HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

10 July 2015

Nigel Wilson
Legal & General Group Plc
One Coleman Street
London
EC2R 5AA

Dear Nigel,

I welcome today's letter from some of the UK's leading institutional investors in which you and your fellow signatories set out your plans to support UK competitiveness and productivity.

For too long, the UK economy has suffered from low investment, in both physical and intangible capital. There are many causes for this under-investment. Whether fairly or not, some have blamed the short-termist approach of some companies and some investors as being one contributing factor.

Your letter is a very important contribution to addressing this problem. You highlight the critical role that institutional investors can and should play in supporting management teams investing for long-term growth. You commit to challenge strategies that undermine productivity and long-term competitiveness. You set out four priorities for action. I welcome all four.

First, you have committed to developing an Action Plan to support long-term investment for productivity growth. We already have excellent codes and principles for long-term investing. I am pleased that you are focusing on translating these principles into tangible action. I look forward to your report before the end of this year.

Second, you set out how you will work with investee companies to improve communications and engagement between management teams, boards and you as investors. I see a strong linkage here with the work that Sir Charlie Mayfield is taking forward with senior business executives. I hope your two initiatives can work collaboratively to improve the interactions between management and investors.

Third, you highlight the importance of reinforcing the equity culture. In the last Parliament, the Coalition Government introduced important measures to improve the attractiveness of equity investing – for instance, reducing the tax rate on companies' profits from 28% to 20%, lifting stamp duty on AIM shares, and allowing growth market shares to be held in ISAs. I share your desire to go further, including with a bold reform of the Prospectus Directive to reduce the costs of raising equity, especially for growth companies. I have asked my officials to work with you on your new ideas in this area.

Finally, you suggest that more can be done to build deeper markets for long-term debt. A number of the signatories to this letter are already delivering on commitments to invest more in long-term infrastructure and UK private placements. As with building a strong equity culture, I would welcome further ideas to build deeper, long-term debt markets.

Raising our nation's productivity is the challenge of our time. Thank you again for your initiative, as some of the most important investors in the UK, in setting out your commitment to work collaboratively with government and business leaders on this critically important task.

I am copying this reply to the other signatories of this letter: Elizabeth Corley, Allianz Global Investors; David Lis, Aviva Investors; James MacPherson, Blackrock Investment Management; Mark Burgess, Columbia Threadneedle Investments; Simon Fraser, Investor Forum; Mark Zinkula, Legal & General Investment Management; Helena Morrissey, Newton Investment Management; Peter Harrison, Schroders Plc; Keith Skeoch, Standard Life Investments; and Neil Woodford, Woodford Investment Management.

Best wishes,

George

GEORGE OSBORNE