POLICY BRIEFING

UK STEWARDSHIP CODE 2026

PRI Association

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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 menu 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. More information: www.unpri.org

ABOUT THIS BRIEFING

This briefing summarises the key updates of the UK Stewardship Code 2026 from the 2020 Code. The updated Code aims to reduce the reporting burden enabling signatories to the Code to better use their resources toward effective stewardship practices.

The Financial Reporting Council (FRC) released the first UK Stewardship Code in July 2010, as a response to the 2008 global financial crisis and following recommendations from the Walker Review, which recommended greater shareholder engagement and accountability to help prevent corporate governance failures.

The investment market has changed significantly since the Code's first iteration, leading to major revisions in 2012, 2020 and 2025, with each iteration deepening expectations on how to address marker-wide and systemic risks, improve transparency and enhance outcomes-focused reporting.

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AT A GLANCE

The 2026 revision follows an extensive consultation period from November 2024 to February 2025, which received 182 responses and engaged over 1,500 stakeholders. The PRI's response to the consultation can be found here. The 2026 Code introduces reforms aimed at supporting long-term value creation while reducing reporting burden for its signatories.

The Code becomes effective on 1 January 2026, with first applications accepted in Spring 2026. The FRC have confirmed that 2026 will be a transition year, allowing firms greater flexibility to experiment with reporting against the new Code without being removed as a signatory.

This briefing covers:

- **Changes to Definition and Framing** – The FRC has updated its definition of stewardship removing direct reference to "economy, environment and society." However, the supporting language and overall framing provided in he introduction makes it clear that creating long-term sustainable value means considering a range of issues, including sustainability risks.
- **Key Structural Changes** – The 2026 Code introduces a two-part reporting structure separating stable organisation information from dynamic stewardship activities. Also, the 2020 Code's 12 principles for Asset Owners and Asset Managers have been streamlined into 6 principles.
- **Reporting Approach and Guidance** – The 2020 Code's detailed expectations which specified particular information areas to be reported against have been replaced in the 2026 Code with concise prompts that indicate expected information. The 2026 Code will also be supported by separate optional guidance that provides practical tips and examples.
- **Reporting Content Changes for Asset Owners and Asset Managers** – There are several key changes in the reporting content from the 2020 Code to the 2026 Code which this section highlights.
- **Implementation Timeline** – the 2026 Code comes into effect 1 January 2026 and to help signatories to the Code transition 2026 will be treated as a transition year. The FRC will use this year to give feedback on reporting through a range of formats.

DETAILED ANALYSIS

CHANGES TO THE DEFINITION AND FRAMING OF THE CODE

In the 2026 Code, the FRC has updated its definition of stewardship to:

"Stewardship is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries"

This definition removes the previous reference to "leading to sustainable benefits for the economy, environment and society." The 2026 Code has moved this broader consideration into supporting language, stating that investors *"take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which beneficiaries' interests depend."*

In the approach to reporting, the FRC highlights issues signatories should consider when applying the Principles including, but not limited to, diversity, remuneration and workforce interests, as well as environmental and social issues, including climate change, and directors' duties, particularly matters which are highlighted in section 172 of the Companies Act[1]. The introduction also states clearly that the "Stewardship is an important part of fulfilling an investor's fiduciary duty."

The framing provided in the introduction makes it clear that creating long-term sustainable value for clients and beneficiaries means considering a range of issues inclusive of sustainability risks, such as climate change, biodiversity, and human rights.

KEY STRUCTURAL CHANGES

The 2026 Code introduces a two-part reporting structure that separates stable organisational information from dynamic stewardship activities. This addresses stakeholder concerns about reporting burden while maintaining comprehensive disclosure.

The Code also has a more flexible reporting structure that allows signatories to submit separate Policy and Context Disclosures and Activities Outcomes Reports or combine them into a single document.

Policy and Context (P&C) Disclosure

The P&C Disclosure captures stable organisational information that typically changes infrequently, with reporting only required every 4 years or when material changes occur, such as mergers, acquisitions or significant business model shifts.

The fixed disclosures in the P&C Disclosure include descriptions of:

A. your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.
B. how your resources enable effective stewardship.
C. your stewardship policies and processes and how you review them.
D. how you manage stewardship related conflicts of interest to put the best interests of clients and beneficiaries first.
E. how you maintain a dialogue with clients and or beneficiaries.

Activities and Outcomes (A&O) Report

The annual A&O Report focuses specifically on stewardship activities conducted during the 12-month reporting period. The Principles are supported by concise 'how to report' prompts in comparison to the more detailed expectations of the 2020 Code. Organisations may include an optional introductory statement in their A&O report to provide context updates between P&C submissions, such as changes in

[1] Section 172 of the Companies Act 2006 requires directors to consider the companies' impact on the community and the environment.

assets under management or strategic focus. The Introductory Statement can also be used to provide any contextual information that may be helpful to understand the A&O Report.

Reports should be fair, balanced and understandable, acknowledging setbacks experienced and lessons learned as well as successes. The 2026 Code acknowledges the multi-year nature of many stewardship activities and that they may not be completed within a single reporting period, encouraging organisations to report on their activity to date, along with reflections on progress made and next steps.

Consolidated Principles in the A&O Report

The 2020 Code's 12 principles for Asset Owners (AOs) and Asset Managers (AMs) have been streamlined into 6 principles. Principles 9 (Engagement), 10 (Collaboration) have been consolidated into one principle, and Principles 11 (Escalation) has been integrated with prompts across Principles 2, 3, 4 and 5.

Table 1: Mapping of 2026 UK Stewardship Code and 2020 Code

2026 Code	2020 Code
Policy and Context Disclosure	
A. The organisation, its clients and investment beliefs	1. Purpose, strategy and culture
B. Governance and resources	2. Governance and Resources
C. Stewardship policies and review	5. Review and assurance
D. Conflicts of interest	3.Conflucts of interest
E. Dialogue with clients and beneficiaries	6. Client and beneficiary needs
Principles (Activities and Outcomes Report)	
1. Integration of stewardship and investment	7. Integration of stewardship and investment
2. Market-wide and systemic risks	4. Market-wide and systemic risks 11. Escalation
3. Engagement	9. Engagement 10. Collaboration 11. Escalation
4. Exercising rights and responsibilities	12. Exercising rights and responsibilities 11. Escalation
5. Selection and oversight of external managers	8. Monitoring managers and service providers
6. Monitoring service providers	8. Monitoring managers and service providers

The FRC has also provided guidance on which Principles are relevant to different types of signatories. Those who directly manage 10% or more of their assets under management would report on engagement, while those who manage 10% or more of their assets through external managers would report on manager oversight. The FRC explains that the 10% figure should not be considered as a strict rule, and signatories are encouraged to explain why they have not reported on a principle that may be applicable to them.

Table 2: Guidance on which principles are relevant to different types of signatories

Principle	Investing directly	Using external Managers
Principle 1- Integration of stewardship and investment	Required	Required
Principle 2 - Market-wide and systemic risks	Required	Required
Principle 3 – Engagement	Required	Optional
Principle 4 - Exercising rights and responsibilities	Applies to those with voting rights	
Principle 5 - Selection and oversight of external managers	Not required	Required
Principle 6 - Monitoring service providers	Required	Required

Service provider reports

The 2026 Code restructures service provider principles to better reflect the distinct roles different providers play in supporting client stewardship. The previous six generic principles have been consolidated into four targeted principles.

The new structure introduces greater specificity by creating separate principles for proxy advisors, investment consultants, and engagement providers rather than applying generic requirements across all service types. This role-based application means service providers report only on principles relevant to their specific services. All service providers are also required to report against the Policy and Context Disclosure elements set out in the Code for service providers.

The four service providers principles are:

1. Signatories communicate with clients to understand their objectives and deliver services to support their stewardship (applies to all service providers).
2. Proxy advisors ensure the quality and accuracy of their research, recommendations and voting implementation.
3. Investment consultants identify and respond to market-wide and systemic risks to promote well-functioning financial markets.
4. Engagement service providers engage on behalf of their clients to maintain or enhance the value of assets

REPORTING APPROACH AND GUIDANCE

‘How to Report’ Framework

The 2026 Code adjusts the reporting approach by streamlining the structure to reduce the risk of generic "tick-box" reporting that some stakeholders experienced with the 2020 Code. The 2020 Code's detailed expectations under "Context," "Activity," and "Outcome" headings, which specified particular information areas, have been replaced with concise prompts that indicate expected information areas while allowing greater flexibility to focus on material and relevant activities. The FRC is expecting a 20–30% reduction in the volume of reports, as the number of principles has been reduced, and prompts are more concise.[2]

This shift is supported by separate optional guidance that provides practical tips and examples for signatories to consider when completing their report.

Guidance Development and Content

The guidance has been published in draft form with the FRC offering a period of informal feedback until 31 August 2025. The final guidance will be published in autumn 2025. The guidance will be a living document, updated over time to address signatories’ needs and evolving stewardship practices.

The guidance aims to support the effective implementation of the Code across diverse investment portfolios. Recognising that stewardship extends far beyond listed equity, the guidance offers specific suggestions for reporting across fixed income, real estate, private markets, and infrastructure investments.

Particularly valuable are the detailed templates for effective engagement and voting case studies, as well as practical examples showing illustrative approaches for different organisational types and investment strategies.

Documentation and Assessment Standards

The Code maintains comprehensive reporting requirements while allowing practical flexibility. A&O Reports can cross-reference P&C Disclosures where additional context is helpful, and reports may link to detailed policies and additional information. However, FRC assessment focuses only on submitted documents, ensuring all necessary information is included within the assessed materials to maintain the "one-stop-shop" approach that stakeholders value.

Assessment approaches differ between the two report types, with P&C Disclosures assessed against specific "disclosure requirements" while A&O Reports are assessed against flexible "how to report" prompts. Quality expectations remain high, requiring reports that are engaging, succinct, and written in plain English, with appropriate use of data, diagrams, and case studies to support narrative explanations.

[2] FRC overhauls the Investor Stewardship Code to focus on value creation, reducing burdens and enhanced engagement between market participants

REPORTING CONTENT CHANGES FOR ASSET OWNER AND ASSET MANAGER SIGNATORIES

For AMs and AOs, the Policy and Context Disclosure largely mirrors the principles in the Code's previous iteration, though with a couple of notable changes. Under Disclosure A, while the breakdown of assets under management by asset class and geography remains a requirement from the previous Code, there are new requirements to disclose the proportion of AUM invested directly versus through external managers. The Code also now requires disclosure of the proportion of AUM that is actively managed versus index-based, reflecting the investment market's evolution since 2010.

Investment beliefs reporting has been refined from the 2020 Code's requirement to explain "what factors they consider important for desired investment outcomes and why" to now requiring signatories to explain how their stewardship approach is appropriate for their organisation, reflecting factors such as size, resources, and position in the investment chain. Resource disclosure requirements have been enhanced with more detailed specifications around roles undertaking stewardship activities and their responsibilities, building on the 2020 Code's requirements for workforce structures and experience.

While the 2020 Code required disclosure of policies and review processes, the new Code adds specific requirements for disclosure on how often policies are reviewed and clearer specification of where responsibility for review and approval lies within the organisation. The 2026 Code now explicitly asks whether policy reviews are undertaken internally or involve external assurance, providing greater transparency around governance processes.

The Activities and Outcomes Report places greater emphasis on external managers and stewardship service providers than previously. Principle 5 calls on signatories using external managers to illustrate how they interact with these managers, including expectations set for engagement and exercising rights on their behalf. This includes requirements to explain how stewardship considerations have been incorporated into tendering processes, mandate design, and ongoing monitoring activities.

Similarly, Principle 6 requires signatories to disclose how they have ensured that stewardship service providers support effective stewardship. For signatories using proxy advisors the 2026 Code asks signatories to disclose how they use proxy advisors and how they have monitored the "quality and accuracy of their services." In comparison to the 2020 Code which signature were asked to disclose the extent they use default recommendations and to explain how they monitor service providers. For investment consultants, signatories must now explain how they have ensured consultants support their stewardship goals and objectives, alongside monitoring service quality.

IMPLEMENTATION TIMELINE AND TRANSITION TO THE NEW CODE

The Code comes into effect 1 January 2026, with two application windows to submit reports:

- Spring 2026: applications from asset managers and service providers will be due by 30 April 2026. Applications from asset owners will be due by 31 May 2026.
- Autumn 2026: all applications will be due by 31 October 2026.

To help signatories transition to the new Code, 2026 will be treated as a transition year. All existing signatories submitting renewal applications will remain on the signatory list through this period, to allow signatories to best determine how they will report under the revised Code. The FRC will also use the transition year to give feedback on this reporting through publications, webinars, podcasts and individual engagement with signatories as appropriate.

New applicants without 2025 signatory status will undergo full assessment for 2026 Code acceptance.