



Date: 23 October 2025

[REDACTED]
[REDACTED]
[REDACTED]
Ofwat
By email

Dear [REDACTED],

Consultation Response: – Fitness and Propriety Rule

Thank you for the opportunity to respond to the statutory consultation on the proposed Fitness and Propriety Rule, as enabled by the Water (Special Measures) Act 2025. We welcome the intent behind the rule to strengthen governance and accountability across the sector and support the rebuilding of public trust in water companies.

General Support

We broadly support the introduction of the Fitness and Propriety Rule and its alignment with the recommendations of the Independent Water Commission (IWC). The proposed framework, covering honesty and integrity, knowledge and experience, and financial soundness, provides a clear and structured basis for assessing senior leadership suitability.

Timing and Implementation

We note the proposed implementation timeline:

- **From 1 April 2026:** The rule will apply to new appointments to senior roles (Chief Executive, executive and non-executive Directors).
- **By 1 April 2027:** Companies must apply the Fit and Proper Person Test (FPPT) to existing senior role holders.

This phased approach is sensible and allows companies time to develop and embed robust assessment processes. However, we would welcome further clarity on:

- The expectations for reassessment frequency beyond the annual confirmation.
- How Ofwat intends to monitor and validate compliance, particularly in cases where assessments may be subjective.
- The proportionality of application for smaller entities and NAVs, especially where governance structures differ.

Implications for Governance and Recruitment

The rule will necessitate updates to recruitment protocols, board governance frameworks, and ongoing monitoring procedures. We anticipate the following implications:

- **Recruitment:** Enhanced due diligence and documentation will be required for all senior appointments.
- **Board Oversight:** Remuneration and Nomination Committees will need to play a more active role in overseeing FPPT compliance.
- **Reporting:** Annual confirmations and potential ad hoc updates will require dedicated resource and coordination with HR, governance and legal teams.

More specifically, companies will need to implement more rigorous vetting procedures for all new board appointments from 1 April 2026 onward. This includes assessing candidates against the Fit and Proper Person Test (FPPT) criteria, documenting the assessment process thoroughly to demonstrate compliance, and potentially involving external verification or referencing to support assessments.

Recruitment processes will need to be updated to include structured assessment frameworks aligned with Ofwat's standards, clear roles for HR, legal, and governance teams in conducting and validating assessments and formalisation of the integration of FPPT into Nomination Committee procedures, ensuring board-level oversight. Beyond initial recruitment, companies must also conduct annual reassessments of existing board members by 1 April 2027, monitor changes in individual circumstances that may affect fitness and propriety, and maintain up-to-date records and report annually to Ofwat.

This could have resource and process implications with additional resources required for compliance, HR, and governance teams, training for those involved in recruitment and assessment, and potential updates to internal systems to track and report compliance. We suggest that Ofwat consider issuing template guidance or examples of good practice to support consistent implementation across the sector.

Consultation Process and Engagement

We appreciated the opportunity to attend the webinar on 30 September and found the discussion helpful. We support continued engagement as the rule is finalised and would welcome further opportunities to contribute to the development of broader governance reforms anticipated later this year.

Conclusion

We support the direction of travel and believe the Fitness and Propriety Rule will contribute positively to sector-wide governance. We look forward to further guidance and collaboration as implementation progresses.

Yours sincerely,

[Redacted signature]

[Redacted name]
[Redacted title]