Mr. Richard Moriarty
CEO
Financial Reporting Council
125 London Wall
London
EC2Y 5AS

26 August 2025

Dear Mr. Moriarty,

Subject: Response to UK Stewardship Code 2026 Guidance

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the UK Financial Reporting Council's (FRC) consultation on the UK Stewardship Code 2026 Guidance ("the Code").

Led by investors responsible for assets under management of >US$90 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*[1], written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

We welcome the FRC's collaborative approach to developing this guidance and offer the following observations, organized into general comments, specific comments, and feedback and review recommendations.

General Comments

- **Distinction between mandatory and voluntary elements**
    - As you will be aware, Stewardship Code signatory status is highly prized and as such there is a lot of focus from our members on ensuring that they fully understand the requirements of the Code and the criteria applied by the FRC in assessing potential signatories reporting.
    - We appreciate the FRC's efforts to be clear about the reporting expectations for applicants to the Code. However, amongst our membership there remains some uncertainty as to the distinction between mandatory and voluntary elements of the reporting, based on the wording in the Code and the guidance.
    - Our understanding is that:
        - The Policy and Context Disclosure has reporting requirements which are mandatory reporting requirements which form the basis of your assessment of the Policy and Context Disclosure.

[1] https://www.icgn.org/principles

        - The ‘how to report’ prompts in the UK Stewardship Code indicate information that you expect organisations to include in their annual Activities and Outcomes Report, and form the basis of your assessment of reporting quality – essentially, that they are also mandatory reporting requirements.
        - It would be helpful for the FRC to confirm if this understanding is correct.
    - There is some confusion about the extent to which the guidance is additional required disclosures or genuinely voluntary ideas for consideration, and as such some members are concerned that failure to report against certain items in the guidance could potentially result in the loss of signatory status. It would be helpful for the FRC to make a clear statement about the extent to which application of the guidance is considered as part of your assessment process.
    - While we understand the FRC’s caution about checklist-based reporting, a clear articulation of expectations would help reduce confusion and promote consistency and comparability across stewardship reporting.

- **Breakdown between types of engagement**
    - Across the investment chain and the industry, there are many different interpretations of the term “engagement”. As you rightly note in your guidance, this engagement can take many forms and have a variety of goals.
    - We believe it would be helpful for signatories to be required to define the different types of engagements that they undertake and to clearly report on each type of engagement. This would help improve clarity and comparability across reports.
    - To enhance comparability of these definitions, we suggest that the FRC provide optional prompts or “things to consider”, similar to your case study guidance, to guide firms when developing their definitions.

- **Reporting for different roles across asset owners and asset managers**
    - Some ICGN members found the boundary between asset owner and asset manager reporting responsibilities to be unclear.
    - For example, should asset managers be required by their asset owner clients to provide bespoke case studies for their own asset owner reports? Or can Asset Owners simply point to the stewardship reports of their external managers?

- **Pass-through voting and stewardship choice**
    - Some ICGN members noted the limited reference to multiple stewardship approaches in one organisation, including the uptake of bespoke stewardship programmes, pass-through voting, or separate account voting in the guidance.
    - More explicit consideration of this complexity in the day-to-day application of stewardship would help signatories reflect their particular stewardship approaches and to navigate expectations across their clients or external managers.

- **Post-implementation review and ongoing updates to the guidance**
    - Given the difficulty in fully assessing the guidance prior to its use, we support a formal post-implementation review after the first year of reporting.
    - This will help surface real-world issues and could be accompanied by the development of further examples or refinements to the guidance.
    - To ensure the guidance remains fit for purpose, we recommend establishing a regular review cycle. This would enable structured stakeholder feedback in response to market developments or emerging challenges.

Specific Comments

- **Paragraphs 34 and 35: Risk of unintended consequences**
    - Paragraphs 34 and 35 may inadvertently suggest that capital allocation, succession planning, external board evaluations, climate strategies, treatment of employees and board and company diversity are primarily relevant to listed equity only.
    - We appreciate that this is not likely to be the FRC's intention but believe that this section should be redrafted. These issues are material across a range of asset classes.

- **Guidance for a broader range of asset classes**
    - As stewardship best practice continues to develop across the full range of asset classes, we believe it would be helpful for the FRC to continue to develop a more fulsome set of guidance and examples of good stewardship reporting across these different investments.
    - For example, further guidance on how escalation can be conducted in alternative asset classes would be beneficial, particularly for multi-asset managers.

- **Paragraph 70: Resourcing**
    - While we agree that individual biographical information should not be required, we believe it may be helpful for the FRC to encourage service providers to disclose the background, training, and education of their staff related to their stewardship service provision.
    - This would promote greater transparency and support informed use of their outputs by clients.

- **Proxy advisors**
    - It may be helpful to refer explicitly to the Best Practice Principles Group's reporting expectations for proxy advisors.

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Comments on Feedback and Review Process

ICGN would also like to raise some questions and suggestions about the FRC's assessment and feedback process. ICGN members appreciate that the FRC does not want to create a checklist or encourage a tick box approach. We also understand that there is an inherent tension between upholding high standards of stewardship reporting and creating a process that allows for as many signatories to be successful as possible.

Given that background we suggest:

- **Written feedback to all signatories**
    - ICGN members greatly value the written feedback they receive from the FRC and would prefer that they continue to receive written feedback from the FRC following the first reporting cycle.
    - They also believe that bilateral feedback meetings can be a useful supplement.

- **Assessment process from year two onwards**
    - We support the use of a transitional approach for the assessments of the first year of reporting.
    - However, after that year, to maintain the focus on high standards, the opportunity for resubmission should cease and standard assessment procedures, potentially resulting in the loss of signatory status, should apply.

- **Clarification of how you will approach "individual engagement" with signatories and applicants**
    - The guidance refers to the FRC conducting "individual engagement as appropriate" during the 2026 transition year.
    - We recommend clarifying whether this means the FRC will be available for engagement meetings only for new signatories or for any signatory upon request.
    - Additionally, we believe the FRC should consider continuing targeted engagement beyond the transition year, particularly where a signatory may be at risk of losing their status.

ICGN commends the FRC for its thoughtful approach to updating the stewardship framework and for seeking stakeholder input on the guidance. We remain committed to supporting high standards of stewardship globally and we believe the UK Stewardship Code continues to play a vital leadership role in this area.

We would welcome the opportunity to participate in a roundtable or similar forum to further explore the themes raised in this letter, and we look forward to continued engagement throughout the implementation process, as well as during the recommended post-implementation review. If you would like to follow up with questions or comments, please contact Thomas Stables, Junior Policy Analyst (policy @icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson
Chief Executive Officer, ICGN