



Department
for Business
Innovation & Skills

1 Victoria Street
London
SW1H 0ET

Mr. Simon Howard
CEO UKSIF
Holywell Centre
1 Phipp Street
London
EC2A 4PS

T +44 (0) 20 7215 5000
E enquiries@bis.gov.uk

www.gov.uk/bis
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Thank you for your letter of 4 July 2014 about the Law Commission's recommendations on the fiduciary duties of investment intermediaries. Please accept my apologies for the delay in responding.

Like you, I strongly welcome the Law Commission's clear guidance that fiduciaries such as pension scheme trustees have a duty to consider any factors which are, or may be, financially material to the performance of an investment – including over the long-term, and that this should include taking into account environmental, social, and corporate governance factors and wider macroeconomic considerations.

I share the Law Commission's hope that this report will remove any remaining misconceptions that fiduciary duties require trustees to focus on maximising short-term returns alone. As the Law Commission themselves acknowledge, it is now important to consider how best to embed this guidance into the regulatory framework and the practice of investors and their advisers. The report makes a number of specific recommendations in this area, but, as you note, stops short of recommending clarification in statute. However, I am also aware that there is a significant support for the view you express: that clarification in the law will be needed to achieve this objective.

The Government is now considering the report's recommendations in detail, working with the Pensions Regulator and the Financial Conduct Authority, with a view to responding as part of a wider progress report on implementation of the Kay Review planned for October. I am grateful for your input to these considerations and your continued engagement on this important agenda.

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Secretary of State for Business, Innovation and Skills