PRI RESPONSE

DWP/HMT CALL FOR EVIDENCE – PENSION TRUSTEE SKILLS, CAPABILITY AND CULTURE

5 September 2023

The information contained in this document is provided for informational purposes only and should not be construed as legal advice on any subject matter. Except where expressly stated otherwise, the opinions, recommendations, findings, interpretations, and conclusions expressed in this report are those of PRI Association, and do not necessarily represent the views of the contributors to the briefing or any signatories to the Principles for Responsible Investment (individually or as a whole).

PRI Association
Registered office: 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E:info@unpri.org

United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Department for Works and Pensions (DWP) and HM Treasury's (HMT) call for evidence on Pension trustee skills, capability, and culture.

ABOUT THIS CONSULTATION

DWP and HMT are gathering evidence around pensions trustee capability and the barriers that may be preventing trustees from making effective investment decisions and achieving the best outcomes for savers. Through this call for evidence the government aims to understand the current state of play with regards to trustee knowledge and skills when considering investment opportunities; determine how trustees use advisors; the role of service providers in decision-making; and whether the current framework and guidance on fiduciary duty are sufficient to help trustees make decisions in the long-term interest of beneficiaries.

This call for evidence is part of a body of work announced by the Chancellor in the Mansion House speech on 10 June 2023 designed to boost returns and improve outcomes for pension fund holders, whilst increasing funding liquidity for high-growth companies.

For more information, contact:

Eliette Riera	Nikki King
Head of UK	UK Policy analyst
eliette.riera@unpri.org	nikki.king@unpri.org

KEY RECOMMENDATIONS

Tackling the climate crisis and avoiding the worst of its impacts are in the UK's national and economic interest, and a top priority for UK citizens. To realise the economic and social benefits of the transition, the Government needs to provide investors with continued clarity on the near-term policy actions and milestones that will create the right enabling environment to support the ongoing and positive transformation of the UK economy.

Institutional investor are required to secure long-term financial returns, and therefore have a responsibility to consider whether system-level risks (environmental, social and governance) are relevant to their ability to meet their legal obligations and objectives and, if so, how they can mitigate these threats.[1] Trustees are ultimately responsible for the investment decisions made by a pension fund; they play a central role in building sustainable investment portfolios and contributing to the development of a sustainable retirement system more broadly. The overall performance of pensions scheme portfolios is exposed to financially material market-wide risks linked to system-level sustainability issues which cannot be mitigated simply by diversifying portfolio holdings. Instead, trustees should mitigate these risks in line with their fiduciary duties by taking action on sustainability outcomes as a way to directly address the drivers of these system-level risks and promote long-term value creation.

The UK has so far been proactive in introducing policies to tackle climate change and encourage responsible investment, from the Climate Change Act in 2008 to the updated strategies for Green Finance and Net Zero published in 2023. Specific policies related to pension funds include the creation of a taskforce to help pension schemes engage with social risks and opportunities in their investments,[2] and the requirement for pension schemes to make climate-related financial disclosures in line with guidance from the Task Force on Climate-Related Financial Disclosures (TCFD).

Given that this call for evidence is focused on trustee skills and capabilities to make effective investment-decisions, **the PRI considers that the lack of reference to environmental, social and governance issues (ESG) is a key oversight**, which risks sending mixed signals to the industry and impacting investor confidence in the UK. DWP and HMT should ensure that upcoming policy development and reforms take into consideration and address the government's net zero commitments and ensure alignment with the whole of economy transition.

[1] Freshfields Bruckhaus Deringer, PRI, United Nations Environment Programme Finance Initiative, Generation Foundation (2021), A Legal Framework for Impact: Sustainability impact in investor decision-making (p.154-p.192)
[2] DWP (July 2022), New taskforce to support pension scheme engagement with social factors in ESG investing

The PRI's key recommendations for this Call for Evidence are summarised below.

- **ESG related training should be provided to pension fund trustees as well as the service providers supporting them**. This will ensure that all parties have the right knowledge and understanding of investment risks and opportunities of ESG issues, so that they are better equipped to take sustainability factors into account.
- **Guidance should be provided by DWP on how schemes can engage with their beneficiaries** to better understand their preferences, including on issues such as sustainability value drivers, risks, and outcomes.
- **Policymakers should develop guidance** on how sustainability impact goals relate to financial goals and duties, how pension funds can set and pursue these goals, and how they can assess sustainability risks and impacts. This guidance should also provide clarification to take into account sustainability impacts over various timescales.
- **DWP should develop a template investment management agreement with a standard set of terms** that permit investment managers to pursue desired sustainability outcomes, encourage stewardship, and require disclosure of how these activities are resourced in alignment with legal findings and related policy recommendations of the Legal Framework for Impact project.
- Trustees should increase outcomes-orientated stewardship to address the drivers of system-level risks and promote long-term value creation. **The Pension Regulator (TPR) should provide guidance on stewardship** including how to assess the quality of stewardship and the types of actions available to pursue positive sustainability impacts.

DETAILED RESPONSE

CHAPTER 1 – TRUSTEE SKILLS AND CAPABILITY

Question 4: Do trustees (including Master Trust trustees) have the right knowledge and understanding to invest in the full breadth of investment opportunities? If not, what can be done to improve this?

The PRI's work to date highlights a number of key gaps and education needs for pension fund trustees to have the right knowledge and understanding to invest in the full breadth of investment opportunities. In particular, ESG related training is needed to help trustees and their service providers take into account sustainability factors in their decision-making. Increasing diversity of trustees should provide boards with access to different perspectives, helping to reduce knowledge gaps and reduce biased thinking.

Lack of training requirements creates knowledge gaps

Our 2020 report Private Retirement Systems and Sustainability: United Kingdom highlighted the lack of education and diversity of pension fund trustees. For trustees to have the right knowledge and understanding to invest in the full breadth of investment opportunities they need to have an understanding of environmental, social and governance (ESG) issues. System-level sustainability risks are especially important for pension funds, as they threaten the funds' ability to meet financial obligations in the long-term. Failure to consider sustainability impacts that contribute to systemic risks may result in an inability to protect long-term value and provide an adequate pension to members. Therefore, pension fund trustees are likely to **have a legal obligation to consider how investing for sustainability impact can mitigate such risks**.

In the Chair's annual statement, trustees are required to explain how they meet the requirements for having appropriate knowledge and understanding, and how the trustees' combined knowledge and understanding (and the advice available to them) enable them to properly exercise their trustee functions.[3] Despite this there are no requirements outlining the type of training required.

We recommend that **ESG-related training should be provided to pension fund trustees, as well as other key service providers**. This would ensure they are equipped to take sustainability factors into account in their decision-making and allow them to consider pursuing positive sustainability impacts where relevant to achieving the purpose and objectives of the scheme.[4] **Legal requirement to demonstrate minimum trustee knowledge and understanding regarding ESG** should also be considered. This would provide trustee boards with the ability to ensure policies are effective and to challenge asset managers and service providers on their integration of ESG issues.

Diversity as a tool to improve knowledge

[3] Code 07: Trustee knowledge and understanding, The Pensions Regulator

[4] See A Legal Framework for Impact UK: Integrating sustainability goals across the investment industry, October 2022.

The government should look at how to encourage more diversity on trustee boards, as this is likely to improve the breadth of knowledge available to the board to consider different investment opportunities. An example can be taken from the Australian Council of Superannuation investors which has a recommended target of women occupying at least 40% of board positions for listed companies.[5]

The introduction of automatic enrolment has led to an increase in the diversity of pension beneficiaries.[5] However, this diversity is not reflected on trustee boards: research in the Pensions and Lifetime Savings Association's 2020 report "Diversity and Inclusion Made Simple Made simple" found that 83% of pension scheme trustees were male and 50% of chairs of trustee boards were over 60 years old. There is also a lack of data on ethnic diversity.[5]

Trustee boards that lack diversity risk knowledge gaps, entrenched ideas, biased thinking, and poor decision making.[6] TPR sets out that when recruiting and selecting trustees there should be consideration about the needs of the board as a whole and included in guidance on checking governance asks whether the board has diverse membership.[7]

Question 11: Should there be more rigorous requirements for those acting in the capacity of a professional trustee? What sort of requirements/standards should professional trustees be meeting? Should there be mandatory accreditation?

From 2021 to 2022 there was 10% increase in professional trustees and a 20% increase in sole trustees.[8] This rise has in part been driven by the need to streamline processes and to manage increasing governance requirements that need specific expertise. DWP is eager to improve pension governance by raising standards of trusteeship and to encourage more schemes to use professional trustees.[9] However, it is important that participation by individual and member nominated trustees is encouraged, as they can provide more opportunities for diversity on trustee boards by broadening the scope of trustee backgrounds.

Professional trustees are required to have relevant skills and to continue developing their skills by undertaking at least 25 hours annually of relevant learning and development.[10] Despite this, the PRI finds that professional trustees may be less inclined to address the responsible investment agenda.[10] The PRI has not yet explored whether mandatory accreditation is required and what specific standards should apply to professional trustees in comparison to other trustee types. However, we have received feedback that professional trustees should be held to a higher standard, particularly in relation to complex issues relating to ESG. We will continue to engage with signatories, DWP and HMT to address this topic.

---

[5] Making pension scheme governance more diverse and inclusive, Ius Laboris

[6] Diversity on trustee boards, Linklaters

[7] Skills and Experience, The Pension Regulator

[8] Research reveals rapid growth in professional trustee market, Pensions Age, 2022

[9] Private Retirement Systems and Sustainability: United Kingdom, PRI, 2020

[10] Standards for professional trustees of occupational pension schemes, Association of Professional Pension Trustees

CHAPTER 2 – THE ROLE OF ADVICE

Question 13: What are your observations on the external support trustees are given to make investment decisions, particularly in relation to unlisted equities?

Consultants and fiduciary managers service a large share of UK pension assets and can be influential in determining the degree to which ESG issues are embedded in pension scheme investment strategies. In particular, their advice on what is financially material can be based on historical trends which do not consider systemic sustainability risks that will impact on investment portfolios.

Additionally, the Competition and Markets Authority found that consultants do not usually include investment strategies in their watch lists until they have a three-year track record, and there are still a relatively small number of sustainable investment funds that meet this threshold.[11] This also applies to investment managers as most consultants will not recommend a manager with a short track record. As a result, it can be harder for innovative funds that address sustainability issues to raise capital. This could prevent trustees from considering the full breadth of investment opportunities when making investment decisions.

The PRI's research on the UK retirement system found that appropriate incentive structures are needed for asset managers, investment consultants and other service providers to pursue ESG investment, stewardship, and responsible investment goals.[12] In some cases, while service providers are well placed to execute responsible investment and stewardship goals, the lack of incentives in practice can limit execution. To support investor confidence, reform of the pension system needs to be aligned with a coordinated, whole-of-economy transition rather than tackling standalone, issue-specific policy.

Lastly, trustees might not always be aware of the conflicts of interest that investment consultants may have if they are advising other schemes. There is an issue of asymmetric information as investment consultants have information on all the schemes they're advising whilst trustees only receive advice related to their scheme. There should be avenues, such as a formal network, where trustees are able to converse with trustees from other schemes to reduce this asymmetry.

Conflicts of interest can also arise in the provision of training. Investment consultants are recognised as a source of authority and knowledge, and often provide training to trustees. Smaller schemes that are more resource-constrained are not guaranteed the same quality of service, with ESG services treated as an optional add-on at extra cost instead of being a core service provision.

Question 16: What changes could be made to investment management to support pension scheme investment decision-making?

Pensions trustees delegate the day-to-day activities for the fund to investment managers. However, there may not always be clear expectations, requirements or communications between trustees and investment managers. This can lead to investment managers not appropriately considering sustainability-related system level risks or beneficiary preferences when making investment decisions

[11] Private Retirement Systems Australia, the United Kingdom, and the United States, PRI, July 2020

[12] A Legal Framework for Impact: Sustainability impact in investor decision-making, Freshfields Bruckhaus Deringer, PRI, United Nations Environment Programme Finance Initiative, Generation Foundation, July 2021

or not carrying out stewardship activities to achieve sustainability outcomes. In addition, the various regimes governing reporting and disclosures for investment managers can prevent trustees from receiving comparable and decision-useful information. To address these issues, we recommend the development of an **Investment Management Agreement (IMA) template**, and **clearer guidance on how to consider beneficiary views** on sustainability factors.

System-level sustainability risks

Due to their system-level nature, sustainability issues are likely to affect, and create risks for, most investment portfolios. Therefore, trustees need to be confident in the ability of investment managers to deliver effective sustainability solutions corresponding to the risks and opportunities that are relevant to the scheme's financial objectives. Sustainability impacts should be adequately considered when trustees select investment managers, draft mandates, and assess performance. As part of their fiduciary duties, trustees are required to consider long-term value drivers in investment processes. ESG factors are a core part of such an assessment and as part of the selection process trustees should look at ESG capabilities when considering potential investment managers.

IMAs are one way to ensure sustainability-related system-level risks are considered by managers when making investment decisions. The International Corporate Governance Network (IGCN) has created the Model mandate to help asset owners ensure that their investment strategy and their own fiduciary duties are properly reflected in the terms agreed with investment managers.[13]

IMAs are already used effectively by a number of pension schemes and there is existing guidance on this including by IGCN. However smaller schemes or less well-resourced organisations may not have access to suitable templates or have sufficient knowledge to know what to include. DWP and TPR should **develop a template agreement.** This should include a **standard set of terms that permit investment managers to pursue desired sustainability outcomes** and **require them to do so where necessary to mitigate system-level risks**. The Model Mandate could be used by DWP and TPR to develop their own guidance on IMAs particularly relating to investment approach, stewardship, ESG and the investment manager's accountability.

Increased transparency between investment managers and trustees

Investment managers should be more transparent about the products available to pension schemes. They should provide information not only on how capital is allocated, but also the stewardship practices that would be undertaken with each option. Most trustees recognise the need for responsible investment; this is evident in the quality of the trustees' investment policies. However, it is not yet sufficiently demonstrated by their engagement and stewardship activities, which are primarily delegated to their managers**. The template agreement should also acknowledge the importance of, and encourage investment managers to use, stewardship and policy engagement to pursue desired sustainability outcomes.** The agreement should also require investment managers to **disclose how they are financially resourcing these activities**.

There are cases where pensions schemes are or will be subject to DWP's regulations on ESG reporting and disclosures. However, at present, the respective investment subsidiaries may be in

[13] ICGN – GISD Model Mandate

scope for the Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements (SDR). The current regulatory landscape may create duplication, confusion and unnecessary complexity which will need to be clarified. To ensure that trustees receive comparable and decision-useful information, we recommend that **SDR or an equivalent mechanism is applied to investment managers pension scheme activities**.

Beneficiary preferences

The Legal Framework for Impact found that the levels of assets committed to sustainability impact investment approaches are lower than might be expected based on expressed preferences of individual investors. It may be that beneficiaries are not prompted to have initial conversations with investment managers. It is also possible that investment decision-makers further down the investment chain are not given adequate information about end-investors' sustainability impact preferences or prompted to consider them when selecting investments.

As it is often delegated to investment managers to support the integration of beneficiary preferences into investment practice, TPR should make clear that **investment managers should consider and incorporate their beneficiaries' views on sustainability factors or risks** as this will **provide an opportunity to improve beneficiaries' understanding and perception of their investment**. Our response to question 19 below provides further recommendations on ways of engaging with beneficiaries.

Question 17: to trustees: How does legal advice impact on your investment decisions? What is an acceptable level of tolerance for investment risk? Is there a culture of 'risk aversion'?

At our recent joint UK Sustainable Finance Policy event, co-organised with the Institutional Investor Group on Climate Change (IIGCC) and the UK Sustainable Investment and Finance Association (UKSIF), gathering a range of investors, lawyers and policymakers, participants discussed that traditional (and somewhat conservative) interpretations of the law and fiduciary duty within legal communities remains a prevailing issue. Some lawyers are overly cautious, preferring to focus solely on maximising return and not considering explicitly the benefits of pursuing sustainability outcomes. This leads to an issue with the consistency of advice available, with different law firms providing difference advice on the same issues.

There remains a common (mis)perception that pursuing sustainability impact goals represents a departure from prioritising an investor's proper financial purpose.[12] Not only is this a false assumption, but it also overlooks the fact that in some cases investors need to address sustainability impacts in order to achieve their financial return objectives. Additionally, the concept of financial interest is routinely narrowly construed and subject to confusion.

The Legal Framework for Impact report demonstrates that although financial return is generally regarded as the primary purpose for investors, under existing UK law, **investors should consider pursuing sustainability impact goals where this is relevant to achieving their investment purpose and objectives**.

CHAPTER 3 – BARRIERS TO TRUSTEE EFFECTIVENESS

Question 18: Is fiduciary duty a well-understood concept? Do current regulations and guidance support trustees to make investment decisions which seek higher returns for members? If not, what changes would be useful?

Despite the work undertaken to clarify trustees' fiduciary duties with respect to ESG integration and stewardship[14], additional clarity is necessary. The way UK investors understand and discharge their duties may discourage them from pursuing positive sustainability impacts, or even considering doing so.[12] Similarly, our analysis shows that many UK investors remain hesitant to change their established practices and pursue sustainability impact goals, even when this is required to achieve financial objectives.

We recommend developing **guidance on how sustainability impact goals relate to financial goals and duties, how pension funds can set and pursue these goals, and how they can assess sustainability risks and impacts**.

Additionally, DWP guidance and the TPR codes of practice should clarify that "financially material considerations" within Regulation 1 of the Occupational Pension Schemes (Investment) Regulations 2005 may include sustainability impacts that trustees consider relevant to the purpose and objectives of the scheme. Guidance for the Local Government Pension Scheme should also make this clear.

Question 19: Do trustees currently make investment decisions in the long-term interests of pension savers? If not, what barriers are there to trustees making investment decisions in the long-term interests of savers?

In order to make investment decisions in the long-term interests of beneficiaries, trustees need to effectively manage ESG issues. In particular, policymakers need to clarify that **trustees should examine short, medium and long-term sustainability impacts as they may affect financial risk and returns differently**. Additionally, guidance on how to engage with beneficiaries is needed to help trustees understand their long-term interests.

Risks over various investment time horizons

Addressing climate change and ensuring an orderly transition are in the long-term interest of beneficiaries, and regulators have identified that UK pension assets do not fully reflect these risks.[15] Institutional investors are required to secure long-term financial returns, and therefore to consider whether system-level risks are relevant to their ability to meet their legal obligations and objectives and, if so, how they can mitigate these threats.[Error! Bookmark not defined.] Reduced system-level risks could improve long-term financial outcomes, whereas neglecting ESG issues can lead to mispricing risk and poor investment decisions. In turn this can undermine their short, medium, and long-term investment returns for beneficiaries. Effectively managing ESG issues is a core part of the duties owed by trustees to their beneficiaries and to wider society. Lastly, there are also ongoing concerns that the

---

[14] See DWP's 2022 Stewardship Guidance, which encourages trustees "to keep under review non-financial factors that may not immediately present as financially material but have the potential to become so, particularly for schemes with a long-term horizon."

[15] UK Government's Green Finance Strategy, July 2019

investment horizon of pension portfolios is short compared to the long-term nature of pension schemes.[10]

We recommend that the UK government clarify that **pension schemes should take into account not only long-term sustainability impacts but also short- and medium-term sustainability impacts**, since these may affect financial risk and returns over a range of timescales. Pension schemes should consider their investment, funding time horizons, and the sustainability impacts and risks that may arise at various times up to the likely end of their lifecycle.

Beneficiaries' preferences

Beneficiary interests have often been interpreted as solely being about seeking a certain financial return, yet it has become clear that many beneficiaries have preferences related to the sustainability performance of their investments. It is also still not commonplace to incorporate the preferences of beneficiaries and there is often a lack of engagement from beneficiaries with their retirement savings.[16]

There are concerns about how and when to seek out beneficiary views, and whether this may lead to legal requirements to consider certain issues that may result in poor decisions. For this reason, incorporation of beneficiary preferences in decision-making should not be made mandatory. However, it is important to encourage increased engagement with beneficiaries as it has been used by pension schemes as a reason to not pursue sustainability outcomes. Pension schemes have explained that because beneficiaries have not requested consideration of ESG issues then they do not have the mandate to do so.

Guidance should be provided by DWP **on how schemes can engage with their beneficiaries to better understand and incorporate member preferences into investment decisions**. Our 2021 guide Understanding and aligning with beneficiaries' sustainability preferences includes a section on engaging beneficiaries which may help inform DWP's guidance. Additionally, beneficiaries need help to build their knowledge of the impacts of sustainability issues. This could help increase participation of beneficiaries in these engagements and reduce the potential adverse impacts of highly vocal minorities.

Lastly, the government could explore whether pension funds, as they operate with long-term horizons, might, as part of acting in the beneficiaries' 'best interest', **be obliged to secure future financial interests of beneficiaries by taking sustainability risks into account** even where they could not be classified as 'financially material' from a current perspective.

Question 22: Is the way in which trustees exercise their fiduciary duties preventing trustees from seeking the best returns for pension savers? If so, what is causing this?

As shown previously, consideration of both ESG and stewardship factors is an important element of exercising trustee's fiduciary duty. The overall performance of pension scheme portfolios is exposed to financially material market-wide risks which cannot be mitigated simply by diversifying portfolio holdings. To directly address the drivers of these system-level risks and promote long-term value

[16] Understanding and aligning with beneficiaries' sustainability preferences, PRI, 2021

creation, **trustees should increase outcomes-oriented stewardship**, including collaborative engagement, and engaging with policymakers on sustainability issues.

As DWP has stated, trustees should take ownership of the stewardship policies implemented on their behalf and ensure that anyone engaging with investees on their behalf is aware of their approach to stewardship.[17] Trustees are ultimately responsible for investment stewardship, however there is no direct line from trustees to the assets, and if trustees are not vigilant in their monitoring of service providers there is a risk that stewardship activities will get neglected. PRI data shows that while asset owners are increasingly making sure their managers' stewardship policies align with their own policies or expectations, more granular assessments of asset managers' approaches are less common – including assessments of the extent to which they prioritise systemic sustainability issues. **TPR should provide guidance on stewardship including how to assess the quality of stewardship, what are adequate levels of resourcing, and to have a focus on outcomes.**[18]

UK policy makers and regulators should ensure that stewardship is not treated, as it often is, as an investment activity suitable only for some purposes. UK regulators should **clarify that the actions available to investors to pursue positive sustainability impacts go beyond decisions to acquire or dispose of certain assets to all activities**. In particular, regulators should encourage stewardship, including collaborative engagement, by or on behalf of pension funds to improve investees' sustainability impacts. In addition, **the UK government should support and encourage efforts by the investment industry and other stakeholders to develop and endorse their own examples of good practice or case studies** of how pension schemes can assess sustainability risks and impacts, and how they can set and pursue sustainability impact goals.

Question 24: Would trustees find it helpful if they received more direction from regulators when assessing their investment decision making? In addition to our work on Value for Money we are also interested in whether the advice for trustees provided by regulators via training and guidance supports our objective to shift the focus from cost to value?

Policy makers should explore guidance that would help pension schemes assess whether achieving broader societal and environmental goals may improve the quality of life for members and beneficiaries into retirement – if so, these goals may be relevant to their best interests and hence to the scheme's purpose and investment decision making. This should be balanced with the need for pension schemes to consider all relevant issues.

The work on Value for Money is intended to encourage a culture shift across the Defined Contribution (DC) pensions market from focussing on cost to overall value and accelerate market consolidation. DC schemes (which do not have liabilities) face different legacy constraints such as competitive pressure to keep costs low. While TPR and the FCA are moving from a cost lens to a value for money lens, the draft value for money framework does not include sustainability as one of the desirable "member outcomes" and may be in danger of increasing pressures on short-term performance, which

---

[17] Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance, DWP, 2022

[18] In PRI's consultation response to the FCA Sustainability Disclosure Requirements and Investment Labels (in particular Question 6), we set out in more detail elements to consider for credible stewardship strategies, in particular what the concepts of contribution and additionality mean in relation to the assessment of impact.

is incompatible with sustainable investing. Value for money comprises investment performance, costs and charges and quality of service; given that a few bad quarters can have a big impact on performance over more recent periods, this could discourage schemes from investing in non-traditional strategies. **The government should analyse the potential unintended consequences of the Value for Money policy.**

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Financial Conduct Authority further to enable finance for positive, sustainable change in the UK.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org