

UK Stewardship Code 2026 Guidance

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We are introducing guidance to assist applicants with reporting to the UK Stewardship Code 2026.

The guidance is initially published in draft form and will be finalised in the autumn.

The guidance is not prescriptive, it is optional and contains suggestions for some of the information organisations may wish to include in their reporting to help explain their approach to stewardship. Many current signatories of the UK Stewardship Code will be able to prepare their reports for the 2026 Code without referring to it. The guidance also offers suggestions for those managing asset classes other than listed equity on how to report to the Principles of the Code.

This guidance covers both the Policy and Context Disclosure, and the Principles of the Activity and Outcomes Report.

The Policy and Context Disclosure provides essential background to the information in the annual Activities and Outcomes Report. The 'Disclosure requirements' set out the information the FRC expects organisations to provide under each Disclosure. Guidance for the Policy and Context Disclosure explains why each Disclosure is important and provides tips on how to make the Disclosures most useful to the reader.

The Activities and Outcomes Report focuses specifically on stewardship activities conducted during the year and their outcomes. An 'outcome' does not necessarily have to be a stewardship activity which has successfully concluded during the reporting period. It can represent a wide range of activities.

- If you are engaging on a topic with a company and that engagement is still ongoing, the outcome could be a report on any progress made during the year and next steps planned.
- Not all outcomes have to be 'successful'; sometimes reporting on an engagement that has not progressed and any lessons learned from that can be just as informative for the reader.
- Some signatories may use engagement to better understand management decision-making and build productive longer-term relationships with companies. This can also be an outcome.
- An outcome can be an investment decision made as a result of your engagement. And the investment decision does not have to be a buy or sell decision. It could be a decision to continue to hold or even to avoid.

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Policy and Context Disclosure Guidance for Asset Owners and Asset Managers

In this section:

- [A. Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.](#)
- [B. Describe how your resources enable effective stewardship.](#)
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A. Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.

Disclosure requirements – supplementary guidance

- 1** This disclosure gives the reader an understanding of the nature of your business, who you serve and how you are invested.
- 2** Explaining the purpose of your organisation can provide useful context to help readers understand what your organisation does and the services it provides.
- 3** When providing a breakdown of AUM, it is not necessary to provide exact figures, percentages are useful to the reader to get an understanding of your business and how you are invested. Signatories may wish to use their “Introductory Statement” section of the annual Activities and Outcomes Report to offer more accurate and up to date figures for AUM breakdown.
- 4** Where the disclosure asks for information about your client base and AUM, broad descriptions such as ‘rest of world’ or ‘global’ are unlikely to add much value to the reader.

Terms for regions such as Europe, North America, Southeast Asia etc. are more helpful.

5 You may wish to use data, charts or diagrams to illustrate the breakdown of AUM. Any diagrams ought to be clearly titled, labelled, and legible, using terminology which is consistent with that used elsewhere in the report.

'External managers' include, but are not limited to, the following:

- A wealth manager investing through one or more third-party asset managers.
- A Fund of Funds (FOF) manager.
- A Local Government Pension Scheme (LGPS) fund investing through their pension pool partner and other external asset managers.
- A corporate pension scheme investing through external asset managers.
- A Limited Partner (LP) investing through a General Partner (GP) in private markets.

B. Describe how your resources enable effective stewardship.

Disclosure requirements – supplementary guidance

6 Stewardship Code signatories vary by size, approach and geographic location. Setting out the resources you have available to devote to stewardship will provide valuable context for your Activities and Outcomes Report.

7 When giving information about your stewardship resourcing detailed, individual biographical information is not necessary.

8 Information on the systems or technology used to undertake stewardship activities provides useful context for the Activities and Outcomes Report. Readers will be interested to learn about the extent to which AI has been used, or any screening tools you use to select companies with which to engage.

Relevant external service providers may include, but are not limited to, the following:

- Proxy advisory firms (including the extent to which you use any benchmark or standardised policies from your proxy advisor or any customised policy/policies)
- Investment consultants.
- Data providers.
- Engagement service providers.

- Research providers.
- Ratings agencies.

Relevant technology may include, but are not limited to, the following:

- Whether AI tools have been deployed (and how).
- In-house developed screening tools.
- Stewardship activity trackers.
- Specialist training programmes.
- Voting platforms.

C. Describe your stewardship policies and processes, and how you review them.

Disclosure requirements – supplementary guidance

9 This Disclosure provides an opportunity to describe the policies and processes that underpin your stewardship approach. Readers will be looking for consistency between the policies described here and how they are put into practice in your Activities and Outcomes Report.

10 It is not necessary to include policies in full, but signatories may wish to link to them, where policies are publicly available.

11 Signatories' explanation of how frequently they review their policies helps readers to understand how they remain up-to-date and reflect clients' requirements and/or regulatory changes.

12 Signatories' may wish to include information on what factors may prompt a review to help readers understand their internal decision making.

Policies and processes may include, but are not limited to, the following:

- Engagement policy/policies.
- Voting policy/policies.
- Responsible investing policy or guidelines.
- Exclusion policy or list.
- Cyber security policy/AI policy.

D. Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.

Disclosure requirements – supplementary guidance

13 This disclosure allows signatories to explain how they have identified and mitigated or disclosed conflicts of interest. Identifying such conflicts as they relate to stewardship is important to ensure that investment decisions are made and stewardship activities undertaken in the best interests of clients and/or beneficiaries.

14 Including a firm-wide conflict of interest policy without any explanation of how this relates to stewardship activities is unlikely to provide the quality of disclosure needed.

15 The Activities and Outcomes Report is where signatories demonstrate in action the approach to conflicts as outlined in the Policy and Context Disclosure.

Stewardship-related conflicts of interest could include, but are not limited to, the following:

- Ownership structures.
- Clients views and/or policies diverging from one another.
- Diverging views between different investors within the same asset manager.
- Investors who own both parties involved in a significant transaction.
- Business relationships between corporate pension funds and the assets managed on their behalf.

E. Describe how you maintain a dialogue with clients and/or beneficiaries.

Disclosure requirements – supplementary guidance

16 Reporting under this Disclosure sets out the approach you take to informing clients about your stewardship approach, updating them on your activities and listening to their feedback.

17 You are not required to give individual case studies, but examples which show your general approach will be useful.

Methods for sharing information or gathering feedback may include, but are not limited to, the following:

- Public reporting.
- Client specific reporting.
- Individual meetings.
- Seminars or webinars.
- Surveys.

Activities and Outcomes Report Guidance for Asset Owners and Asset Managers

In this section:

- [Principle 1: Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries](#)
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Principle 1: Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries

Reporting prompts – supplementary guidance

This Principle applies to all signatories.

Signatories' reporting to this Principle demonstrates how their stewardship activities are integral to their allocation, management and oversight of assets. Some signatories have portfolio managers undertake stewardship activities

directly, some signatories have dedicated stewardship teams that work alongside portfolio managers, while others may also have stewardship activities undertaken by service providers. Disclosure against this Principle demonstrates how, in any of these scenarios, stewardship activities inform the investment process.

Asset owners that have assets managed externally may wish to report on the requirements placed on managers to integrate stewardship into their investment process and how they monitor managers' delivery either under Principle 1 or Principle 5, for those that choose to report principle-by-principle

Reporting should be balanced and acknowledge areas where the stewardship approach differs or is less developed, for example across asset classes, geographies or investment strategies.

Issues, investment styles and asset classes

18 Investments and stewardship approaches are influenced by a wide range of topics. Signatories may wish to disclose how these have been prioritised, whether through a 'top-down' approach or "bottom-up" approach. This prioritisation could be based on materiality, feedback from clients or beneficiaries or engagement with other industry stakeholders.

19 Signatories who have externally managed assets may wish to report on how they have selected the stewardship issues they have chosen to prioritise and communicated these to their managers. This may overlap with their reporting on Principle 5. Signatories that report principle-by-principle do not need to duplicate information.

20 Signatories who have internally managed assets, with separate investment and stewardship functions, could share insight on how these functions have collaborated over the reporting period to ensure that investment decisions are supported by information gathered.

21 Signatories may take a different approach to integrating stewardship and investment depending on whether they are active managers or use indexation. Signatories that offer index products could refer to the extent to which the development of these products has been driven by their own or their clients' stewardship strategy.

22 While some managers will take a "top-down" approach to stewardship objectives that informs their engagement strategy, others may determine their stewardship objectives from their "bottom-up" analysis of individual companies. Regardless of how the objectives are decided, giving examples or descriptions that demonstrate how stewardship has informed investment decision-making during the reporting period will help the reader to understand how stewardship is integrated into the investment process.

23 Signatories that are active managers have the opportunity to demonstrate how they use information gathered from stewardship activities to inform their investment decisions

through the investment lifecycle.

24 Because different assets have different associated rights and responsibilities, those managing asset classes other than equities may choose to explain how their stewardship activities have influenced investment decisions. For example, how engagement with an issuer has influenced a decision on whether or not to purchase corporate debt, and at what price.

Principle 2: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Reporting prompts – supplementary guidance

This Principle applies to all signatories.

Market-wide risk (also known as systematic risk) affects multiple sectors. Diversification does not generally mitigate market-wide risk. Because market wide risk can greatly impact a signatory's portfolio it is important for signatories to be aware of it and find ways to mitigate it.

Systemic risk threatens the financial system. It is a risk which can cascade out from the financial system and impact the wider economy, as in the 2008 financial crisis.

Macro stewardship deals with risks that extend beyond individual companies i.e. market wide and systemic risks.

Reporting under this Principle provides an opportunity for signatories to explain how they have identified, monitored and mitigated market-wide and systemic risks to improve outcomes for clients and/or beneficiaries.

This could be by engaging with policymakers, regulators or standard setters, or with individual companies on their approach to these risks.

Although management of operational and portfolio risks is key to safeguarding client assets, it is not the focus of this Principle.

Identifying market-wide and systemic risks

25 Factors such as the geographic location of investments, asset class, investment strategy and the time horizon of investments may influence the risks that organisations identify.

Examples of market-wide risks include, but are not limited to, the following:

- Macroeconomic risk.
- Geopolitical risk.
- Environmental risk, including, but not limited to, climate change, water scarcity, biodiversity, deforestation and pollution.
- Social risk, including, but not limited to, human rights, modern slavery and income inequality.
- Governance risk.
- Technological risks, including artificial intelligence and cyber security.

26 Risks may also present investment opportunities both as a mitigation strategy, but also as new markets and technologies develop. Reporting on such opportunities is encouraged alongside reporting on risk.

Supporting a well-functioning financial system

27 Signatories may undertake various activities to support well-functioning financial markets. Some may engage directly with regulators, policymakers, NGOs, audit firms or trade associations, work with other stakeholders, or join relevant industry initiatives.

28 Signatories may wish to engage with companies or assets to assess their level of preparedness for market-wide risks identified. They may also seek to influence, for example, industry norms, reporting frameworks or regulatory standards. This may be done bilaterally or in collaboration with others. We encourage signatories to include examples where they have done so during the reporting period

29 Good quality reporting describes activities undertaken by the signatory, why they were chosen and how they aim to address risks in the long-term interests of clients and/or beneficiaries. Better reporting describes a signatory's contribution to an initiative, rather than only a list of initiatives joined. If a signatory has not undertaken such activities, they may wish to explain this.

Escalation

30 Escalation of an activity around market-wide and systemic risk may be appropriate. For example, where a signatory is not satisfied with how engagement in relation to a market-wide or systemic risk is progressing, they may choose to escalate their engagement by changing the medium of engagement or publicising their concerns. In the case of engagement with individual issuers, signatories may exercise votes against management.

31 Effective reporting gives examples of escalation, explaining why signatories have chosen to escalate an engagement, and how the escalation has progressed in the reporting period. Escalation takes time to achieve desired outcomes and may not be

completed within a single reporting period. Where this is the case, organisations are able to report on their activity to date, along with reflection on progress made and next steps.

Principle 3: Signatories engage to maintain or enhance the value of assets

Reporting prompts – supplementary guidance

This Principle applies primarily to those who invest directly. Those who invest through external managers but undertake direct engagement may also wish to report on this Principle. Signatories who do not undertake any direct engagement are not required to report against this Principle but may wish to include examples of engagement activities conducted on their behalf in their reporting under Principle 5 (see Principle 5 guidance).

Engagement can be an important stewardship tool for those managing equities, fixed income investments and real assets. Signatories undertake dialogue with issuers and other stakeholders to maintain and enhance the value of their assets, and disclosure against this Principle allows them to demonstrate how they have done so.

Engagement practices may vary by asset class, investment mandate and jurisdiction; signatories may wish to highlight these differences to ensure their reporting is proportionate and representative of their activities.

Having set out their general approach to engagement in their Policy and Context Disclosure, reporting against this Principle provides an opportunity for signatories to demonstrate the application of that policy for the reporting period.

Prioritisation

32 Signatories have finite resources to allocate to their engagement activities, so determining how to prioritise engagement on issues or with assets can be critical to success. Effective reporting helps readers to understand how and why signatories have prioritised the engagement they have undertaken during the reporting period.

Purpose of engagement

33 Signatories will undertake engagement for various reasons; while this may be to encourage change, a productive engagement does not need to be confrontational. It may also be a regularly scheduled meeting to exchange information or share opinions, or to discuss a specific issue.

34 For **listed equities**, investors might engage on topics such as capital allocation, shareholder returns, succession planning, external board evaluations, climate strategies, treatment of employees and board and company diversity. Regular engagement enables investors to build a trusted relationship with companies, offer advice and, where necessary, exert influence.

35 For asset classes such as **bonds** and **real estate**, engagement may be to agree terms of ownership. Fixed income investors may engage to assess the impact of issues they have identified on the credit risk of an issuer. Those investing in **sustainability-linked bonds** may engage to measure progress against certain targets. Those investing in **real estate** may engage with tenants or property managers. Investors in **private markets** may wish to describe their engagement with general partners, or, for co-investments, if they have had the opportunity to engage directly.

36 Effective reporting will cover the objective of an engagement. For example, when reporting on engagement to encourage change, a clear explanation of the aims of that engagement is helpful. If reporting on engagement to exchange information, signatories may wish to describe the perspectives and ideas they have shared and/or how information they have gathered has informed their stewardship and investment. This may also link to reporting under Principle 1. If reporting on engagement to agree terms of ownership, signatories may wish to explain the key aims of their negotiations. Signatories engaging on real assets or debt investments may find that their influence is greater prior to investment or at the issuance stage

Methods of engagement

37 Signatories' chosen methods of engagement may vary depending on their position in the investment chain, the nature of the issue, the asset classes in which they invest and their resources.

38 Effective reporting explains why signatories have selected a particular method of engagement, given their objectives and the resources available. The role of the person being engaged is important to the outcome of an engagement, and sharing this information can be helpful. Illustrating the different types of engagement used, and why, will add transparency to your reporting.

39 It may be useful for signatories to explain what they consider an 'engagement' to be. Engagements may consist of a range of interactions, such as written correspondence, phone or video calls, in-person meetings or site visits. Engagements may be characterised by the purpose or objectives of the interaction. Some may choose to engage bilaterally with issuers, others may opt for a collaborative engagement, or both

Collaboration

40 Collaborative engagement is an important tool that enables investors to share resources and leverage their collective influence.

41 If signatories have chosen to engage collaboratively, effective reporting explains the reason for joining a collaborative engagement, their role and contribution, and how the engagement supports their stewardship of assets. Listing initiatives joined, without an explanation of a signatory's role, contribution or progress achieved is unlikely to provide the valuable insights for the reader. For those investing in real assets, collaboration may be through a trade body.

Escalation

42 Signatories may decide to escalate their engagement if they are not satisfied with progress towards their objectives.

Escalation can take various forms. These include but are not limited to, the following:

- Writing to an investee company.
- Escalating the engagement to a senior member of the executive or board.
- Joining a collaborative engagement.
- Voting against proposals at shareholder meetings.
- Filing shareholder resolutions.
- Engaging with regulators and policymakers.
- Divestment.

43 Reporting may have some overlap with Principle 4 in relation to voting. Effective case studies about escalation activities clearly set out why escalation was necessary i.e. what actions had been taken but proved ineffective, the approach to escalation taken and the reasons for this.

Progress of engagements

44 If an engagement has concluded within the reporting period, signatories can report on the outcome. However, some engagements may extend over several reporting periods. Updating on ongoing engagements is encouraged and provides valuable insights into a signatory's stewardship approach. When doing this, it will be helpful to provide some context for the reader and explain any progress made during the reporting period, as well as any next steps planned.

45 Effective reporting allows a reader to understand the scope and breadth of a signatory's engagement activity. Statistics that quantitatively describe engagement methods over the reporting period can be helpful. However, they are not a substitute for qualitative reporting on engagements that enables the reader to understand the depth of a signatory's engagement approach.

What makes a useful case study?

46 Engagement case studies help to bring policies and procedures to life for the reader. They are an important part of reporting that allow signatories to tell their story. Effective case studies are detailed, providing the reader with a comprehensive understanding of the situation and the actions that were taken. They link back to signatories' priority issues and engagement strategies. Components of effective case studies include:

Topic	Things to consider
The issuer or stakeholder engaged	Who did you engage with? If you are unable to name the issuer, can you give some details about the asset class, or the industry to which they belong? For asset classes other than listed equity, what is that stakeholder's relevance to the underlying asset?
A summary of the issue(s)	What was the issue that led to the engagement? To what extent has this been influenced by your clients or beneficiaries? What was the implication for the value of the underlying asset? If the engagement began before the reporting period, what is the context?
Engagement objectives	What have you sought to accomplish through the engagement? Did you have any targets that you wanted the issuer to achieve? Did the objectives change during the engagement (especially for multiple-year engagements)?
Participants	Who instigated the engagement? Did you meet with board members or the chair, management, an investor relations team or any other parties? Did you engage bilaterally or did you collaborate with other stakeholders?

Topic	Things to consider
	Which teams or functions were involved from your organisation (For example, if your stewardship function is separate from your investment function, how did the two collaborate to contribute to and respond to this engagement?)
About collaborative engagement	Why was a collaborative strategy used? What was your role and contribution in the collaboration? What did the other participants do?
About escalation	Have you escalated engagements during the reporting period? Why was this deemed necessary? What form did escalation take?
Progress of the dialogue	Is this engagement ongoing or has it concluded? How have you measured progress? (We recommend keeping this information concise, for example a short summary of information from the engaged party)
Outcome of the engagement	What is your reflection on the progress you have made to date? Have you experienced any interim setbacks or successes during the engagement? Have you learned any lessons from it? Have any of the objectives been achieved? How has this engagement informed investment decisions (buy, sell, hold) regarding this asset? Has the engagement concluded or are there next steps planned?

Principle 4: Signatories actively exercise their rights and responsibilities

Reporting prompts – supplementary guidance

This Principle applies to those primarily managing their assets directly, or those who use external managers, but have retained voting rights. Signatories who do not manage assets directly and have not retained voting rights are not required to report against this Principle. Signatories may wish to include examples of how they have had oversight of managers' voting activities (see Principle 5 guidance).

Signatories' ability to fully exercise their rights and responsibilities differs by asset class and type of investors. We encourage signatories to be transparent on such limitations and provide balanced disclosure that is reflective of their asset class mix and approach during the reporting period.

47 Signatories exercise their rights and responsibilities in different ways depending on the asset classes in which they invest and may have different levels of influence in different parts of the investment cycle.

48 Signatories that hold **listed equity** assets use their voting rights to exercise their rights and responsibilities, and reporting against this Principle provides an opportunity for them to convey more about their voting activity from the reporting period. Signatories may wish to link their reporting to their voting policy as described in their Policy and Context Disclosure and to their engagement activity described in Principle 3.

49 Signatories that hold **fixed income and private debt** assets rarely exercise voting rights, except in times of financial distress. There may be occasions when they are asked to vote on a significant change to a debt instrument (for example if a covenant waiver is sought). However, generally their primary opportunity to exercise rights and responsibilities comes before the instruments are issued, when they may negotiate for certain provisions in transaction documents, provide feedback on issue structures or opine on terms such as sustainability-linked margin ratchets. Reporting could focus on examples from the period under review.

50 Signatories that hold **real estate** assets will also have a greater ability to exercise rights at the pre-investment stage. Reporting could give examples of how due diligence has been conducted prior to asset acquisition and, post-acquisition, how signatories have set and monitored any obligations on the tenants or agents regarding the operation of the property.

51 Signatories that hold investments in **private markets** exercise their rights through various means. Where they have direct equity investments, they may sit on the board of

the holding and have voting rights. In other cases, they may have advisory seats. If signatories are limited partners monitoring how their general partners are fulfilling the rights and responsibilities and alignment with fund strategy, they may wish to disclose this in reporting on Principle 5. In some cases, signatories may exercise their governance rights at limited partner advisory committees. Effective reporting could be on any of these areas and helps the reader to understand how signatories exercise their rights and responsibilities in these alternative asset classes.

52 Signatories that report on a principle-by-principle basis and have disclosed information on exercising their rights via engagement in non-equity assets against Principle 3, do not need to repeat it.

Listed equities

53 In describing the proportion of shares that were voted on in the reporting period, signatories may wish to explain the reasons why any shares were not voted. Typical constraints that might prevent voting include custodial arrangements or share blocking, and these may be reported on.

54 In describing rationale for voting decisions, organisations are encouraged to share examples of how voting decisions have been reached. These could be examples of how a policy has been considered and applied, or signatories may wish to illustrate where their vote has diverged from their policy and why. It may also be helpful to explain how you have used the research provided by your proxy advisor and what you did if they recommended a vote against management.

55 Signatories may wish to include case studies that offer more information about the issue that led to a specific vote, regardless of whether the vote was for or against a management proposal, successful or unsuccessful. Effective reporting can demonstrate how voting is integrated into the broader engagement strategy, linking to Principle 3 of the Code.

Effective voting case studies might include, but are not limited to, the following:

The company's name, sector and/or geographical region.

- Context about the resolution being voted on.
- Rationale for the signatory's voting decision, including whether it is related to or has been informed by prior engagement.
- Whether the resolution was approved or rejected.
- Whether the issuer responded to any concerns raised by the vote, noting any positive developments or areas that require further attention.

56 You may wish to use a standardised industry template to guide the format in which you report on summary voting information.

57 Voting on a resolution can serve as a critical component of a broader escalation strategy, particularly when voting against management or abstaining. Reporting may include an explanation of the circumstances surrounding the vote, such as whether signatories engaged with the issuer prior to the vote and any additional escalation measures that were undertaken.

58 Reporting on conflicts of interest may include, for example, voting on a resolution which relates to a client, or in any cases where there is a conflict of interest between equity and fixed income teams.

Principle 5: Signatories integrate stewardship considerations into their selection and oversight of external managers

Reporting prompts – supplementary guidance

This Principle applies to signatories who delegate asset management to external managers. This may include, but is not limited to, the following:

- A wealth manager investing through one or more third party asset managers.
- A fund of funds (FOF) manager.
- An LGPS fund investing through their pension pool partner and other external asset managers.
- A corporate pension scheme investing through external asset managers.
- A limited partner investing in private assets through a fund or funds.

The extent to which signatories can direct their external managers may vary depending on their business model and reporting that explains this is encouraged.

This Principle offers the opportunity for signatories that use external managers to outline how they have taken managers' stewardship capabilities into consideration in selecting who they appoint. Having appointed their managers, effective reporting also demonstrates how signatories have continued oversight to ensure that managers understand, implement and respond to the objectives set out for them.

Tendering process and mandates

59 The tendering process offers the opportunity to ensure alignment on stewardship priorities between the signatory and their chosen manager in the mandate design. For

instance, signatories may use the mandate to clearly state what their investment objectives are and how stewardship should support them, preferred methods of engagement, issues for escalation etc. Good quality reporting will offer insights into how this process has been applied in the reporting period.

Engagement with managers and monitoring

60 Reporting against this Principle offers signatories the opportunity to demonstrate how they have ensured managers clearly understand their expectations and have had diligent oversight of them on stewardship matters specifically. For example, signatories may wish to describe discussions they have held with their managers about the progress and effectiveness of engagements being undertaken on their behalf.

61 Signatories that invest through index products may wish to give examples of discussions they have had about their selection of indices either with their manager or their investment consultant. This may have overlap with Principles 1 or 6. Signatories that report principle-by-principle do not need to duplicate information.

Engagement case studies

62 Signatories may wish to include case studies of engagements undertaken on their behalf by their managers. Such case studies can add colour to stewardship reporting. However, copying a case study from a manager's report without context is unlikely to add much value for the reader. Better reporting links it to a signatory's stewardship approach and explains if they have discussed it with their manager and why they have chosen to report on it.

Escalation of engagement with managers

63 Occasionally signatories may find that their appointed managers fail to meet their expectations. In such cases, signatories may wish to indicate how they have held managers to account by sharing a brief description of the scenario, whether they have needed to escalate their engagement with the manager, and if so how. Quality reporting will indicate whether the issue has been resolved or is under ongoing review.

Principle 6: Signatories monitor and hold to account stewardship service providers

Reporting prompts – supplementary guidance

This Principle applies to all signatories.

Service providers can play an important role in the facilitation of stewardship for many investors. Their offerings to clients may include voting research, engagement programmes investment advice and data on ESG issues. This Principle provides an

opportunity for signatories to explain the service providers they have used and the quality of their services.

Oversight of proxy advisors

64 Reporting on monitoring and oversight of proxy advisors could explain the extent to which signatories have used the services of one or more proxy advisors, and how these services have contributed to their own stewardship process. This will help the reader to understand how information or recommendations from proxy advisors have contributed to the signatory's process for making voting decisions. Good reporting will also provide insight on how the quality and accuracy of proxy advisory services is monitored. This may include engagement following any inaccuracies and how quickly issues were resolved.

Oversight of investment consultants

65 Reporting on monitoring and oversight of investment consultants provides an opportunity for signatories to describe how the relationship with the consultant is managed and overseen, with examples demonstrating how they have worked with their consultants to ensure services are delivered in line with investment objectives and expectations of stewardship, which may include manager oversight. This may have overlap with Principle 5. Signatories that report principle-by principle do not need to duplicate information.

Oversight of engagement service providers

66 Reporting on monitoring and oversight of engagement service providers allows signatories to explain how they ensure that the engagements carried out on their behalf are aligned with their stewardship priorities.

Policy and Context Disclosure Guidance for Service Providers

In this section:

- [A. Describe your organisation and the services it provides](#)
- [B. Describe how your governance and resources enable delivery of those services](#)
- [C. Describe your stewardship policies and processes and how you review them](#)
- [D. Describe how you manage conflicts of interest to put the best interests of clients first](#)

A. Describe your organisation and the services it provides

Disclosure requirements – supplementary guidance

67 This disclosure gives reader an understanding of the nature of your business and who you serve, which provides context for how you support clients' stewardship.

68 You may wish to use data, charts or diagrams to illustrate the breakdown of your clients, such as what kind of organisations they are, and their geographic location. Any diagrams ought to be clearly titled, labelled, and legible, using terminology which is consistent with that used elsewhere in the report.

B. Describe how your governance and resources enable delivery of those services

Disclosure requirements – supplementary guidance

69 Stewardship Code signatories vary by size and the services they provide. Setting out the resources you have available to support clients' stewardship will provide valuable context for your Activities and Outcomes Report.

70 When giving information about your resourcing, individual biographical information is not necessary.

71 Information on the systems or technology used provides useful context for the Activities and Outcomes Report. Readers will be interested to learn about the extent to which AI has been used, and how it is governed.

Relevant technology may include, but is not limited to, the following:

- Whether AI tools have been deployed and how.
- In-house developed screening or analysis tools.
- Stewardship activity trackers.
- Specialist training programmes.

C. Describe your stewardship policies and processes and how you review them

Disclosure requirements – supplementary guidance

72 This Disclosure provides an opportunity to describe the policies and processes that underpin your services. Readers will be looking for consistency between the policies as described here and how they are put into practice in your Activities and Outcomes Report.

73 It is not necessary to include policies in full, but signatories may wish to link to them where policies are publicly available.

74 Signatories' explanation of how frequently they review their policies helps readers to understand how they remain up-to-date and reflect clients' requirements and/or regulatory changes.

Policies and processes may include, but are not limited to, the following:

- Client engagement.
- Engagement with other stakeholders.
- Cyber security policy and use of AI.

D. Describe how you manage conflicts of interest to put the best interests of clients first

Disclosure requirements – supplementary guidance

75 This disclosure allows signatories to explain how they have identified and mitigated conflicts of interest. Identifying such conflicts is important to ensure that services provided are undertaken in the best interests of clients

76 Including a firm-wide conflict of interest policy without any explanation of how this relates to stewardship services is unlikely to provide the quality of disclosure needed.

77 Signatories should disclose examples of their approach to identifying real or potential conflicts, and how they would be mitigated through appropriate channels.

78 The Activities and Outcomes Report is where signatories demonstrate in action the approach to conflicts as outlined in the P&C Disclosure.

Potential conflicts could include, but are not limited to, the following:

- Providing services to both investors and issuers on the same governance issues (for proxy advisors).
- Offering fiduciary management services as well as advice to clients (for investment consultants).

- Engaging on behalf of multiple clients with opposing views (for engagement service providers).

Activities and Outcomes Report Guidance for Service Providers

In this section:

- [Principle 1: Signatories communicate with clients to understand their objectives and deliver services to support their stewardship](#)
- [Principle 2: Proxy advisors ensure the quality and accuracy of their research, recommendations and voting implementation](#)
- [Principle 3: Investment consultants identify and respond to market-wide and systemic risks to promote a well-functioning financial system.](#)
- [Principle 4 Engagement Service Providers engage on behalf of their clients to maintain or enhance the value of assets](#)

Principle 1: Signatories communicate with clients to understand their objectives and deliver services to support their stewardship

Reporting prompts – supplementary guidance

This Principle applies to all Service Provider signatories. It focuses on how Service Providers engage clients to deliver to their individual needs.

In reporting on this Principle, Service Providers may wish to highlight how they engage with their clients beyond one-off requests to demonstrate more continuous interactions, both to inform services provided, as well as the client's knowledge.

Proxy advisors

79 Proxy advisors' clients will have different objectives, policies and priorities. Proxy advisors need to understand the approach of their clients to support their stewardship effectively.

80 Clients may use one or more standardised policies offered by their proxy advisor. They may also use proxy advisors to implement one or more customised policies on their behalf. Using examples from the reporting period, effective reporting provides insight on how proxy advisors have assisted their clients in developing and/or implementing voting policies.

Investment consultants

81 To demonstrate how their advice aligns with clients' specific stewardship priorities, investment consultants could provide examples of how they incorporate specific criteria into their manager recommendations and customise investment strategies based on clients' stewardship priorities.

82 They may wish to describe how they monitor managers' delivery against clients' expectations, including whether they have had occasion to escalate an issue with a manager on behalf of a client.

83 Investment consultant may provide expertise to support clients' understanding of key issues and actions they may take to address them, and/or voting and engagement policies. Reporting on such examples is encouraged to demonstrate how clients' stewardship has been supported.

Engagement service providers

84 Through regular discussion with clients' engagement service providers can understand the key issues of interest to clients, as well as their views on the purpose of engagements undertaken on their behalf, and preferred approach to escalation and collaboration. To demonstrate this, signatories could provide examples of how they have engaged clients through the reporting period and incorporated their feedback into their approach to engagement.

85 Engagement with clients also provides proxy advisors, investment consultants and engagement service providers with an opportunity to keep them informed on emerging trends and issues related to their clients' stewardship priorities. Signatories may wish to demonstrate how they have shared their expertise to support clients' stewardship.

Principle 2: Proxy advisors ensure the quality and accuracy of their research, recommendations and voting implementation

Reporting prompts – supplementary guidance

This Principle applies to Proxy Advisor signatories only. It focuses on how Proxy Advisors engage with the market to develop and deliver the provision of their

services.

This Principle provides an opportunity for proxy advisors to demonstrate how the quality and accuracy of their services have been prioritised, and how they ensure their research and recommendations meet this standard. Investors' ability to conduct effective, well-informed stewardship relies on the quality and accuracy of the services provided.

Benchmark voting policies

86 Some clients may wish to use proxy advisors' benchmark voting policies. Effective reporting gives examples which show how these policies have been developed. This could be through surveys, meetings with clients and market trends. It is not necessary to report on the content of bespoke policies related to individual clients.

Quality of research and stakeholder engagement

87 Proxy advisors research draws upon publicly available company disclosures including annual reports, meeting notices, and financial statements. Research may also take broader market context and dynamics into account, for example, on market-wide risks. Effective reporting demonstrates the measures signatories have put in place to ensure that the research they produce and distribute is accurate and timely and gives examples of how these processes have been applied.

88 Using examples from the reporting period, proxy advisors may wish to include any examples where they have engaged with stakeholders to improve the accuracy of their research. This may include providing opportunities for companies to review and discuss their recommendations and/or responding to requests to amend their research. It may also be helpful to report when an amendment has been requested but there has been no resulting change.

Principle 3: Investment consultants identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Reporting prompts – supplementary guidance

This Principle applies to Investment Consultant signatories only.

While company-specific risk is a primary concern for investors, effective stewardship also considers market-wide and systemic risks. Such risks impact the entire financial market and economy, affecting all sectors and assets

simultaneously. Unlike company-specific risks which can be mitigated by diversification, market-wide and systemic risks require more comprehensive strategies.

Reporting under this principle provides an opportunity for investment consultants to explain how they have identified market-wide and systemic risks and integrated them into the advice and services they deliver to clients.

Identifying the market-wide and systemic risks and incorporating them into advice

89 Different types of market wide and systemic risks will impact clients differently, depending on factors such as the geographic location of investments, asset classes, and investment time horizons. Investment Consultants may wish to report on how they use their expertise to help clients understand and prioritise these risks.

Examples of market-wide and systemic threats include, but are not limited to:

- Macroeconomic risk.
- Geopolitical risk.
- Environmental risk, including, but not limited to, climate change, water scarcity, biodiversity, deforestation and pollution.
- Social risk, including, but not limited to, human rights, modern slavery and income inequality.
- Governance risk.
- Technological risks, including artificial intelligence and cyber security.

90 Risks may also present investment opportunities for signatories' clients, both as a mitigation strategy, but also as new markets and technologies develop. Reporting on these discussions with clients is encouraged alongside reporting on risk.

91 Using examples from the reporting period, investment consultants may wish to demonstrate how they have integrated the consideration of market wide and systemic risks in advice to clients. For example, because climate change will impact client portfolios, consultants may advise on how their assets can support decarbonisation targets.

92 There is opportunity here to link to Principle 1 where communication with clients includes reference to market-wide and systemic risks.

Supporting well-functioning financial markets

93 Signatories may undertake various activities to support well-functioning financial markets. Some may engage directly with regulators, policymakers, work with other stakeholders, or join relevant industry initiatives. Good quality reporting describes a signatory's activities and their contribution. If a signatory has not undertaken such activities, they may wish to explain this.

Principle 4 Engagement Service Providers engage on behalf of their clients to maintain or enhance the value of assets

Reporting prompts – supplementary guidance

This Principle applies to engagement service provider signatories only.

Signatories undertake dialogue with issuers and other stakeholders to maintain and enhance the value of clients' assets, and disclosure against this Principle allows them to demonstrate how they have done so.

Having set out their general approach to engagement in their Policy and Context Disclosure, reporting against this Principle provides an opportunity for signatories to demonstrate the application of that policy for the reporting period.

Prioritisation

94 Effective reporting helps readers to understand how and why signatories have prioritised the engagement they have undertaken on clients' behalf during the reporting period.

Purpose of engagement

95 Signatories will undertake engagement for various reasons as directed by their clients; this may be with to encourage change, it may also be to gather information.

96 For listed equities, service providers might engage on topics such as capital allocation, shareholder returns, succession planning, external board evaluations, climate strategies, treatment of employees and board and company diversity. Regular engagement enables engagement service providers to exert influence where necessary.

97 Effective reporting will cover the objective of an engagement. For example, when reporting on engagement to encourage change, a clear explanation of the aims of that engagement is helpful. If reporting on engagement to exchange information, signatories

may wish to describe how information they have gathered has informed their stewardship and investment on behalf of clients. This may also link to reporting under Principle 1.

Methods of engagement

98 Engagements may consist of a range of interactions, such as written correspondence, phone or video calls, in-person meetings or site visits. Some may choose to engage directly with issuers, others may opt for a collaborative engagement, or both as best suited to deliver to client's expectations.

99 Effective reporting includes examples of how this has been undertaken during the reporting period.

Collaboration

100 Collaborative engagement is an important tool that enables investors to share resources and leverage their collective influence. It can be particularly helpful when engaging on market wide and systemic risks to promote a well-functioning financial system.

101 If service providers have engaged collaboratively with others, effective reporting will explain the purpose behind joining a collaborative engagement, their role and contribution, and how the engagement supports their client's stewardship. Listing initiatives joined, without an explanation of a signatory's role, contribution or progress achieved is unlikely to provide the quality of disclosure needed to be valuable for the reader.

Escalation

102 Clients may ask service providers to escalate their engagement if they are not satisfied with progress towards their objectives. Escalation can take various forms. These include writing to an investee company, joining a collaborative engagement, voting against proposals at shareholder meetings, filing shareholder resolutions, engaging with regulators and policymakers, and divestment. Effective case studies for escalation clearly set out the approach taken and the reasons for this.

Progress of engagements

103 If an engagement has concluded within the reporting period, signatories can report on the outcome. However, some engagements may extend over several reporting periods. Updating on ongoing engagements is encouraged. When doing this, it will be helpful to provide some context for the reader and explain any progress made during the reporting period, as well as any next steps planned.

104 Effective reporting allows a reader to understand the scope and breadth of a signatory's engagement activity. Statistics that quantitatively describe engagement methods over the reporting period can be helpful. However, they are not a substitute for

qualitative reporting on engagements that enables the reader to understand the depth of a signatory's engagement approach.

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