



Financial Reporting Council

Preparing for the UK Stewardship Code 2026

Applying insights
from current reporting

November 2025

Foreword

The UK Stewardship Code establishes the core Principles of effective stewardship and sets a high standard of transparency for asset owners and asset managers, and for the service providers that support them.

The UK Stewardship Code 2026 (the 2026 Code) was published in June 2025, the culmination of an extensive and wide-ranging consultation and stakeholder engagement process. We are grateful to the more than 1,500 individuals who participated in our consultation and to the 182 organisations that provided written responses. Their insights and thoughtful feedback have been instrumental in shaping the final version of the 2026 Code.

This was a significant milestone in the ongoing commitment of the Financial Reporting Council (FRC) to promoting high-quality stewardship and promoting the UK's position as a centre for excellence in investment management. Effective stewardship and high-quality, transparent reporting supports oversight of stewardship activities through the investment chain, on behalf of savers and beneficiaries. The 2026 Code continues to set a high bar for transparency and effectiveness in stewardship, while offering the flexibility for signatories to tailor their approach to their unique context. Whilst voluntary, it is widely adopted by both UK and global organisations – testament to its value and impact.

The 2026 Code is an evolution, not a revolution from the previous version, and our revisions ensure the Code remains relevant and proportionate, while reducing reporting burdens for signatories. We have streamlined reporting requirements while preserving the high standards that underpin the Code's reputation and enhancing the focus on outcomes rather than process. The updated Principles retain

their broad applicability, supporting the diverse investment styles and stewardship practices on offer in the market.

We are encouraged by the strong support for the revised Code and the shared commitment among stakeholders to uphold its integrity. The changes we have made reflect a careful balance between ambition and practicality, ensuring the Code continues to drive meaningful stewardship without imposing undue burden.

The updated Code comes into effect from 1 January 2026, and we look forward to the first reports to it in Spring 2026. To support signatories during this implementation period, we are treating 2026 as a transition year, where existing signatories will maintain their signatory status with their first report to the updated Code.

We encourage signatories to use the transition year to familiarise themselves with the updated requirements, make use of the flexibility it offers, and prepare high-quality reports under the 2026 Code.

We've paved the way for signatories to streamline their reports, without reducing the quality and usefulness of the information included. The FRC will continue to engage with stakeholders during this period where they have questions arising from the updated Code.

Mark Babington

Executive Director Regulatory Standards



Contents

Foreword	2
Introduction	4
Section 1: The structure of the UK Stewardship Code 2026	6
Section 2: Engagement reporting	13
Section 3: Reporting on the selection and oversight of external managers	20
Section 4: Reporting on voting in listed equity	24
Section 5: Reporting on stewardship in non-public equity asset classes	27
Section 6: Service Providers Code	32

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Introduction

The purpose of this publication is to support signatories as they prepare to report to the UK Stewardship Code 2026 (the 2026 Code).

The 2026 Code was published in June 2025, following extensive consultation with signatories and other interested stakeholders. This engagement took place throughout 2024, starting with a listening phase to understand where the UK Stewardship Code 2020 was working well, and where the Code and its operation could be improved. These insights fed into the Code consultation, which was published in November 2024 and closed in February 2025.

Following its publication, signatories and stakeholders have welcomed the 2026 Code, which introduced a new reporting model that differentiates reporting on policies from activities, and introduces tailored Principles for different types of stewardship service providers. Building on our engagement to date, the FRC remains committed to supporting signatories to implement and report against the 2026 Code.

This report highlights current examples of good reporting to the 2020 Code and that can support signatories as they prepare to report to the 2026 Code. It aims to provide practical insights into how signatories can demonstrate their approach to stewardship through reporting in a clear, evidence-based, and outcome-focused way.

There are examples of reporting from the most recent successful signatories to the UK Stewardship Code 2020 that display high quality, transparent reporting on their stewardship activities and remain relevant to the 2026 Code. We use these to suggest practical ways in which signatories can adopt the reporting on Policy and Context Disclosure and Activity and Outcomes Report separately,

where they may choose to do so, as well as illustrating continuity in the content of reporting we expect to see as the 2026 Code comes into effect next year.

By showcasing examples of effective reporting, the report helps signatories understand how to align their disclosures with the Principles of the Code, communicate their stewardship activities and outcomes transparently, and meet the expectations of clients and beneficiaries.

About the 2026 Code

The 2026 Code sets out Principles of effective stewardship for asset owners, asset managers, and service providers, supported by reporting requirements designed to promote transparency and accountability. The 2026 Code introduces a two-part reporting structure:

- Policy and Context Disclosure (submitted every fourth year), which provides background on an organisation's governance, resources, and stewardship policies.
- Activities and Outcomes Report (submitted annually), which demonstrates how the organisation has applied the Principles in practice over the reporting period.

The Code operates an 'apply and explain' approach, allowing flexibility for signatories to report in a way that reflects their business model and investment approach.

About the reporting guidance

The 2026 Code retains the familiar apply and explain Principles of its predecessor, however, it now has refreshed 'how to report' prompts for the Activities and Outcomes Report. The 'how to report' prompts are designed to support signatories in understanding how to explain how they have applied the Principles, without being overly prescriptive or exclusive to any particular investment strategies or asset classes.

To assist signatories in reporting against the 2026 Code, we have published non-prescriptive reporting [guidance](#) that provides practical suggestions on how to demonstrate application of the Principles and Disclosures. The guidance includes examples and considerations for different asset classes and organisational contexts. It supports high-quality reporting and does not introduce additional requirements beyond the Code. We anticipate updating the guidance, as necessary or on an annual basis.

A transition year

The 2026 Code takes effect from 1 January 2026. To support a smooth transition, signatories' status will remain in place during 2026, provided they submit their first report to the updated Code in their usual application window 2026. This transition year offers signatories the opportunity to familiarise themselves with the new structure and expectations, and change their reporting model if they wish, while maintaining continuity in their stewardship reporting.

Section 1: The structure of the UK Stewardship Code 2026

The 2026 Code introduces a new, dynamic reporting structure comprising a Policy and Context Disclosure and an Activities and Outcomes Report.

Current and prospective signatories are encouraged to report in the format that best suits their organisation. Signatories may present the Policy and Context Disclosure and the Activities and Outcomes Report either as separate documents or combined into a single comprehensive submission. Signatories may also choose to report Principle-by-Principle or adopt a more narrative or thematic approach.

Signatories must submit a Policy and Context Disclosure every fourth year, or sooner if changes within their organisation mean that the existing Disclosure no longer aligns with their Activities and Outcomes Report.

The Activities and Outcomes Report must be submitted annually. Having explained the approach to stewardship in the Policy and Context Disclosure, the Activities and Outcomes Report provides an opportunity to demonstrate that approach in practice.

Cross-referencing between policy and activity reporting

The Policy and Context Disclosure must contain the background information necessary for the reader to understand the Activities and Outcomes Report.

Where the Policy and Context Disclosure and the Activities and Outcomes Report are submitted as separate documents, cross-referencing between the two is encouraged. This could be particularly effective when linking between a description of a relevant policy in the Policy and Context Disclosure and stewardship activities in the Activities and Outcomes Report, which show those policies in action. Cross-referencing can support clarity for readers and may assist signatories in presenting a coherent narrative across both documents.

To ensure effective cross-referencing, hyperlinks to the relevant section or page of the Policy and Context Disclosure should be included. It is also helpful to include a page or section number in the text.

Key messages



- Cross-refer between documents where information from the Policy and Context Disclosure is useful for the Activities and Outcome Report.
- Use hyperlinks within the report to minimise the duplication of information.
- Include links to relevant public policies and voting records to keep the report concise.
- Links should lead the user to the correct page. Pin-point references in text can also be helpful for readers.
- Check that links work.

Linking to external documents

Only information directly contained within signatories' Stewardship Report (Policy and Context Disclosure and Activities and Outcomes Report) will be assessed by the FRC. The Policy and Context Disclosure should contain key information about a signatory's organisation, its governance, resourcing and policies in relation to stewardship. Policies should be summarised within the Disclosure and signatories should provide links to webpages where the full policies are hosted.

Where helpful, links can be included to provide additional information for the reader, but this will not be assessed by the FRC. When using external links, these must be working links which direct the user to the correct webpage, with publicly accessible information. It would also be helpful to name the relevant document or section of a document or webpage being linked.

The Introductory Statement

Key messages



An effective Introductory Statement may include:

- Key facts about the organisation that help to put activities and outcomes reporting into context.
- A breakdown of the client base or beneficiaries by geography and type.
- A breakdown of the assets under management (AUM) by asset class, geography and management style (active vs indexed, directly managed vs managed through external managers).

Under the 2026 Code, all signatories, including asset owners, asset managers and service providers, are invited, though not required, to include a brief Introductory Statement within the Activities and Outcomes Report to provide background information about their organisation.

This may be especially useful for understanding signatories who have opted to produce their Activities and Outcomes Report as a separate standalone document from their Policy and Context Disclosure, where this information would otherwise be covered more fully.

This could also be useful to provide an annual update on the total AUM figure and breakdown by asset class, or, to highlight where there have been changes in policies or operations over the past that may have led a signatory to update their Policy and Context Disclosure more frequently than every 4 years.

Where a signatory chooses to submit a combined report that integrates both the Policy and Context Disclosure and the Activities and Outcomes Report, an Introductory Statement may not be necessary, as the relevant contextual information will already be included in the Policy and Context section.

We have selected some examples of reporting to the 2020 Code, which would be well suited for inclusion in an Introductory Statement.

One approach to an Introductory Statement may be to combine the information into an 'At a glance' page.



Newton describe their business model and give basic information about their clients, their AUM split and some information about their team.

Newton at a glance

Our client base consists of institutional pension clients (defined benefit and defined contribution schemes), government entities, charities and foundations, insurance companies, financial intermediaries, and sovereign wealth funds. We classify all our assets under management (AUM) as institutional.

Newton has a global footprint, with 55% of our total AUM being managed for US clients, 33% being managed for UK clients, and the remainder being managed for clients across Canada, Japan, EMEA (ex UK) and the Asia-Pacific (ex Japan) region.

We believe that in a rapidly changing world, investors require strategies that will evolve to meet the challenges that they face. Therefore, we work in partnership with our clients, understanding their requirements and building investment strategies that aim to deliver our clients' desired investment outcomes.

Enabling us to deliver these investment solutions to our clients is our 127-member investment team, which consists of active equity and multi-asset portfolio managers, and a multidimensional global research capability that includes fundamental equity, quantitative equity, quantitative multi-asset, credit, private markets, thematic, investigative, macroeconomic, geopolitical, legal/regulatory, and responsible investment research.

Total AUM

£81.3 BILLION

Includes:

£3.8 BILLION²

in strategies with sustainability characteristics

Newton's AUM by client key area of focus



When presenting a breakdown of AUM, an infographic can be an effective tool. As well as a breakdown by asset class and geography, readers will be interested to know the proportion of assets managed directly or through an external manager. Readers will also be interested in the proportion of assets managed actively or through an indexed strategy.

To make your infographic most useful:

- Use a colour scheme with clear contrasts.
- Label charts.
- Include percentages.

Evelyn Partners, Stewardship Report, page 51 Asset Manager

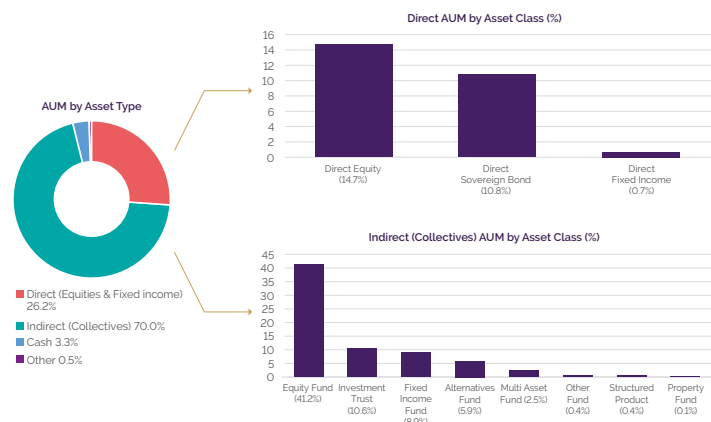


Evelyn Partners use an infographic to show their AUM breakdown across different asset classes. They also split AUM by region and then give information about client types.

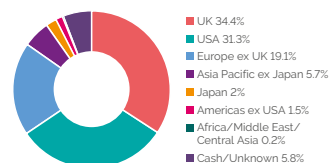
As outlined in the tables below, the vast majority of our AUM are invested in collective investments (circa 70%), comprised mainly of equity and fixed income securities. Around 26% of our AUM is invested directly in equity and fixed income

assets, including sovereign bonds. A geographical breakdown shows that the large majority of our AUM is predominantly invested across the UK (34%), US (31%), Europe (19%), and Asia Pacific – ex Japan (6%).

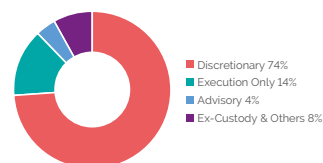
AUM by Asset type



AUM by Region



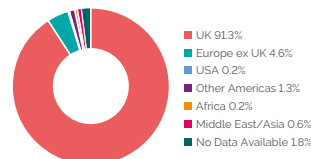
Client AUM by Service Category



AUM by Client Type



AUM by Client Geographical Location



Signatories could also include some high-level information about their investment approach to help readers understand their stewardship approach and reporting.

Vanguard Asset Management, Stewardship Report, page 4 Asset Manager



Vanguard describe their approach to investment and explain how that influences their stewardship practices. This helps to put their stewardship reporting in context.

Vanguard's global assets under management are predominantly held within broadly diversified index funds. Index fund managers buy and hold securities for as long as they are included in the benchmark index. Vanguard's Investment Stewardship programme operates within that context. On behalf of Vanguard-advised funds, Vanguard's Investment Stewardship programme is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisers, and proxy voting and engagement for those portfolios are conducted by their respective advisers. Vanguard's Investment Stewardship team engages with portfolio companies, votes proxies and promotes corporate governance practices associated with long-term shareholder returns.

Spotlight on conflicts of interest: Reporting across the Policy and Context Disclosure and Activities and Outcomes Report

Reporting on conflicts under the 2026 Code will largely contain the same information as Principle 3 of the 2020 Code, but policies may be reported less frequently under the new format. This disclosure applies to asset owners, asset managers and service providers.

Disclosure D of the Policy and Context Disclosure should outline the approach to managing stewardship-related conflicts of interest to demonstrate that signatories put the best interests of clients and beneficiaries first.

Where applicable, asset owner and asset manager signatories should demonstrate how their conflicts policy is applied in practice by reporting on voting-related conflicts of interest under Principle 4 of the Activities and Outcomes Report.

Key messages



- Report conflicts of interest related to stewardship activities, not only general business operations.
- A good disclosure refers specifically to stewardship-related conflicts of interest and includes examples of actual or potential conflicts and how they are managed.
- Effective activities and outcomes reporting shows your policies and processes in action.

Policy and Context Disclosure

When disclosing stewardship-related conflicts of interest, signatories should include a summary of their conflicts of interest policy and, if it is publicly available, provide a link to the policy. It is also important to provide examples of real or potential conflicts related to stewardship and explain, procedurally, how these would be managed.

Any conflicts and mitigations disclosed should relate specifically to stewardship activities, rather than internal operations or other business matters. Many reports we reviewed focused on conflicts related to business or operational matters, which do not address the requirements of Disclosure D.

Identifying conflicts of interest in the context of stewardship is essential to ensure that all stewardship activities serve the best interests of clients and beneficiaries. Some examples of relevant situations related to stewardship include:

- Those arising from ownership structures.
- Relationships with investee companies.
- Acting on behalf of multiple clients with differing interests.



Partners Group describe the key potential conflicts of interest for their business and explain how they would mitigate each of them.

Fund size vs. capital deployment: A common conflict in private markets is balancing the pace of capital deployment with reaching target fund size. This can lead to tension between strategic fundraising goals and delivering strong early returns. At Partners Group, this is mitigated through co-investment – the firm consistently allocates its own capital to its funds – and through performance-based compensation structures that align long-term success with client outcomes.

Transaction-related fee: Partners Group may charge fees to buyers, sellers, or portfolio companies in the context of transactions or service provision. This could create a perception of reduced value for clients. We address this by ensuring full disclosure of fee structures, maintaining arm's-length pricing, and, where necessary, referencing independent market benchmarks. Any retained fees are contractually governed and transparently reported to clients and syndication partners.

Dual roles in capital structure: To prevent conflicts in situations where our clients hold both equity and credit positions in the same company, we operate a Chinese Walls programme, supported by separate investment committees for credit and equity. Each committee functions independently, with escalated decisions routed through the Global Investment Committee. Oversight of the Chinese Walls system lies with the Head of TRAS or the Chief Operating Officer, and any unresolved conflicts are elevated to the Conflict Resolution Board.

Sustainability-related conflicts: We recognise that sustainability decisions – including stewardship priorities and investment outcomes – may present potential conflicts. To address this, responsibility for sustainability lies with the most senior levels of the firm, including the Board of Directors and Executive Committee. Our central Sustainability Team supports investment teams with tools, training, and challenge, ensuring sustainability is implemented without undermining fiduciary responsibility. Sustainability Champions in each asset class act as direct points of contact, helping manage sustainability expectations within specific investment mandates. Oversight is further embedded through our governance structure, with the Risk & Audit Committee and Nomination & Compensation Committee actively reviewing sustainability integration across risk management and performance frameworks.

Activities and Outcomes Report

Principle 4 asks signatories who hold listed equity to explain any voting-related conflicts of interest that occurred during the reporting period. Such conflicts may not arise every year but where they do, signatories should report:

- What the conflict of interest was.
- How the conflict of interest was managed or mitigated.
- Any outcomes or further steps taken.

High-quality reporting links examples to the policies and processes outlined in Disclosure D, explains how the conflict was identified, and provides relevant context. It also sets out the steps taken to address or mitigate the conflict, such as senior sign-off, delegation to a committee, or exclusion of a key individual, and outlines the outcome or any further actions planned.

Aegon UK, Responsible Investment and Stewardship Report 2024, page 18

Asset Owner



Aegon UK describe a potential conflict of interest that has arisen, explaining how they have considered the conflict and their actions.

Context

In April 2024, ahead of the AGM of a multinational oil and gas company, we issued an Expression of Wish (EOW) to our asset managers, asking them to align with our voting preferences. We asked them to support voting against director re-elections of the company due to our concerns on their climate progress. As this oil and gas company is also one of our corporate workplace pension clients, this scenario posed a potential conflict of interest.

Approach

Using our voice in voting and engagement is a key component of our toolkit for sustainable investment outcomes. Our EOW is a clear and straightforward way for Aegon as asset owners to communicate our view and amplify our voice in material resolutions. Here, our view was that:

- The company only partially meets net zero benchmark criteria, including in respect of short and medium-term GHG reduction targets.

- We supported a shareholder resolution at this company last year because of our concerns on their climate targets, and without any credible changes seen in the last twelve months we felt it was necessary to escalate using a routine vote.
- All of our asset managers should engage with companies on the transparency of their plans to reduce GHG emissions, aligned with a well below 2-degree (preferably 1.5 degree) future, in line with our Stewardship Framework.

We believe it is possible to balance our commitment to using our voice to drive systemic change through robust stewardship with the need to preserve relationships with clients. Our EOW process enables transparency and clarity as it makes our position clear.

Outcome and next steps

We were satisfied that our voting preferences were driven by our focus on mitigating systemic risk and targeting director accountability as an appropriate form of escalation. Our corporate relationship did not influence our EOW, nor compromise the integrity of our stewardship framework.

Section 2: Engagement reporting

Key messages



- Select engagements that are representative of asset classes invested in.
- Report on activities and outcomes that took place within the reporting period.
- Be clear about the outcomes of the engagement, which could include changes made by a company, insights gained, resulting investment decisions, or setbacks and planned next steps.
- For collaborative engagement, signatories should be clear about their role and contribution to the initiative.
- If engagement has been escalated, explain why and what form the escalation took.

Principle 3 of the 2026 Code requires signatories to demonstrate how they use engagement to maintain or enhance the value of assets. This helps readers to understand the difference between signatories' approaches appropriate to their organisation and investment style in greater detail.

Engagement, collaborative engagement and escalation have been brought together under one overarching engagement Principle in the 2026 Code, acknowledging that different ways to engage often interact and don't operate in isolation. This provides an opportunity to showcase a comprehensive engagement approach and more cohesive narrative reporting of a signatory's engagement programme.

Similarly, investors take different approaches to prioritising issues for engagements which may take place over varying time horizons. For example, an investor with greater exposure to fixed income assets may prioritise engaging on relevant issues that may impact the creditworthiness of bonds until maturity, while equity investors might view other issues as key for their engagement across longer investment time horizons.

Effective reporting demonstrates how signatories have prioritised issues for engagement with clear objectives to deliver long-term value for clients and beneficiaries.

Including representative case studies

Signatories should report on engagements that are proportionate to the asset classes in which they are invested. For example, for those with a greater allocation to fixed income than to listed equity, we would expect the balance of engagement examples included to reflect this.

If the chosen engagement approach varies across different asset classes, signatories should clearly explain the rationale to ensure reporting reflects how they engage to maintain or enhance the value of different asset types. This will ensure reporting is representative of the asset classes, demonstrating how stewardship and effective engagement are applied in practice. We are delighted to see that many signatories have responded to the clarification of approach set out in our [2022 Review of Reporting](#) and now provide reports with engagement examples that are proportionate to their asset classes.



Stepstone reports, from a private equity perspective, on their engagement with their General Partner (GP) in the pre-investment stage, covering the context, what activity they undertook and the outcome.

Setting the Wheels in Motion: Working with a U.S. School Transport Provider to Explore Risk-Mitigation Processes

Context

StepStone Private Equity had the opportunity to co-invest in a technology-enabled passenger transformation platform, serving a variety of student populations, including special education, homeless, foster, and other in-need students. The deal team identified the safeguarding risks associated with the age and vulnerability of the company's users as a potential RI risk.

What we did

After identifying this key risk, the deal team immediately raised this issue with the GP as part of our due diligence processes. Through comprehensive engagement with the GP, supported by the expertise of our RI team, we uncovered several key risk mitigants that had been put in place by the GP and company to prioritize student safety:

- Industry-leading "SafeRide" requirements are applied to all service providers and drivers, alongside extensive employment checks.
- The company's track record shows that the overwhelming majority of rides are safe, with any incidents dealt with swiftly and comprehensively.

- The GP had undertaken extensive diligence when acquiring the company, including engaging a third-party consultant with specialist knowledge on the topic.
- The company has since implemented a risk sub-committee (consisting of GP board members and executive management) to monitor and oversee any corresponding risks.
- The firm is engaged in advanced discussions to roll out camera coverage across its entire driver base.

Results

We were able to gain reassurance regarding the competence of the parties involved, thanks to the GP's significant diligence during acquisition, impressive track record to date, and rigorous post-investment plans. We were also pleased to note the establishment of a formal risk committee, as advocated for by our team during our engagement. As a result, we decided to proceed with the co-investment, noting that we would be informed of any serious incidents in the post-investment phase. As of the end of the reporting period, no such incident had been recorded.

Reporting on activities from the reporting period

Engagements often take place over multiple years. Where this is the case, good quality reporting provides a short summary of previous activities and clearly identifies which actions occurred within the reporting period.

Reporting on engagement outcomes doesn't require an engagement to be concluded within the reporting period. For ongoing engagements, signatories should explain the progress made so far, highlight lessons learned from interim successes or setbacks, and outline the next steps planned.

Good quality reporting may further explain whether engagement activities have in turn informed investment or voting decisions regarding the asset. Where signatories adopt a Principle-by-Principle

reporting structure, they may wish to cross-reference to their reporting under Principle 1 in relation to investment decision making and Principle 4 on voting, as relevant to their engagement reporting.

Railpen, Stewardship Report 2025, page 44

Asset Owner



Railpen report on an engagement case study, using headings to highlight the key information. They report on the context for their engagement, engagement objectives, how they engaged and the outcome and planned next steps. They also identify where their engagement has supported voting decisions.

Issue

Cheniere is a material holding in our Fundamental Equities portfolios. The company was identified as a priority for our Net Zero Engagement Plan in 2024, with our analysis at the start of the year identifying several issues of concern, including the company's lack of emission-reduction targets and a Transition Pathway Initiative (TPI) Management Quality score of 2.

Objective

As recent investors in Cheniere, we wanted to

- demonstrate our willingness to work constructively with the company.
- encourage the company to enhance their climate-related disclosures and develop measurable emissions targets, beginning with Scope 1 emissions.

Approach

We pursued bilateral engagement that included both our SO and Fundamental Equities (FE) teams. Through discussions with the company, we raised our concerns, explaining our rationale and sharing industry peer practices to help the company navigate potential blockers to progress.

While we understood Cheniere's resistance to setting targets without a clear path forward to achieving its goals, we discussed how improved disclosures could enhance its sustainability ratings, including its TPI score.

Through our voting, we also supported the re-election of the Board Chair, while communicating our desire for further engagement.

Outcome and next steps

We are pleased to report that Cheniere has now announced a Scope 1 methane target: to consistently maintain annual methane emissions intensity of 0.03% per tonne of liquefied natural gas produced across its two US Gulf Coast liquefaction facilities by 2027.

While the company recognises methane represents a smaller portion of Cheniere's total Scope 1 emissions compared to CO₂, it also acknowledges that addressing methane is crucial to its competitiveness, particularly in Europe where environmental credentials are increasingly important.

The company also committed to enhancing its disclosures in its upcoming Corporate Responsibility Report, with more transparent information about its emissions mitigation activities and the challenges it faces.

We recognise that there is still more progress to be made on Cheniere's climate strategy. We will continue to engage with the company, primarily through bilateral dialogue, discussing its climate strategy in detail, including its capital expenditure plans for emissions reduction initiatives.

We will also monitor Cheniere's next Corporate Responsibility Report closely to assess its progress on enhanced disclosures and its methane target.



ClearBridge set out their engagement with an investee company, providing information on their objective for engagement, explaining the engagement process and information exchanged, and the outcome of the engagement.

Atlas Arteria Group (ALX)

Atlas Arteria Group owns and operates toll roads across various countries.

Reason for Engagement: Governance

In March 2024, ALX announced that their CEO would be retiring during 2024.

Objective of Engagement: Our objective was to ensure that governance around appointing a new CEO was best in class.

Scope & Process of Engagement: Soon after the announcement, we met with the Chair to discuss the process and share our concerns about independence. We did not want the new CEO to be a related party of the largest shareholder IFM, so that the CEO could represent all shareholders. We also did not want to see a rushed process. ALX shared that they were undertaking a truly global search, and some internal candidates were also in the running. They were specifically looking for extensive global infrastructure experience across operating assets, optimising assets and M&A. ALX confirmed that they will be appointing a CEO independent of IFM, however IFM supported Directors would be part of Board votes. They also confirmed that the incumbent CEO would stay in the role (past 12 months if required) to aid the transition. In August 2024, we spoke

again with ALX IR to discuss the CEO appointment and reiterated the need for safeguards to ensure good corporate governance around independence. ALX confirmed that there is now a formal “Director Representation Agreement” between ALX and IFM that will ensure majority Board independence and the independence of a new CEO.

Engagement Outcome: In September 2024, ALX announced that the new CEO will be Hugh Wehby, the current highly regarded Chief Commercial Officer at competitor Transurban. We met with the outgoing CEO at this point to discuss, and learn more about their key selection criteria, namely dealing with complexity of structure and tax, experience in relevant markets, and understanding of the ASX-listed market. This is a pleasing outcome following our engagement on the topic over many months. ALX have delivered on our objective for the next CEO to be independent of IFM. Furthermore, we have a positive view of Hugh Wehby as we have interacted with him at Transurban. In December 2024, we had a follow up meeting with Hugh Wehby as the new CEO, which reaffirmed our positive view of his skillset, priorities and independence.

Engagement Stage of Completion: Company addresses issue. ALX have delivered on our objective for the next CEO to be independent of IFM.

Engaging collaboratively

Where signatories have collaborated with others, they should explain why they chose this approach and outline their role and contributions within the group.

For example, signatories might describe whether they led or supported engagement meetings or letter-writing efforts. Good quality reporting explains how the collaborative engagement contributes to a signatory’s overall stewardship approach.



USS report on an engagement case study, setting out the situation, engagement objectives and the outcome of the engagement. They explain the method of engagement, and describe their role in the ongoing collaborative engagement.

Case study: Cemex

Purpose and objective: To understand and support the company in its efforts to mitigate risk associated with GHG emissions.

Summary: We hold Cemex, a global cement manufacturer, in our active Global Emerging Markets Fund, where it is one of the portfolio's largest emitters. The cement industry is recognised as being a hard-to-abate carbon dioxide emitter i.e. where it is either prohibitively costly, or impossible, to reduce GHG emissions with the currently available abatement technology.

We are one of three co-lead investors engaging with Cemex through the Climate Action 100+ (CA100+) investor engagement initiative; an initiative targeting the world's largest emitting companies to bring about improved performance and disclosure on decarbonisation.

Over the last few years, Cemex has increased the level of disclosure and has several pilot projects looking at different decarbonisation technologies, including carbon capture and storage, clinker substitution, and using AI to make its processes more efficient. During 2024, Cemex's disclosure and reporting was recognised by the World Benchmarking Alliance as the industry's top-scoring company in the 2024 Climate and Energy Benchmark.

Through the CA100+ initiative, we have the following objectives:

- Further understand how Cemex allocates capital and if decarbonisation factors are included in these decisions, where relevant.
- Encourage the company to include decarbonisation KPIs in its executive and senior managers' remuneration. We have experienced push-back from the company but will continue to explain the importance to investor of linking executive-level pay to climate goals.
- Encourage Cemex to disclose its plan and strategy in relation to the Just Transition, the company has stated that it is proposing to disclose its plan in early 2025 and a more detailed strategy in late 2025. As investors we would like to provide constructive feedback to the company.

Outcome: We will monitor the company's decarbonisation efforts and continue to engage as it works to achieve its 2030 carbon reduction target.

Escalating issues

Where escalation has occurred, signatories should explain why, and the escalation approach chosen.

Signatories should explain how the tools they use as part of an escalation strategy fit into their wider engagement and stewardship approach, including relevant examples of escalations during the reporting period. For example, an asset manager may vote against a resolution at an Annual General Meeting (AGM) following multiple

engagements with the company, or ultimately decide to divest. Setting out an escalation policy under Policy and Context Disclosure C gives readers insight into the actions a signatory would take should the initial engagement not achieve the desired outcomes.

Castlefield, Annual Stewardship Report 2024, pages 51 & 52

Asset Manager



Castlefield's reporting demonstrates how insights gained from engagement over a number of years has informed their view of an investee company, and, ultimately, their decision to divest.

When engagement reaches its limit: lessons from our UK Smaller Companies Fund

Summary: Investor engagement often highlights success stories, and rightly so. But sometimes an engagement doesn't deliver the desired outcome. Here, we share an example of a longstanding dialogue we had over a number of years with a company regarding its corporate governance.

- Long-standing directors exceeding the recommended nine-year tenure, which can foster an overly familiar culture and diminish critical challenge.
- Smaller board sizes, which limit diversity of thought and perspectives critical for robust decision-making.

At one company within the fund, both issues arose and persisted. Over six years, we observed the board shrinking in size and its independence waning. Concerned about the escalating governance risks, we launched an engagement campaign spanning several years.

During this time, the company made an acquisition and added a director from the acquired business to its board. While the appointment increased board size and was presented as an improvement, the situation was more complex. The new director was not independent due to a significant shareholding and prior ties to the acquired company. Consequently, the board's overall independence continued to decline.

Ultimately, our engagement reached its limit. When this happens, we assess whether the status quo is acceptable. In some cases, we can agree to disagree, or even adjust our perspective if compelling justifications exist for governance deviations. However, in this instance, the risks outweighed the potential benefits. We therefore made the rare decision to divest from the company.

Outcome: Even though the engagement didn't yield the intended results, it was far from futile. The process offered valuable insights into management's thinking, which informed our decision to divest. In stewardship, success isn't always about achieving immediate change. Sometimes, it's about recognising when to walk away in the best interests of our clients while maintaining an open door for future dialogue.



RBC Wealth Management UK & CI's reporting describes topics of their engagement with the issuer over the years, making clear the objectives and their actions during the escalation process, and describing its outcomes.

Internal case study

Company: Hipgnosis Songs Fund

Theme: Poor board oversight

Issue summary: This has been an ongoing engagement that we reported on anonymously in 2023. Now complete, we are able to disclose more details about our work. Over the course of the past two years, there had been significant issues faced at the asset level (song royalties) compounded by poor oversight by the board. Multiple engagements did not yield results, with a proposed sale of assets that we felt sure would undermine shareholder value.

Objective: Continued escalation with the board, including a refreshed board and trust wind-down.

Action: As reported last year, we voted against the continuation of the trust, voted against board members considered accountable for failure to represent our interests, and met with prospective replacement board members prior to the AGM to assess skills and understand their approach. The board was suitably refreshed, and we continued our dialogue with the new board members. In 2024, we supported a proposal to accept a much-improved cash offer for the company, following a bidding war.

Outcome: We are pleased to have closed this engagement. The refreshed board was able to deliver a wind-down of the trust following a fairer offer for the assets, thus returning the best possible value to shareholders

Section 3: Reporting on the selection and oversight of external managers

Key messages



- An explanation of tendering processes should provide information on the stewardship expectations set for external managers.
- Use examples that show how external managers have been monitored. Examples may demonstrate how relationships evolve over time.
- Offering reflections on case studies from managers may be a good way to illustrate oversight in action.

In the 2026 Code, Policy and Context Disclosure A asks signatories to set out the core principles that guide their investment beliefs and stewardship strategy.

In the Activities and Outcomes Report, Principle 5 expects signatories to demonstrate how those considerations are integrated into the selection and oversight of external managers. Principle 5 of the 2026 Code broadly corresponds with signatories' reporting on stewardship activities undertaken by others on their behalf under Principle 8 of the 2020 Code.

Reporting on selection of managers

Tender processes and mandate design are crucial stages to the investment process. Good reporting explains how manager selection processes incorporate stewardship criteria and how this shapes ongoing relationships with managers.

We found better reporting to the 2020 Code demonstrated how expectations are set and then monitored through oversight mechanisms such as individual meetings or thematic reviews. The 2026 Code builds on this good reporting by explicitly asking signatories to describe their manager selection process and how they integrate stewardship considerations into the due diligence process.

This is an opportunity to detail how the tendering processes and mandates establish stewardship expectations and how signatories monitor their managers to ensure those expectations are met. Signatories are encouraged to include examples that show how stewardship is embedded in oversight practices, such as regular reviews, discussions on stewardship priorities, or responses to concerns raised by managers. Effective reporting should also show how these expectations apply across different asset classes and provide insight into the nature of relationships with different managers.



Phoenix describe their process for due diligence process for selecting new asset managers, and report on how this has worked in practice through an example from the reporting year.

Finding asset management partners for new strategies

In 2024, we conducted due diligence to select new asset management partners. We completed assessments for these managers based on our ESG framework.

We analysed the investment and ESG credentials of four asset managers for an allocation in private markets for unit-linked managed funds of DC customers. The manager selected demonstrated alignment with our risks and returns objectives and positive performance on ESG commitments, policies and integration processes. We committed to work in partnership to ensure application of our exclusions, portfolio decarbonisation goals and stewardship for the assets which will be managed on our behalf.

Our commitment to boost our investments in private markets

UK pension savers are often under saving for retirement, with assets being invested not benefiting from the return and diversification benefits provided by private markets.

To resolve this issue, the UK pension and retirement market has committed to moving portfolios away from the traditional 60/40 split, between equity and debt, by introducing an allocation of at least 5% to private markets, aiming to increase this by the early 2030s to levels between 10%–30%, akin to international peers.

Phoenix Group and Schroders founded FGC to meet our Mansion House Compact commitments. Through this joint venture, we aim to unlock access to private market investment opportunities for UK DC pension schemes and contribute to solving the current UK pension crisis.

FGC will target investments in private equity, infrastructure equity, direct lending, real estate debt, venture capital, and infrastructure debt.

Phoenix Group has an initial £1 billion commitment with FGC to be drawn by Q2 2026.

For direct investments, FGC integrates ESG issues through negative exclusions aligned with our policy and positive tilts towards companies with strong ESG credentials. The due diligence process is also conducted by the identification of material ESG risks and opportunities supported by scorecards and engagement plans.

Once investments are approved, the monitoring phase also includes:

- side letter clauses: legal documentation (General Partners ('GPs'), suppliers, etc) to strengthen commitments and ensure minimum safeguards;
- engagement: interaction with GPs, investees, industry stakeholders, as relevant to optimise sustainable and investment value creation; and
- monitoring and reporting: including KPIs, in line with policy and regulatory requirements.

With externally managed assets, FGC has a four-pillar ESG assessment framework for managers. These are:

- leadership: commitments and leadership on ESG issues;
- management: ability to identify and manage ESG risks and opportunities;
- investment process: management of ESG issues throughout the investment life cycle; and
- reporting: measurement and disclosure of ESG performance.



Essex Pension Fund describe their ongoing discussions with a manager to ensure their infrastructure investments are aligned with their stewardship priorities.

Case study: Infrastructure mandate – link to stewardship priorities

With the knowledge that the transition to net zero will result in changes to jobs, sectors and economies, and given the Fund's priority themes of both climate change and employee relations, discussion with the Manager looked to understand how it considers aligning infrastructure investment with the 'just transition', to ensure that risks to the labour force are limited. At the initial engagement meeting, the Manager noted that, in addition to providing ongoing safe, clean, reliable and affordable essential services to local communities, portfolio companies also strive to have a positive impact on the environment in which they operate.

Progress/follow up: At the next meeting, the Manager was able to demonstrate the consideration of the just transition in investments, including the social aspects of the transition and noted that they have placed a focus on education. For example, they noted that an infrastructure asset has an education and training programme for current employees to prepare them for future changes in work given the transition. The Manager noted that the transition will be a long-term process and therefore, there is no immediate urgency to fully retrain employees for new technologies, however, the company is taking proactive steps to support this shift.

Outcome: Satisfied and monitor

Satisfied that the Manager acknowledged the importance of people in the transition and were able to evidence steps infrastructure assets are taking to ensure a just transition, with a focus on education and training to re-skill employees. Continue to monitor that this approach is reflected across infrastructure assets and rolled out more broadly.



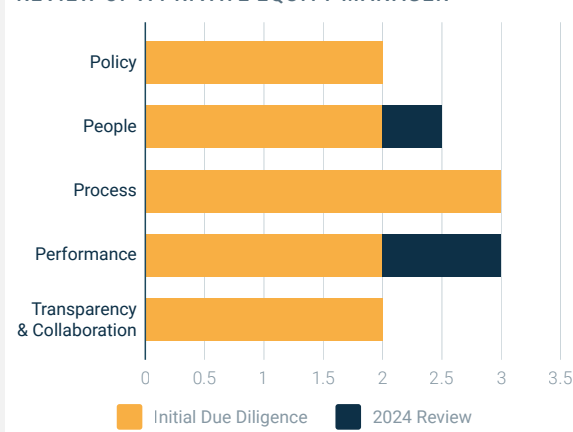
LGPS Central use an infographic to demonstrate the progress they have seen from one of their private equity fund managers since their initial due diligence. By comparing scores over time, they give the reader an insight into how they monitor their managers.

Monitoring external managers over time.

Context:

The monitoring of ESG issues within our private market investments is integrated into the general monitoring process that is established internally. From time to time, we conduct deep dive reviews of the practices of our fund managers. The frequency of the review is approximately 3 years, or more frequently depending on the risk level. In 2024, LGPSC reviewed one Private Equity manager within our 2018 Private Equity fund. This manager was found to have improved from the initial due diligence with respect to its performance against our five-pillar scoring framework, Figure 20 illustrates the scores achieved during the initial due diligence and the subsequent review.

FIGURE 20: RI&S IMPROVEMENTS BETWEEN THE INITIAL DUE DILIGENCE AND THE MOST RECENT REVIEW OF A PRIVATE EQUITY MANAGER



Using case studies from external managers

As explained in 2026 Code reporting [guidance](#), signatories can use engagement case studies from external managers to illustrate how oversight works in practice. These examples can help show how their activities align with expectations and stewardship priorities.

Better reporting goes beyond simply reproducing examples of engagement from external managers. Rather, it adds commentary and reflections on how these examples relate to a signatory's stewardship priorities. This means explaining why the example is relevant, what it demonstrates about progress toward objectives, and how it aligns with long-term priorities.

Arts Council Retirement Plan, Stewardship Report, page 27

Asset Owner



Arts Council Retirement Plan report on an engagement undertaken on their behalf, including their views on how their manager's stewardship activities aligns with stated stewardship priorities.

We have challenged our managers with regards to our priority stewardship themes, holding them to a high standard for the engagements they undertake on our behalf.

Case Study: Climate change and deforestation as priority stewardship themes.

At an engagement meeting with one of our equity managers in 2024, the manager detailed its ongoing engagement with China Mengniu Dairy, a manufacturer and distributor of dairy products in China. The manager had identified the significant contribution food producers to climate change, and the increased importance of combatting agricultural commodity-driven deforestation. The manager had concerns around the company's climate strategy, including its lack of deforestation policy and suitable emissions data disclosure and targets. The manager has engaged with the company since 2019 to address these concerns and following a lack of progress, the manager voted against the re-election of the chair. The company was placed

on the managers divestment list in 2020, although the manager continued to engage with the company. The company has now introduced a deforestation policy, made progress in relation to lower-impact products, and has introduced a commitment to reaching carbon neutrality by 2050, covering all scopes of emissions. As a result, the company were removed from the managers divestment list and have been reincluded in relevant funds.

The manager will continue to engage with the company, and would like to see further improvements including the inclusion of cattle within the deforestation policy, Scope 3 emissions calculations and targets, and a commitment to certify targets with SBTi or other independent parties. Climate change and biodiversity are both components of our environmental priority stewardship theme, and the Trustees will continue to engage with the manager on these issues and request progress updates in relation to this company and other similar engagements.

Section 4: Reporting on voting in listed equity

Key messages



- Include a link to voting records.
- Use case studies that show voting policies in action.
- Be clear about the use of external service providers.

Principle 4 of the 2026 Code asks signatories to actively exercise their rights and responsibilities. This Principle corresponds to Principle 12 of the 2020 Code. When reporting against this Principle, signatories should explain the rationale for some of their voting decisions, and include a link to their full voting record.

Demonstrating thoughtful decision-making

The 2026 Code asks for examples showing how signatories have voted during the year in the Activities and Outcomes Report.

Effective examples may include, but are not limited to:

- 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 or information.
- 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.

Legal and General Asset Management, Active Ownership 2024 Report, page 71 *Asset Manager*



Legal and General Asset Management explain the rationale for their vote to support a resolution against management recommendation, detailing their interaction with the company, the outcome of the vote, subsequent actions of the company and their continued engagement on the matter.

Identify

Apple is among several companies that have outsized influence on the integration of AI into our economy. We believe companies like Apple should be transparent in their use of AI and risk management processes. We are concerned that Apple discloses very little about its approach to managing AI risk, and that it is behind its peers on the disclosure of policies and guidelines.

Engage and escalate

We engaged with Apple twice in 2024; once before the AGM to discuss a shareholder resolution that had been filed, asking it to produce a transparency report on the company's use of AI in its business operations, and also to disclose any ethical guidelines that it has adopted regarding the use of AI technology. While Apple has announced general plans to further develop its use of generative AI and other capabilities, it provides very little about its approach to managing AI-related risks or principles and guidelines on their use, putting the company behind its peers and increasing its exposure to potential regulatory and other risks. The company did not commit to increasing transparency and disclosures around AI at the time. Given the significance of this topic and Apple's position as a market leader in the tech industry, we pre-declared our voting intention on our blog. (Continued on next page)

Legal and General Asset Management, Active Ownership 2024 Report, page 71



Asset Manager

Outcome and next steps

Shareholder support for the resolution was substantial, with 37.5% voting in favour of this proposal.

In the months following the AGM, Apple published its responsible AI principles. We held a subsequent meeting with the company to better understand its approach to AI governance and risk management. While we found the principles to be a helpful start, the disclosures did not fully align with our expectations, particularly with regard to risk management.

AI risks and opportunities vary with each company and we value these engagements in helping us understand the hurdles companies face in meeting our expectations. We look forward to future engagements on this topic and will monitor Apple's progress on our expectations ahead of its AGM in early 2025.

Reporting effectively on use of the services of proxy advisors

Effective reporting demonstrates how proxy advisors' research has been used to inform voting decisions.

TrinityBridge, Stewardship and Responsible Investment Report, page 58



Asset Manager

TrinityBridge describe how they reached their decision to vote, and explain the vote in context of previous engagement with the company.

Issue

We hold a large stake in a British management consulting company and have engaged with them over the previous four years to voice our support for a refreshed Board membership and greater independence (please see our previous Stewardship and Responsible Investment Reports).

Process

During the reporting period, we engaged with the company via email, phone calls, and in-person meetings. Ahead of the company's AGM, our proxy voting research (which was aligned with our custom policy) suggested that we vote against the re-election of two non-independent directors, given that they both sat on the Audit and Remuneration Committees. The membership of these committees was not comprised of enough independent directors to be aligned with UK best practice recommendations for a company of their size. However, one of these two directors had been replaced on the audit committee with a new, independent non-executive director.

Outcome

Although we believe there is still progress to be made towards independence on Board committees and within the overall composition, we were pleased to see progress achieved, and therefore decided to show our support for the changes and voted in line with management on the director re-elections, along with a majority of shareholder voters. The two directors were re-elected and we continue to engage with the company through email and meetings to continue to push for greater independence.

Voting examples which demonstrate voting policy in action

The Policy and Context Disclosure requires explanation of the voting policy, while the Activities and Outcomes Report expects signatories to show how that policy was applied during the reporting period. Rather than restating the policy, explain how the principles of the voting approach influenced actual decisions.

Capital Group, UK Stewardship Code Report 2025, page 80 *Asset Manager*



Capital Group describe how they have tailored their voting policies to local market practices. They explain how ongoing engagement has led them to vote on capital allocation.

Case study: Proxy voting on capital allocation in Japan

Shin-Etsu Chemical, based in Japan, is one of the world's largest chemical companies. Despite the company's excellent track record in profit growth, Shin-Etsu's capital allocation has been an area of concern for one of our equity investment analysts. Shin-Etsu has long maintained a net cash balance sheet and cross-shareholdings with financial institutions, and it has lacked sufficient shareholder payout policies and disclosures.

Capital Group has investment professional-led proxy voting procedures and principles reflecting local market practices and expectations. In Japan, we consider voting against management proposals if the total net profit payout in dividends and share buybacks is below 50%. In 2022, one of Capital Group's equity investment units voted against the company's dividend proposal as the investment analyst viewed the company's capital allocation policy, which was to deliver a payout ratio of around 35% plus flexible buybacks, as insufficient, due to high levels of cash on the balance sheet and strong cash flow. Since then, the analyst has engaged with the company on this topic and shared best practices on how to improve disclosures on its capital allocation policy to shareholders.

Shin-Etsu subsequently started using return on capital as one of their key performance indicators, instead of just profit growth. The company also clarified its payout policies and raised its payout target from ~30% to ~40% (as at 2024). In addition, Shin-Etsu started repurchasing shares when they viewed their shares being undervalued by the market. They also made two large repurchases from cross-shareholding financial institutions to improve return on equity.

Our investment analyst continues to engage with the company on corporate governance-related issues and views enhanced disclosure of the company's capital allocation policies as beneficial to understanding the company's risks and opportunities and its long-term value drivers. The relevant equity investment unit supported the dividend proposal at the company's 2024 AGM.

Section 5: Reporting on stewardship in non-public equity asset classes

Key messages



- Good reporting on engagement in any asset class clearly sets out the purpose, method and outcome of engagement.
- Investors in private markets funds managed by general partners (GPs) should describe the monitoring of and engagement with their GP.
- In non-public equity asset classes, although disclosable voting opportunities may be limited, reporting should still cover how rights and responsibilities are exercised.

We have seen an increase in coverage of stewardship in non-equity asset classes in signatory reporting. For those who focus on non-equity asset classes, the [guidance for the 2026 Code](#) offers some suggestions to help effective reporting on stewardship activities. We have selected some examples of reporting on stewardship outside of listed equity to the 2020 Code that would also be suitable for the 2026 Code.

Exercising rights and responsibilities

Investors in non-public equity asset classes have the opportunity to exercise rights and responsibilities, although that influence may be greatest at the pre-investment stage. For example:

- Investors in real estate may exercise rights and responsibilities by setting lease conditions for tenants.
- In private equity, while it may not be appropriate to disclose votes at the unlisted companies invested in, engagement may be undertaken or board seats held.
- In fixed income or private credit, signatories may seek to influence loan terms.



Alcentra, a provider of private credit, demonstrate how they embedded their stewardship priorities at the pre-investment stage. Their reporting explains the changes they made to the key performance indicators embedded in the loan documentation and why they were made.

Exercising rights and responsibilities at the pre-investment stage

In Q3 2024, we engaged with a digital advertising services company to embed ESG KPIs into their loan documentation. The company initially proposed three KPIs: increasing climate awareness among suppliers, enhancing employee engagement, and improving ESG awareness among senior leadership.

Alcentra suggested enhancements to make these KPIs more impactful, including:

1. Measuring scope 1, 2, and 3 emissions to increase climate data disclosure and reduce emissions;
2. Using tangible survey outputs and scores for employee engagement initiatives to improve wellbeing, training, and retention;
3. Detailing senior management's involvement in the ESG program, including assessment methods.

Implementing these enhanced KPIs helps portfolio companies assess the impact of their initiatives and encourages broader ESG improvements among stakeholders. The company agreed to these ambitious KPIs and committed to working with Alcentra on the monitoring, evaluation, and review of the specified targets, adjusting margin ratchets, and increasingly raising the bar for sustainable goals.

Reporting on engagement

The key features of effective engagement reporting are consistent across both equity and non-equity asset classes, as explained in the [guidance](#) to the 2026 Code and in [Section 2](#) of this report. We already see some good examples of reporting on engagement that illustrate the approaches used in different asset classes.

For private equity firms investing directly in companies, engagement with investees is key for active ownership. Engagement may be undertaken on a range of topics at the same time and throughout the life cycle of the investment. Reporting on these engagements can help the reader to understand the nature of the relationship between investor and investee. Where there are concerns about maintaining the confidentiality of these discussions, companies can be anonymised, with a description about the sector or industry to which they belong.



Arcus Infrastructure Partners document how they ensured their stewardship priorities were incorporated into governance structures, policy development, and enhanced reporting practices at an investee company. The reporting provides transparency on how Arcus worked with the company to establish KPIs, improve disclosures, and identify future development areas.

Highlighting the nature of the relationship between a private equity manager and an investee.

Background

Arcus acquired eze.network GmbH ("EZE") in June 2024, an independent electric vehicle Charge Point Operator head quartered in Munich, Germany. The company develops, operates and owns electric vehicle charging infrastructure in on-street municipal car parking spaces. EZE was established in 2019 and currently owns and operates over 1,000 charge points across several key German metropolitan areas. EZE partners with cities and municipalities to develop and operate charging infrastructure under long-term contracts.

Objectives

Following the acquisition, the Arcus asset management team has established an appropriate governance structure and initiated monthly reporting materials of the Company's financial and non-financial performance.

Outcome

Arcus established a strong and effective board with two Arcus representatives appointed. In December 2024, EZE collaborated with the Asset Management team on the development of its ESG policy. Arcus worked closely with the company to refine its periodic reporting. Additional monitoring and reporting areas were identified, including a focus on non-financial KPIs related to ESG. EZE Network reported for the first time on SFDR PAIs for reporting year 2024, including Scope 1, 2 and material Scope 3 GHG emissions in line with GHG protocol. Several workshops have been organised at the end of 2024 to identify further ESG development areas to establish policies, procedures and KPI targets. The exercise has allowed both the Arcus asset management team and EZE management to highlight the key priorities for 2025.

Fixed income investors are often significant providers of capital to issuers and can use this influence to engage. Clear reporting on these engagements helps demonstrate how stewardship is integrated into the investment process for fixed income.



HSBC Global Asset Management's example of engagement with an Asian company describes how its stewardship and fixed income teams work together. The reporting provides a clear and structured account of long-term engagement, outlining specific objectives, actions taken, and progress achieved, offering transparency into how stewardship concerns are being addressed over time.

Sector: Energy | Region: Asia | Themes: Human Rights

Teams involved: Stewardship, Regional Fixed Income

Progress status: Addressing some of our concerns

Other tags: ESG Due Diligence

Background

The company has been assessed by Sustainalytics as non-compliant with the United Nations Global Compact (UNGC) Principles since 2007. It has been flagged due to its involvement in human rights violations committed by authorities in conflict-affected countries where it operates (Sudan, South Sudan, and Myanmar). As a result, the company has been restricted from ESG & Sustainable strategies.

Key objectives

1. Provide updates on their strategy to exit Sudan, South Sudan, and Myanmar, as they had alluded to in prior years.
2. Adopt the United Nations Development Programme (UNDP) guidance to conduct heightened human rights due diligence in conflict-affected areas.
3. Engage with joint venture and local partners to develop human rights policies and due diligence processes.

Engagement

We have engaged with the company on human rights since 2021 on their alignment with global human rights standards, conducting human rights due diligence processes, exit strategy considerations, responses to ESG data providers assessments, and disclosures of their human rights practices. In 2023, we were encouraged by the company's confirmed exit from Myanmar and affirmation of their commitment to human rights in Sudan and South Sudan. We shared our recommendations and good practice resources, such as the UNDP guidance, for the company to consider adopting.

During 2024, we continued engagement with the Group CFO on the company's progress on its exit strategy from Sudan and South Sudan. We learned about its divestment from all their operations in South Sudan, although there is still some exposure in Sudan.

Related voting activities

None

Monitoring general partners

Private equity managers investing through a GP can report on engagement with the GP under Principle 5, demonstrating how the GP is being monitored to ensure that they are meeting stewardship expectations. Effective reporting links this engagement to stewardship priorities.

Hamilton Lane, UK Stewardship Code 2025 Report, page 51

Asset Manager



Hamilton Lane describe how they engaged with their GP, seeking clarification on the GP's policies and procedures. The reporting gives an insight into their monitoring process, sets out the response from the GP and explains why Hamilton Lane were satisfied with the GP's response.

Monitoring an external manager **2024 Environmental Event Engagement**

Through our proactive monitoring, Hamilton Lane was alerted to an ESG event regarding potential PFAS and PFOS contamination in streams and soils due to runoff from a nearby manufacturing plant. Hamilton Lane noted these were serious allegations given the nature of the chemicals and immediately alerted the Responsible Investment Committee for further discussion.

We are dedicated to ensuring that those we invest alongside have proper procedures and protocols in place to manage environmental incidents that may occur. We also noted the public health risk of the incident and the Responsible Investment Committee decided it was necessary for the deal team to engage with the general partner.

Hamilton Lane received comprehensive feedback from the general partner on the incident. Given their engagement with the Company through diligence and ongoing management of the business, they were able to communicate to us that the plant had stopped using PFOS over ten years prior and had since upgraded their wastewater treatment facility to manage the PFAS exposure. The current level of PFAS exposure was below the most stringent discharge limits for the industry and adhered to the Company's discharge permit allowance.

Given the thoughtful and extensive response from the general partner, which covered both historical and recent data, we were satisfied with the efforts taken by the Company to mitigate the issue. Our active engagement allowed for reassurance that the issue was well handled and did not pose a risk to the local community.

Section 6: Service Providers Code

Key messages



- All service providers: explain how client objectives inform services and demonstrate evidence of meaningful engagement with them.
- Proxy advisors: show robust processes for accuracy and transparency in research, and how stakeholder dialogue improves quality of services provided.
- Investment consultants: demonstrate how stewardship priorities shape manager selection processes, oversight, and integration of systemic risks.
- Engagement providers: explain how engagement priorities are set, describe the approach and methods used, and show evidence of progress or escalation where necessary.

There are four Principles in the 2026 Service Provider Code: the first applies to all signatories and emphasises the importance of understanding client objectives and delivering services that support them. The remaining three Principles are tailored to specific service provider types – proxy advisors, investment consultants, and engagement providers. Organisations offering multiple services may report against more than one Principle to reflect the full scope of their activities.

Principle 1 – Understanding and supporting client objectives

Reporting under Principle 1 provides an opportunity to explain signatories' work with clients, how it is delivered, and how those services support the clients' stewardship goals.

Effective reporting demonstrates how clear two-way communication is maintained so that services remain aligned with clients' strategies and responsive to their evolving needs. For investment consultants, reporting should also cover how clients' stewardship priorities are reflected in manager recommendations and how managers are overseen to ensure delivery against expectations.

Where relevant, we would also expect reporting on any training or educational support provided to help clients build the knowledge and confidence needed to make informed decisions.

Hymans Robertson, Stewardship Code Report 2024, page 28

Investment Consultant



Hymans Robertson describe how they have worked with a client to address their requirements for a specific strategy, and the outcome.

Working with clients to make impact allocations

Our client sought to allocate to a real estate strategy, wanting to weave in impact credentials by making sure they achieve additionality, intentionality and measurability, but not to the detriment of returns. We explored a range of social and environmental themes with our client and how they may be translated into real estate investment, concluding that climate change and the drive for energy efficiency offered the more attractive opportunity.

Working in conjunction with our client and their pool, we were able to help identify and test an appropriate solution, gaining comfort that the themes being targeted and the financial return sought could be achieved. Further, by collaborating with the pool, our client was able to help create a solution that was more broadly available.

Principle 2 – Ensuring quality and accuracy in proxy advisor services

Across the Policy and Context Disclosure and the Activities and Outcomes Report, both policies and examples of the application of those policies should be reported on.

Better reporting by proxy advisor signatories uses case studies to describe the different approaches provided to different clients, or any regional differences in service provision or policy application.

Reporting should also cover examples of how and where signatories have engaged with stakeholders, where they have done so in the reporting year.

Glass Lewis, 2024 UK Stewardship Report, page 38

Proxy Advisor



Glass Lewis describe a change to a voting policy guideline made in the year due to market developments and investor views.

[In] 2024, Glass Lewis made key changes to its benchmark voting guidelines for UK companies. These changes were prompted by, among other things, evolution in investors' views on corporate governance issues, changes to the listing rules made by the UK Financial Conduct Authority in July 2024, and emerging technology. As more fully discussed in our 2025 UK benchmark policy guidelines themselves, those changes included –

Director Tenure

Previously, in cases where the tenure of the chair of the board exceeded nine years and a delineated timeline for succession was not provided, our benchmark policy would generally recommend against the chair of the nominations committee. However, given the general market acceptance of a wide range of rationales when extending the tenure of a board chair beyond nine years, Glass Lewis updated its benchmark policy on director tenure to outline that it will assess the rationale provided on a case-by-case basis.

Principle 3 – Identifying and responding to market-wide risks

Better reporting demonstrates how signatories have supported their clients and clearly explains the services provided. This could be reported effectively using case studies, examples, or process explanations or diagrams.



Redington describe the framework they use to support clients with regard to climate transition plans and articulate the areas in which they support clients to develop and progress.

Actioning Climate Transition Plans

Many of our clients have set climate targets over the past several years. Through 2024 we worked with them to articulate and start to implement Climate Transition Plans. Transition plans are strategic action plans that organisations (including investors) develop to document the actions they are taking to meet their climate commitments, taking to meet their climate commitments, and the timeframes over which they are delivering these actions. These plans are vital as they allow for the articulation of a holistic strategy towards Paris alignment, net zero or any other climate ambitions that have been set. We utilised the existing public guidance on Climate Transition Plans to design a proprietary framework to help clients work through a holistic climate strategy. This focuses on the four levers that can be pulled to make progress towards climate objectives. The four levers are summarised by our IDEAs framework:

Investment: Involves increasing allocations to climate solutions. For example, investing in activities aligned with the climate transition, such as renewable energy and natural capital.

Divestment: Focuses on reducing existing investments that are not aligned with an investor's climate goals, where there is no or little scope for engagement for change.

Engagement: Involves engaging with fund managers and underlying companies to encourage better delivery of their own decarbonisation trajectories.

Advocacy: Focuses on advocating for policies that support climate goals. It includes influencing the regulatory, legislative, and standards landscape to promote practices in line with climate goals.

Outcome

We walked our clients through our IDEAs framework, considering their climate objectives, governance structures, and overall investment strategy to allow them to articulate a complete Climate Transition Plan. The clients in question are now working on implementing these plans.

Principle 4 – Delivering engagement services

Better reporting offers detailed examples that show the purpose of engagement, the methods used, whether bilateral or collaborative, and the outcomes or next steps. Where progress is limited, reporting should also explain how clients have been supported in escalating issues, where appropriate. For example by coordinating collaborative initiatives or intensifying engagement with issuers.



EOS at Federated Hermes explain their engagement over a number of years with a company, setting out their objectives, outcomes during the engagement process and planned next steps.

**Case study: Social
Roche Artificial Intelligence**

Roche is a Swiss healthcare company. Our aim for Roche was to develop and publish principles on how it uses artificial intelligence (AI). We began engaging with the company on this issue in 2020, discussing its management of ethical risks associated with the use of AI. We shared a copy of our paper setting out investors' aspirations on responsible AI and data governance to outline what we would expect.

In subsequent engagements in 2022 to 2024, Roche showed its advanced thinking on this topic. For example, it explained that the collection of millions of patients' data reduced bias but that fair demographic representation remained an issue in the industry. The company was working with ethicists to ensure that datasets used in algorithms were representative of the entire population.

In 2023, we continued to challenge the company on the development and disclosure of its AI policy. In July that year, we asked for a further update. Whilst the company had recently published its data ethics principles, this document excluded concepts relating to AI as the company considers that this complex topic is worthy of a separate future guidance document.

In a 2024 engagement meeting, we welcomed the publication of a new document with a set of principles to guide the ethical use of AI as this is something we had been requesting for several years. We noted the CEO's letter in the latest annual report indicating the increased use of AI at all stages of the drug development process. Following our last engagement with the company, we agreed to discuss AI in greater depth at our next meeting.

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