

March 2022

Investor survey summary 2021

1.1 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 annual investor survey which was conducted in February this year. Our [previous survey](#) was published in May 2021.

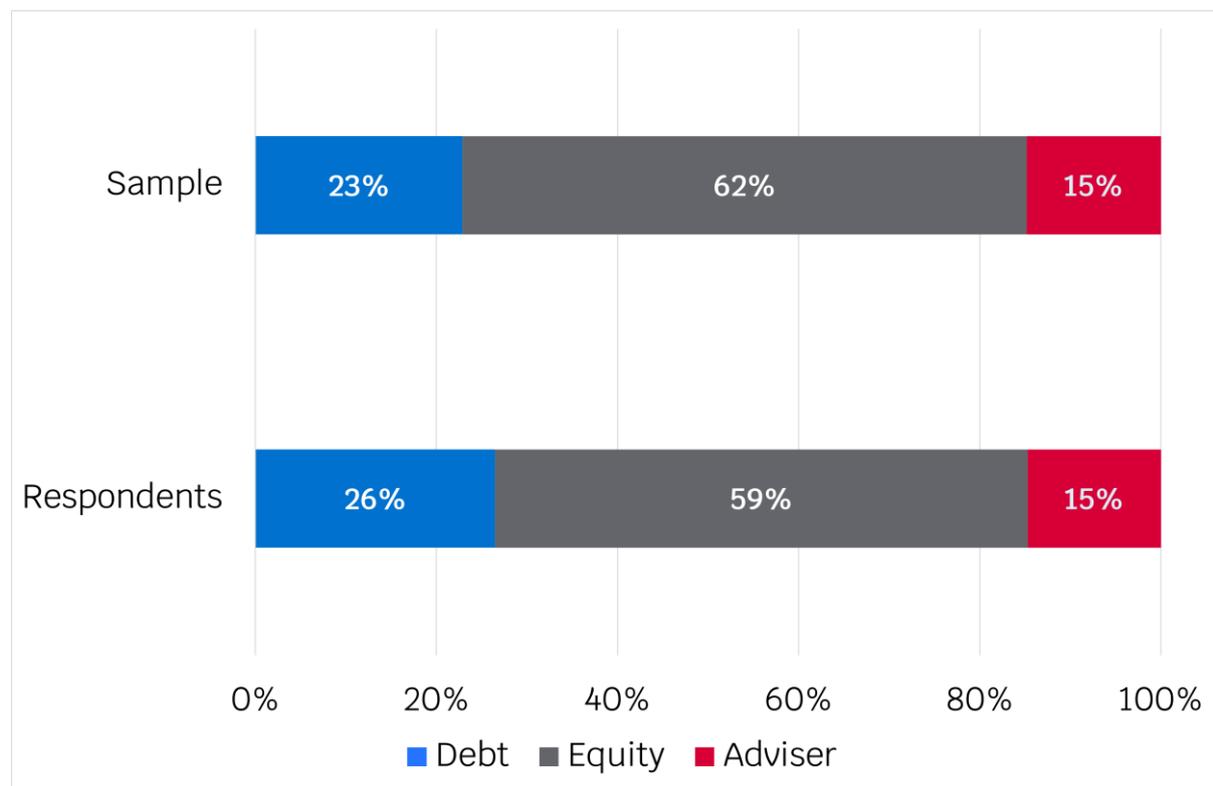
1.2 Our annual survey

Our latest 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.

1.3 Respondents

We sent the survey via our investor relations distribution list to 459 investors. We received 34 responses – a 7% response rate (the prior year response rate was 13%). Figure 1 compares the composition of survey respondents and our distribution list.

Figure 1 – Respondents compared to our sample

2. Survey results

2.1 Overall results

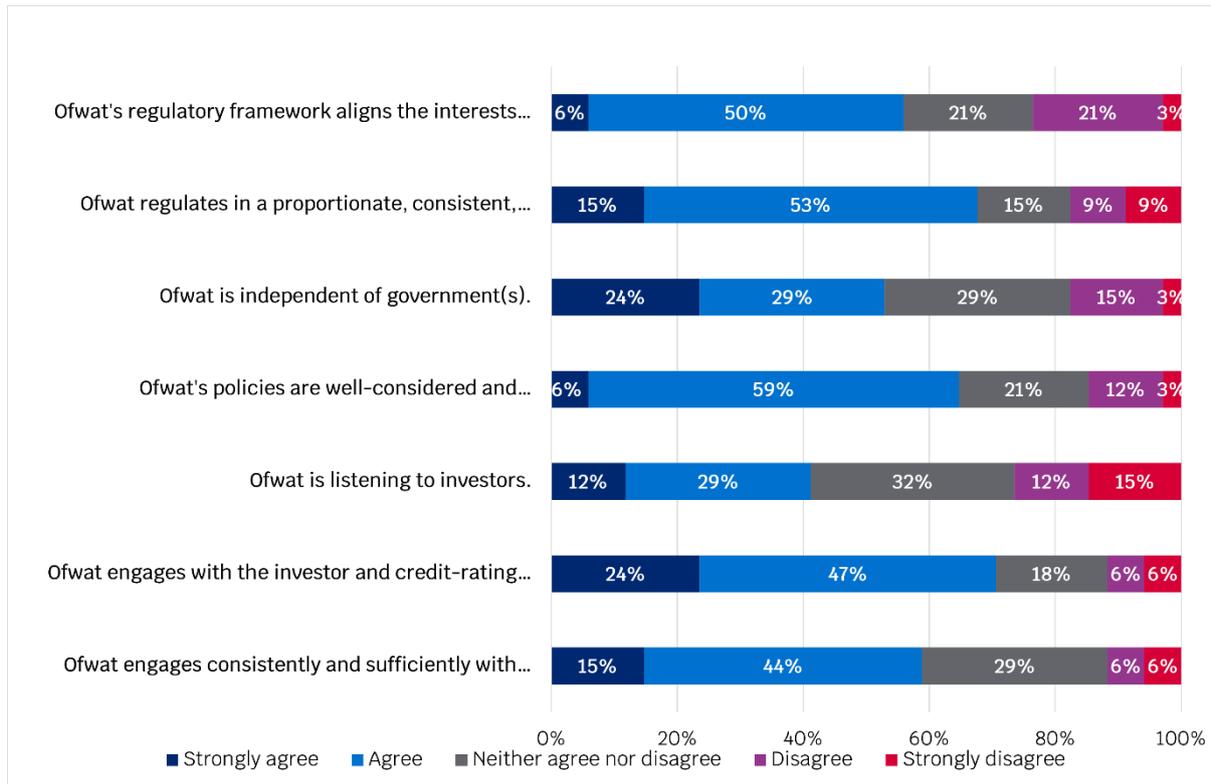
The overall results for our survey are shown in Figure 2. For each of the seven set questions more investors either strongly agreed or agreed than disagreed or strongly disagreed with the highest positive balance coming from the questions covering our investor engagement activities, our proportionate and targeted regulatory approach and our well-considered and consistent policy-making (questions two, four, six and seven).

2.2 Questions

1. Ofwat's regulatory framework aligns the interests of regulated companies and their investors with those of customers over the long term.
2. Ofwat regulates in a proportionate, consistent, transparent and targeted way, choosing the most appropriate tools from within a wide range of regulatory responses.
3. Ofwat is independent of government(s).

4. Ofwat's policies are well-considered and consistent.
5. Ofwat is listening to investors.
6. Ofwat engages with the investor and credit-rating communities in an open and transparent way.
7. Ofwat engages consistently and sufficiently with all types of investment stakeholder (debt, equity and analysts).

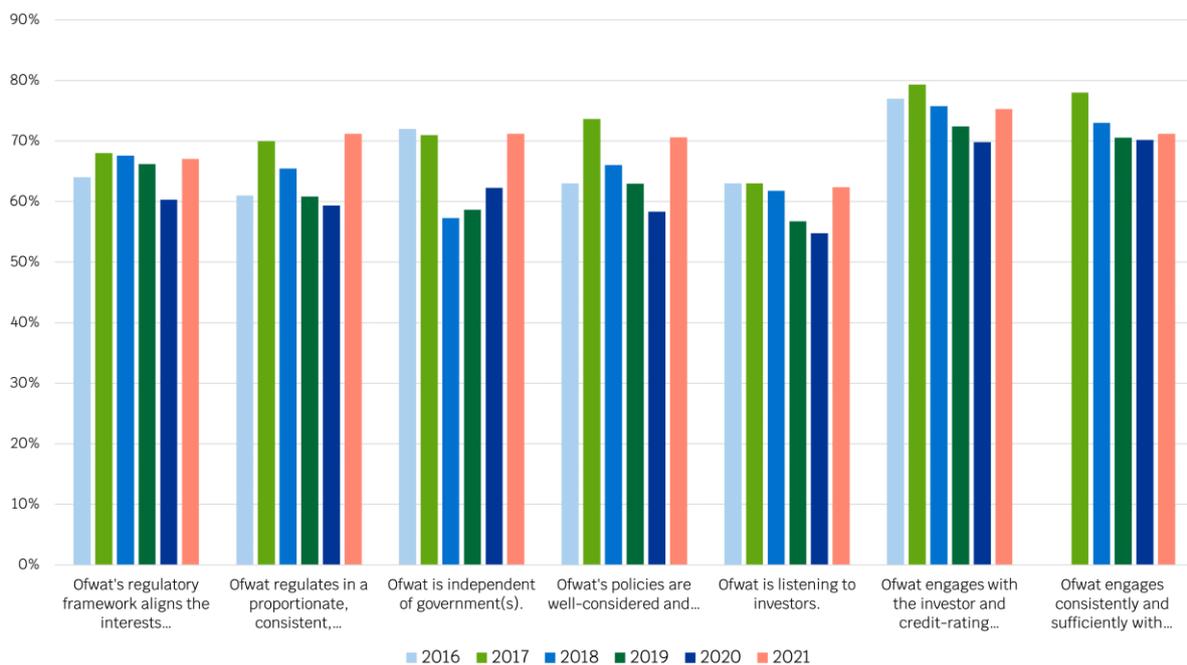
Figure 2 – overall results over the last year



2.3 Comparative results

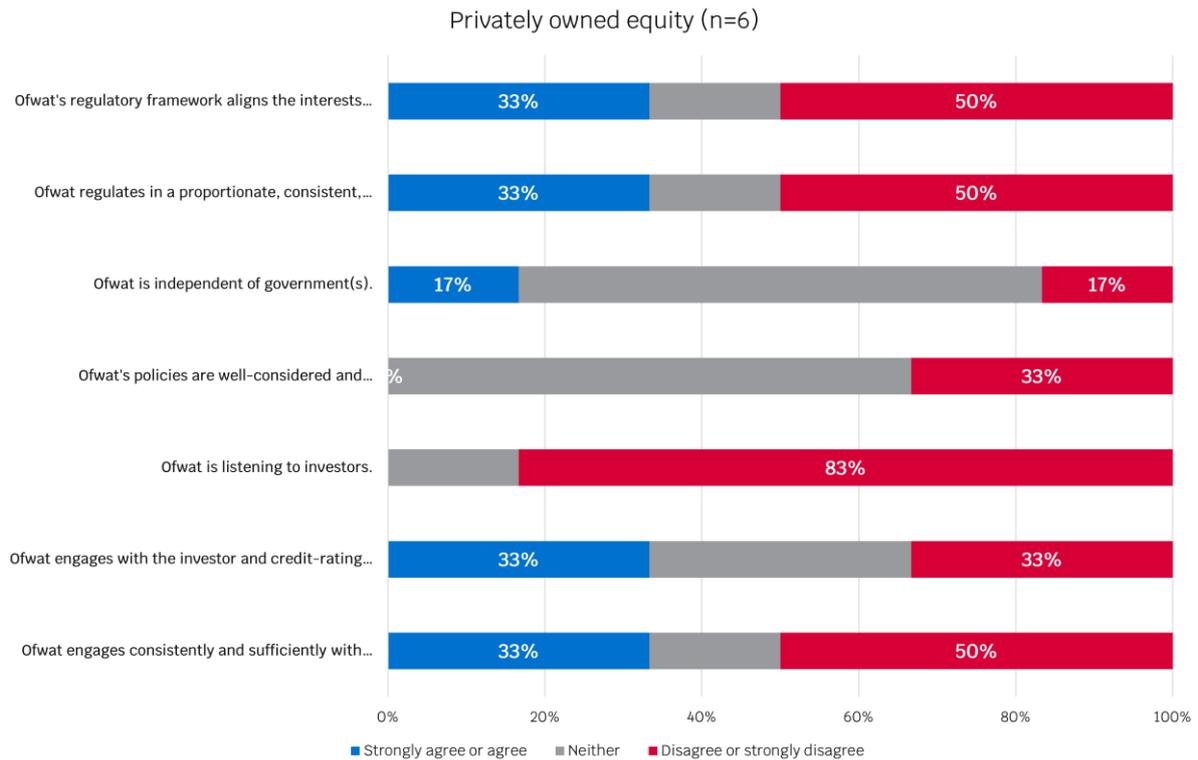
We can compare the results with previous years by allocating each answer with a score (from strongly agree = 5 to strongly disagree = 1) and presenting the overall score as a proportion of the maximum possible (if every respondent strongly agreed with every statement). Figure 3 shows how last year compares to 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. Each of the seven set questions had a higher score compared to the prior year.

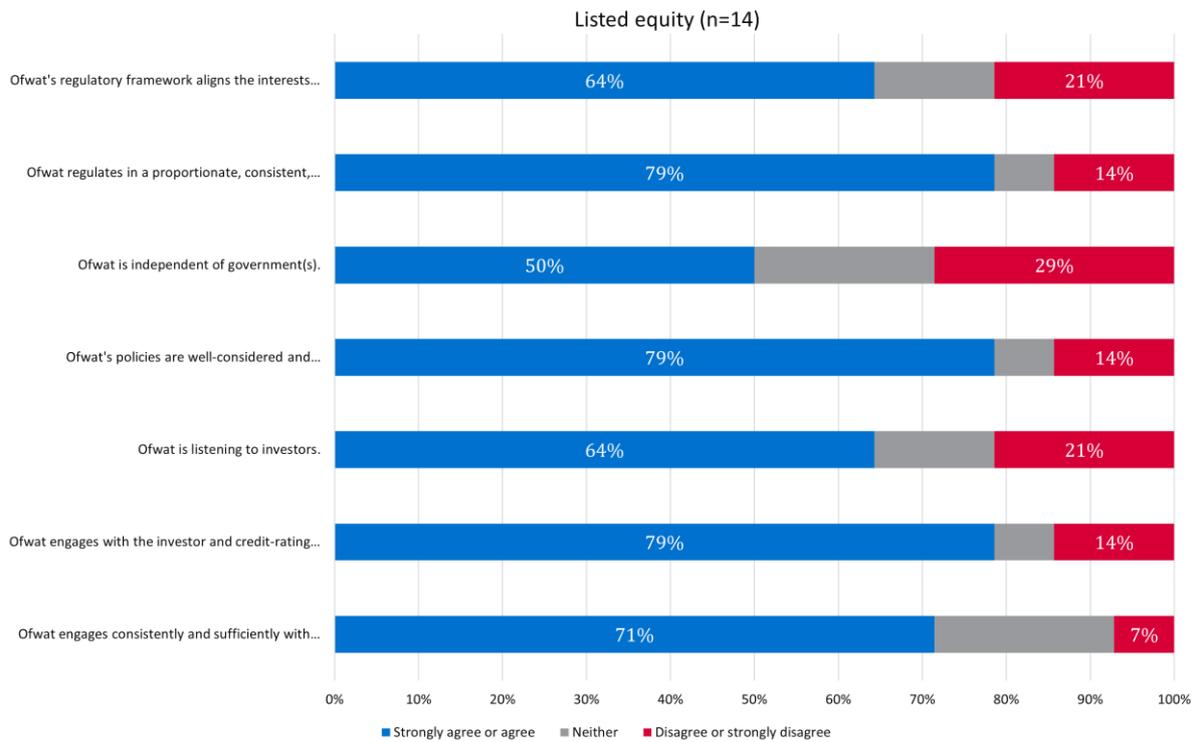
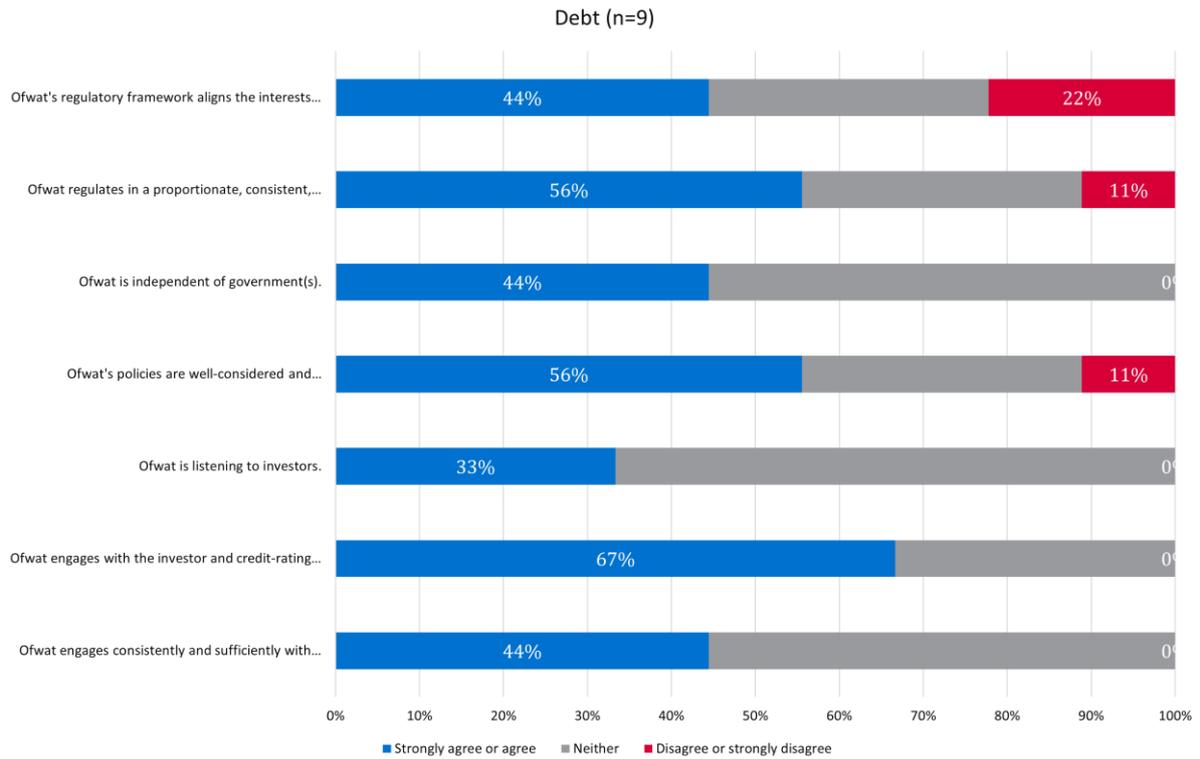
Figure 3 – results as a proportion of maximum score by year (proportion of maximum score – Likert scale)



2.4 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. For equity investors in listed assets the percentage of strongly agree or agree across the seven set questions ranged from 50% to 79% while the same range for equity investors in privately owned assets was 0% to 33%.





2.5 Survey responses

In total 24 respondents (71% of all respondents) provided written feedback to us.

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

Engagement	Timely emails and responses to queries Roundtables, conference calls, participation in investor conferences 1-2-1s
Benchmarking	Annual publications of performance and financial resilience
Investor summaries	You understand what investors are interested in – helpful email summaries of publications and developments relevant to investors

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

Access to information	Clearer summaries in your publications – many of your reports tend to be very detailed and difficult to digest
Access to senior leadership	Offer more access to senior leadership team

Our responses to your feedback

<p>Reducing regulatory burdens</p>	<p>We continually seek to ensure that regulatory burdens are kept to a minimum while ensuring companies deliver the best outcomes for customers, society and the environment. We continually review our regulatory approach to ensure we use the most appropriate mechanism to realise best outcomes and meet our statutory obligations. A key aspect is our ongoing work to bring about improvements to companies' data transparency, which we continue to work on and review. Better quality data, coupled with greater transparency, will support our work to ensure that the regulatory levers in place are the right ones and that intervention is correctly targeted and companies' accountability is clear.</p> <p>Other ways in which we will address regulatory burdens is through our continued collaboration with regulatory partners, which amongst other positive outcomes seeks to deliver regulation for companies which is more consistent and streamlined, and less burdensome, and our intention to further develop our approach to evaluation, ensuring that questions as to the suitability and proportionality of any burdens is reflected at the right stage in our decision making.</p>
<p>Focus on the long term</p>	<p>One of the four key goals for PR24 is to increase the sector's focus on the long term. Many of the challenges facing the sector can only be met through a long-term approach, including adapting to climate change and meeting net zero emissions targets. That is why we expect companies to set their five-year business plans in the context of long-term delivery strategies, with their planned long-term actions and investment considered in terms of 'adaptive pathways', with clear triggers and decision points on the assessment of the right options to efficiently deliver long-term outcomes.</p> <p>The Environment Act 2021 puts the framework in place for clear statutory targets for the recovery of the natural world in four priority areas: air quality, biodiversity, water and waste. We will support Defra in the development of the targets applicable to the sector and continue to support the work of the Storm Overflows Taskforce, which is seeking to drive longer term improvements and reductions in the use of storm overflows. The Environment Act 2021 also provides much needed impetus to longer term planning with respect to drainage infrastructure, in the wider context of the system of flood and water resource management. This sits alongside developing policy in Wales, including pursuant to the Environment (Wales) Act 2016, which puts in place a delivery framework for the sustainable management of natural resources in Wales. All of this requires companies to consider their investment priorities and delivery to support customers of today and future generations, taking account of the pressures on the cost of living and on utility bills that customers will face. The full range of potential solutions for these complex challenges needs to be considered, to maximise long term sustainability and biodiversity. There also needs to be a similarly sharp focus on demand side solutions, including more water efficiency measures. We need to see material progress on sector action to motivate reduced demand. Investment in the sector is for the long term and we are also beginning to see different funding solutions and investment opportunities for those with a focus on environmental sustainability and long-term delivery and we expect the sector to capitalise on these opportunities.</p>

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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