussed by members of the AWG Board and approved by representatives of each of AWG's four shareholders.

As I noted in my response to the proposed governance principles for regulated companies, we recognise the importance of good governance and take our obligations in this regard seriously. Although Anglian Water Group Limited is a privately owned company which is registered in Jersey, we produce a comprehensive Annual Report which achieves high levels of transparency. We have taken the decision to comply with the requirements of the Walker Report on a voluntary basis. We therefore consider that we already meet a number of Ofwat's proposed principles (for example, AWG's Annual Report clearly identifies the owners of the company, provides details of various debt instruments issued to fund the group's activities and includes an assessment of the principal risks and uncertainties facing the group). AWG's Annual Reports can be downloaded from AWG's website.

We note that a number of the proposed HoldCo principles replicate the RegCo governance principles. You will be aware that Anglian Water has already adopted a new Governance Code which complies with Ofwat's requirements. We have also set out a clear "road map" which explains how Anglian Water will achieve compliance with its new Code by April 2015. We will shortly be in a position to confirm the new appointments to the Board of Anglian Water.

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In common with many other companies, Anglian Water's licence already includes provisions (in Condition P) which require AWG to supply any information that might be needed by Anglian Water in order to comply with its Licence. AWG has also given an undertaking that it will refrain from any action which might cause Anglian Water to breach the terms of its Licence or fail to satisfy its obligations under the Water Industry Act. We believe that the appointment of investor representatives to the Board of Anglian Water will serve to further raise the awareness of the ultimate owners of Anglian Water of the responsibilities of the regulated business.

We are pleased that Ofwat has proposed a self-regulatory approach and are happy to give full consideration to Ofwat's proposed principles. We will determine what changes in AWG's governance approach are needed in order to ensure that we are able to meet the spirit of Ofwat's proposals.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adrian', with a horizontal flourish underneath.

Adrian Montague
Chairman