

March 2020

## **Investors' survey 2019 – summary of results**

## 1. Introduction

Investors play an important role in directly challenging management and holding them to account – but they can only do this effectively if they understand our policies and trust information from water companies. We have surveyed investors to assess their understanding and views of our regulatory framework since 2016.

This document presents the results of our 2019 investors' survey which was open for 39 days and closed a month before final determinations were published. It builds on [last year's summary of results](#) which we published in December 2018.

### 1.1 Our 2019 survey

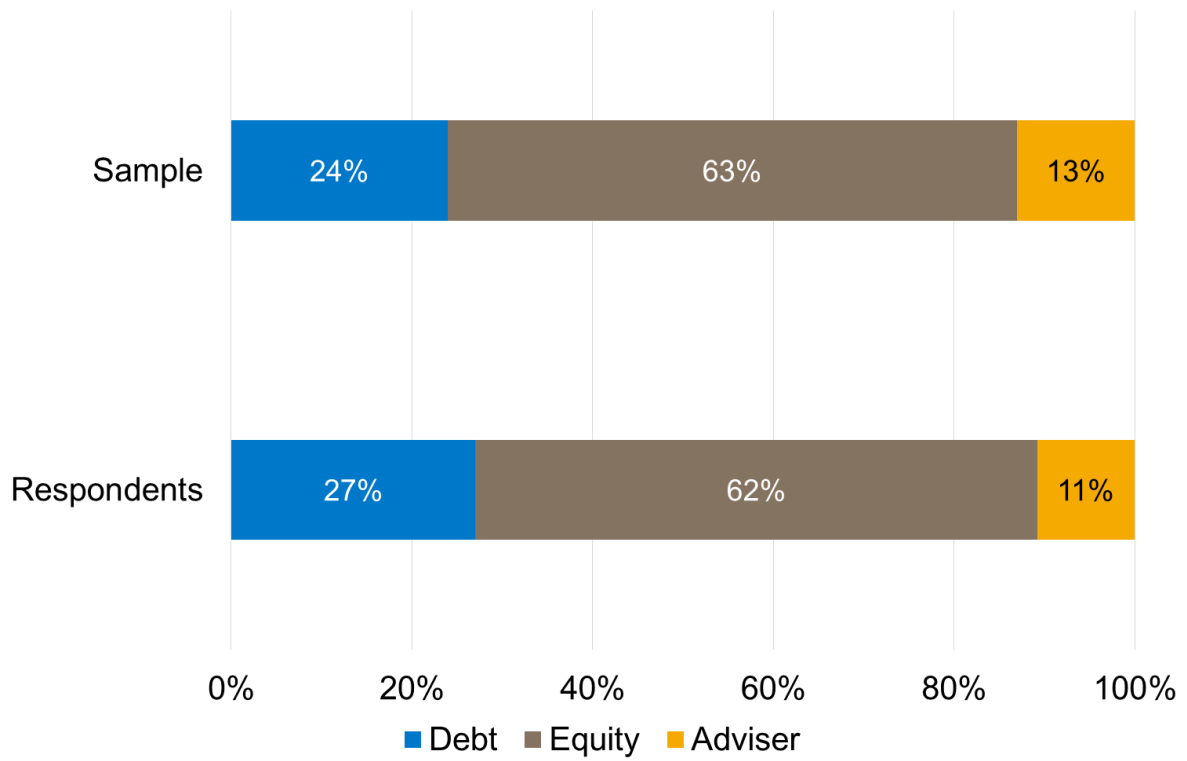
This year's survey included the same questions as previous years to enable us to measure changes in investors' views over time. We asked a mixture of set and free-text questions. For seven statements, respondents were required to answer strongly agree, agree, neither agree or disagree, disagree or strongly disagree.

We also gave investors the opportunity to comment on our engagement with them and to categorise themselves to help our analysis.

### 1.2 Respondents

We sent the survey via our investor relations distribution list to 459 investors. We received 74 responses – a 16% response rate (last year the response rate was 13%). Figure 1 shows the composition of survey respondents is mostly in line with our distribution list.

**Figure 1 – Respondents compared to our sample**

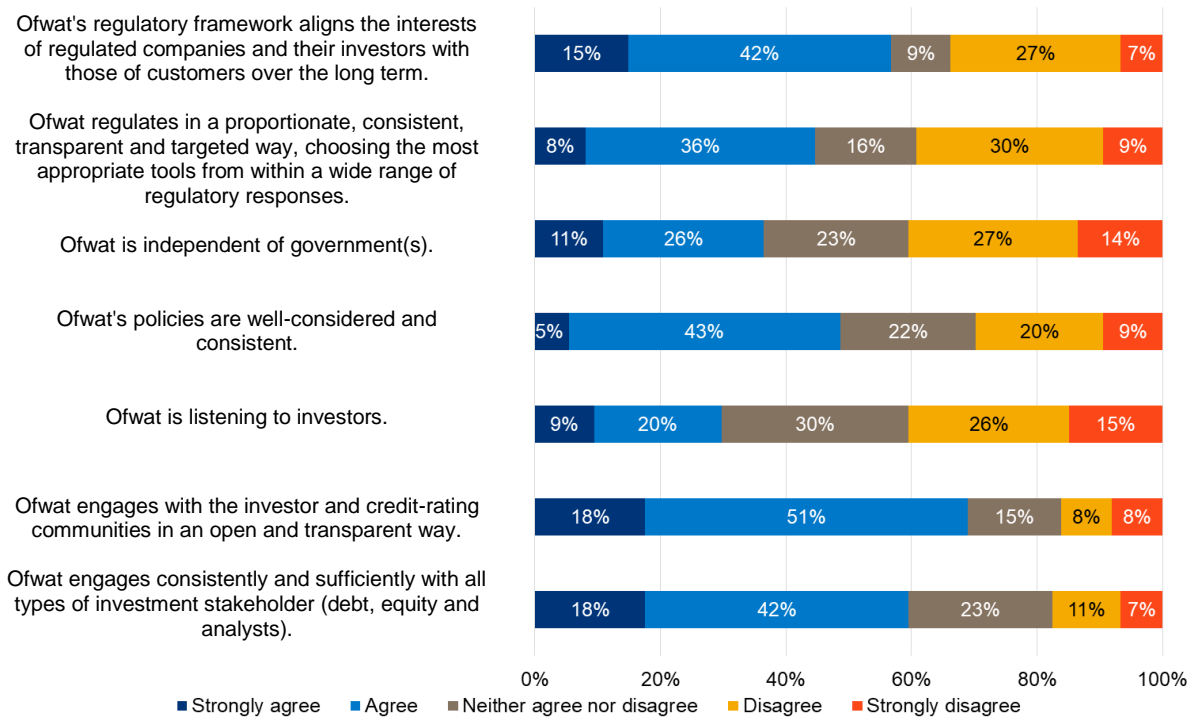


## 2. Survey results

### 2.1 Overall results

The overall results for our survey are shown in figure 2.

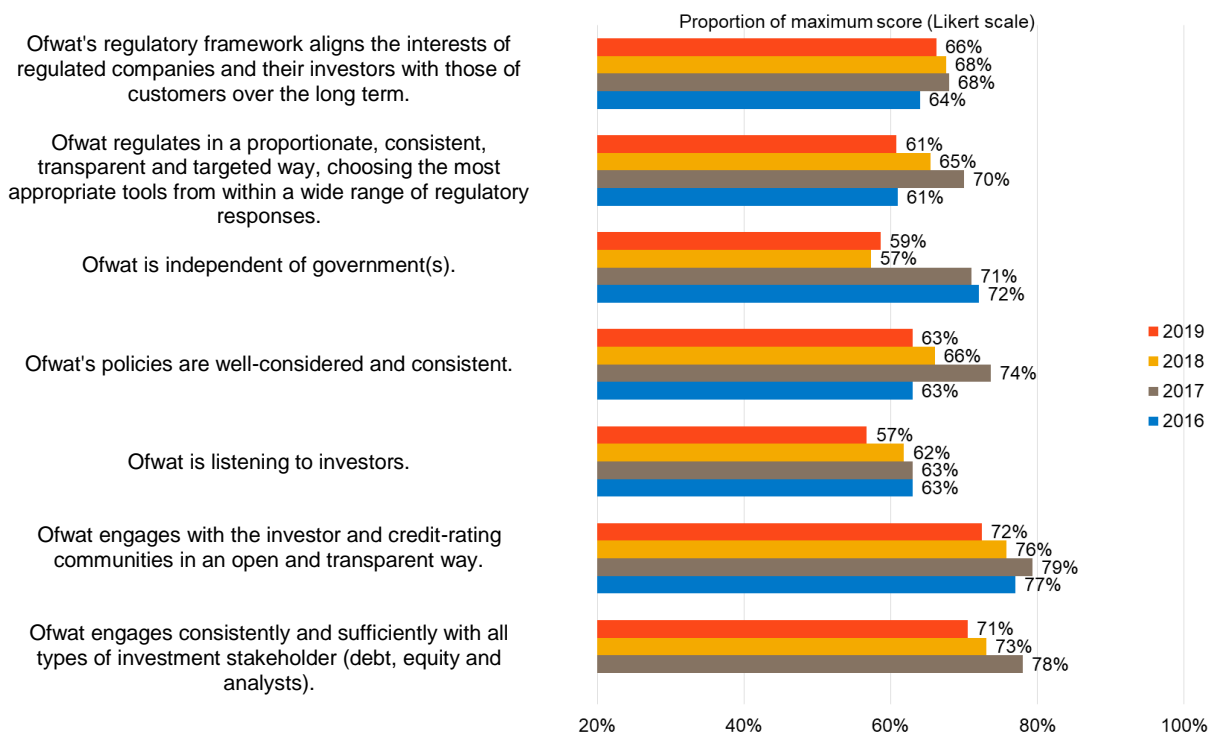
**Figure 2 – overall results in 2019**



## 2.2 Comparative results

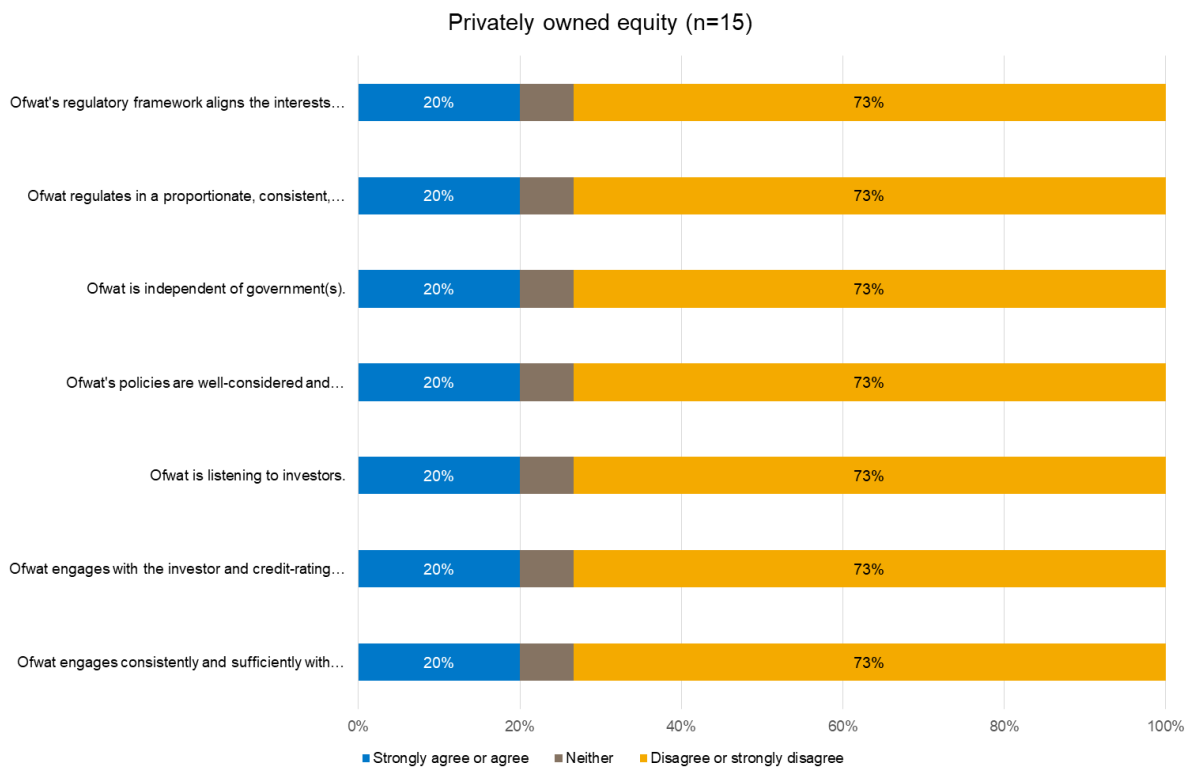
We can compare the results with previous years by allocating each answer with a score (from strongly agree = 5 to strongly disagree = 1) and presenting the overall score as a proportion of the maximum possible (if every respondent strongly agreed with every statement). Figure 3 shows how 2019 compares the three previous years. Note that with this method the minimum possible score is 20% and a 60% score would result if there was an equal weight on each of the five available responses.

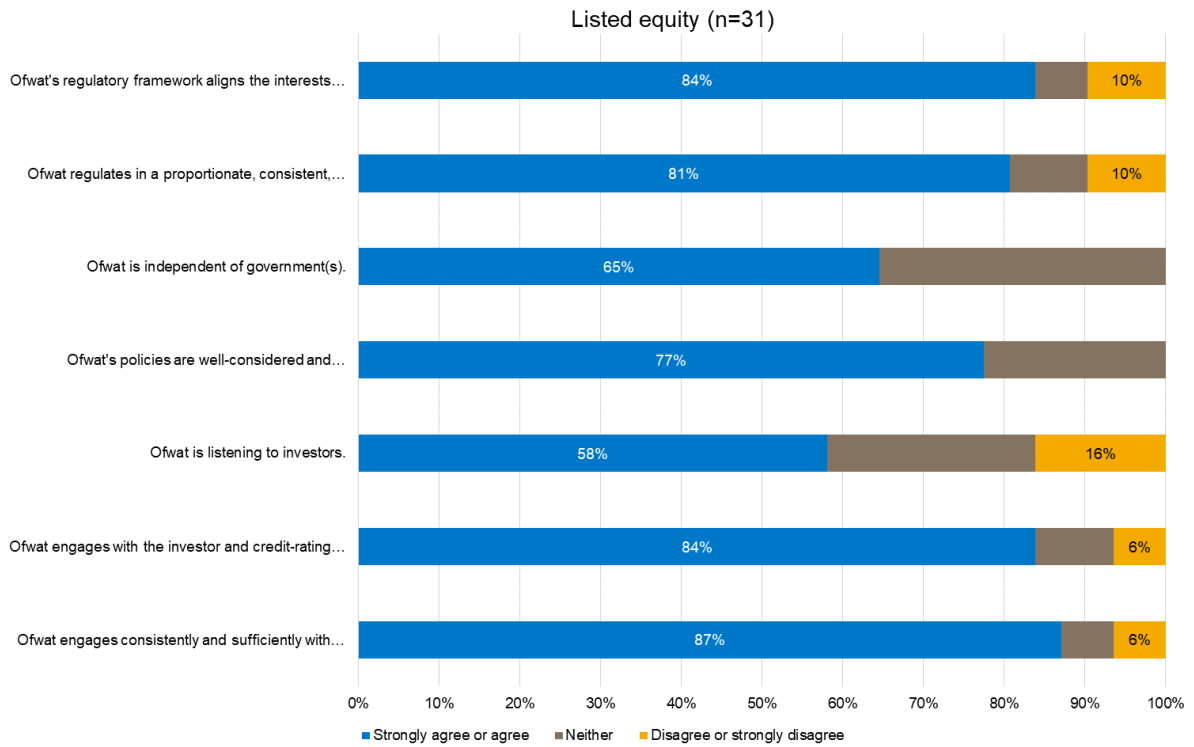
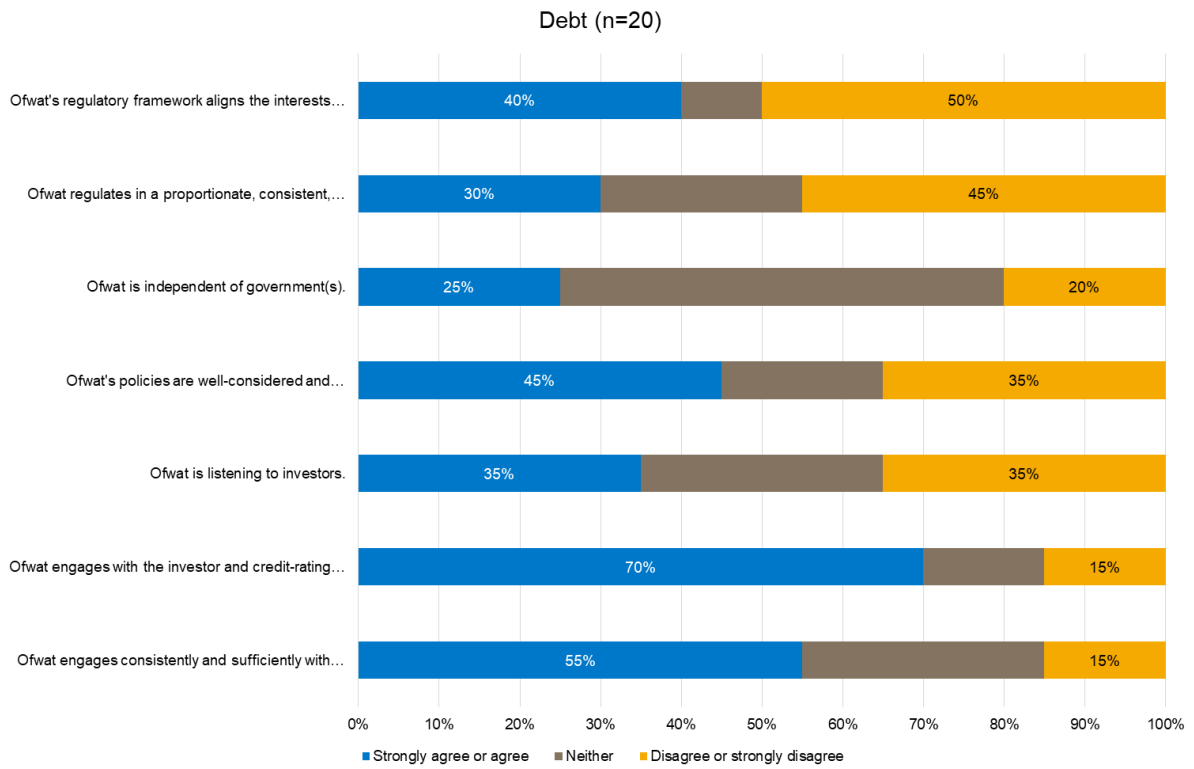
**Figure 3 – results as a proportion of maximum score by year**



## 2.3 Results by investor type

The following three figures show the responses for the largest three investor types – equity investors in privately owned assets, debt investors and equity investors in listed assets. Responses to our seven set questions vary significantly across the three investor groupings. Private equity investors uniformly disagreed with all seven statements. In contrast, no investors in listed assets disagreed or strongly disagreed that Ofwat's policies are well-considered and consistent or that Ofwat is independent of government.





### 3. Survey responses

In total 47 respondents (64% of all respondents) provided written feedback to us.

#### What we did well in terms of our engagement over the last year

<b>Engagement</b>	Investor emails City Briefings and roundtables 1-2-1s
<b>PR19</b>	A well-run process
<b>Board Leadership, Transparency &amp; Governance update</b>	Good interaction with investors

#### What we could improve on in terms of our engagement over the next year

<b>Access to information</b>	Make water company operational performance data more accessible Documents could be made clearer. It can be hard to find documents on Ofwat's website
<b>Strategy</b>	Work more collaboratively with water companies It would be good for Ofwat to demonstrate and track the impact its regulatory framework is having on customer outcomes



## Our responses to your feedback

<p><b>Active listening</b></p>	<p>Companies submitted representations to us on our draft determinations and we looked at those carefully as well as those we received from other stakeholders including investors. We were pleased to see companies took the opportunity to look again at their costs and how they could reduce them. We also made a number of changes in our final determinations that materially addressed concerns raised by stakeholders on the overall level of stretch in our draft determinations. These revisions include higher cost allowances, a reduction in target levels for some key performance commitments, and revisions to outcome delivery incentives and bespoke cost sharing rates.</p> <p>We have built on the learning from PR19 and PR14 and, working with industry and stakeholders, have developed early views on our long term approach to regulating regional monopolies. We are using outcome tracking to assess our own effectiveness and improve our regulatory approach.</p>
<p><b>Alignment and challenge</b></p>	<p>Our three strategic goals over the years ahead are to: transform company performance; drive companies to address the long term challenges of climate change, population growth and changing customer expectations; and for water companies to provide greater value for customers, society and the environment.</p> <p>We are driving improvements in outcomes for consumers and society. We will develop a richer understanding of company performance. If necessary we will take swift and targeted action – including using our formal enforcement powers as appropriate. This will help to drive performance improvements and protect customers from risks.</p> <p>Given PR19 will be more demanding on companies, the role of investors in challenging and supporting their management teams to do things differently becomes even more crucial. Our measures such as reducing the gains from high gearing and demanding responsible policies on dividends and executive rewards provide more alignment between the interests of regulated companies and their investors with those of customers over the long term.</p>

**Doing the basics well and delivering wider value**

Our ambition is for water companies to deliver greater benefits for customers, society and the environment as they carry out their business and that their owners achieve long-term returns for doing so.

The scale of change needed means Ofwat will not sit back and wait for the incentives to take effect. We are driving an ambitious agenda, and will use a wide range of tools to transform the companies' performance; address the challenges of climate change and population growth; and drive the sector to deliver more value for society.

It matters to us that things on the ground really change so that our impact on customers, the environment and the future of water is tangible and meaningful. To help achieve this we will be: connecting and collaborating with others across the sector and beyond, using systems thinking, our voice and influence as well as our traditional regulatory powers; and increasing our engagement with the industry, getting out and about more so that we can see for ourselves the work that water companies are doing and learn from this and other sectors.

**Action and energy is required**

We would like to see a reset with fewer detailed rules and where co-operation in solving strategic challenges is the norm. With commitment, action and energy, the water industry can rebuild the legitimacy that has been lost in recent years.

Ofwat (The Water Services Regulation Authority)  
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