November 2026

Call for evidence: executive pay

Ofwat

About this document

This document requests evidence and views to understand how stakeholders think Ofwat's Performance-related executive pay (PRP) prohibition rule[1] can better deliver against its core objectives to rebuild public trust in the sector and enhance the accountability of senior leaders. It also asks how Ofwat can mitigate the risk of water companies undermining the rule.

This document sets out the context behind executive pay in the water sector and the rule's impact, followed by asking several principle-based questions. The call for evidence is open to all stakeholders to contribute, including customers, companies, NGOs, investors, trade bodies and regulators. It will help inform our accelerated review of the rule which will determine what, if any, potential reforms are needed.

Responses to our call for evidence must be submitted to Ofwat by 10 December 2026.

[1] PRP Prohibition Rule, March 2026

Responding to this call for evidence

We welcome comments on the questions in this call for evidence. We encourage responses to be submitted via our consultation platform: https://consult.ofwat.gov.uk.

However, you can also respond by email to remunerationgovernancerules@ofwat.gov.uk or post it to:

Call for evidence: executive pay
Ofwat
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7 Hill Street
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The closing date for this call for evidence is **10 December 2026**. If you have any questions about this consultation, please contact us at remunerationgovernancerules@ofwat.gov.uk.

We intend to publish responses to this consultation online, on the relevant consultation platform. Subject to the following, by providing a response to this consultation you are deemed to consent to its publication. If you think that any information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), you should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response. An automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. We will consider your request when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential. In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our privacy policy explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of

your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

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1. Context

This call for evidence is intended to be an exercise to understand how stakeholders think Ofwat's Performance-related executive pay (PRP) prohibition rule can better deliver against its core objectives to rebuild public trust in the sector and enhance the accountability of senior leaders. Linked to this, we are also interested in views as to how Ofwat can mitigate the risk of water companies undermining the rule, which we have seen examples of since the rule was introduced. In order to collect the most helpful insight to support these objectives, we have first set out the context in which our work on PRP sits following the introduction of the PRP prohibition rule.

Rationale behind the PRP prohibition rule

PRP in the water sector, such as annual bonuses, has come under intense public scrutiny in recent years. Customers and other stakeholders have become increasingly unhappy with seeing leaders of water companies paid bonuses amid a general backdrop of declining performance and customer satisfaction. New legislation was introduced by the UK Government, the Water (Special Measures) Act 2025[2], which included new rule-making powers for Ofwat to prohibit PRP in certain circumstances. We then introduced our PRP prohibition rule in June 2025[3].

Both the rule and legislation aimed to restore public trust in the water sector which had been in decline for several years. This was partly due to decisions on PRP which many customers and stakeholders felt were not justified nor reflective of the serious performance failures committed by water companies, especially pollution. However, as the economic regulator for water companies in England and Wales, we also acknowledged that PRP can incentivise leaders to focus on improvements that can transform performance, if that remuneration is structured appropriately by incentivising improved outcomes for customers and the environment.

When first proposing the rule, we recognised that competitive remuneration packages are important to attract and retain high calibre, experienced leadership, especially for companies needing to turnaround poor performance. It must also retain strong incentives to deliver good outcomes for customers and the environment and not reward weak performance. The rule was designed to reflect this balance between incentivisation and prohibition to reflect circumstances in which PRP should be reduced to zero.

[2] Water (Special Measures) Act 2025
[3] Ofwat, Performance related executive pay prohibition rule, June 2025 (revised March 2026)

Impact of the rule since its introduction

Ofwat introduced the PRP Prohibition Rule in June 2025 and it has applied to two financial years' worth of executive pay. The rule has resulted in water companies prohibiting a combined total of over £10 million of potential bonuses which would have been paid to their CEOs and CFOs. Since then, several water companies began to change their remuneration policies soon after the rule was implemented. Some created new non-performance related so-called "retention payments" which were outside the scope of the rule and its definition of performance related pay. Other companies chose to increase base salaries of their executive directors significantly above historic norms or what was paid to other staff. We have explored this in detail in our recent Remuneration and Governance Rules report[4].

These types of decisions may have given the impression that many companies who had triggered the rule were undermining it by replacing PRP that was prohibited with fixed, non-performance related pay. We consider that this type of behaviour from companies, especially so soon after the rule's introduction, risks undermining the objectives behind the PRP Prohibition rule. Our review of the rule intends to consider how we can minimise the risk of companies undermining the objectives of the rule, within our current powers and duties.

Executive remuneration trends in the water sector

Ofwat's initial own research into water companies' disclosures on executive remuneration has shown that both total and performance related remuneration has notably changed since 2024-25, which was the year that the rule first took effect. Figure 1 shows the median trends for total remuneration (which include salaries, benefits, and buy-outs for executives leaving the business) and total PRP paid to the CEO and CFO respectively since 2020-21.

This shows that the median total remuneration for CEOs and CFOs remained broadly flat over the five year period, following a drop between 2021-22 and 2022-23 which is mostly explained due to a transition year for several water companies as new executive directors joined. Despite this, median PRP declined before the rule was implemented, including down to zero for CEOs in 2025-26. For the latest reporting year, CFO's total remuneration notably increased in 2025-26 while it fell slightly for CEOs[5]. Nonetheless, the fact total remuneration has not fallen proportionate to the decline in PRP demonstrates that executives were being remunerated through other means that were not performance-related and not in scope of the PRP prohibition rule.

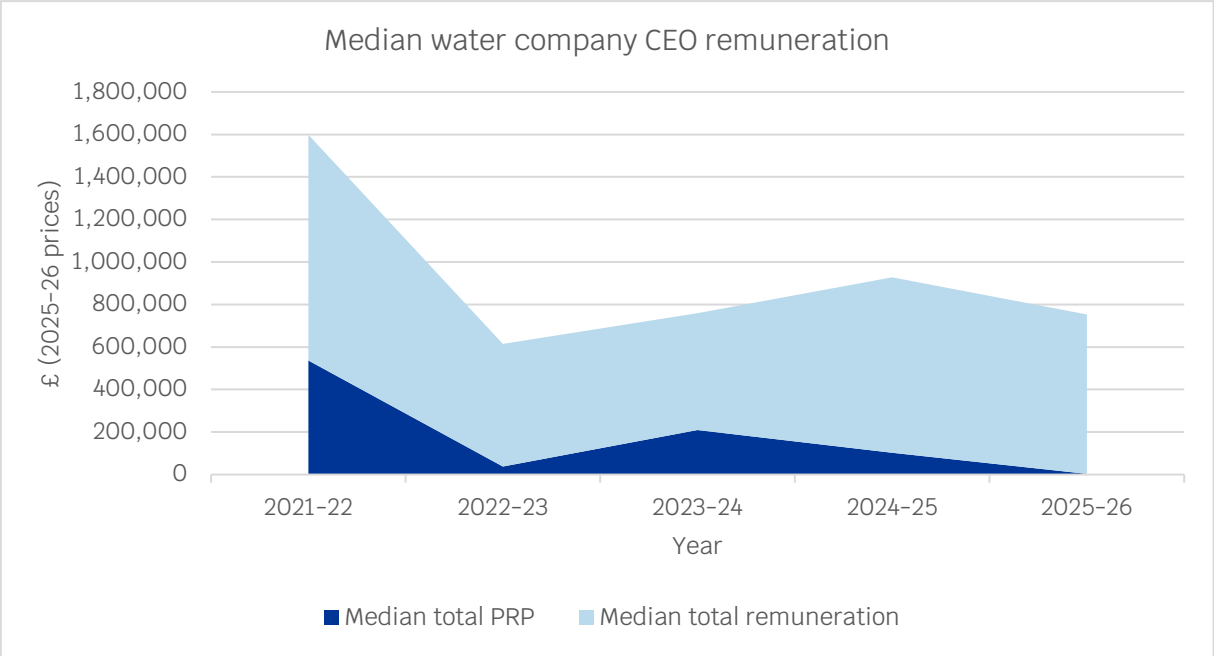
As we noted in our Remuneration and Governance Rules report, several water companies recently introduced new "retention payments" and substantial increases to base pay for their executive directors. Six water companies currently have "retention payments" for their

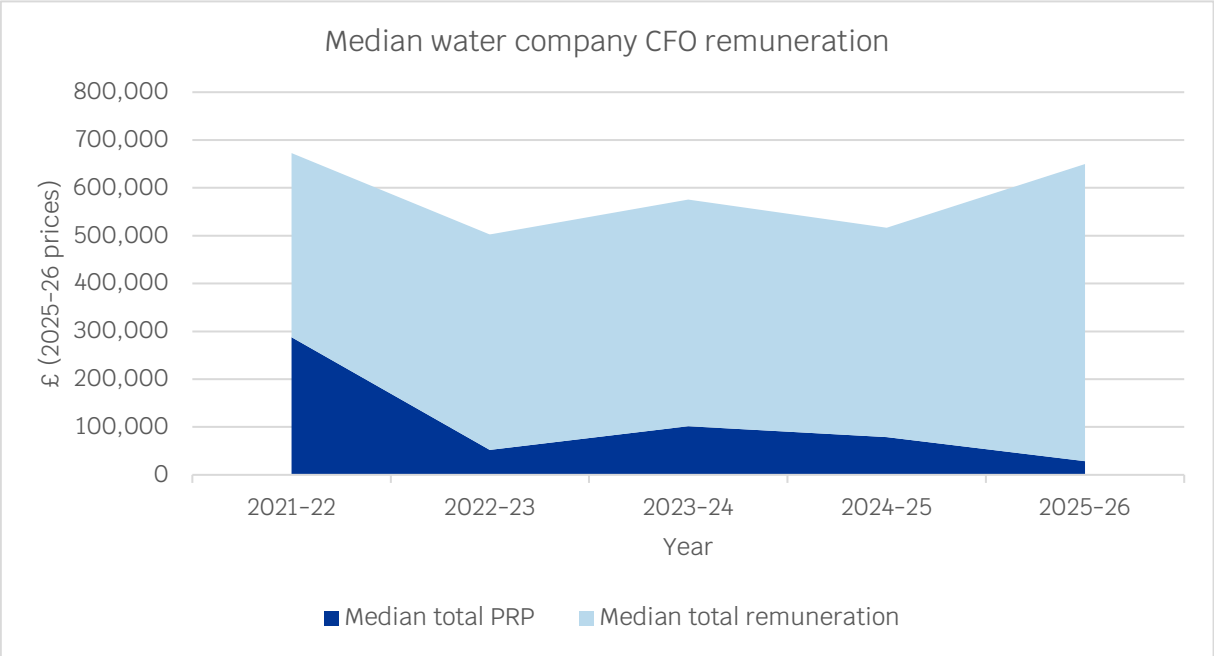
[4] Ofwat, Protecting customer interests - remuneration and governance rules assessment 2026, November 2026

[5] The data for 2025-26 is not necessarily the final remuneration figure some executive directors will receive as it does not yet account for elements of PRP that are decided after the reporting year and disclosed at the end of 2026-27. As such, the median total remuneration and PRP might be higher than currently shown.

executive directors, with some schemes for an individual director totalling over £1 million over a five-year period. Several of the same companies and others also increased base salaries outside of historic norms, including some pay rises of more than 20%.

Figure 1: Median total remuneration and PRP paid to water company CEOs and CFOs (2025-26 prices)[6]





[6] Total remuneration includes any group related payments, combined totals paid to departing and incoming executives and includes buy-outs and loss of office payments. Total PRP includes annual bonuses, Long-Term Incentive Plans and other performance-related variable pay. The data represent what was reported as being awarded in the financial year itself, including amounts that have a holding or deferral period and have not yet actually been paid. The data is taken from the latest available annual reports from the largest sixteen water only or water and sewerage companies in England and Wales.

As we explain in our 2025-26 assessment, the increased adoption of "retention payments" and base pay increases, especially by water companies who have triggered the rule, do raise concerns over whether the objectives of the rule are being undermined. While we also noted that many water companies did make reasonable efforts to transparently justify and explain their decisions to uplift base pay so significantly, this justification and transparency was less evident for companies that introduced "retention payments".

This initial data insight only explores executive remuneration at a high level. To inform our review of the rule, we intend to commission further research into this area to explore how it compares with other sectors and what other insights can be drawn from the sector's remuneration decisions.

2. Call for evidence – questions

This chapter sets out the themes and questions on which we are seeking feedback to inform our review of the PRP prohibition rule. Our original core objectives for the rule have not changed: to restore public trust in the sector and enhance the accountability of senior leaders. We are interested in views on whether the rule reflects what stakeholders consider are the core principles on which executive remuneration should be based. This will help also inform how we might address the risk of companies undermining the objectives of the rule. Respondents to this call for evidence should ensure that these objectives form the basis of their submissions. We also ask that submissions include supporting evidence where possible, including on anticipated impacts or consequences of any proposed interventions.

The following questions are principle-based as we seek to understand how the rule can be improved to meet our objectives and minimise the risk of companies undermining them. Changes to specific elements of the rule will be considered in our review at a later date which will be subject to consultation.

2.1 Minimising the risk of undermining the objectives of the rule

We are interested in views on how the rule can be tightened to reduce the risk of companies undermining its core objectives. As we set out in the last chapter, "retention payments", excessive base pay increases and other discretionary remuneration risk the appearance that the sector is offsetting the impact of the rule. While the Water Industry Act 1991 does provide Ofwat with powers to set wider rules on remuneration, we also believe there are ways to improve the existing rule to deter or prevent water companies from making remuneration decisions which undermine the rule and have a harmful effect on public trust. We welcome views and evidence on what potential options could help address this risk. For example, this could include prohibiting "retention payments" when a standard of the PRP rule has been triggered or requiring such payments meet certain criteria to qualify as a genuine retention mechanism, rather than used to replace PRP that has been prohibited.

Questions

1. **How can the rule be improved to prevent or deter water company behaviour that undermines it? For example, should "retention payments" or equivalent temporary fixed pay be prohibited in the same way as PRP? Please explain your answer.**

2.2 Principles of executive remuneration

To support our review, we want to understand stakeholders' views on how companies can best ensure their remuneration decisions sufficiently align with customers and the environment. This includes companies' approaches to different elements of executive pay (such as short and long-term variable pay, fixed pay etc) and the proportions they attribute to them in the overall remuneration package.

The current rule focuses on ensuring that companies prohibit PRP when they have committed the most serious failures that a water company can commit, while still enabling them to incentivise improvement in performance. So far, all of the incumbent water and sewerage companies except Hafren Dyfrdwy have triggered the rule at least once, with five of those companies triggering the rule in both years. For the most part, those which triggered the rule were as a result of category 1 pollution incidents and/or a breach of the company's general duty to provide a sewerage system under section 94 of the 1991 Act (resulting from Ofwat's ongoing investigation into the operation of sewage treatment works and sewerage networks at all large wastewater companies).

Category 1 pollution incidents should be rare and it is disappointing that so many companies have triggered this standard in the rule. However, critics of this element of the rule argue it can mean a single pollution incident early on in a financial year effectively means that no financial incentive to improve performance for the rest of the period can be provided. Equally, many stakeholders argue that category 1 incidents, the highest level of harmful pollution recorded by the regulators, are simply unacceptable and should mean no bonuses are paid regardless of performance elsewhere.

The legislation that was introduced to give Ofwat rule-making powers on PRP was based on the government's commitment to "block bonuses to executives of companies that pollute our waterways". As such, we consider that pollution performance should form a part of the rule, but we welcome views as to whether there are other measures of pollution performance which could be used by the rule that still enable companies to incentivise improvement in performance.

Another common criticism of the rule is that it can harm water companies which are seeing declining or consistently poor performance, especially environmental performance, its ability to incentivise and retain talented leadership to help turn around performance. We had considered this issue when first developing the rule and had concluded that the rule's standards presented reasonable performance thresholds to prohibit PRP for all water companies. We had also introduced exceptions to rule from some standards (e.g. criminal liability) which would mean newly recruited executive directors would not have their PRP prohibited if they were not in post at the time of the incident that led to the trigger, such as a pollution incident.

Nonetheless, we are keen to hear views on this issue and whether the rule should consider different arrangements for companies who will need time to reverse the decline in performance. In particular, we are keen to understand how this would avoid unintended consequences such as appearing to "reward failure" or provide perverse incentives to not improve performance to benefit from such an arrangement.

Questions

2. **What approach could water companies take to demonstrate and ensure sufficient alignment of their remuneration decisions with the interests of customers and the environment?**
3. **How should water companies approach the proportions of different elements of remuneration, such as variable and fixed pay?**
4. **Do you think the rule adequately addresses pollution performance and are there alternative and more effective ways to do so?**
5. **Should the rule treat poor performing companies who are working to turn around performance differently? If so, what would need to be in place to avoid any unintended consequences?**

2.3 Greater accountability of remuneration decisions

We would welcome views on how companies can be held more accountable by their customers for decisions on executive remuneration. While the ultimate responsibility for making decisions in this space should rest with the water company, we are considering the merits of whether closer engagement with consumers on remuneration policy and decisions would help rebuild public trust. We are aware that some companies already engage with consumer representatives when designing the scorecard for PRP schemes, and we are interested in learning how this sort of engagement could be expanded.

As an example, Glas Cymru Holdings (the holding company of Dŵr Cymru Welsh Water) regularly puts their Directors' Remuneration Report to a vote of its independent members[7]. This is a non-binding "Advisory" vote which Glas Cymru is not legally required to act on but can be used to "signal Member dissatisfaction". We are interested in understanding views on whether similar arrangements could be required of other water companies. We would not envisage this being as formal as a vote but instead a requirement to consult and seek feedback from consumers and/or representatives on the company's proposed executive remuneration policy and decisions. This could be accompanied with reporting requirements to transparently publish the feedback and explain their decision in light of that insight. We also welcome other ideas of how these sorts of decisions can be held more publicly accountable.

[7] Membership Policy and Conditions of Membership, Glas Cymru Holdings Cyfyngedig, February 2026

Questions

6. **Should consumers be consulted or given the chance to offer views about executive remuneration policy and decisions? Please explain your answer.**
7. **Do you have any other suggestions for ways that consumers can hold companies more accountable for their executive remuneration policy and decisions more broadly?**

3. Next steps

Following the close of this call for evidence, we intend to consider what, if any, reforms to the rule are required as well as whether any new rules on remuneration should be introduced. These decisions will be informed by the submissions from this exercise as well as engagement with key stakeholders and further research we commission around executive pay.

If we decide to propose any reforms in this space, we will consult on them. We will also consider the government's future plans to legislate and reform the water sector and ensure the rule fits appropriately within them. In the meantime, we will continue to monitor water companies' decisions on executive remuneration to ensure they remain compliant with the current rule requirements.

Appendix: List of questions

Minimising the risk of undermining the objectives of the rule

1. How can the rule be improved to prevent or deter water company behaviour that undermines it? For example, should "retention payments" or equivalent temporary fixed pay be prohibited in the same way as PRP? Please explain your answer.

Principles of executive remuneration

2. What approach could water companies take to demonstrate and ensure sufficient alignment of their remuneration decisions with the interests of customers and the environment?
3. How should water companies approach the proportions of different elements of remuneration, such as variable and fixed pay?
4. Do you think the rule adequately addresses pollution performance and are there alternative and more effective ways to do so?
5. Should the rule treat poor performing companies who are working to turn around performance differently? If so, what would need to be in place to avoid any unintended consequences?

Greater accountability of remuneration decisions

6. Should consumers be consulted or given the chance to offer views about executive remuneration policy and decisions? Please explain your answer.
7. Do you have any other suggestions for ways that consumers can hold companies more accountable for their executive remuneration policy and decisions more broadly?

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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