

[REDACTED]

Sent: 04 April 2023 23:01
To: Ofwat governance team
Subject: Proposal on Guidance on Performance Related Executive Pay

Hi

I am emailing to comment on the Proposed Guidance on Protecting Customer Interests on Performance Related Executive Pay (issued March 29).

My first point is that it is, I think, difficult to comment when not knowing the nature of the contracts between water companies and the government. Having said that.....

1)
The guidance seems to be looking at objectives related to customer service, environment in isolation from other objectives. However, I would have thought it is also important to look at how important customer related objectives are compared to other objectives relating to, say financial performance, change (project / programme) performance. To take an extreme example if an executive was told the financial related objective had a weighting of say 80% and the customer related one was 20% then you know the executive would be focusing on the financial objective.

2)
There is a statement suggesting that upper quartile performance could be considered a stretching target. Given overall water company performance I would beg to differ: I don't think being "best of a bad business bunch" is the sort of stretching target I be happy with as a customer. I think OFWAT should be more prescriptive (and also challenging) in suggesting what stretching might be and that this might vary from company to company.

3)
My final comment does relate to this paper but is much broader. I looked at the OFWAT board and could not see anyone on that board who would represent customers. I think in a situation that where a customer has no choice on who provides her or his water, I think it would be a very good good idea to have a non-executive OFWAT board member representing customers. I think this person should be a public figure who has some "clout" and would be strong enough to represent customers on an OFWAT board and also has an interest in this area. The obvious examples I can think of would be George Monbiot and Feargal Sharkey: I appreciate both are very critical of the water companies (and perhaps of OFWAT and the government as well) but I think having people like that on the board would be good for customers, and may actually be good for OFWAT as well.

Yours

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