

[REDACTED]

Sent: 01 May 2023 21:02
To: Ofwat governance team
Subject: Re: Protecting customer interest on performance related executive pay: proposed guidance

Dear Ofwat governance team,

Re: Protecting customer interest on performance related executive pay: proposed guidance

Surfers Against Sewage welcomes the opportunity to respond to the Ofwat proposed guidance on protecting customer interest on performance-related executive pay.

Within the plans, we welcome proposals for performance-related pay to take account of water company performance in delivering obligations and commitments to customers, communities, and the environment. We also support plans, for performance-related pay to clearly demonstrate a 'substantial link' to stretching performance in these areas. We agree with calls for great transparency on the relationship between pay and performance and concur that deferral, malus and clawback should be considered by Ofwat when reviewing performance-related pay.

However, given the near constant discharge of sewage from water companies, the poor state of waterways and the associated rise in customer expectations for the environment, we know this approach should be stronger. In 2021, water companies discharged sewage into England and Wales's waterways at least 375,000 times all whilst [paying out £16.5m to water company CEOs](#). This is despite legislation requiring Combined Sewer Overflows in England and Wales to only discharge in extreme rainfall events. Last year, [we found](#) that water companies had discharged untreated sewage into waterways 143 times when there had been no rainfall at all. Executives should not profit whilst water companies are failing to comply with regulation.

This is why we support Ofwat's calls for greater transparency, and the connection of environmental performance to pay. However, we know Ofwat can and should go further. Under the Water Industry Act 1991, Ofwat have powers to limit the payment of bonuses to water company executives who consistently breach their permits. Enforcing this would be in line with the recommendations made by the Environmental Audit Committee in their 2022 report on water quality in rivers.

Therefore, we are calling for the plans to include the following:

- Performance related pay to require stretching delivery of environmental performance and executives to receive no performance related pay if water companies are not compliant with legislation.
- Ofwat to determine what constitutes 'stretching targets', rather than leaving this to water companies.
- Environmental performance to be considered in more detail, including compliance, past underperformance, prosecutions and environmental fines. This should include Environmental Performance Assessments undertaken by the Environment Agency.
- Greater transparency on executive pay and wider financial systems to ensure customers know where their money is spent. Ofwat should publish data on pay and rewards openly, transparently, and accessibly on their website, for customers to easily access and understand decisions.
- A cap on bonuses for water company executives at all times. Ensuring customers are paying for the services they expect, not exceptionally high bonuses.

We believe these measures would ensure that water companies prioritise the delivery of services and environmental protection, not executive profits. We also believe this is in line with customer expectations.

We welcome the proposed guidance, and the moves by Ofwat to take a stronger approach on performance-related pay. Given the current poor state of England and Wales's waterways, these proposals will be an essential part

of Ofwat's toolkit as a regulator. Customers are calling for better from water companies, this is a chance for Ofwat to reflect these calls, ensuring people and planet come before profit.

Please contact us if you wish to discuss these points further.

Many thanks,

[Redacted]
[Redacted]
[Redacted]

My Pronouns are: she/her



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