

Plus Ça Change, Plus c'est la Même Chose – Preliminary Reflections on the UK Stewardship Code 2026.

Dr Rafael Savva – Lancaster University Law School, Pentland Centre for Sustainability in Business.

Abstract

The Article offers preliminary reflections on the UK Stewardship Code 2026 as it relates to institutional investors' compliance with it. It argues that, while this iteration of the Code provides some important clarifications regarding the purpose of investor stewardship and introduces substantive changes to the Code's principles and reporting requirements, its overall contribution to the UK's regulatory framework for investor stewardship may remain limited. There are still pressing issues left unaddressed, which can undermine the framework's capacity to promote the adoption of practices consistent with the ethos of investor stewardship. Chief among these are several normative elements of investor stewardship's purpose and the framework's ability to ensure institutional investors uphold its principles, including those contained in the Code.

Introduction

The concept of investor stewardship in the UK, along with its regulatory framework, has undergone significant evolution since its advent. Initially centred on institutional investors' undertaking of more responsible engagement practices as shareholders,¹ investor stewardship now encourages the 'responsible allocation, management, and oversight of capital' across diverse investment and investment management contexts.² The range of issues that investor stewardship calls upon institutional investors to address has simultaneously expanded. It includes advancing the interests of institutional investors' clients and beneficiaries, promoting corporate long-termism, and considering material environmental, social, and broader economic issues (collectively ESG matters).³ And despite being initially grounded in soft law, most notably the first iteration of the UK Stewardship Code, the regulatory framework for investor stewardship has become more multifaceted, comprising soft law and hard law regimes.⁴

¹ This is at least the impression the first two iterations of the UK Stewardship Code provided. See Financial Reporting Council (FRC), 'The UK Stewardship Code' (July 2010); and FRC, 'The UK Stewardship Code' (September 2012) (2012 Code). Note, however, that references to reporting on engagement practices undertaken in the context of other investments were made early on. See, 2012 Code, 3.

² FRC, 'The UK Stewardship Code 2020' (October 2019) (2020 Code), 4.

³ FRC, Financial Conduct Authority (FCA), 'Building a Regulatory Framework for Effective Stewardship – Discussion Paper DP19/1' (January 2019), 11-15.

⁴ Examples of hard law regimes can be found in the laws which transposed the Second Shareholder Rights Directive, particularly the Articles of the Directive which concerned the treatment and governance of institutional investors' engagement practices. See FCA, Conduct of Business Sourcebook, Rule 2.2B.1R – 2.2B.10R; FCA, Senior Management Arrangements, Systems and Controls Sourcebook, Rules 3.4.1R – 3.4.10R; The Occupational Pension Schemes (Investment) Regulations 2005 (SI 2005/378), Regulation 2.3(c); and The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734), Sch 3 paragraph 30(ca)(i) and (ii).

This evolution arguably reflects regulators' efforts to keep pace with developments in the practice of investment management and corporate governance, as well as with the shifting mandates and priorities shaping both the investment management industry and regulators. But as commendable as the effort may be, critical issues remain. Both investor stewardship and the framework for it have arguably helped to 'normify' engagement practices and other forms of investment management conduct, such as integrating the contemplation and action on ESG matters into investment decision-making.⁵ Yet the overarching purpose of investor stewardship remains imprecise. It is unclear whether investor stewardship encourages the adoption of said practices insofar as they advance the interests of institutional investors' clients and beneficiaries – arguably the primary beneficiaries of such activity – or whether it aspires to establish their adoption as a standard of conduct to be met while meeting those interests or otherwise. Further questions arise as to whether the regulatory framework for investor stewardship articulates the principles guiding institutional investors' exercise of investor stewardship with sufficient granularity, and whether its reliance on a 'market for stewardship' to enforce them can lead to meaningful compliance.⁶

Against this backdrop, the present Article offers some preliminary reflections on the most recent iteration of the UK Stewardship Code, the 'UK Stewardship Code 2026', focusing on its redefinition of investor stewardship and the substantive and procedural changes it brings to the Code as it applies to institutional investors.⁷ For ease of reference, the Article refers to successive iterations of the UK Stewardship Code by year, following the Financial Reporting Council's (FRC) convention of renaming the UK Stewardship Code after each revision. Accordingly, the UK Stewardship Code 2026 is referred to as the '2026 Code', while its predecessor is referred to as the '2020 Code'. This terminology does not imply that each iteration is a distinct instrument. Rather, it acknowledges that the UK Stewardship Code, maintained and updated by the FRC, has undergone successive revisions resulting in new iterations. References to the UK Stewardship Code as a perennial instrument throughout the Article will be made either by giving its full name or by simply referring to it as 'the Code'.

The Definition and Purpose of Investor Stewardship

If taken as indicative of how the purpose of investor stewardship should be understood, and as instrumental to its normative development, the definition of investor stewardship and the principles contained in the 2020 Code added several nuances to it.⁸ Most notably, the definition and principles broadened the purpose of investor stewardship vis-à-vis what it means to 'exercise' investor stewardship to encompass the responsible

⁵ Iris H-Y Chiu, 'The Evolution of 'Engagement' as a Norm in Investment Stewardship in the UK and the Impact of Sustainability Demands' in Iris H-Y Chiu, Hans-Christoph Hirt (eds) *Investment Management, Stewardship and Sustainability: Transformation and Challenges in Law and Regulation* (Bloomsbury Publishing, 2023), 100-101, 115-118.

⁶ See on this, Dionysia Katelouzou, Eva Micheler, 'The Market for Stewardship and the Role of the Government' in Dionysia Katelouzou, Dan Puchniak (eds) *Global Shareholder Stewardship* (CUP, 2022).

⁷ FRC, 'The UK Stewardship Code 2026' (June 2025) (2026 Code).

⁸ The FRC and FCA stated that the UK Stewardship Code is supposed to set the high-level standards for investor stewardship, see FRC, FCA (n. 3), 3-5. Arguably, this may include setting the tone for what the purpose of investor stewardship should be understood as.

allocation, management, and oversight of capital.⁹ Under this formulation, exercising investor stewardship was not confined to engaging with companies in which institutional investors hold equity to promote their long-term success, whether directly or indirectly. Investor stewardship was deemed capable of concerning itself with companies in which institutional investors have invested through other securities,¹⁰ and manifesting through engagement with companies, policymakers, and other stakeholders, or other forms of investment management conduct, such as prudent risk management and monitoring service providers and external asset managers.¹¹ It could also address issues concerning specific companies, service providers, or asset managers, as well as sector-wide or systemic matters affecting institutional investors' investments or interests, including ESG matters.¹²

A further nuance concerned the ultimate objective and desired outcomes of investor stewardship. The definition of investor stewardship in the 2020 Code framed the objective as aiming to 'create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'.¹³ The principles in the 2020 Code echoed the objective within their respective context. They referred to promoting clients' and beneficiaries' interests,¹⁴ monitoring investee companies' governance,¹⁵ and taking into account market-wide and systemic risks, including ESG matters.¹⁶

The emphasis on creating long-term value for clients and beneficiaries reflected the FRC's decision to reframe the definition originally proposed in its consultation to revise the 2012 Code, as well as in its joint consultation with the Financial Conduct Authority (FCA) on the regulatory framework for investor stewardship.¹⁷ The proposed definition comprehended investor stewardship as aiming to 'create sustainable value for beneficiaries, the economy and society'.¹⁸ The reception for it was rather mixed. Several respondents cautioned against giving equal weight to the interests of clients and beneficiaries, the wider economy, and society in the definition, for it would legitimise practices conflicting with institutional investors' duties to clients and beneficiaries. Others saw no such conflict. Pursuing investor stewardship objectives and outcomes of broader economic and social character was appreciated as compatible with upholding said duties and creating returns to clients and beneficiaries.¹⁹

⁹ 2020 Code, 4.

¹⁰ See on this Suren Gomtsian, 'Debtholder Stewardship' (2023) 86(2) *Modern Law Review* 395.

¹¹ Dionysia Katelouzou, 'The Purpose of Investor Stewardship' (2025) 55 *Victoria University of Wellington Law Review* 465, 472-473.

¹² *ibid*

¹³ SC 2020, 4.

¹⁴ See *ibid*, Principle 1, Principle 3, and Principle 6

¹⁵ See *ibid*, Principle 9, Principle 10, Principle 11, and Principle 12

¹⁶ See *ibid*, Principle 4, and Principle 7.

¹⁷ FRC, FCA (n. 3), 11; and FRC, 'Consulting on a Revised UK Stewardship Code' (March 2019), 10.

¹⁸ *ibid*.

¹⁹ See FRC, FCA, 'Building a Regulatory Framework for Effective Stewardship – Feedback to DP19/1 – Feedback Statement FS19/7' (October 2019), 11.

The FRC provided limited guidance on what it meant to create long-term value for clients and beneficiaries, leading to the benefits stated, and what it should entail to achieve it. The only substantial insight on the matter appears in the feedback statement to its joint consultation with the FCA. There, both regulators acknowledged the potential of investor stewardship in generating benefits of a broader socio-economic and environmental character. Yet they regarded such a function as an indirect outcome of pursuing sustainable returns for clients and beneficiaries.²⁰ Investor stewardship, in their view, was exercised effectively when doing so was integral to creating value for clients and beneficiaries (presumably in the latter sense). This, the regulators stated, did not preclude institutional investors from pursuing outcomes and objectives broader than creating value for clients and beneficiaries if they were consistent with it. And given the consultation feedback received, they appreciated that institutional investors were already taking these into account.²¹

If the foregoing is taken to be a snapshot of how to understand its objective and desired outcomes from its definition in the 2020 Code – and thus as reflective of its purpose – investor stewardship should aim to create long-term value for clients and beneficiaries, translating into returns for them, which may, as a byproduct, yield the wider benefits mentioned. Yet as simple as this directive may appear, several ambiguities surround it.

First, the explicit attention the definition gives to clients and beneficiaries confirms that investor stewardship cannot be exercised in contravention of furthering their interests as per the duties institutional investors owe to them. After all, the whole architecture of the framework regulating institutional investors' investment management, and hence investor stewardship, rests on these duties. However, the definition treats clients' and beneficiaries' interests as homogenous and capable of being satisfied through pursuing long-term value creation. Clients and beneficiaries may hold diverse views on key business matters, which may or may not be reflected in expectations raised by entrusting their assets to institutional investors.²² They may also have different investment objectives, investment horizons and tolerance to risk – even within similar groupings – that may or may not align with imperatives to pursue long-term value creation through investor stewardship.²³ Pension fund beneficiaries who are about to retire, for example, may be more inclined to secure their steady stream of pension returns and annuities at present. This may mean preferring pension funds to invest in or support any business practices that achieve the latter, even if it proves detrimental to value creation for younger beneficiaries, whose interests may be, by default, more long-term in terms of maturation.

Second, simply directing investor stewardship practices to create long-term value for clients and beneficiaries does not illuminate the exact nature of long-term value and the basis for assessing its true creation, even when asked to translate it into returns for

²⁰ *ibid*, 12–13.

²¹ *ibid*.

²² The cyclicity of market demand may potentially diminish the prospect of matching clients' and beneficiaries' interests with specific practices as well. See Dirk A. Zetsche, Linn Anker-Sørensen, 'Regulating Sustainable Finance in the Dark' (2022) 23 *European Business Organisation Law Review* 47, 65.

²³ Paul Davies, 'The UK Stewardship Code 2010–2020 From Saving the Company to Saving the Planet?' in Dionysia Katelouzou, Dan Puchniak (eds) *Global Shareholder Stewardship* (CUP, 2022), 61.

clients and beneficiaries. Long-term value creation may be synonymous with prioritising returns-making in absolute terms. Long-term value creation may also entail pursuing positive outcomes beyond benefiting clients and beneficiaries financially to stabilise the flow of returns or uphold values cherished by clients and beneficiaries, even at the expense of some returns. Absent a shared understanding of what long-term value creation means, divergent interpretations were bound to emerge. Empirical research shows that this resulted in institutional investors using these interpretations interchangeably to mean different things, making it difficult to discern the exact direction institutional investors' stewardship practices were taking.²⁴

Third, it was uncertain whether investor stewardship should translate into undertaking certain practices to create long-term value despite its broader impact, or whether such practices should be used to contemplate and act on wider systemic issues either in the course of creating said value or as interlinked goals.²⁵ The phrase 'leading to sustainable benefits for the economy, the environment and society' gave the impression that the latter view was correct.²⁶ However, if it were true, this view seemed to regard investor stewardship as capable of simultaneously creating long-term value for clients and beneficiaries as well as having a positive impact on a broader scale. Few would disagree about the likelihood of the latter happening. However, the assumption overlooks the potential trade-offs between value creation and achieving broader impact that institutional investors typically face when exercising investor stewardship.²⁷ With limited guidance on how to navigate such trade-offs, any investor stewardship practice prioritising value creation over wider impact or vice versa risked being perceived as falling outside the definition of investor stewardship found in the 2020 Code, even if they would be instrumental to the success of ventures and practices aligned with them.

Fourth, and related to the foregoing two points, it was unclear to what extent the definition corresponded with the greater legal architecture governing institutional investors' practices. A Law Commission report in 2014 on pension funds' fiduciary duties, which was broadly endorsed by the FCA and other regulators, found contemplating and acting on ESG matters to be justiciable and justifiable when they are, on broad economic grounds, financially material to furthering their purpose and the performance of investments made or about to be made.²⁸ Consideration of non-financially material ESG matters was also seen to be permissible, but only when there is a good reason to think beneficiaries would share the trustee's convictions or when there will not be a risk of significant financial detriment unless expressly articulated in the trust deed or explicitly

²⁴ Rafael Savva, 'Charting the Contours of Investor Stewardship's Expectations Gap' (Working Paper).

²⁵ This is a question that perennially perplexed scholars. See, in the context of earlier iterations of the UK Stewardship Code, Dionysia Katelouzou, 'Shareholder Stewardship: A Case of (Re)Embedding Institutional Investors and the Corporation?' in Beate Sjåfjell, Christopher M. Bruner (eds) *The Cambridge Handbook of Corporate Law, Corporate Governance and Sustainability* (CUP, 2019).

²⁶ Dionysia Katelouzou, Alice Klettner, 'Sustainable Finance and Stewardship: Unlocking Stewardship's Sustainability Potential' in Dionysia Katelouzou, Dan Puchniak (eds) *Global Shareholder Stewardship* (CUP, 2022), 561.

²⁷ See on this, in the context of fixed income investments, Gomtsian (n. 10).

²⁸ Law Commission, 'Fiduciary Duties of Investment Intermediaries' (Law Com No.350, 2014), 111-114.

consented to by beneficiaries.²⁹ The definition on its face aligns with the orthodoxy developed by the Law Commission's report. Nonetheless, it does not elucidate how far institutional investors must go to balance financially material and non-financially material considerations and outcomes when exercising investor stewardship.

It is unsurprising, therefore, that respondents to the consultation on revising the 2020 Code broadly welcomed the FRC's intention to revisit the definition for investor stewardship found therein.³⁰ In the consultation statements on revising the 2020 Code, the FRC noted that, while some institutional investors interpreted the definition as pursuing wider objectives and outcomes in and of themselves, or as part of creating long-term value, the determination of investment objectives remains the prerogative of institutional investors.³¹ References to sustainable benefits, the FRC clarified, were intended to emphasise the role institutional investors can play in addressing the issues deemed material to meeting said investment objectives without losing sight of giving due regard to wider considerations, such as sustainable development.³²

On the strength of its consultation, the FRC revised the definition of investor stewardship – now included in the 2026 Code – reading as the 'responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries'.³³ The 2026 Code, in its introduction, explicitly frames investor stewardship as a means to support institutional investors in making well-informed investment decisions, delivering returns to clients and beneficiaries in the present and the future. This requires, it is stated, contemplating and acting upon risks and opportunities related to achieving the latter objective, while taking into account issues connected with the wider economy, the environment, and society on which clients and beneficiaries depend.³⁴

The revised definition clarifies several aspects of how the purpose of investor stewardship should be conceived. It affirms that exercising investor stewardship can be multifaceted, touching on issues beyond those specific to investee companies. This may be seen as acknowledging the limitations of a soft law stewardship code in enforcing a uniform mode of investment management centred on undertaking company-specific engagement practices as envisaged in earlier years.³⁵ Institutional investors' governance structures, investment strategies, proximity to investee companies, and ability to engage with them will determine the frequency, mode, and content of such engagement practices. Expanding what qualifies as exercising investor stewardship may be a pragmatic response to institutional investors' varied capabilities to undertake

²⁹ Ibid. Some examples were raised by the Law Commission in relation to the matter. They included 'decisions aimed at improving beneficiaries' 'quality of life', 'decisions aimed at showing disapproval of unethical conduct', and 'decisions aimed at improving the UK economy'.

³⁰ FRC, 'Feedback Statement – UK Stewardship Code 2026' (June 2025), 6-7.

³¹ FRC, 'UK Stewardship Code Consultation' (November 2024), 5-6.

³² Ibid.

³³ 2026 Code, 5.

³⁴ Ibid.

³⁵ Bobby V. Reddy, 'The Emperor's New Code? Time to Re-Evaluate the Nature of Stewardship Engagement Under the UK's Stewardship Code (2021) 84(4) Modern Law Review 842, 870-873.

meaningful practices within their competence and control. It can equip the market for stewardship – the main mechanism poised to enforce the standards set by the regulatory framework for investor stewardship – with the means to determine if the standard of institutional investors’ stewardship practice is appropriate and provide corrective measures.³⁶ Whether it will suffice, however, is an empirical question to be answered in time.

What the revised definition also reinforces is considering clients and beneficiaries as the ultimate beneficiaries of investor stewardship, with long-term sustainable value creation for them serving as the objective to pursue.³⁷ Both the definition and principles imply that broader objectives and outcomes should be treated as relevant inputs into the process of creating said value, rather than ends in themselves. This recognises that most institutional investors, in the current operative and legal environment in which they operate, will primarily seek positive financial returns in line with their clients’ and beneficiaries’ objectives and the duties they owe to them, which may, but need not necessarily, produce broader positive outcomes of any character.³⁸ Of course, such a statement can be untrue if clients and beneficiaries specifically request the generation of such benefits from investment action, or if the fund where their assets are invested is dedicated to a specific cause.

Nonetheless, as important as these clarifications are, several aspects of the issues mentioned above persist. The definition provided for investor stewardship in the 2026 Code continues to treat clients’ and beneficiaries’ preferences and interests as homogeneous and aligned with pursuing long-term value creation, ignoring their heterogeneity. There is still no recognition or a means of articulating a definition that operationalises the plurality of clients’ and beneficiaries’ interests, which may risk flattening them into singular imperatives regardless of whether clients and beneficiaries prefer such an outcome.

The reference to creating long-term value also remains imprecise. It remains unclear whether the term denotes an objective and a set of outcomes broader in nature than generating returns in the absolute sense of the term, whether it should be interpreted as synonymous with it, or both, depending on the investment objectives pursued. The insertion of ‘sustainable’ in the term compounds the ambiguity. Does long-term sustainable value creation refer to creating long-term value translating to returns on a sustainable basis, or to creating said value in alignment with promoting causes like sustainable development? The FRC’s statements on the issue in its consultation to revise the 2020 Code may lead one to provide an answer to the question along the lines of the former.³⁹ However, there is scope for the latter to be a good answer.

In the absence of guidance, institutional investors may default to interpreting the purpose of investor stewardship, as expressed through the definition, as adopting practices addressing broader objectives and outcomes whenever they yield better financial

³⁶ But See, Katelouzou, Micheler (n. 6).

³⁷ This is a point echoing Davies’ reasoning on the matter in the context of 2020 Code. See Davies (n. 23).

³⁸ *ibid.*

³⁹ FRC, ‘Feedback Statement’ (n. 30), 6-7; FRC, ‘UK Stewardship Code Consultation’ (n. 31), 5-6.

returns. Such an outcome should not be regarded as inherently negative; it is an empirical question as to whether it is. However, it may allow negative externalities – from governance inefficiencies to wider socio-economic or environmental issues, such as combating modern slavery across supply chains – to remain untreated or be complicit in producing them through conduct which promotes weakening the contemplation and action on specific issues across a range of contexts, including investee companies.

A further concern lies in interpretive granularity. The definition of investor stewardship in the 2026 Code leaves ample room for practices undertaken to create financial returns alone to be legitimised, while narrowing down the interpretation of investor stewardship's purpose to this end alone. This risks de-legitimising practices that prioritise broader objectives and outcomes at some cost to financial returns, even when they align with clients' and beneficiaries' financial and non-financial interests.

There is no doubt that regulators do not intend such a thing to happen. After all, the FRC went at some length to ensure the revised Code aligns with regulatory developments in the UK and abroad, and to confirm the legitimacy of such investment objectives.⁴⁰ Yet the fact of the matter remains that the phraseology used for the definition of investor stewardship in the 2026 Code can lead to the de-legitimation just referred to. Perhaps it would have been of better benefit and utility if the definition in the 2026 Code had distinguished among the different ways investor stewardship would be pursued and clarified that long-term sustainable value creation need not be synonymous with solely creating financial value.

The 2026 Code's Principles and Reporting Requirements

Revisiting the definition of investor stewardship was not the only goal of revising the 2020 Code; the FRC also sought to address its substantive and procedural shortcomings. The information disclosed regarding signatories' application of the 2020 Code's principles varied in quality and depth, for some principles attracted relatively detailed reporting compared to others.⁴¹ The contextual information required to understand how some of the principles were applied, alongside the information about governance arrangements, was also noted as being repetitive, with little variation from year to year.⁴² And although the reporting expectations accompanying each principle did not prescribe how or what investor stewardship practices to undertake and disclose accordingly, the FRC was concerned with the implication to institutional investors that their reporting and actions should follow a specific formula. This was deemed to encourage treating reporting as a box-ticking exercise, rather than a reflexive account of the approach taken to exercise investor stewardship.⁴³

With these in mind, the FRC, through the 2026 Code, refined and streamlined the Code's principles and its reporting process. The 2026 Code introduces a new, bifurcated reporting structure. The first element of reporting – the 'Activities and Outcomes Report'

⁴⁰ FRC, 'UK Stewardship Code Consultation' (n. 31), 4.

⁴¹ *ibid*, 11–12.

⁴² *ibid*, 7.

⁴³ *ibid*, 9.

– must be submitted annually and should demonstrate how institutional investors applied the principles designated for reporting under it.⁴⁴ The principles are concerned with, inter alia, institutional investors’ integration of investor stewardship and investment to deliver long-term value in their investment management;⁴⁵ the promotion of well-functioning markets;⁴⁶ engagement practices, including the exercise of rights and responsibilities;⁴⁷ and oversight of external asset managers and service providers.⁴⁸ There is no obligation to report against the principles by disclosing practices undertaken on a fund-by-fund basis or for each investment strategy. Yet, the information disclosed should indicate the nature, reach, and effect of said practices, and demonstrate how they vary across funds and asset classes in proportion to the scale and organisation of institutional investors’ operations.⁴⁹

The second element of reporting – the ‘Policy and Context Disclosure’ – should provide the information necessary to understand institutional investors’ organisation and provide the context needed to appraise the Activities and Outcomes Report.⁵⁰ Divided into five thematic ‘Disclosures’, the information required to be disclosed therein is similar to what was required to report against the 2020 Code’s principles regarding institutional investors’ purpose, governance, and resourcing. The Policy and Context Disclosure must be submitted every four years or sooner if there are extensive changes to the organisation of institutional investors of such a scale which the information already disclosed is no longer consistent with the Activities and Outcomes Report.⁵¹

The principles and Disclosures found in the 2026 Code broadly reflect the principles found in the 2020 Code, albeit with changes in emphasis and specificity of the information required to be disclosed. One of the most notable changes concerns collaboration and escalation. Reporting on collaboration is now part of Principle 3 of the 2026 Code, which concerns engagement practices. The decision to bring collaboration under Principle 3 was taken based on the FRC’s acknowledgement that not every institutional investor would have the opportunity to engage in collaborative projects or actions in every reporting period.⁵² Embedding it within a single principle of engagement, the FRC submitted, would allow collaboration to occur when and where appropriate without the pressure to report on it, thus reducing the likelihood of perfunctory reporting.⁵³ Recognising that it may arise in contexts beyond engagement practices and the imprudence of pursuing it or advocating for its pursuit as an end in itself, escalation is no longer a standalone principle. Instead, the 2026 Code refers to disclosing how institutional investors may have used escalation as a practice when reporting against Principle 3, Principle 2 (promoting well-functioning markets), Principle 4 (exercising

⁴⁴ 2026 Code, 7.

⁴⁵ *ibid*, Principle 1.

⁴⁶ *ibid*, Principle 2.

⁴⁷ *ibid*, Principle 3, and Principle 4.

⁴⁸ *ibid*, Principle 5, and Principle 6.

⁴⁹ *ibid*, 7.

⁵⁰ *ibid*.

⁵¹ *ibid*.

⁵² FRC, ‘UK Stewardship Code Consultation’ (n. 31), 12.

⁵³ FRC, ‘Feedback Statement’ (n. 30), 10.

rights and responsibilities), and Principle 5 (selection and oversight of external managers).⁵⁴

Reporting expectations have also been revised. The 2026 Code introduces discrete disclosure requirements directing the information to be disclosed for each Disclosure, while the principles are accompanied by ‘how to report’ prompts, signalling the type of information expected to be reported.⁵⁵ Separate guidance on the FRC’s website offers further non-prescriptive suggestions for disclosing information under the Disclosures and for demonstrating the application of the principles. The guidance is not intended to impose additional reporting requirements, but to help report an accurate account of institutional investors’ approach to investor stewardship.⁵⁶

Acknowledging institutional investors’ position at different levels of investment intermediation chains, as well as differing rights, responsibilities, and capacity to influence investee companies or other stakeholders, the FRC further prescribed differentiated approaches to reporting against the principles in the 2026 Code. According to the guidance provided on the FRC’s website, all institutional investors are required to report on their application of Principles 1 (integrating stewardship and investment), 2 and 6. Those managing assets directly must also report on their application of Principles 3 and 4, yet they are not required to report on Principle 5. If institutional investors use external managers, they must report on the application of Principle 5 but not Principles 3 and 4. However, they are encouraged to do so if they use external managers and engage with investee companies and other issuers, or participate in voting. Where an institutional investor uses an external asset manager and retains voting rights, they should report on Principle 4.⁵⁷

The novel reporting structure introduced may enable stakeholders and participants in the market for stewardship to assess and channel preferences about the standard of conduct desired for investor stewardship more effectively. Reporting against the 2020 Code has notably increased in size and scale, making it often inaccessible. Empirical research conducted by the author also indicates variations in the quality of reporting and depth of information. There were difficulties in discerning, for example, when the policies adopted around investor stewardship have been applied in practice, or what their outcomes have been.⁵⁸ By splitting reporting into two segments, there may be an improvement in the quality of information disclosed, facilitating comparability between institutional investors’ practices and across reporting periods for each institutional investor. Information about policies, for example, may be differentiated from actual investor stewardship practices undertaken and their outcomes, giving potentially the room needed to expand on the latter two.

⁵⁴ 2026 Code, Principle 2, Principle 4, Principle 5.

⁵⁵ *ibid*, 7 – 8.

⁵⁶ *ibid*.

⁵⁷ FRC, ‘How to report on the UK Stewardship Code 2026’ <https://www.frc.org.uk/library/standards-codes-policy/stewardship/how-to-report-on-the-uk-stewardship-code-2026/> accessed 25 August 2025.

⁵⁸ Savva (n. 24).

The reporting structure may also ease the administrative burden of reporting against the UK Stewardship Code. The periodic nature of the Policy and Context disclosure may negate the need to review information and processes concerning institutional investors' governance arrangements annually, saving time and resources for undertaking investor stewardship practices and reporting against them. Nonetheless, the FRC could provide more insight as to the extent of changes in institutional investors' organisation required for the Policy and Context disclosure to be resubmitted in the interim. Without it, inconsistencies in reporting may arise, undermining comparability.

The refinement of reporting expectations and guidance is also a positive development. The UK Stewardship Code's principles-based architecture is regarded as a strength by both scholars and practitioners.⁵⁹ However, varied interpretations of the 2020 Code's reporting expectations might have contributed to the divergence of disclosure quality across its principles and institutional investors.⁶⁰ Providing explicit, dynamic guidance can help align reporting practice while preserving the UK Stewardship Code's flexibility. The prompts and requirements for the 2026 Codes' Principles and Disclosures, respectively, may encourage reporting against them to focus on investor stewardship practices and policies with more precise insight, standardising reporting and enhancing comparability and evaluation of investor stewardship practices.

The approach to provide differentiated overarching reporting expectations vis-à-vis the principles applicable to institutional investors, depending on how they manage their assets (or not), could have been more refined. Institutional investors have different ways and capacities to exercise investor stewardship. Hence, in theory, distinguishing between those who manage assets directly and those who do not, with some nuances added in between, when crafting reporting expectations, may provide further clarity and relevance to what is being reported and its quality. It may also help, for example, alleviate duplication. A common theme from empirical research is that engagement practices of an external manager are reported by both the manager in question and an asset owner whose assets are managed by the former.⁶¹ This only adds unnecessary confusion over the practices of asset owners and blurs the lines between what each institutional investor is doing to exercise investor stewardship.

However, the differentiated overarching reporting expectations may not be the remedy sought for the issue in question. While important nuances have been added, these reporting expectations do not fully address the complexity of mixed models employed by institutional investors to manage assets. Some institutional investors, such as asset owners, may have only a small proportion of directly-managed assets and funds. In absolute terms, reporting on engagement practices on such occasions may be warranted, albeit limited. The semi-hard reporting expectations, though, may also lead such an asset owner to avoid reporting on them altogether, even if their impact is substantial.

⁵⁹ See, for example, Konstantinos Sergakis, 'Shareholder Stewardship: Autonomy and Sociality' (2023) 23(2) *Journal of Corporate Law Studies* 497.

⁶⁰ For a review of the issue, see, Katelouzou, 'The Purpose of Investor Stewardship' (n. 11).

⁶¹ Savva (n. 24). This is an issue picked up by policymakers as well. See FRC, 'UK Stewardship Code Consultation' (n. 31).

More tailored expectations within the principles or guidance provided for reporting against each of them, wherein lighter-touch reporting expectations would be permitted where the undertaking of certain activities is limited, would better direct reporting against them. They would allow reporting to be reflective of institutional investors' different roles, rights, and responsibilities, hence enriching the information disclosed. Yet even with this, questions remain about whether reporting against the 2026 Code can drive behavioural change. The 2026 Code continues to rely on a market for stewardship to create, evaluate and enforce standards. Improved reporting may enhance comparability, but it does not guarantee the market for stewardship will identify and sanction weak or detrimental investor stewardship practices.⁶²

The content of the principles and their reporting expectations would also benefit from some further refinement. Take Principle 3, for example. In its current form, the principle captures important elements, such as the selection and prioritisation of issues on which engagement practices are undertaken, the purpose of engagement practices, the methods chosen, progress, and outcomes.⁶³ According to the 2026 Code's guidance, the principle is predominantly directed at institutional investors who manage assets directly. The guidance does not exclude institutional investors who invest through external managers; they are encouraged to report on the application of the Principle and, in case they are not engaging directly, include examples of engagement practices conducted on their behalf in their reporting against Principle 5.⁶⁴ However, the guidance provides limited insight to institutional investors whose management integrates both directly managed and indirectly managed assets and funds. It furthermore neglects the kind of engagement practices undertaken by those who do not manage assets directly, either by influencing their engagement priorities or setting their mandates and oversight.

Reporting on the application of Principle 5 can generate the kind of information referred to above. Such reporting is expected to illustrate how institutional investors interact with external managers, including the expectations they set for them regarding engagement practices, and their monitoring and engagement with them.⁶⁵ While it may hold, neither Principle 5 nor the guidance provided for it makes any explicit references to reporting on outcomes from such processes, much less so making references to outcomes involving engagement with asset managers on the issue of the quality of their engagement practices. More detailed guidance on reporting against the application of Principles 3 and 5 would have given some further insight into navigating the issue.

More specific guidance on how to report on the application of Principle 3 could have been provided for reporting engagement practices' outcomes, both in terms of how to evidence them and in terms of the metrics to be used. Different engagement practices, although interrelated, serve distinct functions and generate different outcomes, meriting separate treatment. Engagement practices may also consider varied topics, depending on the

⁶² See on this, Katelouzou, Micheler (n. 6).

⁶³ 2026 Code, Principle 3.

⁶⁴ FRC, 'UK Stewardship Code 2026 Guidance' (June 2025) <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code-2026-guidance/> accessed 25 August 2025.

⁶⁵ *ibid*, 2026 Code, Principle 5.

level of their undertaking, purpose, and scope. Engagement practices directed at investee companies for matters specific to them, such as capital distribution, would create different outcomes compared to another form of engagement. The guidance provided for Principle 3 merely outlines the structure for reporting certain case studies and aspects of their content. Better attention to these important differences would assist the comparability of approaches across institutional investors. It would also help achieve better transparency; the examples and outcomes of engagement practices would have been measured based on their validity and actual impact.

Of course, achieving such standardisation is a difficult task. Institutional investors report difficulties in finding information or developing a methodology that links certain outcomes with their engagement practices.⁶⁶ Engagement practices, in terms of their focus, context, issue addressed, and level at which they are addressed, also vary, depending on the level at which investor stewardship is preferred to be exercised by an institutional investor.

Nonetheless, the FRC and the 2026 Code could have gone the extra mile in kick-starting such standardisation by making its guidance more context-specific and demanding relevant information to be reported. The guidance, for example, could expand on each type of engagement practice at the level at which it can be exercised, focusing on providing specific evidence or outcomes developed by following expert advice. Encouraging institutional investors to explain the nature and impact of their engagement practices based on the guidance provided by the latter could lead to better reporting being made available. Feedback could also be received from reporting and institutional investors on the standard of reporting, which would help evaluate the guidance and update it.

Comparable refinements can be argued for all other principles as well. Under Principle 5, for example, clearer differentiations between active (proactive engagement, monitoring and/or escalation) and passive (reactive engagement, expectations setting, and tendering) oversight of external managers would confer greater relevance and nuance to the information disclosed. Furthermore, Principle 6 could provide stronger direction on how specific service providers and proxy advisors should be assessed and engaged with. Ultimately, the point made regarding the content of the principles and their accompanying guidance is that the 2026 Code would have benefited much from a more careful and sophisticated approach to designing them. The guidance may be subject to future amendments and address the issues just outlined. However, should the guidance continue to lack important nuances to make reporting operational, it is doubtful whether institutional investors' compliance with it will do more than produce best-practice statements which cannot be meaningfully used to promote prudent investor stewardship practice.⁶⁷

⁶⁶ This is mentioned by institutional investors in their own Stewardship Code Reports. See, for example, Border to Coast Pension Partnership, 'Responsible Investment and Stewardship Report 2023-2024' (2024), 35.

⁶⁷ For a criticism of the whole regulatory framework for investor stewardship, see Andrew Johnston, Rachelle Belinga, Blanche Segrestin, 'Governing Institutional Investor Engagement: from Activism to Stewardship to Custodianship?' (2022) 22(1) *Journal of Corporate Law Studies* 45.

Conclusion

The 2020 Code was what many believed to be the UK Stewardship Code's entry into the last-chance saloon, given the lacklustre performance of its previous iterations in effectuating behavioural change in institutional investors' treatment of engagement practices and other forms of investment management conduct. The 2026 Code, as this Article argues, reflects the FRC's attempt to build on the strengths of the 2020 Code while tending to its shortcomings, aiming to ensure the UK Stewardship Code's relevance in setting high-level principles for institutional investors' exercise of investor stewardship. While aspects of this attempt deserve praise, many of the issues miring both investor stewardship and the regulatory framework for it generally remain unresolved. In light of this, one must not be optimistic about the potential contribution of the 2026 Code being anything more than minimal in ensuring the regulatory framework for investor stewardship promotes and enforces practices that align with the ethos of investor stewardship.

The author, though, would not blame the 2026 Code's shortcomings on itself. Many of the issues discussed – from the normative aspects of the purpose of investor stewardship to crafting and enforcing granular principles that can operationalise it – are all greater than the 2026 Code's issues. The 2026 Code is, at the end of the day, a soft law code and has boundaries in terms of what it can achieve. This is not to say that the UK Stewardship Code has no role to play in the regulatory framework for investor stewardship – it can be an appropriate means of providing best-practice principles, anchored on solid understandings of what is sought after to witness on behalf of the investment management industry. That said, for it to have a role and contribution, the latter elements need to be delineated. Perhaps it is time for regulators to seriously revisit investor stewardship as a concept and consider how the framework for it, as it spans across multiple frameworks and laws, can generate outcomes that truly reflect its ethos as delineated from contemplating its nature.