UKSIF
UK Sustainable Investment
and Finance Association

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DWP Consultation Coordinator
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London
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Dear Mr Koufou,

Thank you for the opportunity to comment on the DWP's *consultation on changes to the Investment Regulations following the Law Commission's report 'Fiduciary Duties of Investment Intermediaries'*. We are grateful for opportunities to discuss our thoughts in meetings at DWP prior to and during the consultation period.

The UK Sustainable Investment and Finance Association (UKSIF) has been heavily involved in all aspects of this process to date, including the Kay Review, the Law Commission report and we have also submitted evidence to the Business, Innovation and Skills Select Committee. Our position is informed by member feedback, including specific meetings with UKSIF members to consider all aspects of this consultation.

About the UK Sustainable Investment and Finance Association

UKSIF is the membership network for sustainable and responsible financial services in the UK. We promote and support responsible investment and other forms of finance that advance sustainable economic development, enhance quality of life and safeguard the environment. We also seek to ensure that individual and institutional investors can reflect their values in their investments.

UKSIF was created in 1991 to bring together the different strands of sustainable and responsible finance nationally and to act as a focus and a voice for the industry. UKSIF's 240+ members and affiliates include financial advisers, institutional and retail fund managers, pension funds, banks, research providers, consultants and NGOs. For more information about UKSIF, please visit www.uksif.org.

In 2000 it was an UKSIF-led campaign that successfully amended the Pensions Act 1995 to introduce the world's first regulation requiring occupational pension funds to disclose the extent to which long-term social, environmental and ethical ('SEE') considerations were taken into account. Fifteen years later the introduction of that regulation has resulted in wide acceptance of the materiality of long-term considerations on investment performance.

UKSIF members support approaches to investment which are focused on the long-term and incorporate a wide variety of considerations including environmental, social and governance ("ESG") factors. Over the past few years these approaches have become increasingly mainstream, particularly amongst pension funds, and growing acceptance is shown not only by the breadth of our membership but by important regulatory and quasi-regulatory developments.

This consultation represents an opportunity to shift the focus away from investing for short-term returns and to fundamentally change the culture of equity markets as envisaged by Kay in 2012. The Kay Review [1] stressed, among other important recommendations, that 'stewardship' should be developed further, that short-termism be addressed, and that "fiduciary standards" be applied throughout the value chain. We would summarise Kay's desired state, in which investment is operating in the most satisfactory way for national benefit, as one of informed investors operating for the long-term in the interests of savers. The Law Commission's 2014 report on the *Fiduciary Duties of Investment Intermediaries* emphasised that trustees should take into account all financially material factors and that in certain circumstances they may consider non-financial factors; and it considered the role of stewardship. It concluded that the law needed clarification. In its progress report on the implementation of the Kay Review, the Government welcomed the Law Commission report and committed to measures intended to realign incentives in the investment chain- including this consultation.

It is right that the legal concept of fiduciary duties is now clarified. The Law Commission's guidance was correct: Fiduciary duties are difficult to define and inherently flexible. Attempting to codify fiduciary duties in law might be positive but would be an arduous and complex process. UKSIF members now regard a desirable outcome to be one in which fiduciary duties are clarified on a directive basis where necessary and a permissive basis where appropriate through the OPSR. The consultation should be regarded as the culmination of a long-running process of assessment and review. It is the point at which regulation through the revised OPSR should make effective the expert opinion on the state of the law produced by the Law Commission and influence investing in the direction identified by Kay.

This consultation is timely. The first third of 2015 has seen three initiatives which suggest institutional asset owners, and DB schemes in particular, are recognising their responsibilities to be long-term stewards of beneficiaries' capital:

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[1] Kay review of UK equity markets and long-term decision making. July 2012. https://www.gov.uk/government/consultations/the-kay-review-of-uk-equity-markets-and-long-term-decision-making

- The Pension Fund Roundtable (PFR), consisting of sixteen funds with assets of over £200bn, issued a report[2] outlining the type of reporting on environmental, social and governance issues and on stewardship they wanted from their asset managers

- The Association of Member Nominated Trustees (AMNT) has announced the launch of its "Red Lines" voting initiative[3] under which DB trustees will issue voting directions to their fund managers.

- In April the "Aiming for A" coalition, organised ahead of the BP plc AGM, persuaded the company to adopt a series of policies linked to environmental assessment.

In our view these three initiatives show asset owners seeking to meet their obligations but they are currently doing so without the level of regulatory certainty that should be reasonably offered to them as guidance and support.

It is important that the new regulations are effective. They need to make clear what trustees *should* do, reflecting the Law Commission's wording, and also what they *may* do. It will significantly handicap their effectiveness if ambiguity or a lack of precision exists. In addition they must make clear that trustees should procure sufficient resources to carry out their work- an issue only partly addressed by Q3 of this consultation, and which we touch on in section B of Q1. That this is a risk is apparent in other contexts. UKSIF understands that a forthcoming report from the UNEP Finance Initiative will say that regulatory change in South Africa in the area of fiduciary duties has not been fully effective because it did not address the ability of trustees to fulfil the role envisaged. By outlining the scope of what trustees should do and asking for evidence of action to be made available to beneficiaries the regulations can ensure sufficient resourcing and a satisfactory outcome.

Question 1: How could regulation 2(3)(b) of the Investment Regulations be amended so that it more clearly reflects the distinction between financial and non-financial factors?

The consultation seeks views on how the Regulations should be amended in the light of the Law Commission's recommendations. In answering the question it is therefore appropriate to deal with trustees' evaluation of financially material long-term risks, including ESG factors, and the circumstances in which they may take into account non-financial factors separately.

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[2] Available at http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/~/media/Policy/Documents/0424_guide_to_responsible_investment_reporting_in_public_equity_published.pdf

[3] UKSIF has been working with the AMNT on this initiative and many UKSIF members have contributed to it

Feedback from our members shows it is a welcome step forward for ESG to be seen as a financial factor rather than an ethical one; its treatment by the Law Commission in this way must be embedded in regulations.

Question One is posed in the context of auxiliary comments in the consultation paper, noted here as A and B.

<u>A) How trustees evaluate long-term risks, including from ESG and other factors, which may be financially material to the performance of their investments</u>

In our 2014 submission to the Law Commission[4] we stated it is the overwhelming experience of our members that "fiduciary duties" is often cited as an obstacle for trustees wishing to take certain actions or the reason for persisting with unhelpful activities e.g. quarterly reporting.

The report on fiduciary duties[5] published last year was unambiguous and stated that fiduciary duties should be interpreted more widely than has been assumed by some sectors of pension fund investment.

"The primary concern of trustees must be to generate risk-adjusted returns. In doing so, they should take into account factors which are financially material to the performance of an investment. These may include environmental, social and governance factors. It is for trustees, acting on proper advice, to evaluate and weigh these risks."[6]

The Law Commission found that the term "ESG" was not clearly defined in law. What is clear, however, is that environmental, social and governance risks are a group of issues which have significant financial implications for asset owners and those representing their interests. One example is the oil rig explosion suffered by BP in the Gulf of Mexico. It has been argued that poor governance at senior executive and board level allowed a deficient safety culture to develop which made the accident more likely, and the disaster had clear environmental impact. Neither of these governance or environmental factors could be easily modelled the day before the explosion, but that both were financially material became clear very soon after. It is likely that these and other ESG factors will become increasingly important in determining fund total returns in the future.

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[4] http://uksif.org/wp-content/uploads/2014/01/UKSIF-response-to-the-Law-Commision-on-Fiduciary-Duties.pdf

[5] Fiduciary Duties of Investment Intermediaries. July 2014. http://lawcommission.justice.gov.uk/areas/fiduciary_duties.htm

[6] Above, at 6.100

The Law Commission focused on issues that were financially material, long-term or affected the wider economy. It was very clear: Trustees *should* take financially material factors such as ESG factors into account. This was confirmed in guidance for trustees issued in parallel to the report, which stated trustees should think about how they evaluate risks to their investments. The text includes the following:

"When investing in equities over the long-term, trustees should consider, in discussion with their advisers and investment managers, how to assess risks. This includes risks to a company's long-term sustainability."[7]

The scale of risk is also a material factor for trustees. An important example is how funds can deal with the concept of "stranded assets".[8] The idea of stranded assets is the recognition that if climate warming is to be kept to even 2°C hydro-carbon companies will be unable to burn more than 20% of their stated reserves. The implications of this for hydro-carbon companies are immense, as is also the case for other sectors such as transport and alternative energy suppliers.

Stranded assets is a concept that has received attention since a 2013 report by the Carbon Tracker Initiative.[9] In a letter to the Environmental Audit Committee[10], the Governor of the Bank of England, Mark Carney, references analysis on stranded assets and states that the Financial Policy Committee of the Bank of England has been asked to consider this issue as part of its regular horizon scanning work on financial stability risks. Hydro-carbon companies represent approximately 7.5% of world equity market value[11] and any loss of value linked to this issue is likely to be a central component of future total returns for savers. This means trustees, like the UK central bank, will need to be forward-looking and have some horizon scanning mechanism available to them.

When the Government issued its Kay Review progress report, it set out its position on this very clearly. It hoped the Law Commission report would clarify that fiduciary duties do not require trustees to focus only on maximising short-term returns:

"[The Government] *welcomes 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. The report makes very clear*

[7] http://lawcommission.justice.gov.uk/docs/lc350_fiduciary_duties_guidance.pdf at paragraph 1.22
[8] http://www.carbontracker.org/report/wasted-capital-and-stranded-assets/
[9] http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf
[10] http://www.parliament.uk/documents/commons-committees/environmental-audit/Letter-from-Mark-Carney-on-Stranded-Assets.pdf
[11] http://www.msci.com/resources/factsheets/index_fact_sheet/msci-world-index.pdf

that this should include taking into account environmental and social, and corporate governance factors and wider macroeconomic considerations, where trustees think these may be financially material."[12]

UKSIF views the complexity of coping with ESG risks as one of the most serious challenges facing pension schemes over the next 10-15 years and feels they should be properly considered as part of any risk assessment process.

The preceding paragraphs illustrate an already discernible long-term material financial factor of the kind the Law Commission say should be considered by trustees. The new regulations must be drafted to make sure that such issues are identified and appropriately managed. The division of duties between trustees and their agents correctly varies depending on fund circumstances, and it need not be analysed in detail here as long as it is understood that, as stated above, correct resourcing for trustees and agents is needed. In making suggestions we will simply talk of trustees recognising that they will delegate the execution of the work.

We think the regulations need to consider three distinct aspects to be effective:

- How trustees identify current financially material issues;
- How trustees make provision to identify emerging financially material issues in the future; and
- How the risks are managed.

To meet this need we think the regulations should provide that:

- Trustees describe annually in writing or on their website their procedure for identifying financially material issues;
- Trustees describe annually in writing or on their website the advice they receive and their conclusions with regard to such factors;
- Trustees describe on a regular basis how they ensure they are notified of emerging issues so that beneficiaries can be confident that the long-term is subject to consideration beyond that carried out in traditional asset liability work;

[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/367070/bis-14-1157-implementation-of-the-kay-review-progress-report.pdf

- Trustees report annually on: how they are instructing their agents with respect to the issues identified as relevant now or likely to become relevant; and what those agents have done.

Following the introduction of any amended regulations, The Pensions Regulator has a role in publishing guidance and making changes to its Trustee Toolkit and Code of Practice. It should also write to trustee boards to ensure they are made aware of their new responsibilities and duties as a minimum. Despite the Law Commission's report on fiduciary duties, TPR has only recently made the required changes to its Trustee Toolkit and it has still not updated its Code of Practice. Whilst UKSIF understands that these processes should not be rushed, we feel the pace should be accelerated given the importance of the changes being made and since it is something the Government has explicitly called for.

B) Determining whether and in what circumstances it would be appropriate for trustees to make investment decisions based on non-financial factors.

The Law Commission defined non-financial factors as those which "might influence investment decisions motivated by other (non-financial) concerns, such as improving members' quality of life or showing disapproval of certain industries". It stated that while trustees should take into account "financially relevant factors" the circumstances where non-financial decisions may be made are more limited. These require two tests to be met:

1. That trustees have good reason to think that scheme members would share the concern; and

2. The decision should not involve a risk of significant financial detriment to the fund.

This is the current state of the law and we believe it enables trustees to reflect the aims and values of their beneficiaries and the organisations they represent. However, some of our members have highlighted that there still remains some confusion over the law which has led to a more narrow interpretation being taken by trustees, often on the advice of their agents. This must be addressed once and for all by the regulations.

The consultation paper states that the Government wants to ensure trustees are empowered to consider a range of factors when formulating their investment strategies, in line with the Law Commission's findings. A necessary consequence of this may be giving trustees the training and skills necessary to make such investment decisions; improving the skills and knowledge of principals is one way of reducing dependency on agents. It is worth noting that if the objective of the consultation is to change behaviours by empowering trustees and enabling them to consider other factors then changing the wording of the regulations is only one part of the solution. Some trustees may require training sessions and The Pensions Regulator, which has already committed to change its Trustee Toolkit and Code of Practice, will need to look at ways it can encourage better and more responsible investment practices. By producing appropriate regulation which promote the need for further trustee education this consultation can further these processes.

On some issues, such as investment in certain industries involved in the manufacture of cluster bombs, trustees may make an assumption on the views of beneficiaries. The Law Commission makes it clear that proxies for member views exist: thus whilst it is not illegal to invest in foreign companies that make cluster bombs, the Law Commission makes clear that trustees may assume their beneficiaries would not want to invest in activities which breach an international agreement that has been ratified by the UK, in this case the Convention on Cluster Munitions.

More probably, trustees will find themselves in situations where the views of members cannot be assumed and they may wish to go further. In these instances trustees may feel the development of an investment strategy based on a survey of member views, for example, is an appropriate way to proceed. The Law Commission argues (6.66) that, in deciding on an investment approach based on a member survey, it is not necessary for all beneficiaries to hold the same view. Due to the nature of pension funds it is likely that many members will not engage in such a survey anyway.

Problems may arise when a more divisive investment is considered which may result in a divergence of views within the membership, for example investment in onshore wind farms. It may be the case that trustees try to avoid these types of investments as a result. The Law Commission states that, “in cases where the issue is clearly controversial, the courts may well expect trustees to focus on financial factors rather than becoming embroiled in disagreements between the members”.

On the second test, the situation is clear: non-financial factors may be used if there is no risk of significant financial detriment. Our members have been very vocal that trustee discretion is vital when making this assessment and the Law Commission makes it clear that any assessment over the risk of financial detriment is to be made at the time of the investment rather than in hindsight.

There is a fluidity between financial and non-financial factors; some factors that were considered non-financial, or ethical, ten years ago are now widely considered to be financial factors e.g. climate change. It is not just members’ ethical concerns that may be considered when making investment decisions based on non-financial factors, the law is flexible enough to permit investment in local infrastructure, in social impact investment and to permit decisions which may consider the wider UK economy.

Any amendments to the regulations must make it clear that all of these are legitimate considerations for trustees: despite the Law Commission's report there is still confusion over what may and may not be taken into account. The amended regulations must provide absolute clarity on this and UKSIF members maintain in terms of wording on non-financial considerations the permissive 'may' should be used in the regulations.

What has become clear in conversations with members, individuals within Government and other NGOs in the sector is that there is a real opportunity to improve how the impact of non-financial investments is reported. By strengthening the framework in which the impact of investments is measured the Government can further solidify the message that these considerations are legitimate and help to grow the market over the medium to long-term.

Question 2: Do you agree that amending the Investment Regulations to require trustees to comply with the current requirements in the Stewardship Code or explain why they have not done so, is the most appropriate way to implement the Law Commission's recommendation?

If not, what approach would be more appropriate to encourage trustees to consider their approach to stewardship?

The benefits of stewardship are clear and the ESG investment sector, which includes many of UKSIF's members, was among the first to understand this. Stewardship leads to a more comprehensive understanding of an investee company, giving rise to a better appreciation of its values, strategy and strengths and weaknesses; the process by which this is achieved may be termed "engagement". It is worth emphasising at this point that it is the overwhelming view of our members that stewardship and responsible investment are not mutually exclusive concepts. These are two sides of the same coin, yet this is not immediately obvious by looking at the consultation paper. This separation of two important parts of responsible investment is artificial, inappropriate and should not be reflected in the regulations.

Following the Kay Review, the concept of stewardship has gained momentum as a way to encourage long-term value creation and it lays out the responsibilities of investors as shareholders. Despite this, there remains some confusion over the definition of the term and who is ultimately responsible for stewardship activities. The Financial Reporting Council, which sponsors the UK Stewardship Code, comments on stewardship as below:

"Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole."[13]

And describes it further:

"Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings."[14]

UKSIF firmly believes that good stewardship leads to value creation. In its response to the Kay Review, the Department of Business, Innovation and Skills supported stewardship and endorsed Kay's call to broaden the concept. We are therefore pleased to see the inclusion of stewardship in the DWP consultation paper.

However, we are concerned about the wording of the consultation and the effect amendments to the regulations requiring trustees to sign up to the Stewardship Code would have in practice. It is often the case that engagement with companies, or good stewardship of the assets that have been invested, is done by the agents of a fund, rather than the fund itself. Stewardship activity by fund managers has become more prevalent over recent years, even when not explicitly mandated by clients- a reflection of its important role.

In general, only the biggest pension funds are able to engage with investee companies themselves. As one member stated, the worst case scenario would be to require all pension funds to comply or explain with the Stewardship Code. This might result in little change in the number of signatories since we might find a situation where thousands of pension funds choose to explain by simply stating that that all investment decisions are delegated to fund managers. What would be more preferable is a situation that encourages trustees to take a thoughtful approach rather than have a single-action, box-ticking mentality forced upon them.

It is unrealistic to expect any but the largest pension funds to have the resources to undertake stewardship activities themselves. Pension funds will therefore tend to outsource their stewardship activity. A desirable situation is one in which fund managers, who will be carrying out the majority of company engagement, are reflecting and responding to the needs and

[13]https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Stewardship-Code-September-2012.pdf

wishes of the trustees. However, the fund manager signing up to the Stewardship Code isn't the whole process; there must be a mechanism to enable pension fund trustees to monitor the activities of their fund managers. This should be the role of these regulations.

The view of UKSIF and our members is that the proposed solution in the consultation paper does not get to the heart of the matter. Quality of stewardship is far more important than number of funds signing up to the Stewardship Code. One of our members recently made the point that there is no way to differentiate between simple signature of the Code and practical adherence and activity informed by the Code's principles; it is difficult to ascertain the extent to which signatories take their stewardship role seriously.

Fund manager compliance with the Stewardship Code is varied, so trustees should develop their own policy on stewardship. As we have already argued, this is something that should be considered alongside trustees' policies on evaluating long-term risk and investment decisions based on non-financial factors and also included in the SIP. Additionally it would make sense for trustees to give within the SIP some indication of how expectations regarding stewardship, and their investment policy more generally, is conveyed to agents.

We think the regulations need to consider these distinct aspects to be effective:

- That quality of stewardship activity with investee companies is preferable to quantity of pension fund signatories to the Stewardship Code;
- The strong link between responsible investment and stewardship in practice;
- The role of stewardship in long-term value creation.

We think the regulations should provide that:

- Trustees publish annually in writing or on their website their approach to stewardship;
- Trustees publish annually in writing or on their website how their expectations regarding stewardship are conveyed to their agents;
- Trustees publish annually in writing or on their website a statement regarding the methods by which they monitor the stewardship activities of their agents.

- Trustees publish annually a report outlining, in terms commensurate with commercial sensitivity, the activities carried out on their behalf.

__Question 3: What steps would trustees need to take to comply with any amendments to the Investment Regulations, as set out in Chapter 2?__

__What, if any, costs would be involved in meeting any new requirements?__

Depending on their starting point individual trustees and trustee bodies may need more support in their work. This should not be a surprise: better governance and stewardship will have some costs. However, ESG integration and stewardship should be central tenets of sound fund management and should be at the heart of asset-owners' investment policies. They have financial benefits. In its initial consultation paper the Law Commission briefly reviewed the academic findings on the financial impact of ESG;[15] the tone of their comments was positive and included:

- In June 2012 a report by Deutsche Bank Group reviewed over 100 academic studies and 56 research papers and concluded that ESG factors do have positive financial impacts;

- Mercer Investment Consulting and the United Nations Asset Management Working Group conclude that "the argument that integrating ESG factors into investment analysis and decision-making will only lead to underperformance simply cannot be made".

We and our members believe that by improving returns and reducing volatility, the use of ESG techniques (which will result from the implementation of regulations such as we have suggested) is likely to increase net of costs returns, even if some fees rise to reflect greater resources being applied to fund management, training and stewardship. Since UKSIF members already practice the techniques we refer to it is unlikely that our members will benefit from fee rises; instead laggards will have to improve their service and their clients may or may not choose to accept fee increases.

Fund managers within our membership have already recognised the financial materiality of ESG factors to investments and have set up teams to analyse these factors. For them, any cost impact will be relatively small, and costs may be offset for them and owners by less portfolio activity resulting from better analysis of long-term risks and opportunities. Whilst the costs of

[15] http://lawcommission.justice.gov.uk/docs/cp215_fiduciary_duties.pdf 10.50 and 10.51

providing fund management that reflects ESG and stewardship concerns can be considered as core to prudent fund managers, costs arising from identifying and developing policies based on non-financial factors may be different. These factors are likely to be identified by individual asset-owners and the costs resulting from addressing them may need to be borne by those owners.

Earlier this year the Pension Fund Roundtable published its *Guide to Responsible Investment Reporting in Public Equity*[16]. This document, a result of collaboration between 16 UK asset owners, represents one way that funds are coming together to outline responsible investment expectations of their managers and to increase transparency and accountability. Clearly, this guide is relevant to fund managers investing in equity and does not seek to prescribe a particular investment strategy. However, it seeks to minimise unnecessary costs and burdens through "a consistent and repeatable approach to generating RI reports". This represents an easily replicable and readily available method for other asset owners to adopt to achieve better stewardship. We believe the industry at large can be relied on to develop appropriate and economic models of reporting and that cost increases will be minimal.

As we have argued previously, we believe any amendments to the regulations must consider how trustees identify current financially material issues; how trustees make provision to identify emerging financially material issues in the future; and how those risks are managed. These processes are not distinct from good stewardship of assets. Some UKSIF members made clear that stewardship of assets was such a central part of the way they do business that funds should go further than this and spell out exactly what is required of their agents. One way to get this onto the agenda is to make it a compliance or governance issue for both parties. For the fund manager, details of stewardship expectations would be included in the Investment Management Agreement and managed along with other IMA constraints. For the Trustee, the risk of poor standards affecting financial performance should be logged on the risk register where the risks to which the trust are exposed are listed and mitigations recorded.

We believe that in addition to the amended regulations the Government should publish guidance on trustees' new responsibilities. Guidance similar to that issued by the Pensions Fund Roundtable, which compliments the amended regulations, would be welcomed by many in the industry. It should clarify responsible investment reporting expectations, and seek to reduce the burdens on fund managers involved in this process. Specifically, it should require

[16] Available at http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/~/media/Policy/Documents/0424_guide_to_responsible_investment_reporting_in_public_equity_published.pdf

fund managers to report on identification and management of ESG risks and opportunities as well as stewardship activity in relation to the policies developed by trustees and included in the SIP.

It is important for DWP to understand how stewardship works in practice. Asset managers are well positioned to influence the long-term success of the companies in which they invest through their stewardship activities, including engagement and voting, while trustees will often not have the resources to do so themselves. We would therefore support publication of guidance that encourages trustees to mandate their managers to report on ESG and stewardship activities which can then be included in yearly reports to scheme members. The NAPF Stewardship Disclosure Framework is another industry initiative which aims to increase transparency and accountability of asset managers signed up to the UK Stewardship Code. It is useful for funds and trustees who may find it difficult to compare differing investment approaches and is another existing initiative that could be endorsed and sign-posted by The Pensions Regulator.

There will clearly be steps for trustees to take as a consequence of the changes we propose to the OPSR. Within a short period we think any small increases in cost will be outweighed by better quality investment performance and this would be an excellent outcome to wider processes such as the Kay Review, the Law Commission report and this consultation process. For maximum effect the revised regulations will need to be complemented by the Government and TPR steps we have outlined.

We trust that our comments will prove to be self-explanatory, but if you would like any further clarification, I hope that you will not hesitate to contact us.

Yours sincerely,

Simon Howard
Chief Executive
UK Sustainable Investment and Finance Association (UKSIF)