PRI RESPONSE

UK STEWARDSHIP CODE 2026 DRAFT GUIDANCE

August 2025

To inform this paper, the following groups have been consulted: Global Policy Reference Group, UK Regional Policy Reference Group, and PRI's broader signatory and stakeholder base.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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

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PRI welcomes the opportunity to respond to the Financial Reporting Council (FRC) informal request for feedback on the draft guidance for UK Stewardship Code 2026.

ABOUT THIS CONSULTATION

The FRC has released the 2026 UK Stewardship Code after an extensive consultation period engaging over 1,500 stakeholders. Alongside the new Code, the FRC released guidance in draft form offering a period for informal feedback. The guidance will be a living document, updated over time to address signatories' needs and evolving stewardship practices. It is important to note that the guidance is not prescriptive and is optional for signatories to the Code to use.

As of August 2025, the UK Stewardship Code 2020 has 299 signatories representing £56 trillion assets under management. The guidance aims to support effective reporting to the UK Stewardship Code 2026 across diverse investment portfolios. Recognising that stewardship extends beyond listed equity, the guidance offers specific suggestions for reporting across fixed income, real estate, private markets, and infrastructure investments.

For more information, contact:

Elise Attal

Head, Europe Policy

elise.attal@unpri.org

Nikki King

Senior Policy Analyst, UK & Switzerland

nikki.king@unpri.org

KEY RECOMMENDATIONS

The UK Stewardship Code, a voluntary policy measure, is an important element of the broader UK financial policy framework, supporting high-quality reporting and helping to drive more advanced and effective stewardship practice. The PRI welcomes the FRC's efforts to provide clearer, more practical guidance that enhances the Code's utility.

The supporting guidance demonstrates several strengths, including flexibility for different investor types, clear prompts and guidance on effective reporting, realistic expectations for outcomes, and improved language on collaborative engagement. The extension beyond listed equity to offer practical suggestions across various asset classes reflects the reality of diversified investment portfolios and acknowledges that effective stewardship must adapt to different asset characteristics.

The guidance could benefit from the following changes to further support signatories in reporting against the code. The rationale for each is discussed further below:

- **Strengthen the connection between individual stewardship actions and the stewardship strategy and narrative** by explaining how individual stewardship activities connect to signatories' broader objectives (where relevant), moving beyond standalone activities to demonstrate cohesive stewardship strategies.
- **Provide clearer parameters for what constitutes "engagement**" including asking signatories to categorise engagements and encouraging tracking progress over time.
- **Reduce uncertainty in the escalation guidance** by recognising context dependencies and expanding examples to other asset classes beyond listed equity.
- **Strengthen emphasis on systemic risk and policy engagement** by encouraging signatories to consider their exposure to and management of system-level risks, highlighting policy engagement as a relevant lever for addressing market-wide challenges, and providing examples of different methods.
- **Further develop asset class specific guidance** by expanding information for private markets, real assets, and fixed income investments, to support signatories with exposure to these asset classes reporting on the code.

DETAILED RESPONSE

SECTION 1: STRENGTHS TO RETAIN

PRACTICAL IMPLEMENTATION APPROACH

Flexibility for different investor types

The guidance demonstrates a practical approach by providing flexibility for different types of investors to adapt the principles to their individual circumstances. This recognition that stewardship approaches will vary based on investor size, asset class exposures, and organisational structure will help to maintain the Code's relevance. The guidance also acknowledges the different roles and potential limits of investors across various asset types in their stewardship activities.

The guidance appropriately extends beyond listed equity, offering practical suggestions for stewardship approaches across other asset classes. This broader scope reflects the reality of diversified investment portfolios and acknowledges that effective stewardship must adapt to different asset characteristics and investor rights. This flexibility is particularly important as stewardship practices in alternative asset classes continue to evolve.

Clear prompts and guidance on effective reporting

The revised structure, with high-level prompts in the Code accompanied by detailed guidance, makes the Code easier to apply and follow. The guidance provides specific examples on what good reporting looks like which is more informative than previous iterations. The combination of improved prompts in the Code and specific guidance should provide adequate tools for effective reporting. However,

Future feedback for signatories

The PRI supports the FRC's implementation approach with the new Code having a transition year where the FRC will provide support and feedback to signatories through a range of channels. To further support best practice reporting the FRC should conduct a review of the state of reporting in 2027 after the first year of reporting against the new Code, enabling signatories to understand how market practices are developing.

ENHANCED CLARITY ON KEY AREAS

Outcome definition setting realistic expectations

The emphasis that outcomes don't need to be "successful" is realistic and encourages much-needed transparency in stewardship reporting. This approach recognises that effective stewardship often involves ongoing processes and learning, rather than immediate, measurable successes. The recognition that ongoing engagements, lessons learned, and investment decisions (including holding or avoiding investments) constitute valid outcomes provides a more nuanced and practical understanding of stewardship effectiveness.

Improved language on collaborative engagement

The language around collaborative engagement has been improved, noting its importance and removing the previous need to 'justify' collaborative engagement activities. The guidance appropriately explains that simply listing membership of collaborative initiatives in reports is not helpful for readers, setting out that "*good quality reporting describes the activities undertaken by the signatory … better reporting describes a signatory's contribution to an initiative, rather than only a list of initiatives joined*."

Case study

Setting out in the guidance the components of effective case studies is particularly useful. This guidance will help create consistency for both asset owners and asset managers, providing clear expectations for the depth and quality of case studies.

SECTION 2: AREAS FOR IMPROVEMENT

The guidance provides a strong foundation for signatory reporting. The PRI has set out the following recommendations to improve guidance for signatories to the Code and enhance the cohesiveness and comparability of reports for readers. This will also help the guidance function as a learning tool that highlights where signatories may be able to further advance their stewardship practices over time.

STRATEGIC INTEGRATION AND NARRATIVE

The guidance should encourage signatories to explain how given activities fit within their stewardship strategy and contribute toward broader objectives/fund level goals where relevant[1]. Prompting signatories to demonstrate how their activities relate to their stewardship strategy would encourage more cohesive signatory responses. **We therefore recommend the FRC prompt signatories in the guidance to demonstrate how their various activities work cohesively within their stewardship strategy**, rather than as standalone activities. Noting that the guidance already acknowledges that effective engagement also arises from individual issuer context and not just from a top-down approach.

As part of its integrated approach, the guidance for Disclosure E "*Describe how you maintain a dialogue with clients and/or beneficiaries*" **should include a reference to signatories disclosing their policy on how feedback from clients and beneficiaries is considered and integrated into stewardship approaches.** This would have the benefit of highlighting how stakeholder input can influence the development of signatories' strategic decision-making and stewardship priorities.

Strengthening the case study

The guidance should **encourage signatories to explain how their case studies relate to broader thematic engagement and their wider stewardship strategy,** where relevant, rather than presenting them as isolated activities. We recommend that the FRC also **include reference to short-term milestones to measure progress**, this will help assist signatories in demonstrating how they are planning to achieve their overall objectives over time. It may also act as an opportunity to reflect on why short-term milestones weren't achieved and the lessons learned to further develop their stewardship strategy.

ENGAGEMENT DEFINITION AND QUALITY

An overly prescriptive engagement definition can potentially create fragmentation across regions, particularly for signatories responding to other stewardship codes. However, the guidance could benefit from **clearer parameters around what constitutes an "engagement" to improve comparability**

[1] Not all signatories to the Code will have a broader stewardship strategy (e.g. Top-down approach) to their stewardship activities, some signatories will be working from a bottom-up approach which the guidance recognises.

across signatories. The current definition of engagement is overly broad, potentially treating regular information exchanges equally with objective-driven engagement activities. For example, Paragraph 33's reference to "*regularly scheduled meetings to exchange information"* sets a low threshold for what constitutes engagement – information should be relevant to or inform a stewardship approach. Noting that there is no hierarchy between company dialogues and all types of engagement serve a purpose, **the guidance should encourage signatories to distinguish between engagement for information gathering versus engagement for change and explaining their rationale for different approaches**.

The revised Code acknowledges the multi-year nature of many stewardship activities. To help signatories demonstrate a cohesive narrative across various reports, **the guidance could suggest signatories consider tracking their engagement progress over time,** by describing how they monitor interim progress, set time-bound objectives, and use short-term milestones to measure advancement toward longer-term goals for example. This will help both signatories and users monitor progress of longer-term stewardship activities in line with their strategies.

The FRC should **clarify that effective engagement isn't solely determined by seniority** of who is engaged in the company, but by relevance to the engagement objective. The FRC may also want to **broaden what constitutes collaborative engagement to include reference to contributions to working groups and other multi-investor groups**, which is particularly important in the context of increased policy and regulatory engagement by investors.

ESCALATION ACTIVITIES

The FRC **should clarify that escalation activities are context-dependent rather than method-dependent** as many of the escalation tools listed in the guidance can also be standard stewardship activities. If signatories include a case study focused on escalation they **should be prompted to explain why they view specific instances as escalatory rather than routine engagement.** This will help readers understand why this case study represented an escalation rather than business as usual stewardship.

The guidance should also **expand escalation examples to include activities relevant to other asset classes beyond listed equity voting** to assist investors' understanding. For private markets, real assets, and fixed income investments, signatories have different escalation mechanisms available, and the guidance should acknowledge these variations and provide appropriate examples.

Additionally, when asking signatories to disclose their main stewardship policies, **the FRC should include a reference to escalation policy,** under Disclosure C. "*Describe your stewardship policies and processes, and how you review them*", which appears to be missing from the current list. The guidance should also offer more detailed direction on escalation strategies and how they should be reported, including voting and divestment as escalation mechanisms.

SYSTEMIC RISK AND POLICY ENGAGEMENT

Beyond identifying factors associated with system-level risks, the guidance could **encourage signatories to consider how such risks may impact their ability to generate long term sustainable value for beneficiaries and clients, and what actions they might take to mitigate them.** This will help demonstrate the investment purpose of their stewardship activities. While the guidance identifies relevant risk categories, it lacks meaningful articulation of methods for understanding investors' interaction with these risks, including both their exposure to and management of systemic risks. We recommend that the FRC **highlight the need to manage root causes and risk drivers as actions investors can take to address market-wide risks**.

Policy engagement is a relevant lever for addressing systemic risks and requires greater prominence in the guidance. **The guidance should include methods of policy engagement that signatories can undertake**, such as public statements and sign-on letters, direct engagement with policymakers, collaborative initiatives, and monitoring how investee companies engage with government through trade associations[2]. This will help signatories to identify if they have undertaken policy engagement activities or what activities they could undertake in future reporting cycles. The guidance should also recognise differences in stewardship approaches between smaller and larger investors, particularly regarding their capacity to address systemic risks.

EXTERNAL MANAGER SELECTION, ASSESSMENT, AND MONITORING

The FRC should **include reference to the Investment Manager Agreement (IMA) as a means for ensuring clear expectations and alignment** in Paragraph 59. Drawing attention to the IMA (or equivalent) indicates a clear mechanism for enacting the guidance, removing the potential for ambiguity that may result from a broader description of 'mandate design'. This would benefit both asset owners and asset managers to be more empowered to act on expectations and features included in the governance documentation.

Where the guidance discusses escalating engagement with an asset manager undertaking stewardship on the client's behalf it **should also refer to what could happen if the escalation fails to achieve the desired changes in approach – for instance a disinvestment from that manager**. This will help the guidance cover all potential outcomes of an escalation and be consistent with the escalation options set out for corporates. We note precedent for this within the market and think the guidance, and ultimately the escalation practices themselves, would be enhanced by noting this as a viable outcome.

ASSET CLASS SPECIFIC GUIDANCE

The guidance for non-equity asset classes should be expanded to provide meaningful direction for signatories. Currently, a relatively low bar is being set for stewardship in private markets, providing only light-touch guidance that could be developed to include the types of engagement and stewardship activities for investors in real assets, private equity, and private debt.[3]

For private equity[4], the guidance could include examples such as engaging with investee companies to develop knowledge of sustainability-related risks and opportunities by providing or sourcing training, helping to hire specialised personnel, or develop implementation tools like software solutions and procurement tools. For private debt, examples might include incorporating sustainability-related issues into regular borrower meetings post-transaction.

The guidance could be more comprehensive or reference other guidance to ensure the rights and responsibilities for all asset classes are covered. For example, for fixed income guidance[5] we recommend including an example of escalation strategies such as the opportunity to engage on labelled

---

[2] A sustainable finance policy engagement handbook - This guide explains why investors should engage with policy makers, how they are doing so and how to get started.
[3] Stewardship in private debt: A technical guide – This guide focuses on direct lending, the largest private debt sub-asset class, so as to provide practical guidance.
[4] Stewardship in private equity: A guide for general partners - This guide aims to help private equity general partners execute stewardship of their portfolio companies, partly by highlighting best practices for both beginners and leaders in stewardship. It walks the reader through whom, when and on what to engage and provides a practical toolkit addressing the how of engagement.
[5] ESG engagement for fixed income investors - This report offers guidance on how fixed income investors might structure their engagement strategies as an integral part of their approach to responsible investment.

debt. Similarly, the guidance could better articulate the direct ownership advantages available to real assets.

RESOURCE ASSESSMENT

While the inclusion of reference to resourcing and technology is positive, **the guidance should provide more specific direction on how signatories report on these areas.** Reporting on resourcing should link to the signatories' overall stewardship strategy, demonstrate prioritisation of most effective activities, and emphasise what has changed, such as headcount, organisational restructuring, and sources of expertise. Transparency about changes in stewardship resourcing is particularly important when signatories make claims about in-house expertise.

To drive greater consistency in resource assessment**, the guidance should highlight existing tools such as The Stewardship Resources Assessment Framework.** Referencing such frameworks in the guidance would provide a useful way to drive comparability and consistency in how practitioners assess their stewardship resources.

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 FRC further to support high-quality stewardship in the United Kingdom.

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

More information on www.unpri.org