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Mr J Cox
Chairman
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Date 28 February 2014

Dear Jonson

Board leadership, transparency and governance - HoldCo principles

Thank you for your letter of 4 February, enclosing your draft HoldCo principles for consultation. I have shared these with the Greensands and Southern Water boards and with our shareholders, including the Joint Ultimate Controllers.

As I have indicated before, when writing to you as Chairman of Southern Water, your initiatives in this respect have always had the general support of the holding company, Greensands Holdings, and of its shareholders. In accordance with your invitation, Southern Water has adopted its own Code and submitted this to you with its Business Plan on 2 December.

I have previously highlighted to you the key aspects of how the Southern Water board operates and interacts with the Greensands board and how this represents good governance. Southern Water is the only operating company in the Greensands group and the holding company is fully supportive of its regulated business.

I know that some of our shareholders were represented on the group of investors with whom you have been working to develop a suite of HoldCo principles. I am therefore pleased to say that we can agree with you that meeting the HoldCo principles now published for consultation is no more onerous than the obligations already included in Southern Water's licence.

Accordingly, I would like to reiterate our commitment, as Greensands Holdings and its shareholders, and to confirm that we support improving the transparency of this service sector. We have no specific comments on the content and coverage of your HoldCo principles and intend to continue to demonstrate high standards of board leadership and governance.

Yours sincerely



Colin Hood
Chairman