

[REDACTED]

To:
Subject:

[REDACTED] April 2023 20:14
Ofwat governance team
Protecting customer interests on performance related executive pay: Proposed guidance

I generally welcome this, but more guidance is needed on the concept and operation of “malus”. I assume this is effectively a negative bonus; so if bonuses are meant to incentivise, maluses should deter. I suggest a clear statement that where the company is fined, which is a deterrent punishment albeit strict liability, directors must always be indirectly punished themselves by malus. Much performance that contributes to bonuses is really the work of employees, who directors and executives will claim to have incentivised to justify their bonus. Any argument against imposition of a malus on directors, because employees were independently responsible for the fine, should be clearly stated as illegitimate. Directors etc who want bonuses must take the rough with the smooth, and encourage good practice rather than turn a blind eye to criminality that cuts costs, like pumping raw sewage whenever it rains.

Regards,
[REDACTED]

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