

6 March 2014

Mr Jonson Cox
Chairman
Ofwat
City Centre Tower
7 Hill Street
Birmingham
B54UA

**Board leadership, transparency and governance**

I am responding to your consultation paper of 4th February 2014 on Board leadership, transparency and governance and the enclosed principles for holding (Holdco) companies. These principles were tabled at our United Utilities Group PLC (UUG) and United Utilities Water PLC (UW) board meetings on 25th February at which they were considered and discussed in conjunction with the finalised principles for regulated (Regco) companies which were issued at the same time.

The Board fully supports Ofwat's drive for the highest standards of board leadership, transparency and governance in the industry. Indeed, as I mentioned in my letter of 22nd October in response to the Regco principles, United Utilities aspires to those same standards not only at the holding company level but at the regulated company level too.

Your Holdco principles are welcome and I can confirm that the Board is fully supportive of those principles and continues to support the now finalised Regco principles.

Indeed, in consequence of the discussions at those meetings, the Board is satisfied that:

1. UUG's ongoing compliance with the UK Corporate Governance Code (and its application at UW level) and Listing Rules,
2. UW's existing obligations under Licence Conditions F and P and the corresponding requirements placed on UUG; and
3. the convergence of the Holdco/Regco board memberships which was implemented in 2011.

are entirely consistent with those principles. In particular, the Board is satisfied that UUG's compliance with the UK Corporate Governance Code conforms to your Holdco principles.

At U UW level, we will continue to follow our current 'comply or explain' application of the UK Corporate Governance Code and which we set out each year in the governance section of U UW's published statutory and regulatory accounts. The Board is satisfied that this approach remains appropriate and is consistent with the Regco principles. As explained in this year's accounts, U UW does not duplicate the board committees already operating at UUG level, although it should be noted that U UW represents in excess of 98% of the group's revenues. Therefore, the activities of the UUG board committees, whose members are also independent directors of U UW, are necessarily targeted towards U UW related matters, thus ensuring that the interests of U UW and its customers are safeguarded.

That said, we constantly aim to refine our UUG and U UW public disclosures to improve the transparency of our governance framework and this year will be no exception, particularly in the light of the new principles. We trust that you will find this acceptable.

Finally, as requested, I confirm that we will issue a statement confirming United Utilities' adherence and approach to the Holdco and Regco principles in conjunction with the UK Corporate Governance Code, at both UUG and U UW level, by 1st April.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John', with a horizontal line underneath it.

Dr. John McAdam
Chairman