

December 2025

Decision on Ofwat's Fitness and Propriety Rule

About this document

This document provides our decision on the rule on fitness and propriety for senior role holders in water and/or sewerage undertakers, following the consultation we launched in September 2025¹.

Ofwat was given new powers to set rules about remuneration and governance through the Water (Special Measures) Act 2025 which amended the Water Industry Act 1991 (the 1991 Act) to introduce new sections 35B–35D.

The document provides an outline of the stakeholder responses received to our consultation and explains our consideration of points made.

The final Fitness and Propriety Rule (or the "Rule") is at Appendix 1 and the final accompanying non-mandatory guidance is at Appendix 2. Both appendices consist of the draft versions on which we consulted, annotated to show the changes made to them following consultation. This document also provides a list of the respondents to the consultation (Appendix 3).

Companies are required to comply with the Rule from 1 April 2026 in respect of new appointments to senior roles, and to apply this Rule to existing persons in senior roles during the 2026–27 financial year to ensure their compliance with it from 1 April 2027.

¹ [Consultation–Fitness and Propriety Rule – Ofwat – September 2025](#)

Contents

1.	Introduction	3
2.	Responses to the consultation and our response	6
3.	Our decision and next steps	20
A1	Final – Fitness and Propriety Rule	22
A2	Final – Non-mandatory guidance on Fitness and Propriety Rule	25
A3	Respondents to the consultation on the Fitness and Propriety Rule	36

1. Introduction

1.1 Background

Ofwat has been given new powers to set rules about remuneration and governance through the Water (Special Measures) Act 2025 which amended the Water Industry Act 1991 (the 1991 Act) to introduce new sections 35B–35D.

Under the 1991 Act, Ofwat's rules on remuneration and governance must at a minimum achieve the following effects:

- "prohibiting a relevant undertaker from giving to persons holding senior roles performance-related pay in respect of any financial year in which the undertaker has failed to meet specified standards";
- "requiring a relevant undertaker— (i) to appoint persons to hold senior roles² only if they meet specified standards as to fitness and propriety or in respect of other matters, and (ii) to prevent persons from continuing to hold senior roles if they fail to meet such standards";
- "requiring a relevant undertaker to have arrangements in place for involving consumers in decisions of the undertaker that are likely to have a material impact on consumer matters."

We launched a consultation in October 2024 setting out our initial thinking on all three rules. We made it clear in the consultation that a core objective of the remuneration and governance rules is to improve public trust in the water sector. To deliver this, we set out several intended outcomes we were aiming for the rules to achieve:

- The Rules deliver the legislation's intentions.
- The Rules are clear and unambiguous.
- The Rules retain company accountability.
- The Rules are proportionate.
- The Rules focus on prompting culture and behaviour change in the sector.

We received over 11,000 responses to our consultation from various businesses, groups and individuals. We also held a public webinar and several roundtables with key stakeholders to discuss our proposals in more detail. A summary of responses to the October 2024 consultation was published in March 2025³. Following that consultation, we consulted on and

² Under Section 35(B)(5) of the Water Industry Act 1991 a person holds a "senior role" with a relevant undertaker for the purposes if the person: (a) is a chief executive of the undertaker, (b) is a director of the undertaker, or (c) holds such other description of role with the undertaker as may be specified.

³ [Rules on remuneration and governance – policy consultation response document – Ofwat – March 2025](#)

implemented the final rules relating to performance related pay prohibition⁴ and consumer involvement in company decision-making⁵.

This document therefore relates only to the requirement for "standards as to fitness and propriety" (known as the Fitness and Propriety Rule or the "Rule").

1.2 Fitness and Propriety Rule

The 1991 Act requires Ofwat to set a rule on fitness and propriety, requiring relevant undertakers to appoint persons to hold senior roles only if they meet specified standards as to fitness and propriety (or in respect of other matters), and to prevent persons from continuing to hold senior roles if they fail to meet such standards.

As we explained in our October 2024 and September 2025 consultations, in sectors such as finance or energy, standards of fitness and propriety are often referred to as a fit and proper person test (FPPT). Ofwat took on board learning from existing FPPTs to develop a fitness and propriety rule fit-for-purpose specifically for the water sector in England and Wales.

In September 2025, Ofwat consulted on our proposed rule including the FPPT. The consultation included a draft of the rule, accompanying draft non-mandatory guidance and an impact appraisal of the policy options that we had considered in developing the draft rule. We invited feedback on all these sections of the consultation.

In the consultation Ofwat proposed:

- the scope of the rule;
- the rule standards and the individual factors within those standards (the FPPT);
- our approach to monitoring compliance and required water company reporting;
- how we would implement the rule;
- how we would review and evaluate the rule; and
- how we would engage with new appointees (also known as NAVs) during 2026 to apply an adapted version of the rule to NAVs in 2027 reflecting their different characteristics when compared to the largest undertakers.

We also explained in the consultation how we aimed for the rule to achieve our intended outcomes (which we set out in section 1.1 above).

⁴ [Consultation, responses and decision document on Performance related executive pay \(PRP\) Prohibition Rule – Ofwat – 2025](#)

⁵ [Consultation, responses and decision document on Consumer Involvement in Company Decision-Making Rule – Ofwat – 2025](#)

1.3 Regulation of the water sector

The final report of the Independent Water Commission⁶ published in July 2025 recommended that a new regime for senior accountability be established by the UK and Welsh Governments, and that a "streamlined senior managers regime should be introduced covering a narrow set of individuals: Chair, CEO and the executive level leaders with overall responsibility for finance, meeting environmental standards, and the company's compliance with licence conditions".

In our September 2025 consultation we explained that the proposed Fitness and Propriety Rule did not constrain either the UK or Welsh Governments regarding their decision on the IWC recommendation.

We consider it important to proceed with the implementation of the Fitness and Propriety Rule while awaiting UK and Welsh Governments' decisions on the IWC recommendation and any future legislation to enable its implementation. As set out in our October 2024 consultation on each of the three rules required under section 35B of the 1991 Act, we are keen to see the rules implemented as soon as possible, and have already published our decisions on the prohibition on performance related pay rule and the consumer involvement rule.

⁶ [Independent Water Commission – Final Report – July 2025](#)

2. Responses to the consultation and our response

This section summarises the responses received to our September 2025 consultation on the Fitness and Propriety Rule and provides our response to the feedback.

We received a total of 20 responses: 13 from water and/or sewerage undertakers or their parent companies, 4 from new appointees, one from the Consumer Council for Water (CCW), one from Ilkley Clean River Group and one from a customer (member of the public). A full list of respondents is at Appendix 3 and the responses have been published alongside this document.

We have also considered these responses alongside the over 11,000 responses we received to our consultation in October 2024 on our proposed rules of remuneration and governance, which included proposals on the Fitness and Propriety Rule.

We are grateful to all respondents who have taken the time to respond to the consultations. This chapter sets out the main issues raised by respondents to our September 2025 consultation and our responses.

2.1 General respondent feedback on the draft rule

Respondents acknowledged that Ofwat's September 2025 consultation reflected and responded to the comments they had made to the previous October 2024 consultation section on the rule. Several respondents had follow-up issues which are discussed below under the relevant sections.

Respondents also welcomed the provision of guidance to accompany the rule, with several making suggestions for places in which the guidance might be expanded and some points for further clarification, which again we address below.

Some water companies stressed their existing high standards of corporate governance, and their compliance with obligations, including those in the UK Corporate Governance Code ("Code") and the Listing Rules (where relevant), the Company Directors Disqualification Act 1986, the Companies Act 2006 and sector specific rules including Ofwat's Board leadership, transparency and governance principles⁷.

With existing corporate governance and in particular Listing Rules in mind, one respondent water company questioned "what additionality the fit and proper person test (FPPT) is expected to bring to the rules on good corporate governance and leadership that already apply" and expressed concern that "the introduction of the FPPT runs the risk of introducing potentially conflicting requirements and expectations, without the benefit of additional

⁷ [Board leadership, transparency and governance – principles – Ofwat – January 2019](#)

protections" (such as for customers). They suggested that the fitness and propriety rule (and the FPPT) should "not be applied to water companies who are publicly listed or whose parent companies are listed".

Our response

We are pleased that respondents recognise how we have taken on board their earlier comments from the October 2024 consultation, and that they found our proposed draft guidance useful. We explain below how we have considered their further comment.

We remain of the view, as per our consultation, that the Rule (and the FPPT) will apply to the 16 largest water companies⁸. This will achieve a consistent standard across all large companies in the sector. There will not be an exception for water companies whose parent companies are listed or which become publicly listed. If some of the information companies are required to obtain for the purpose of the Listing Rules mirrors that which is required for the purpose of assessment against the FPPT, Ofwat is content that where appropriate that information can be used as part of the FPPT assessment documentation, to avoid duplication of effort. However, the Listing Rules do not constitute a rule on fitness and propriety for the purpose of the 1991 Act.

We also recognise the standards of corporate governance and leadership requirements which already apply to companies. The FPPT is expected to enhance these further, and as set out in our September 2025 consultation, where such a test has been introduced in other sectors it has been found to support higher professional standards and senior accountability.

2.2 Scope of the rule

In our September 2025 statutory consultation, we confirmed that further to the October 2024 consultation, it was Ofwat's intention that the Rule should apply in the first instance to chief executives (CEOs) and other individuals appointed as directors to the board, including both executive and non-executive directors. We explained that we may consider extending the measure to other senior roles in the future (as permitted by the 1991 Act⁹).

Respondents' views

There was broad support for our confirmed scope. There was however some concern about any future extension of scope beyond board directors. Reasons cited for the concern included potential increased regulatory burden if applied to a larger group of individuals; a risk that it

⁸ These are: Affinity Water Limited, Anglian Water Services Limited, Dŵr Cymru Cyfyngedig, Hafren Dyfrdwy Cyfyngedig, Northumbrian Water Limited, Portsmouth Water Limited, Sutton and East Surrey Water Plc, Severn Trent Water Limited, South East Water Limited, South Staffordshire Water Plc, South West Water Limited, Southern Water Services Limited, Thames Water Utilities Limited, United Utilities Water Limited, Wessex Water Services Limited, Yorkshire Water Services Limited

⁹ Section 35(B)(5) Water Industry Act 1991

could potentially limit the pool of candidates for posts; and that the FPPT should not become a barrier to attracting and retaining talent in the sector. One respondent noted that the scope of the Rule did not align with the IWC recommendation for a "streamlined senior managers regime" and the proposed scope of that regime.

There was a suggestion that Ofwat should monitor the impact of the Rule on recruitment and on different groups of individuals, which we understand to mean from a diversity perspective.

Our response

As per our September 2025 consultation, the final rule applies only to Board appointed directors (executive and non-executive). We will review the scope in 2027.

Ofwat acknowledges that the scope of the IWC's recommendation for the proposed senior managers regime is potentially different. We consider that our scope complies with current legislative requirements of the 1991 Act.

Ofwat is also engaging closely with the UK and Welsh Governments as they take decisions on the IWC recommendations for England and Wales respectively.

As explained in the impact appraisal on which we also consulted in the consultation, we will assess any impact on different groups as part of our 2027 review.

2.3 Fit and proper person test – concept and structure

In the statutory consultation, Ofwat confirmed that the Rule would include a FPPT, and we set out the proposed standards and factors of the test. In this section, we explain the general feedback received on the concept of the FPPT and on its structure.

Respondents' views

Respondents recognised that we had considered and taken on board their comments on our October 2024 consultation about our initial proposal for the FPPT. For example, they acknowledged that we had addressed their concerns about the breadth of the FPPT and had considered further some of the existing FPPTs in other sectors.

Several respondents however expressed concern about the potential subjectivity of assessments under the FPPT and the risk of inconsistent interpretation of the results from the FPPT across companies without clear definitions or criteria.

Some respondents acknowledged the draft guidance (on which we also consulted) would assist them to address this concern. However, there were also requests for further

enhancements and additions to the guidance. One respondent requested that the "test of reasonableness and proportionality should be made explicit in the rule and guidance".

Some respondents also suggested that Ofwat issue a template for guidance or examples of good practice to support consistent interpretation across companies.

As is discussed below in sections 2.4 and 2.5, some respondents also sought clarification on some of the standards and individual factors of the FPPT.

Our response

We welcome the points respondents raised about the FPPT generally. We recognise that the FPPT is assessing individuals against the standards and factors set out and that everyone's circumstances are unique.

We have expanded on several aspects of the guidance to clarify points and to assist with the application of the rule and concerns about potential subjectivity.

We set out in the Rule (paragraph 8) "in assessing whether an individual meets the standards set out in paragraph 6 [the standards] the undertaker must have regard to all relevant matters, including the degree to which any relevant matter may reasonably be expected to impact the Director's ability to fulfil the responsibilities of the role.". This requires a degree of judgement we consider necessary to capture the range of circumstances that may apply in each individual case. We expect companies to be able to explain their approaches to us.

We do not consider it necessary to issue a template for the assessment, however we do provide more information on the assessment in the updated guidance at Appendix 2. We have annotated in the appendix the changes we have made. The guidance is also published as a standalone document without annotation¹⁰.

2.4 Fit and proper person test – standards

In our September 2025 consultation, we explained how we had built on the standards on which we consulted in October 2024 and modified them for clarity and to underline the intention that the rule is a foundation for the improved culture and behaviour required in the sector. We consulted on the following proposed standards:

- Honesty and integrity – these are key elements of a person's character which we consider to be of fundamental importance for those in senior roles on boards, and the assurance of which can assist in improving public trust in the sector.

¹⁰ [Link to Guidance document](#)

- Knowledge and experience – we recognise the importance of those in senior roles having the relevant knowledge to undertake their roles and an understanding of the water sector, but a board also requires a broad range of other knowledge and experience such as in finance, human resources, and of other sectors.
- Financial soundness – that the person in the role has a sound financial record.

Respondents' views

One respondent questioned why the standards did not include reference to conflicts of interest. They suggested that a person who had held a senior position in Ofwat, the Environment Agency or the Drinking Water Inspectorate within the previous 5 years should not apply for or be offered a senior position in a water company. This was suggested as the respondent considered that water companies had recruited from regulators to help reduce or mitigate the regulatory burden to the detriment of the environment.

One respondent also suggested that the proposed standards in relation to honesty and integrity would be unworkable in practice because of a lack of clarity and proportionality in its drafting, presenting significant implementation challenges.

Our response

Alongside their other statutory duties, directors have an existing statutory duty regarding conflicts of interest¹¹, and we also set expectations regarding the identification and management of conflicts of interest in our Board leadership, transparency and governance – principles¹². We therefore consider conflicts of interest are explicitly covered through other mechanisms, although this would not stop companies taking a conflict of interest into account as part of an assessment of fitness and propriety.

Water companies recruit specific skills to their Boards. Where they recruit an individual from a regulatory background, such knowledge and experience can be invaluable in assisting the company to meet its regulatory duties including to the environment. We therefore do not consider it appropriate to prohibit such appointments as part of the rule.

We have expanded aspects of the guidance to provide more clarity on the application of the standards and to stress the importance of proportionality in the application of the FPPT.

The standards on which we consulted are therefore the standards in the final rule.

¹¹ Section 175 of the Companies Act 2006

¹² [Board leadership, transparency and governance – principles – Ofwat – January 2019](#)

2.5 Fit and proper person test – factors

We set out in the September 2025 consultation that a company must have regard to all relevant matters regarding honesty and integrity, knowledge and experience and financial soundness, and that companies must have regard to specific factors.

Respondents' views

Respondents raised the following general issues on the individual factors collectively:

- **Relevant time period for factors** – it was noted that the relevant time period on three factors was specified in the rule: (paragraph 8(i)(a) the periods set by legislation on unspent convictions; paragraph 8(i)(b) financial management of a business that has gone into insolvency, liquidation or administration (including special administration) ... within one year following that connection; and paragraph 8(iii)(a) personal insolvency history within the last 10 years). Some respondents asked whether there was a relevant time period for the other factors concerning past conduct or whether the time period was at the discretion of the company.
- **Jurisdictional reach** – it may take varying periods of time to obtain information from jurisdictions outside of the UK, and depending on the jurisdiction and how or if any response was provided, it may also take the company additional time to establish the details of any issues.
- **Spent convictions** – respondents welcomed our clarification in the rule that only unspent criminal convictions were within scope of the FPPT but requested that we include in our guidance a specific reference to spent convictions not being in scope.

Respondents commented on the following individual factors:

Factor	Points raised
• Paragraph 8(i)(b) of the rule Whether the individual has been a financial director or otherwise had material influence in the financial management of a business that has gone into insolvency, liquidation or administration (including special administration) while the individual has been connected with that organisation, or where such insolvency, liquidation or administration occurred within one year following that connection.	• Risk of start-ups – some directors may have previously joined the board of start-ups which have not succeeded, which reflects the inherent risk of entrepreneurship and innovation. Companies should therefore be allowed to exercise judgement in assessing this factor. • Special administration – during such an event all board members may have had involvement with financial decisions. Clarification was sought as to whether if a company went into special

	administration, it could result in the entire board of a company no longer meeting the requirements of the FPPT.
Paragraph 8(i)(d) of the rule Whether the individual has been responsible for, materially contributed to or facilitated any serious misconduct or mismanagement (whether unlawful or not) in the carrying out of any regulated activity, in any jurisdiction, particularly in the water sector.	- Clarification sought on what constituted 'lawful' mismanagement, especially in the absence of a conviction or breach of a regulated obligation. - There may be potential challenges for companies in identifying any relevant incidents given the breadth of multiple regulated sectors.
Paragraph 8(i)(e) of the rule Whether the individual has been refused, had revoked, restricted or terminated any form of authorisation... whether as an individual, or in relation to a business in which that person held a senior role ...leading to such action.	Terminology – guidance should differentiate between a 'senior role' in an undertaker and such a role in another type of business to avoid ambiguity.
Paragraph 8(ii)(a) of the rule Whether the individual has reasonably demonstrated by experience and training (which has been or will be undertaken) that they are suitable to perform the function that they are intended to perform.	Clarification was sought on how companies would demonstrate to Ofwat that an individual had passed the specific standard by way of future training.
Paragraph 8(iii)(b) of the rule Whether the individual has any relevant insolvency history in any jurisdiction within the last 10 years, including filing for bankruptcy, had a bankruptcy petition served on them, been adjudged bankrupt, or been the subject of a bankruptcy restrictions order.	Suggestion that a bankruptcy petition may not be proven and granted and that this should be amended to 'bankruptcy order'.

Our response

As a general point, the rule sets out that companies are required to 'have regard' to all relevant matters, and in particular the specified factors. This means that in every case, companies will need to consider the surrounding circumstances, and that no particular factor automatically precludes a person from occupying a senior role, provided the company's view is reasonable.

Relevant time period – relevant time periods for the factors in the FPPT for which no time period is specified in the rule are dependent on the circumstances. When companies are making their assessments, Ofwat expects them to take a reasonable approach in considering the issue, how long ago the event occurred, and the role for which the individual has applied

or is undertaking. Companies must explain their approach to their consideration in the summary assessment they provide to Ofwat. We have expanded on this point in the accompanying guidance.

Jurisdictional reach – Ofwat recognises that there could be several outcomes to enquiries made in jurisdictions outside of the UK including it not being responded to, or not in a timely manner. The response may also be in a language other than English requiring technical translation and interpretation to understand it correctly. The other regulatory regime may also be significantly different from that of the UK requiring further interpretation of the information. We therefore expect companies to make reasonable efforts to obtain and interpret this information and we have clarified this in the guidance.

Convictions within scope – we have clarified in guidance that spent convictions are out of scope.

Paragraph 8(i)(b) of the rule

Risks of start-up businesses – we have added this consideration to our guidance.

Special administration – we would treat special administration as any other significant event for a company. It is not the intention of the rule that all existing board members would automatically fail the FPPT as a result of the occurrence of a significant event for a company. We recognise that if a significant event occurs, there will be a number of factors to be considered as to whether an existing board member still satisfies the test. However, it is expected that if a significant event occurs, a company should consider whether a reassessment should be carried out for any individuals. In any such reassessment it would be important to consider such matters as when an individual joined the board, their role and responsibilities, and the extent of their influence and control in the context of the relevant event in judging whether they continue to meet the rule, standard and factor.

If individuals are reassessed and no longer meet the requirements of the FPPT, a company may need a reasonable amount of time to put new arrangements in place (such as recruiting a new board member).

We have clarified these points in the guidance.

Paragraph 8(i)(d) of the rule

"Lawful" misconduct or mismanagement – this captures serious misconduct or mismanagement where on a reasonable view, a competent director would have acted differently, but where the actions taken do not breach any laws. We have added a clarification in the guidance.

Identifying relevant incidents concerning "any regulated activity" – an individual applying for or in a senior role should identify as part of their self-declaration any regulated sectors in which they are working or have worked and their respective roles. This should assist the

water company to narrow down any regulated activities and any relevant regulatory action to consider. Roles in the water sector are of particular interest for this factor. Companies should document in their assessments the investigations they undertake.

Paragraph 8(i)(e) of the rule

Terminology ('senior role') – we have clarified in guidance that the term 'senior role' for this part of the factor includes senior roles on a board other than a water company board.

Paragraph 8(ii)(a) of the rule

Training requirements – we expect companies to set out in summary assessments whether there are additional training requirements for the individual (in addition to any induction for new appointments), and to provide a plan and timescales for it to be completed. We expect confirmation that the training has been completed at the annual re-assessment for the individual.

Paragraph 8(iii)(a) of the rule

Bankruptcy petition – we recognise that a bankruptcy petition may not ultimately be proven and granted. We have therefore amended this to 'bankruptcy order' in the rule and made the supplementary change of deleting "been adjudged bankrupt" as this is the result of a bankruptcy order.

2.6 Reporting

The draft rule on which we consulted set out reporting requirements on companies to provide Ofwat with a copy of:

- a summary of any assessment(s) carried out prior to new appointments as soon as practicable and no later than 10 working days before a new Director's appointment is made;
- the outcome of the annual re-assessments for existing Directors; and
- where there is any change in circumstances of a Director relevant to whether they continue to meet the standards as to fitness and propriety, to inform Ofwat no later than 10 working days from when the Board becomes aware of such change in circumstances.

Respondents' views

Several respondents made the following comments in responses:

- **Reporting of a new appointment** – clarification was sought on whether the 10 working day period created a standstill period preventing the company from confirming the appointment until Ofwat had considered the summary assessment. In addition,

clarification was sought on whether the company should report to Ofwat before or after the board had considered the appointment.

- **Annual re-assessments** – clarification was sought on the extent of the verification checks companies were required to undertake for the annual re-assessments.
- **Reporting a change in circumstances** – there were general concerns about the feasibility of meeting the reporting deadline, especially when further investigation was needed to establish if the change was material to an individual's continued compliance with the FPPT. Respondents also sought clarity on when the 10 working day period began: either upon the company becoming aware of the change or after the company had undertaken further investigation and undertaken a re-assessment.

In addition, respondents asked for more information about: whether a change in an existing board member's role or the reappointment of a board member required a reassessment of the individual; how Ofwat might respond to the summary assessments and the timescale for our response; whether there would be an appeal mechanism for a company or individual to appeal against any Ofwat disagreement with the assessment; the level of detail required to be reported to Ofwat on individuals regarding any criminal or legal circumstances; and that guidance should contain a clear approach to the handling of personal information and compliance with data protection legislation.

One new appointee (NAV) believed that annual assessments were excessive and assessment should be limited to: time of appointment; if there is a change of roles; or significant breaches (which we take to mean if there is a change in circumstances).

Our response

Reporting of a new appointment to a senior role – The purpose of the company reporting such assessments to Ofwat is to enable Ofwat to understand whether the company is complying with the Rule by carrying out the FPPT in accordance with the Rule. As part of checking that compliance, we will consider the completeness and quality of the summary assessment of the FPPT once submitted, and we may have questions about the process a company has undertaken, the conclusions a company has reached and / or whether we consider them reasonable, taking account of the requirements of the Rule.

However, when a company sends Ofwat a copy of the summary assessment for a new appointment, this is not for the purpose of Ofwat approving that appointment. As we have said previously, the company retains accountability for its compliance with the rule (and therefore for the recruitment decision and related Board approval).

The accountability rests with companies to ensure that they have undertaken a comprehensive and reasoned FPPT assessment before submitting this to us.

In response to the feedback related to the 10 working day timeframe, we have amended the 10 working days to 15 working days. As long as the summary assessment is sent to us at least

15 working days before the appointment is made, we will make all reasonable efforts to review it and respond to the company within 15 working days.

However, if Ofwat has questions or requests for further information, we recognise that the provision of this information and Ofwat's analysis of it and conclusion on the assessment may take longer than 15 working days, which could have subsequent impacts for a company's appointment timetable. To mitigate this, we would stress that if a company has questions about aspects of an assessment before they reach their final conclusions, a company can also engage with Ofwat to request clarifications before submission.

Annual re-assessments – as set out in guidance, companies can ask an individual to indicate in an annual return if any changes in their circumstances relevant to the FPPT may have occurred. If an individual responds that there have been no changes, it is justifiable for the company to accept the response in good faith. However a company must ensure that they have considered the information provided and its veracity as far as possible. Companies should document their decision. Good practice undertaken by some organisations for DBS checks is to reassess a DBS check every three years even if an individual has not indicated any change.

Reporting a change in circumstances – we have clarified the rule and guidance to require notification to Ofwat to be after the company has assessed whether the change in circumstances has a material effect on the individual meeting the FPPT. We have also amended the 10-working day reporting period to 15 working days from the time the company has completed the investigation to enable any additional internal discussions to occur.

In response to the other comments made:

Whether i) a change in an existing board member's role or ii) the reappointment of a board member required a reassessment of the individual – i) generally, a move between or within board committees would not require a reassessment of the FPPT, unless there is a significant change in a board member's role; ii) if a board member is being reappointed to the same role, the reassessment will only be required as per the timing for the annual reassessment. We have clarified this in the final guidance.

Ofwat response to a summary assessment and the timescale for our response – as mentioned earlier in this document, if a company has any questions about an assessment when they apply the FPPT, Ofwat is content to engage with companies before they finalise their assessments, to provide clarifications. It is for companies to decide if and at which stage of an assessment they might wish to do this.

We set out above how reporting operates for new appointments to senior roles. For the assessments of existing senior role holders which companies will be undertaking in order to prepare for 1 April 2027, we will engage with companies in financial year 2026-27 to understand how they will be taking this forward and their timescales. This will enable us to

manage possible large numbers of assessments being submitted to us to similar timescales and our review timings.

Following our review, and if we disagree with a company's assessment after our engagement with them on it and clarification of any questions, we may at that point issue a direction to the company.

Appeal mechanism for a company or individual to appeal against any Ofwat disagreement with the assessment – whilst the legislation does not provide an additional appeal mechanism, our process is set up to enable engagement with Ofwat before a final submission is made to us by a company. Our process also enables clarifications to be sought by Ofwat following a submission before any direction, if required, is issued. The relationship between directions and our enforcement powers is described in section 2.3 of our Enforcement Guidance, and companies' ability to challenge our decisions is set out at paragraph 3.21.¹³

The level of detail required to be reported to Ofwat on individuals regarding any criminal or legal circumstances – Ofwat requires only that companies indicate in the assessment whether there was any unspent criminal conviction, and the nature of it, i.e. whether it related to dishonesty, fraud, financial crime or crime, and the date of the court judgment.

Guidance should contain a clear approach to the handling of personal information and compliance with data protection legislation – it is the responsibility of the company to ensure that it complies with data protection legislation and companies should ensure that they put processes in place to do so. We have clarified in the guidance that companies should include personal data in their reporting only to the extent that it is necessary to comply with the rule.

2.7 Implementation

We consulted on proposals to require companies to comply with the Rule from 1 April 2026 in respect of new appointments to senior roles, and to apply this rule to existing persons in senior roles during the 2026–27 financial year to ensure their compliance with it from 1 April 2027.

Respondents' views

Transition timetable – several companies requested that Ofwat engage closely with them during the transition to the rule coming into effect to manage risks and provide flexibility where needed.

¹³ See: [Ofwat's Enforcement Guidance – Ofwat – April 2025](#)

Our response

Transition timetable – we will engage further with companies following this decision document. We will also undertake further engagement with companies in early 2026 to discuss further their implementation of the Rule.

2.8 New appointees (NAVS)

We explained in the consultation that we consider there is also merit in applying the Rule to NAVs, but that it should be adapted to reflect their different characteristics when compared to the largest undertakers. Many NAVs are much smaller. We undertook to work closely with NAVs during 2026 to seek to apply the Rule to them from 2027.

Respondents' views

All NAVs who responded to the consultation supported the proportionate application of the Rule to their companies. More information was also requested on how the rule would be proportionately applied.

One respondent indicated that as a multi-utility company, completing separate FPPTs for different utilities (such as for water and for energy) could become unduly onerous. They were keen for arrangements to be established that would enable such organisations to complete a single FPPT for all utilities.

Our response

We will engage further with new appointees in 2026 and aim to publish our proposals by the end of 2026.

2.9 Other comments

Respondents' views

Respondents also raised the following more general comments.

Impact of the Rule – Respondents made no comments on the impact appraisal included in the consultation. However, several respondents expressed concern that there could be a potential risk of an adverse impact of the rule on recruitment (becoming a barrier to attracting and retaining talent) and / or on board diversity.

Reasonableness, proportionality and materiality – some respondents stated that the importance of these factors should be made more explicit in the Rule and guidance.

Our response

Impact of the Rule – We recognise in the impact appraisal that companies have raised with us a potential risk of an adverse impact of the rule on recruitment. We will monitor the impact of the rule on recruitment and we will also include monitoring any impact on board diversity. This will be undertaken as part of our 2027 review.

Reasonableness, proportionality and materiality – we have expanded further in the guidance on these factors in the application of the Rule and the FPPT.

3. Our decision and next steps

As we outlined in the previous chapter, the majority of comments provided on the draft Rule and guidance are being addressed through clarifications and additions to our non-mandatory guidance. We have however made some amendments to the Rule itself on its technical and practical application as explained in Chapter 2.

The Rule is intended to strengthen water company leadership by building on the effectiveness of practices they already have in place, reinforcing high standards of behaviour, and encouraging a positive and responsible organisational culture.

In summary, our decision is to implement a rule on fitness and propriety which requires companies to:

- put in place processes to assess the fitness and propriety of applicants to board director roles (chief executive, executive and non-executive directors), and existing holders of senior roles;
- assess those applicants and existing role holders by having regard to the standards set out in the Rule (to be known as a fit and proper person test) which cover the areas of honesty and integrity, knowledge and experience, and financial soundness;
- consider all relevant matters concerning those standards and, in particular, to consider specific factors which fall within those standards; and
- report to Ofwat on the assessment process for individuals and on the individual assessments within set timescales, and to report annually to confirm compliance, including ensuring a process for assessing if the circumstances of an individual holding a senior role change, meaning that they may no longer continue to meet the requirements of the fit and proper person test.

The Rule applies to the largest water and/or sewerage undertakers holding an appointment as a water and/or sewerage undertaker under the Water Industry Act 1991 collectively referred to as 'undertakers', 'water companies' or 'companies' in this document¹⁴.

Companies are required to comply with the Rule from 1 April 2026 in respect of new appointments to senior roles and are required during 2026-27 to prepare for application of this rule to existing persons in senior roles to ensure their compliance with it also from 1 April 2027.

We will closely monitor companies' compliance with the Rule and keep the application and implementation of it under review on an ongoing basis. We currently plan to conduct a formal

¹⁴ These are: Affinity Water Limited, Anglian Water Services Limited, Dŵr Cymru Cyfyngedig, Hafren Dyfrdwy Cyfyngedig, Northumbrian Water Limited, Portsmouth Water Limited, Sutton and East Surrey Water Plc, Severn Trent Water Limited, South East Water Limited, South Staffordshire Water Plc, South West Water Limited, Southern Water Services Limited, Thames Water Utilities Limited, United Utilities Water Limited, Wessex Water Services Limited, Yorkshire Water Services Limited

review of how this Rule has operated and outcomes it has delivered in 2027, although we may bring this forward if circumstances arise which we consider merit an earlier review.

Ofwat will work closely with new appointee companies in 2026 to seek to apply the Rule to them in a proportionate way in 2027.

In parallel with the Rule's implementation, Ofwat will work closely with both UK and Welsh Governments to consider how it supports any possible future regimes for senior accountability in the water sector in England and Wales pending their respective decisions on the IWC's related recommendation. The Rule does not constrain either the UK or Welsh Governments regarding the implementation of such regimes.

The final Rule is at Appendix 1 and the final non-mandatory guidance is at Appendix 2. Both appendices consist of the draft versions on which we consulted, annotated to show the changes made to them following the consultation.

The final updated Rule¹⁵ and final non-mandatory guidance¹⁶ have also been published separately as individual documents. We also expect to review the guidance periodically and include any examples of good practice which we may identify as part of our monitoring of the Rule's implementation.

¹⁵ [Link to Final Rule document](#)

¹⁶ [Link to Final Guidance document](#)

A1 Final – Fitness and Propriety Rule

The final Rule is set out below. It has been annotated in red to show the changes made to the draft version of it on which we consulted, with additions in red and bold. The Rule is published separately, unannotated, on Ofwat's website.

A1.1.1 Introduction

1. ~~These rules are~~ This rule is issued by the Water Services Regulation Authority under section 35B of the Water Industry Act 1991 ('the Act').
2. The purpose of ~~these rules~~ this rule is to require undertakers to implement a fit and proper person test to ensure that only individuals who meet specified standards as to fitness and propriety are appointed, or remain in place, as Directors.
3. In relation to new applicants to any Director role(s), the undertaker must apply the test outlined in ~~these rules~~ this rule as part of their recruitment process prior to offering any Director role to an applicant from 1 April 2026. In relation to existing Directors, the undertaker must apply the test and ensure appropriate action is taken in advance of 1 April 2027.
4. ~~These rules apply~~ This rule applies to the largest water undertakers and sewerage undertakers appointed under Chapter 1 of Part II of the Act.

A1.1.2 Interpretation

5. Unless the context otherwise requires, in ~~these rules~~ this rule:

"**Director**" means any person who is a member of the undertaker's board (the "**Board**").

A1.1.3 Fit and proper person test

6. The undertaker must not appoint or have in place any Director who cannot reasonably be considered to meet the following standards as to fitness and propriety:
 - a. The individual has the appropriate level of honesty and integrity for the relevant role.
 - b. The individual has the appropriate level of knowledge and experience for the relevant role.
 - c. The individual has the appropriate level of financial soundness for the relevant role.

7. To fulfil the requirement at paragraph 6 the undertaker must:
 - a. have and maintain robust processes, systems and governance in place to ensure that any Director is fit and proper to occupy that role by reference to the below specified factors; and
 - b. carry out assessments in relation to such person(s) to ensure that they remain fit and proper to occupy that role by reference to the below specified factors. Such assessments must be carried out:
 - i. prior to the appointments of any applicant to a Director role;
 - ii. annually prior to the start of each financial year for Directors already in post
 - iii. as soon as the undertaker becomes aware that a person may no longer meet the standards.
8. In assessing whether an individual meets the standards set out in paragraph 6 the undertaker must have regard to all relevant matters, including the degree to which any relevant matter may reasonably be expected to impact the Director's ability to fulfil the responsibilities of the role. In particular but without limitation, the undertaker must have regard to the following factors:
 - i. In relation to paragraph 6(a):
 - a) Whether the individual has any unspent criminal conviction in any jurisdiction, particularly but not necessarily limited to matters of dishonesty, fraud, financial crime, or crime related to the water industry;
 - b) Whether the individual has been a financial director or otherwise had material influence in the financial management of a business that has gone into insolvency, liquidation or administration (including special administration) while the individual has been connected with that organisation, or where such insolvency, liquidation or administration occurred within one year following that connection;
 - c) Whether the individual has been disqualified from acting as a director of a company in any jurisdiction;
 - d) Whether the individual has been responsible for, materially contributed to or facilitated any serious misconduct or mismanagement (whether unlawful or not) in the carrying out any regulated activity, in any jurisdiction, particularly in the water sector;
 - e) Whether the individual has been refused, had revoked, restricted or terminated any form of authorisation, or had any disciplinary, compliance, enforcement or regulatory findings made against them by any regulatory body in any jurisdiction whether as an individual, or in relation to a business in which that person held a senior role and where the individual was found to be responsible for, materially contributed to or facilitated the relevant event leading to such action.

ii. In relation to paragraph 6(b):

- a) Whether the individual has reasonably demonstrated by experience and training (which has been or will be undertaken) that they are suitable to perform the function that they are intended to perform.

iii. In relation to paragraph 6(c):

- a) Whether the individual has any relevant insolvency history in any jurisdiction within the last 10 years, including filing for bankruptcy, had a bankruptcy ~~petition served on them~~ **order made against them**, ~~been adjudged bankrupt~~, or been the subject of a bankruptcy restrictions order.
- b) Whether the individual has been the subject of any judgment debt or award, in any jurisdiction, that remains outstanding or was not satisfied within a reasonable period.

A1.1.4 Reporting

9. Undertakers must provide Ofwat with a copy of:

- a) A summary of any assessment(s) carried out prior to new appointments as soon as practicable and no later than ~~10~~ **15** working days before a new Director's appointment is made.
- b) The outcome of the annual re-assessments for existing Directors carried out under paragraph 7(b)(~~ii~~) **(iii)** by the date on which Ofwat requires the undertaker to provide a copy of each set of regulatory accounting statements prepared under Condition F of its Instrument of Appointment each year as applying to the previous financial year.

10. Undertakers must publish a statement annually confirming whether they:

- a) Have appropriate processes, systems and governance in place to satisfy paragraph 7(a), and a description of those processes, systems and governance; and
- b) have carried out the assessments and/or re-assessments required under this Rule.

11. **In relation to paragraph 7(b)(iii)**, where the Board of the undertaker becomes aware of any change in circumstances which **it concludes** is relevant to its determination of whether a Director meets the specified standards as to fitness and propriety, the undertaker must inform Ofwat of this in writing as soon as practicable and no later than ~~10~~ **15** working days from when the Board becomes aware of ~~such~~ **the relevance of a** change in circumstances.

A2 Final – Non-mandatory guidance on Fitness and Propriety Rule

The final guidance is set out below. It has been annotated in red to show the changes made to the draft version of the guidance on which we consulted, with additions in red and bold. The guidance is published separately, unannotated, on Ofwat's website.

Introduction

1. Ofwat will consider an undertaker's approach to this guidance when assessing compliance with the Fitness and Propriety Rule (the “Rule”). Ofwat will keep the guidance under review and may update the guidance from time to time to support undertakers' compliance with the Rule.
2. **This guidance should be read in conjunction with the Rule¹⁷ and the terms used within it are defined in the Rule.**
3. Ofwat expects undertakers to be open and honest in their engagement with us and be proactive in providing relevant information. Any failure to co-operate constructively and in a timely manner with Ofwat on the notification of assessments may affect the appointment of people to senior roles or existing senior role appointments. **We encourage water companies to engage with us on any queries they may have about the application of the rule at any time including during the fit and proper person test assessment process.**
4. Where there is evidence that incorrect information has been provided **to Ofwat regarding assessments**, this may result in the undertaker being in breach of the Rule.

Rule Requirements

5. This Rule (as issued on 15 December 2025) incorporates an assessment mechanism (a fit and proper person test, **or ‘FPPT’**) against which an undertaker must assess the fitness and propriety of individuals appointed in senior roles (as Chief Executives and other Directors (Executive and non-Executive)). (The Rule itself uses the term "Directors" which is defined as meaning any person who is a member of the undertaker's board (the Board)".). The Rule requires that undertakers implement the FPPT to ensure that only individuals who meet the specified standards in the rule are

¹⁷ [Link to Final Rule document](#)

appointed in senior roles from 1 April 2026, and continue as existing persons in senior roles as from 1 April 2027.

6. The Rule requires undertakers to have and maintain robust processes, systems and governance in place to implement the test. Ofwat considers those processes, systems, and governance to include as a minimum:
 - a. recruitment – both for the undertaker's own recruitment processes and any third-party recruitment consultant; and nominations committees – where they are making recommendations for appointment;
 - b. monitoring – to identify any changes in individuals' circumstances following appointment and during a performance year which may mean that they no longer meet the FPPT standards and factors;
 - c. re-assessment – to re-assess annually those existing senior role holders to ensure that they continue to meet the FPPT standards and factors; and
 - d. reporting – to report the outcomes of implementation and compliance with the rule to Ofwat and to raise with Ofwat any issues when and if they occur in a timely manner.
7. This is not an exhaustive list and undertakers should undertake an internal audit of processes, systems and governance to ensure that all those which are relevant take account of the requirements of the Rule.

Rule standards and factors

8. The Rule sets three standards of fitness and propriety (honesty and integrity; knowledge and experience; and financial soundness) and specific factors related to each standard.
9. The Rule explains that the undertaker must have regard to all relevant matters including the factors and the degree to which the Director caused or contributed to any failures, when applying the standards.
10. Ofwat expects undertakers to identify all relevant matters **as far as practicable** as part of the assessment against the FPPT and consider their relevance for the senior role ~~which is being applied for~~, including the possible level of control or influence the role holder may have.
11. **In undertaking the FPPT, Ofwat considers it important for undertakers to apply the principles of reasonableness, proportionality and materiality in applying the**

standards. This means that they should take account of the materiality of any issue identified by reference to a given standard or factor and the role an individual is applying for or undertaking and apply an approach to their assessment and any action they may take or intend to take as a result that is reasonable and proportionate.

12. An undertaker should document in its assessment how it has applied these principles as part of its record of its decision on whether the person has met or failed the FPPT and the reasons for that decision.

13. The factors of the test are as follows:

Honesty and integrity	
a. Whether the individual has any unspent criminal convictions in any jurisdiction, particularly relating to matters of dishonesty, fraud, financial crime, or crime related to the water industry	Ofwat expects undertakers to identify any, and all, unspent criminal convictions an individual may have both within and outside the UK, and to consider the relevance of any conviction to the role in question. Ofwat requires only that companies indicate in the assessment whether there was any unspent criminal conviction, and the nature of it i.e. whether it related to dishonesty, fraud, financial crime or crime, and the date of the court judgment. Spent convictions are not within the scope of this factor.
b. Whether the individual has been a financial director or otherwise concerned in the financial management of a business that has gone into insolvency, liquidation or administration (including special administration) while the individual had been connected with that organisation or within one year following that connection.	This factor relates to previous financial management roles on boards. However, it is not Ofwat's intention to deter experienced financial professionals from joining boards for senior roles which seek to assist an undertaker to address and prevent circumstances such as insolvency and we recognise that such professionals may have been previously employed in roles for that purpose but were unable to prevent insolvency etc due to no fault of their own. For example, the person may have been a turnaround expert who had joined the Board to help the business avoid insolvency, liquidation or administration, but it was not possible to do so. We also recognise that a company insolvency can occur for a variety of reasons and for a new start-up company may reflect the inherent risk of entrepreneurship and

	innovation. Undertakers may exercise judgement in such circumstances. We would treat special administration as any other significant event for a company. It is not the intention of the rule that all existing board members would automatically fail the FPPT as a result of the occurrence of a significant event for a company. We recognise that if a significant event occurs, there will be a number of factors to be considered as to whether an existing board member still satisfies the test. However, it is expected that if a significant event occurs, a company should consider whether a reassessment should be carried out for any individuals. In any such reassessment it would be important to consider such matters as when an individual joined the board, their role and responsibilities, and the extent of their influence and control in the context of the relevant event in judging whether they continue to meet the rule, standard and factor.
c. Whether the individual has been disqualified from acting as a director of a company in any jurisdiction.	An individual can be banned ('disqualified') from being a company director in the UK if they do not meet their legal responsibilities as a director of a limited company, which include: • following the company's rules, shown in its articles of association • keeping company records and report changes • filing their accounts and Company Tax Return • telling other shareholders if they might personally benefit from a transaction the company makes • paying Corporation Tax. In the UK, disqualification of an individual may be for up to 15 years. Ofwat expects companies to carry out due diligence, including as a minimum undertaking a search of the disqualified directors database available on gov.uk¹⁸ and ask the relevant individual about any disqualifications in other jurisdictions.

¹⁸ [Company director disqualification - GOV.UK](https://www.gov.uk/guidance/company-director-disqualification)

d. Whether the individual has been responsible for, contributed to or facilitated any serious misconduct or mismanagement (whether unlawful or not) in the carrying out any regulated activity, in any jurisdiction, particularly in the water sector. e. Whether the individual has been refused, had revoked, restricted or terminated any form of authorisation, or had any disciplinary, compliance, enforcement or regulatory action taken by any regulatory body in any jurisdiction whether as an individual, or in relation to a business in which that person held a senior role.	Factors d) and e) seek to understand an individual's honesty and integrity in relation to any regulatory activity and actions. Regulatory bodies generally publish reports detailing any investigations and findings, and while individuals found to have contributed to any breaches of regulation are not named, those reports may identify roles which are found to have been responsible. Factor (d) captures serious misconduct or mismanagement where on a reasonable view, a competent director would have acted differently, but where the actions taken do not breach any laws. Ofwat expects companies to highlight to applicants / existing persons in senior roles the importance of providing details of any issues related to these factors, and for companies to investigate and document how the investigation has been undertaken. The term 'a senior role' in factor (e) could relate to a chief executive, executive or non-executive director role in an undertaker; or an equivalent role in another organisation.
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Knowledge and experience	
a. Whether the individual has demonstrated by experience and training that they are suitable to perform the function that they are intended to perform.	Ofwat would expect an undertaker to make clear in recruitment material the knowledge and experience required for the senior role to be undertaken and for the individual applying for a senior role to provide sufficient details as to how they meet those requirements. Specialist knowledge and experience required could include finance, human resources, cyber, business transformation, engineering / asset management, innovation, environmental or consumer insight. Depending on the nature of the senior role, it may not be essential for applicants to have an understanding on application of an undertaker's responsibilities. However, Ofwat expects undertakers to put in place relevant mandatory training for all senior role holders so that they

	acquire all necessary knowledge in a timely manner as appropriate. For new appointees, this would be expected to be part of the induction process. • We advise undertakers to put a training plan in place for all individuals applying for / in senior roles against which they can measure whether training has been completed. As part of the annual re-assessment process for the FPPT, undertakers need to ensure that senior role holders have completed any required training prior to re-assessment, and confirm its completion as part of the summary assessment submitted to Ofwat.
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Financial soundness	
a. Whether the individual has any relevant insolvency history in any jurisdiction within the last 10 years, including filing for bankruptcy, had a bankruptcy petition served on them order made against them, been adjudged bankrupt , or been the subject of a bankruptcy restrictions order	Undertakers should take all reasonable steps to obtain and assess the relevance of any insolvency history over the previous 10 years in any jurisdiction. While in the UK it is possible to undertake a search of respective bankruptcy and insolvency registers, including for: bankruptcy orders; debt relief orders (DROs); and individual voluntary arrangements (IVAs), in England and Wales, depending on the type of insolvency, information may only remain active on the register for a period of up to three months following the discharge or notification of completion to the Insolvency Service. This may be similar in other jurisdictions also. Undertakers will therefore need to ensure that applicants / those in senior roles clearly understand the importance of providing any relevant historical information.
b. Whether the individual has been the subject of any judgment debt or award, in any jurisdiction, that remains outstanding or was not satisfied within a reasonable period.	Ofwat would not expect an applicant or existing person in a senior role to supply any statement of assets or liabilities. We would not expect that a person being of limited financial means, in itself, should affect their suitability for a role. Ofwat is not defining 'within a reasonable period' which may vary depending on the circumstances and amount of the judgment debt or award.

14. **Relevant time period – relevant time periods for the factors in the FPPT for which no time period is specified in the rule are dependent on the circumstances. When undertakers are making their assessments, Ofwat expects them to take a reasonable and proportionate approach to considering the issue, including having regard to how long ago the event occurred, and the role for which the individual has applied or is carrying out. Undertakers must explain their approach in the summary assessment they provide to Ofwat.**
15. **Jurisdictional reach – Ofwat recognises that there could be several outcomes to enquiries made in jurisdictions outside of the UK including it not being responded to, or not in a timely manner. The response may also be in a language other than English requiring technical translation and interpretation to understand it correctly. The other regulatory regime may also be significantly different from that of the UK requiring further interpretation of the technical information. We therefore expect companies to make reasonable efforts to obtain and interpret this information and we have clarified this in the guidance.**

Application of the Rule

16. The Rule applies to any new "Director" who is being recruited to the undertaker's board and appointed as from 1 April 2026.
17. The Rule requires companies to apply the Rule and carry out the FPPT for any existing "Director(s)" of the board in advance of 1 April 2027.
18. Ofwat will consider whether the Rule should apply to any further roles when it reviews the Rule in 2027.

Recruitment

19. Ofwat recognises that undertakers are likely to use recruitment consultants as part of the process for recruiting to senior roles.
20. Undertakers must ensure that any recruitment consultants they use are aware of the requirements under the Rule, and that the information required to assess whether the potential applicant meets the requirements of the test under the Rule is collected.
21. Applicants may provide the information through self-declaration. However, recruitment consultants should have in place a process for verifying the information provided **as far as possible and explain to an undertaker how this has been done.** Recruitment consultants should also be encouraged to discuss the FPPT with applicants so that they understand the importance of compliance with it. **Where a**

recruitment consultant is not used, undertakers must also of course have a process in place for verifying the information from self-declarations.

22. If an undertaker asks the recruitment consultants to ensure compliance with the FPPT, the undertaker must assure any assessment the recruitment consultants undertake. The undertaker will always retain ultimate responsibility for compliance with the Rule.

Post recruitment

23. Ofwat recognises that a person's circumstances may change after appointment. Undertakers should make clear to all persons in relevant senior roles that they are responsible for advising the undertaker if any change that relates to the standards of fitness and propriety occurs.
24. Persons in relevant roles should advise an undertaker at the time if any relevant change occurs. Such persons should not wait until the company undertakes any annual review of their compliance with the standards in the fitness and propriety rule.
25. If a person does advise an undertaker about a relevant change in circumstances, they should provide sufficient information to enable the undertaker to assess whether such person is no longer compliant with the standards. The undertaker should follow up with the person to obtain sufficient information if it is not provided.
26. **In the case that an undertaker becomes aware of the change of circumstance described in [paragraph 23 above], the undertaker should investigate and reach its conclusion on whether the change affects the person's continued compliance with the FPPT, and advise Ofwat immediately within 15 working days once it has after having considered the relevant information and concluding that if the a person no longer complies with the standards.**
27. If the undertaker's assessment is that the person no longer complies with the standards, the undertaker should advise Ofwat of the action it will take.
28. **Generally, a move between or within board committees would not require a reassessment of the FPPT, unless there is a significant change in a board member's role. If a board member is being reappointed to the same role, the reassessment will only be required as per the timing for the annual assessment.**

Assessment outcome

29. Once an undertaker has undertaken the FPPT for a person (or assured the assessment of a recruitment consultant), the company must determine the outcome of the FPPT, that is, whether the person has met or failed the test. As explained in paragraph 11, **Ofwat considers it important for undertakers to apply the principles of reasonableness, proportionality and materiality in applying the standards.** ~~The role the person will be undertaking is likely to have a bearing on the interpretation of some of the standards.~~
- ~~30. For example, for the factor where a business had gone into insolvency, liquidation or administration, the person may have been a turnaround expert who had joined the Board to help the business avoid insolvency, liquidation or administration, but it was not possible to do so. This should be taken into account in the assessment and decision.~~ [This section has been moved to earlier in the guidance.]
- ~~31.~~ Undertakers must document their decision on whether the person has met or failed the FPPT and the reasons for that decision. Undertakers must ensure that persons who fail the test are not **offered a position**, or do not remain in their role if the test is being completed as part of an annual re-assessment or following a change in personal circumstances.

Annual re-assessment

32. An undertaker can undertake the annual re-assessment ~~through~~ **by** the person in the senior role providing a self-declaration on the standards of the FPPT. However, undertakers must ensure that they have considered the information provided and its veracity as far as possible, recording ~~how this verification has taken place~~ **their decision.**
33. If an issue arises in the assessment and **after its investigation** the undertaker considers that the person no longer meets the standards, the undertaker should advise Ofwat ~~immediately of the issue~~ **within 15 working days of reaching their conclusion on continuing compliance with the FPPT** and take appropriate action to ensure the individual is removed from their role.

Reporting

34. An undertaker is required to report ~~compliance with the Rule, as well as the arrangements they have in place for ensuring such~~ **with the Rule from 1 April 2026** for all new appointments to senior roles ~~as from 1 April 2026~~ as part of their annual **performance** reporting process for 2025–26, and for existing persons in senior

roles as part of their **annual performance** reporting process for 2026–27. **An undertaker is then required to report compliance with the Rule as well as the arrangements they have in place for ensuring such compliance with the Rule from 1 April 2026 in their annual performance reporting process for 2026–27 and thereafter.**

35. In addition to the public annual reporting, Ofwat requires undertakers to report to us with a summary of all individual assessments or re-assessments undertaken. The report should include: the assessment decision, assessment conclusions against all standards, factors and rationale. **We expect companies to comply with data protection laws when submitting such reports to Ofwat and include only personal data to the extent necessary for compliance with the rule.**
36. **Ofwat will acknowledge receipt of summary assessments.**
37. **Summary assessments for new appointees are required as soon as practicable and no later than 15 working days before the date their appointment is made. Ofwat will make all reasonable efforts to review the assessment within 15 working days and therefore assess the undertaker's compliance with the Rule in that particular case.**
38. During 2026–27, while undertakers are completing **first time** assessments for existing persons in senior roles, undertakers should provide Ofwat with the summary assessments as soon as possible after the assessments are completed **and the undertaker has reached their conclusions on whether the person meets the FPPT.**

Other requirements

39. Under Condition P12.3 of an undertaker's licence each undertaker is required to have in place adequate systems of planning and internal control to carry out their Regulated Activities (i.e. their functions).
40. In implementing this Rule and the FPPT, undertakers will need to ensure that they have appropriate systems planning and internal control in place to ensure compliance. If an undertaker fails to ensure this, it may be in breach of both the Rule and licence condition P12.3.
41. Ofwat may request undertakers to provide evidence of their systems for undertaking and assessing an individual's compliance with the rule.

Contraventions of the Rule

42. Where we consider that an undertaker may have contravened the Rule, we will engage with it to understand its position and request further information.

43. We may use our powers under section 35B(7) of the Water Industry Act 1991 to issue a direction to the undertaker to take steps to address any contravention which has been identified. **If we decide to issue a direction, we will take account of all relevant circumstances when deciding on the contents of that direction.**
44. **If an undertaker breaches any direction we issue, we may take enforcement action. The process we would take in relation to any enforcement action is explained further in our Enforcement Guidance¹⁹. As set out in section 3 of that guidance, we would use a range of information to consider whether any breach had occurred.**

Contacting Ofwat

45. **For any queries on the rule or this guidance and if intending to submit summary assessments, please email remunerationgovernancerules@ofwat.gov.uk.**

¹⁹ [Ofwat's Enforcement Guidance – Ofwat – April 2025](#)

A3 Respondents to the consultation on the Fitness and Propriety Rule

Affinity Water

An individual – Member of the public

Consumer Council for Water (CCW)

Dwr Cymru

ESP Water Ltd

Hafren Dyfrdwy

Ilkley Clean River Group

Independent Water Networks Limited (IWNL)

Icosa Water Services Ltd (IWSL)

Northumbrian Water

Pennon Group [South West Water and SES Water]

Portsmouth Water

Severn Trent Water

South East Water

Southern Water

Thames Water

United Utilities

Water Level

Wessex Water

Yorkshire Water

**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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