



The Association of  
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14 April 2015

Department for Work & Pensions  
email: [reinvigorating.pensions@dwp.gsi.gov.uk](mailto:reinvigorating.pensions@dwp.gsi.gov.uk)

Dear Sir/Madam

**Consultation on changes to the investment regulations following the law commission's report  
"fiduciary duties of investment intermediaries"**

The Association of Accounting Technicians (AAT) is pleased to respond to the Department for Work & Pensions consultation on changes to the investment regulations following the law commission's report "fiduciary duties of investment intermediaries" published on 27 February 2015.

AAT welcomes the opportunity to comment on behalf of our membership and from the wider public benefit perspective.

AAT welcomes this consultation document and is supportive of the proposals which will clarify the fiduciary duties of trustees of pension schemes.

For ease of reference AAT has provided below each of the consultation questions followed by our responses.

**Q1) 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?**

AAT acknowledges that in connection with investments, "Ethical" and "environmental, social or governance (ESG)" are not clearly defined in law, consequently any effort to improve that definition and understanding is in AAT's view, positive.

It is also AAT's view that an improved definition and therefore understanding of these items will be of considerable assistance and comfort to those Trustees and Schemes that are considering this direction of travel for the first time. It will also be beneficial for those Trustees who already take these matters into account in their investment decisions, but have been understandably nervous in respect of their primary duty of balancing investment returns against risks.

**Q2) 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?**

As the consultation states "the UK Stewardship Code has been in existence since 2010" and paragraph 24 of the document sets out the principles of effective stewardship by investors (Trustees). In the spirit of openness and transparency and to better inform stakeholders, AAT supports the proposal that the Investment Regulations should be amended to require Trustees to state their policies with reference to the Stewardship Code.

AAT agrees that the most appropriate mechanism for implementation of the Law Commission's recommendations is by way of "comply or explain".

**Q3) 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?**

AAT considers that it is difficult to be precise as to the steps that each organisation will need to take with respect to full implementation of amended regulations. This is simply because each scheme will be at different stages of implementation of the current procedures. However, once amended regulations are issued, all schemes should undertake a strategic review of their current arrangements with a view to full implementation of the new regulations.

This will include analysis of:

- Where they currently are.
- Where they want to be.
- How they intend to get there.
- A process for evaluation i.e. how well did we do?

AAT believes that for most schemes, this process could be completed quickly – certainly in less than 12 months, with perhaps voluntary compliance at the end of year 1 followed by mandatory compliance in year 2 and thereafter.

It is not anticipated that costs of implementation would be significant in meeting the new requirements.

## About AAT

AAT is a professional accountancy body with over 49,800 full and fellow members and 78,400 student and affiliate members worldwide. Of the full and fellow members, there are over 4,100 Members in Practice who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types (figures correct as at 31 March 2015).

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

## Further engagement

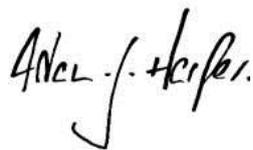
If you have any questions or would like to discuss any of the points in more detail then please contact the AAT at:

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Yours faithfully



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