

4<sup>th</sup> July 2014

The Rt. Hon Vince Cable MP  
Secretary of State  
Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET

Dear Secretary of State,

**Re: the Law Commission's recommendations on *Fiduciary Duties of Investment Intermediaries***

We have welcomed the Coalition Government's commitment - via the Kay Review and other related agendas - to reshaping capital markets to restore legitimacy and public trust to markets, and ensure the long-term, sustainable economic recovery that the UK needs.

As responsible and long-term investors - with £550 of assets under management - we, the undersigned, believe an important part of this commitment is creating an environment that facilitates investment decisions which take into account the environmental, social and governance (ESG) issues that can fundamentally affect the value of people's pensions and savings.

We are therefore writing to express our support for the recommendations put forward by the Law Commission in its recent report on *The Fiduciary Duties of Investment Intermediaries*. In particular, we back:

- The Commission's views of how pension fund trustees should consider ESG factors where they are financially material. We would strongly urge the Government to accept the Commission's recommendation that The Pensions Regulator and the Financial Conduct Authority (FCA) provide further guidance in this area, and work with these regulators to do so in a rapid, accessible and inclusive manner.
- The Commission's recommendation that trustees be required to state their policy on stewardship; active ownership of assets by pension schemes of all sizes is key to achieving real financial benefits. We encourage the Government both to take forward the Commission's recommendations and to consider any further action that might encourage high-quality investor stewardship.

However, the Law Commission itself states that the current laws on fiduciary duties are “confusing and inaccessible” and we believe that in itself guidance may be insufficient to provide the certainty that pension fund trustees need to feel confident in considering the full range of investment approaches. Legal clarification would provide a much stronger statement of the Coalition Government’s commitment to supporting long-term investment decisions and be more effective in protecting the public’s savings and pensions. We therefore ask the Government to go further than the Law Commission’s current recommendations in this area.

We thank you in advance for consideration of this letter and would be more than happy to discuss these issues with you further. We have sent a similar letter to the Minister of State for Pensions.

Yours sincerely,

**Simon Howard, *Chief Executive*, UK Sustainable Investment and Finance Association**

**Fouad Benseddik, *Director of Methodology and Institutional Relationships*, Vigeo Rating**

**Paul Ellis, *Chief Executive*, Ecology Building Society**

**Katherine Garrett-Cox CBE, *Chief Executive Officer*, Alliance Trust**

**Peter Harrison, *Head of Investments*, Schroder Investment Management**

**Nick O'Donohoe, *Chief Executive Officer*, Big Society Capital**

**Ian Simm, *Chief Executive*, Impax Asset Management**

**Steve Waygood, *Chief Responsible Investment Officer*, Aviva Investors**

**Danielle Walker Palmour, *Foundation Director*, Friends Provident Foundation**

**Peter Webster, *Chief Executive Officer*, EIRIS**

**Rob Wylie, *Chairman*, WHEB Group**